

Stock Code: 1589



Yeong Guan Energy Technology Group Co., Ltd.

2016 ANNUAL REPORT

Taiwan Stock Exchange Market Observation System <http://mops.twse.com.tw/>
This annual report is available at <http://www.ygget.com/>

Printed on May 5, 2017

I. Spokesperson and Deputy Spokesperson:

Spokesperson

Name: Tsai, Shu-Ken

Title: Vice Chairman

Tel: (86)574-8622-8866

E-mail address: andy@nbys.com.cn

Deputy Spokesperson

Name: Chang, Wen-Lung

Title: Director and Executive Vice

President

Tel: (886)3-483-9216

E-mail address: wl.chang@nbys.com.cn

II. Headquarters and branches (contact information)

(a) Company information:

Name: Yeong Guan Energy Technology Group Co., Ltd.

Address: Cricket Square, Hutchins Drive, PO Box 2681, Tel: (86)574-8622-8866
Grand Cayman, KY1-1111, Cayman Islands

(b) Corporate HQ:

Address: No.95, Huanghai Rd., Beilun Dist., Ningbo City, Zhejiang Province, China

Tel: (86)574-8622-8866

(c) Subsidiaries:

1. BVI Subsidiary

Name: Yeong Guan Energy Holdings Co., Ltd. Tel: (86)574-8622-8866

Address: OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin
Islands

Taiwan Branch

Address: 4F, No.89, Xinhua 1st Rd., Neihu Dist., Taipei City Tel: (886)27198-7198

Name: Shin Shang Trade Co., Ltd. Tel: (86)574-8622-8866

Address: OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin
Islands

Taiwan Branch

Address: 4F, No.87, Xinhua 1st Rd., Neihu Dist., Taipei City Tel: (886)27198-7198

2. Taiwan Subsidiary

Name: Yeong Chen Asia Pacific Co., Ltd. Tel: (886)3-483-9216

Address: No.502, Chenggong 1st Rd. Guanyin Township, Taoyuan County

Name: Yeong Chen Asia Pacific Co., Ltd., Taichung Branch Tel: (886)3-483-9216

Address: 2F, No. 288, Zhonger Rd., Wuqi District, Taichung City

Name: New Power Team Technology Co., Ltd. Tel: (886)3-386-7671

Address: No. 9, Minquan Rd., Dayuan District, Taoyuan City

3. Hong Kong Subsidiary

Name: Yeong Guan Energy International Co., Ltd. Tel: (86)574-8622-8866

Address: 1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong

4. Mainland China Subsidiaries

Name: Dongguan Yeong Guan Mould Factory Co., Ltd. Tel: (86)769-8773-9480

Address: Yinquan Industrial Zone, Qingxi Town, Dongguan City, Guangdong
Province, China

Name: Ningbo Yeong Shang Casting Iron Co., Ltd. Tel: (86)574-8622-9800

Address: No. 1, Gangkou Rd., Beilun Dist., Ningbo City, Zhejiang Province, China

Name: Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Tel: (86)574-8627-5777

Address: No. 28, Dinghai Rd., Economic and Technology Development Zone,
Zhenhai Dist., Ningbo City, Zhejiang Province, China

Name: Ningbo Yeong Chia Mei Trade Co., Ltd. Tel: (86)574-8622-8866

Address: No.95, Huanghai Rd., Beilun Dist., Ningbo City, Zhejiang Province, China

Name: Jiangsu Bright Steel Fine Machinery Co., Ltd. Tel: (86)519-8089-5588

Address: No.9, Yueming Rd., Tianmuhu Industrial Zone, Liyang City, Jiangsu
Province, China

Name: Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.

Tel: (86)512-8287-0666

Address: No.999 Laixiu Road, Fen Lake Economic Development Zone,

Wujiang

Name: Shanghai No. 1 Foundry Trading Co., Ltd. Tel: (86)21-61252095
Address: Room No.312, Haiboxin Building, No. 829, Yishan Rd., Xuhui District, Shanghai

Name: Ningbo New Power Team Technology Co., Ltd. Tel: (86) 574-8682-8108
Address: No. 647, Xin Qi Bo Hai Rd., Beilun District, Ningpo City, Zhejiang Province, China

5. Thailand Subsidiary

Name: Yeong Guan Heavy Industry (Thailand) Co., Ltd. Tel: (81)2-437-9337
Address: 622/15 Rama II Road, Samaedam sub-District Bangkoontien District, Bangkok.

6. Samoa Subsidiary

Name: LIZHANLIMITED Tel: (886)3-386-7671
Address: Offshore Chambers, P.O. Box 217, Apia, Samoa

III. Contact information of Litigation/Non-litigation Agent in the Republic of China:

Name: Chang, Wen-Lung
Title: Director and Executive Vice President
Tel: (886)3-483-9216
E-mail address: wl.chang@nbys.com.cn

IV. Stock Transfer Agent:

Name: Capital Securities Corp., Registrar Agency Department
Tel: (886)2-2702-3999
Address: B2, No.97, Dunhua South Rd., Daan Dist., Taipei City
Website: <http://agency.capital.com.tw>

V. Contact information of CPA for the latest Annual Financial Report:

Accountant name: Li, Tung-Feng, Kung, Che-Li
Name of Accounting Firm: Deloitte & Touche
Tel: (886)2-2545-9988
Address: 12F, No.156, Sec.3, Minsheng East Rd., Taipei City
Website: <http://www.deloitte.com.tw>

VI. Overseas Securities Exchange Name and Query Method: NA

VII. Corporate Website: <http://www.ygget.com/>

VIII. List of board members:

Title	Name	Nationality	Professional Background
Chairman of the board	Chang, Hsien-Ming	ROC	Chairman of Yeong Guan Energy Technology Group Co., Ltd.
Board director	Tsai, Shu-Ken	ROC	President of Shieh Yih Machinery Industry Co., Ltd.
Board director	Chang, Cheng-Chung	ROC	Chairman of San Ho Electric Machinery Industry Co., Ltd.
Board director	Chang, Wen-Lung	ROC	President of Yeong Guan Mould Factory Co., Ltd.
Board director	Chen, Wu-Chi	ROC	Vice President of Yeong Guan Mould Factory Co., Ltd.
Board director	Gong, Xing-Yuan	ROC	Vice President of Suzhou Liangchi Motor Co., Ltd.
Board director	Huang, Wen-Hung	ROC	Vice Director of Marketing & Sales Department, Chi Mei Optoelectronics Corporation and Director of Global Sales Support Service Department
Independent director	Chen, Ching-Hung	ROC	President of Radium Life Tech Co., Ltd.
Independent director	Chang, Cheng-Lung	ROC	Chairman of Li You Da Investment Co., Ltd.
Independent director	Wei, Chia-Min	ROC	Vice President of Metal Industries Research & Development Center

May 5, 2017

Table of Contents

I.	Letter to Shareholders.....	6
II.	Company Profile	8
	1. Company and Group Profile	8
	2. Company history.....	9
III.	Corporate Governance Report.....	12
	1. Organization.....	12
	2. Data on directors, supervisors, presidents, vice presidents, associate general managers, and executives of all departments and branch organizations	14
	3. Implementation of Corporate Governance	26
	4. Professional fees of CPAs	48
	5. Replacement of CPAs	48
	6. The Chairman, President, or executives in charge of finance or accounting affairs were employed in the accounting firm the CPAs are part of or related businesses in the most recent fiscal year	48
	7. Transfer of stocks or changes in pledged shares of directors, supervisors, and executives, and shareholders holding over 10% of the total shares in the most recent fiscal year up to the publication date of the annual report	48
	8. Information Disclosing the Relationship or Spousal or Kinship Relationships within the Second Degree between any of the Company's Top Ten Shareholders	51
	9. Number of shares held and consolidated shareholding ratio of the company, directors, supervisors, executives, and businesses directly or indirectly controlled by the company in the same joint venture business.....	52
IV.	Capital Overview	53
	1. Capital and shares	53
	2. Current Status of Company Bonds	60
	3. Preferred shares	61
	4. Overseas depository receipts	61
	5. Employee stock option certificates.....	61
	6. Restricted Employee Shares Compensation.....	62
	7. Status of New Shares Issuance in Connection with Mergers and Acquisitions	62
	8. Implementation of fund utilization plans	62
V.	Operations Overview.....	63
	1. Business activities	63
	2. Market and sales overview.....	93
	3. Number, average years of service, average age, and level of education of employees engaged in different fields in the two most recent fiscal years up to the publication date of the annual report	114
	4. Environmental protection expenses	114
	5. Labor-Management Relationship	114
	6. Critical Contracts	116
VI.	Financial Summary	122
	1. Summarized balance sheets and consolidated income statements for the	

	last five years	122
	2. Financial analysis for the last five years	125
	3. Audit Committee’s Review Report over the Latest Year Financial Statements	129
	4. The Latest Year Financial Statement audited and attested by CPAs	130
	5. Latest individual financial statements audited and attested by CPAs.....	130
	6. In the latest year and as of the date when annual report was published, occurrence of financial difficulty which poses influences over the Company’s financial situation	130
VII.	Financial Status and Financial Performance Analysis and Risk Issues	131
	1. Financial Status.....	131
	2. Financial Performance	132
	3. Cash Flow	133
	4. Influence on finance business from major capital expenditure in the latest year.....	133
	5. Investment strategy for the latest year, main reason(s) for gain or loss, improvement plan and investment plan for the upcoming year	133
	6. Risk Analysis and Assessment	136
	7. Other Critical Matters.....	143
VIII.	Special Matters Documented	1
	1. Subsidiary Related Information.....	1
	2. In the latest year and as of the date when this annual report was published, any cases of securities private placement.....	4
	3. In the latest year and as of the date when this annual report was published, cases of subsidiary holding or disposing the Company’s shares	4
	4. Other necessary supplementary explanation	4
	5. Explanation of major differences from ROC shareholder equity protection regulations.....	4
IX.	In the latest year and as of the date when annual report was published, occurrence of events with significant effect on shareholder’s equity or securities prices as prescribed in Clause 2, Paragraph 2, Article 36 of Securities & Exchange Law	7

I. Letter to Shareholders

Allow me to take this opportunity to welcome you to the 2017 Annual Shareholders Meeting and express my deep gratitude for your continued support and engagement. Our business operations in 2016 may be summarized as follows:

1. Operating performance in 2016

(1) Business plan implementation results:

In 2016, the consolidated revenue of Yeong guan Group amounted to NT\$ 7.374 billion, which represents a decrease by 9.2% compared to the previous year. The output volume declined by 1% to 150,853 tons. The revenue ratios of the four main product categories (energy, injection molding machines, industrial machinery, and medical equipment) equaled 52.8%, 25.3%, 19.3%, and 2.6%, respectively. The gross profit margin of 32.8% is comparable to last year. Income decreased by 9% due to the impact of product mix changes and RMB depreciation, while the expense ratio rose from 14.2% to 17.3% as a result of plant expansion costs generated by the acquisition of Shanghai No.1 Machine Tool Foundry Co., Ltd. in 2016. To sum up, consolidated net income after tax amounted to NT\$ 997,419,000, which marks a decrease by NT\$ 351,704,000 compared to the previous year, while EPS dropped by NT\$ 3.74 to NT\$ 8.5.

(2) Budget implementation:

The projected net income after tax for 2016 was NT\$ 1,118,500,000 and the actual net income amounted to NT\$ 1,008,298,000, which represents a budget achievement rate of 90.15%.

(3) Analysis of revenues and expenditures and profitability:

Please refer to the Consolidated Comprehensive Income Statement

(4) Research and development status:

R&D investments in 2016 accounted for 2.54% of the net operating revenue. We will continue our efforts in the research and upgrade of manufacturing technologies, the shortening of product development periods, and the reduction of rejection rates in this field with the goal of a gradual enhancement of product development capabilities and technologies

2. Overview of the 2017 Business Plan:

Yeong Guan is the principal global castings supplier for major manufacturers of wind turbines, injection molding machines, and industrial machinery. The company

possesses advanced process technologies and has a firm grasp of metallurgy and engineering technologies with high-tech content. Due to its supreme product quality and stable delivery times, the company has earned the loyalty and trust of its clients. Our core competitive edge lies in our industry-leading production scope, casting techniques with meticulous attention to detail, and vertical integration capability. At the same time, we are firmly committed to pursuing revenue and profit growth superior to our competitors and the whole industry.

The projected output target for 2017 is 140,000-160,000 tons, 50% of which is expected to be energy sector castings. As for production capacity expansion, Shanghai No.1 Machine Tool Foundry Co., Ltd. already conducted trial production in 2017 and the production capacity is expected to gradually rise starting in the second half of the year. On the other hand, the fab. 1 of Jiangsu Bright Steel Fine Machinery Co., Ltd. will be expanded in the first half of 2017 to alleviate the lack of large-scale production capacities within the group. In addition, contract renewal has been completed for the current stage of the Taichung Harbor plant construction project and actual construction operations have already been initiated.

In the face of a projected growth of high-end products, Yeong Guan will continue to expand its customer base, strive to access new markets, develop new process facilities, and enhance its competitiveness. The company also aims to gain a firm grasp of long-term trends of gradually growing proportions of outsourcing with the goal of securing a leadership position in pursuit of stable growth in the ductile iron industry which is still characterized by a decentralized market structure.

Chairman:

President:

Chief Accountant:

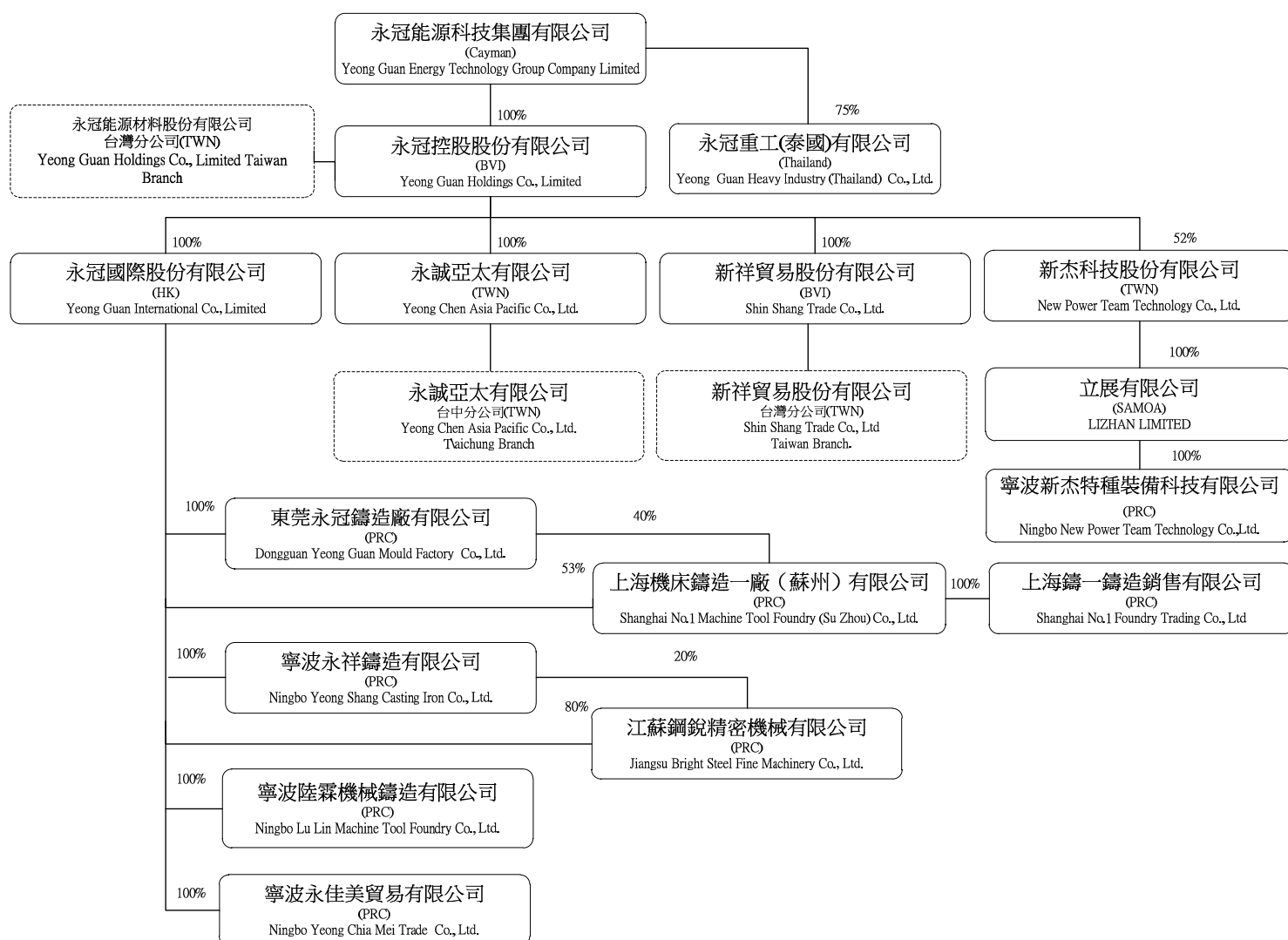
II. Company Profile

1. Company and Group Profile

(a) Date of incorporation and group profile

Yeong Guan Energy Technology Group Co., Ltd. (hereinafter referred to as “the company” or “Yeong Guan Group”) was registered and incorporated on the Cayman Islands on January 22, 2008. The group’s operations mainly focus on the manufacture and sale of spheroidal graphite cast iron and gray cast iron including hubs and bases for wind turbines, thermal power generation exhaust hoods, injection molding machine components, and castings for machine tools and other industrial machinery,

(b) Organizational framework of the group (May 9, 2017)



2. Company history

Date	Milestones
June 1995	Establishment of Dongguan Yeong Guan Mould Factory Co., Ltd.
January 1998	Establishment of Shin Shang Trade Co., Ltd.
December 2000	Establishment of Ningbo Yeong Shang Casting Iron Co., Ltd.
October 2001	Establishment of Ningbo Yeong He Xing Machinery Industry Co., Ltd.
July 2002	Establishment of Yeong Fa Trade Co., Ltd.
September 2007	Investment in Jiangsu Bright Steel Fine Machinery Co., Ltd.
November 2007	Establishment of Yeong Guan International Co., Ltd. and Yeong Guan Holdings Co., Ltd.
December 2007	Incorporation of Yeong Fa Trade Co., Ltd. into the group
January 2008	Establishment of Yeong Guan Group
February 2008	Investment in Ningbo Lu Lin Machine Tool Foundry Co., Ltd.
February 2008	Investment in Ningbo Youtian Renewable Resources Co., Ltd.
February 2008	Incorporation of Ningbo Lu Lin Machine Tool Foundry Co., Ltd. and Ningbo Youtian Renewable Resources Co., Ltd. into the group
March 2008	Incorporation of Ningbo Yeong Shang Casting Iron Co., Ltd. and Ningbo Yeong He Xing Machinery Industry Co., Ltd. into the group
April 2008	Incorporation of Jiangsu Bright Steel Fine Machinery Co., Ltd. and Shin Shang Trade Co., Ltd. into the group
April 2008	Acquisition and incorporation of Ningbo Yeong Guan Heavy Industrial Machinery Co., Ltd.
May 2008	Incorporation of Dongguan Yeong Guan Mould Factory Co., Ltd. into the group
June 2008	Establishment and incorporation of Yeong Chen Asia Pacific Co., Ltd. into the group
October 2008	Reorganization of the group completed
May 2009	First cash capital increase by a total of US\$ 16.23 million
August 2009	Second cash capital increase and investments by external investors of US\$ 30 million

November 2009	Establishment and incorporation of Ningbo Yeong Chia Mei Trade Co., Ltd. into the group
March 2010	Disposal of Ningbo Yeong Guan Heavy Industrial Machinery Co., Ltd. complete
August 2011	Yeong Chen Asia Pacific Co., Ltd. acquires a portion of the assets and operating rights of Taiwan Yeong Guan Mould Factory Co, Ltd.
April 2012	First listing of stocks on TWSE
April 2012	Third cash capital increase by a total of NT\$ 471.177 million
September 2012	Capitalization of earnings (NT\$ 120 million)
November 2013	Merger of Shin Shang Trade Co., Ltd. (continues to exist) and Yeong Fa Trade Co., Ltd.
April 2014	Merger of Ningbo Yeong Shang Casting Iron Co., Ltd. (continues to exist) and Ningbo Yeong He Xing Machinery Industry Co., Ltd.
June 2014	First issuance of convertible corporate bonds in the Republic of China (a total of NT\$ 1.5 billion raised)
July 2014	Investment in Yeong Guan Heavy Industry (Thailand) Co., Ltd.
August 2014	Fourth cash capital increase by a total of NT\$ 472 million
September 2014	Ningbo Lu Lin Machine Tool Foundry Co., Ltd. (continues to exist) absorbs Ningbo Youtian Renewable Resources Co., Ltd.
December 2014	Yeong Guan Holdings Co., Ltd. establishes a branch in Taiwan named Yeong Guan Holdings Co., Limited Taiwan Branch
April 2015	Shin Shang Trade Co., Ltd. establishes a branch in Taiwan named Shin Shang Trade Co., Ltd. Taiwan Branch
July 2015	Yeong Guan Holdings Co., Limited Taiwan Branch signs lease for land in the Taichung Harbor area
August 2015	Second issuance of convertible corporate bonds in the Republic of China (a total of NT\$ 2.5 billion raised)
October 2015	Fifth cash capital increase by a total of NT\$ 840 million
January 2016	Investment in Shanghai No. Machine Tool Foundry (Su Zhou) Co., Ltd. Investment in New Power Team Technology Co., Ltd. New Power Team Technology Co., Ltd. Investment in

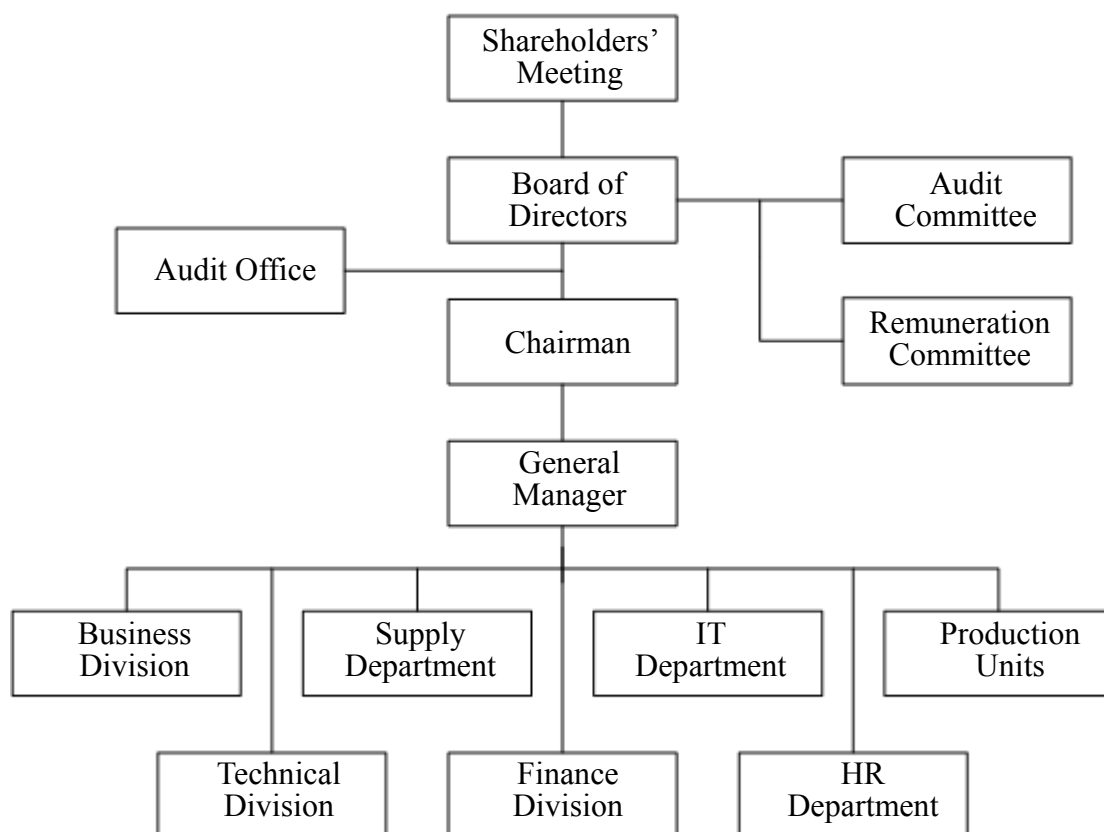
Lizhan Limited

May 2016	Yeong Chen Asia Pacific Co., Ltd. establishes a branch in Taichung
July 2016	Lizhan Limited invests in Ningbo New Power Team Technology Co., Ltd.
December 2016	Yeong Guan Holding Co., Limited Taiwan Branch completes contract exchange for land lease in the Taichung Harbo area
February 2017	Capital increase in Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. by Yeong Guan International Co., Limited and Dongguan Yeong Guan Mould Factory Co., Ltd.
March 2017	Capital increase by Yeong Guan International Co., Limited in Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd.

III. Corporate Governance Report

1. Organization

(a) Organization Chart



(b) Major Corporate Functions

Department	Functions
GM's Office	Comprehensive strategic planning and supervision and authorization of operations
Manufacturing Division	Carrying out of production tasks upon receipt of internal orders by the business division as well as quality assurance, prototype development, inventory management, health and safety controls, maintenance of plants and facilities, internal HR, general affairs, and occupational safety
HR Department	Overall management of HR, documents, general affairs, legal matters, public relations, and health and safety related matters

	for the whole group
Technical Division	Overall management of production program controls, prototype process monitoring, production program and product data safekeeping and records, external communications with regard to production technologies for the whole group
Sales Division	Planning and implementation of product, price, market, and sales channel strategies; compilation and analysis of customer and market data; formulation and implementation of business goals; market and customer development , sales, and services; building and maintenance of customer relationships and strategic partnerships; firm grasp of customer dynamics; guarantee of order sources and accounts receivable; establishment of sales channels and understanding of customer demands; effective customer services; determination and coordination of prices and delivery times of sold products
Financial Division	Overall management of accounting and tax affairs, financial budgets, capital movements, and cashier related matters
Procurement Department	Overall management of raw material and equipment procurement, maintenance project price inquiries and negotiations and procurement for the whole group
IT Department	Overall management of information system planning, establishment, and maintenance for the whole group
Audit Room	Overall management and establishment of internal audit, control, and other management systems, execution of internal audits and tracking of improvements for the whole group

2. Data on directors, supervisors, presidents, vice presidents, associate general managers, and executives of all departments and branch organizations.

(a) Directors and supervisors (the company has not established supervisor positions)

1. Director data

April 15 2017; Unit: Shares

Title	Nationality or domicile	Name	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman	ROC	Chang, Hsien-Ming	2016.06.07	4	2008.1.22	17,487,540	14.72%	12,788,540	10.76%	3,120	0.0000%	-	-	Graduation from Xihu High School of Industry and Commerce, Electronics Department Chairman, Yeong Guan Mould Factory Co., Ltd. President, Yeong Guan Mould Factory Co., Ltd. Chairman, Shin Shang Special Industry Co., Ltd. President, Shin Shang Special Industry Co., Ltd. Sales Manager, Shin Shang Special Industry Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Director, Yeong Chen Asia Pacific Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Taipin Corporation Limited Chairman, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.	Director Director	Chang, Wen-Lung Chang, Chih-Kai	Brother Son
Director	ROC	Chang, Cheng-Chung	2016.06.07	4	2009.5.29	4,844,408	4.08%	3,794,408	3.19%	2,562,261	2.16%	-	-	Oriental Institute of Technology, Electrical Engineering Department Chairman, San Ho Electric Machinery Industry Co., Ltd. Manager, Five Powers Electric Machinery MFG Co., Ltd.	Chairman, San Ho Electric Machinery Industry Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Supervisor, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.			

Title	Nationality or domicile	Name	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director	ROC	Chang, Wen-Lung	2016.06.07	4	2008.1.22	8,009,313	6.74%	5,806,313	4.89%	2,127,832	1.79%	-	-	NTU Department of Law President, Yeong Guan Mould Factory Co., Ltd.	Director	Chang, Hsien-Ming	Brother	
Director	ROC	Tsai, Shu-Ken	2016.06.07	4	2009.5.29	840,156	0.66%	780,156	0.66%	-	-	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	-	-	-	
Director	ROC	Chen, Wu-Chi	2016.06.07	4	2009.5.29	1,814,263	1.53%	1,614,263	1.36%	975,944	0.82%	-	-	Vice President, Yeong Guan Mould Factory Co., Ltd.	-	-	-	
Director	ROC	Kung, Hsing-Yuan	2016.06.07	4	2016.06.07	-	-	-	-	-	-	-	-	Farm Machinery Department of National Taiwan University Vice President of Suzhou Liangchi Motor Co., Ltd. Vice President of Suzhou TECO Electric & Machinery Co., Ltd.	Executive Vice President,	-	-	-

Title	Nationality or domicile	Name	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director	ROC	Huang, Wen-Hung	2016.06.07	4	2016.06.07	9,000	0.01%	12,000	0.01%	-	-	-	-	Master of Business Administration in Executive Management Royal Roads University Master, Department of Industrial and Business Management, China Industrial & Commercial Research Institute COO, Taiwan Express Co., LTD. President, Chimei Logistics Vice Director, Marketing & Sales Department, Chi Mei Optoelectronics Corporation and Director of Global Sales Support Service Department	President, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd.	-	-	-
Director	ROC	Chang, Chih-Kai	2016.06.07	4	2013.6.17	104,115	0.01%-	34,115	0.03%	771	0.0000%	-	-	Special Assistant to the Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd.	Special Assistant to the Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd.	Director	Chang, Hsien-Ming	Father
Independent director	ROC	Chen, Ching-Hung	2016.06.07	4	2010.3.19	-	-	-	-	-	-	-	-	NTU Department of Law EMBA, NCCU President, Radium Life Tech Co., Ltd. President, Sinyi Development Inc. President, Dajia Construction President, Shanghai Shangtou Investment Management Co., Ltd. President, Sinyi Real Estate (Shanghai) Limited	President, Sinyi Development Inc. President and Representative of juridical person director, Sinyi Real Estate (Shanghai) Limited	-	-	-
Independent director	ROC	Chang, Cheng-Lung	2016.06.07	4	2010.3.19	-	-	-	-	-	-	-	-	BA in Commerce, Tamkang University Mini MBA, Stanford University	-	-	-	-
Independent director	ROC	Wei, Chia-Min	2016.06.07	4	2013.6.17	-	-	-	-	-	-	-	-	PhD, Graduate Institute of Resource Engineering, National Cheng Kung University Vice President, Metal Industries R&D Center	Vice President, Metal Industries R&D Center Director, Edeex Enterprise Co., Ltd. Representative of juridical person director, Everstrong Iron&Steel Foundry&MFG. Corp. Supervisor, Honley Auto Parts Co., Ltd.	-	-	-

Note: Director Chang, Chih-Kai was dismissed on April 17, 2017

2. Supervisors: The Company established an audit committee on March 19, 2010 but has not established any supervisor positions
3. Main shareholders of juridical person directors: All directors of the company are natural persons. No juridical person directors have been elected.

4. Professional qualifications and independence analysis of directors:

Name	Criteria	Meet One of the Following Professional Qualification Requirements in addition to at Least Five Years Work Experience	Independence criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director		
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		9	10
Chang, Hsien-Ming			✓					✓					✓	✓	0
Chang, Cheng-Chung			✓	✓				✓					✓	✓	0
Chang, Wen-Lung			✓					✓					✓	✓	0
Tsai, Shu-Ken			✓				✓	✓				✓	✓	✓	0
Chen, Wu-Chi			✓				✓	✓				✓	✓	✓	0
Kung, Hsing-Yuan			✓	✓	✓		✓	✓				✓	✓	✓	0
Huang, Wen-Hung			✓	✓				✓					✓	✓	0
Chen, Ching-Hung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chang, Cheng-Lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wei, Chia-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: If directors and supervisors meet one or several of the following criteria within two years before election or during their terms of office, please place a check in the column with the corresponding number

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or executive of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM.
- (8) Not a spouse or a relative within the second degree of kinship of any other director of the Company.
- (9) None of the conditions defined in Article 30 of the Company Law apply.
- (10) Not an elected governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(b) Data on supervisors, presidents, vice presidents, associate general managers, and executives of all departments and branch organizations

April 14, 2017; Unit: Shares

Title	Nationality or Domicile	Name	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman and President	ROC	Chang, Hsien-Ming	2008.01.22	12,788,540		3,120	0.0000%	-	-	Graduation from Xihu High School of Industry and Commerce, Electronics Department Chairman, Yeong Guan Mould Factory Co., Ltd. President, Yeong Guan Mould Factory Co., Ltd. Chairman, Shin Shang Special Industry Co., Ltd. President, Shin Shang Special Industry Co., Ltd. Sales Manager, Shin Shang Special Industry Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Director, Yeong Chen Asia Pacific Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Taipin Corporation Limited Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd.	Director and Executive Vice President	Chang, Wen-Lung	Brother
Vice Chairman and Spokesperson	ROC	Tsai, Shu-Ken	2008.01.22			-	-	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Chairman, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Director, New Power Team Technology Co., Ltd.	-	-	-
Director and Executive Vice	ROC	Chang, Wen-Lung	2008.01.22	5,806,313	4.89%	2,127,832	1.79%	-	-	NTU Department of Law President, Yeong Guan Mould Factory	Director, Yeong Guan Energy Holdings Co., Ltd.	Chairman And	Chang, Hsien-Ming	Brother

Title	Nationality or Domicile	Name	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
President										Co., Ltd.	Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Chairman and President, Yeong Chen Asia Pacific Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Supervisor, New Power Team Technology Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Vice Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Executive Director, Ningbo Yeong Chia Mei Trade Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	President		
Director and Executive Vice President	ROC	Chen, Wu-Chi	2008.01.22	1,614,263	1.36%	975,944	0.82%	-	-	Vice President, Yeong Guan Mould Factory Co., Ltd.	Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Director, New Power Team Technology Co., Ltd.	-	-	-
Executive Vice President	ROC	Kung, Hsing-Yuan	2008.04.08	-	-	-	-	-	-	NTU Department of Agricultural Machinery Engineering President, Suzhou Liang Chi Industry Co., Ltd. Vice President, Suzhou Teco Co., Ltd.		-	-	-
Executive Vice President	ROC	Huang, Wen-Hung	2015.05.11	12,000	0.01%	-	-	-	-	Master of Business Administration in Executive Management Royal Roads University	President, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Shanghai No. 1 Machine Tool			

Title	Nationality or Domicile	Name	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
										Master, Department of Industrial and Business Management, China Industrial & Commercial Research Institute COO, Taiwan Express Co., LTD. President, Chimei Logistics Vice Director, Marketing & Sales Department, Chi Mei Optoelectronics Corporation and Director of Global Sales Support Service Department	Foundry (Su Zhou) Co., Ltd.			
Vice President	ROC	Hsu, Ching-Hsiung	2008.01.22	-	-	-	-	-	-	Yu Da High School Of Commerce and Home Economics, Commercial Accounting Department Vice President, Chen Hsing Industrial Co., Ltd. President, Weimao Company	President, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Jiangsu Bright Steel Fine Machinery Co., Ltd.	-	-	-
Vice President	ROC	Lin, Tai-Feng	2008.01.22	-	-	-	-	-	-	Tamkang University, Department of Marine Engineering President, Great Sun Machinery Co., Ltd.	President, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	-	-	-
Vice President	ROC	Huang, Ching-Chung	2010.12.01	-	-	-	-	-	-	Chien Hsin Junior College of Technology, Mechanical Engineering Department Lio Ho Machine Works Ltd.	Vice President, Dongguan Yeong Guan Mould Factory Co., Ltd.	-	-	-
Vice President	PRC	Kuo, Jui	2010.12.01	-	-	-	-	-	-	Sichuan Institute of Technology, Department of Metallic Materials Engineering Engineer, Sichuan Jiangdong Machinery Co., Ltd.	-	-	-	-
Vice President	ROC	Lin, Yu-I	2013.01.07	-	-	-	-	-	-	MA, Department of Accounting, Soochow University Deloitte&Touche	-	-	-	-
Audit Office Director	ROC	Tsai, Ching-Wu	2012.07.01	-	-	-	-	-	-	NCCU Department of Accounting Finance Manager, Chen Hsin Co., Ltd. Ernst & Young	-	-	-	-

(c) Remuneration of Directors, Supervisors, Presidents, and Vice Presidents in the most recent financial year

1. Remuneration of Directors (incl. Independent Directors)

Unit: 1000 NTD; %

Title	Name	Remuneration								Relevant remuneration received by directors who are also employees												Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary (Note4)			
		Base compensation(A)		Severance pay and retirement pension (B)		Remuneration from distribution of profits(C)		Expenses for execution of business(D)		Ratio of total remuneration (A+B+C+D) to net income%(note 3)		Salary, Bonuses, and Allowances (E)		Severance pay and retirement pension (F)		Profit Sharing- Employee Bonus (G)				Number of subscribed shares through Employee stock option certificates (H)		Number of acquired shares through Restricted Stock Awards (I)(Note5)					
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The company	Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company
Chairman	Chang, Hsien-Ming	1,199	1,199	0	0	0	0	48	48	0.13%	0.13%	0	21,794	0	0	10,514	0	10,514	0	0	0	0	0	0	0.13%	3.36%	0
Vice Chairman	Tsai, Shu-Ken																										
Director	Chang, Wen-Lung																										
Director	Chang, Cheng-Chung																										
Director	Chen, Wu-Chi																										
Director	Kung, Hsing-Yuan																										
Director	Huang, Wen-Hung																										
Director	Chang, Chih-Kai																										
Independent Director	Chen, Ching-Hung																										
Independent Director	Chang, Cheng-Lung																										
Independent Director	Wei, Chia-Min																										

Note: Director Chang, Chih-Kai was dismissed on April 17, 2017

Range of Remunerations

Range of remunerations paid to directors of the company	Names of directors			
	Total of A+B+C+D		Total of A+B+C+D+E+F+G	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Below NT\$ 2,000,000	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min; Chang, Chih-Kai
NT\$ 2,000,000 or more but less than NT\$ 5,000,000	—	—	—	Chang, Wen-Lung; Kung, Hsing-Yuan Huang, Wen-Hung
NT\$ 5,000,000 or more but less than NT\$ 10,000,000	—	—	—	Tsai, Shu-Ken; Chen, Wu-Chi; Chang, Hsien-Ming
NT\$ 10,000,000 or more but less than NT\$ 15,000,000	—	—	—	—
NT\$ 15,000,000 or more but less than NT\$ 30,000,000	—	—	—	—
NT\$ 30,000,000 or more but less than NT\$ 50,000,000	—	—	—	—
NT\$ 50,000,000 or more but less than NT\$ 100,000,000	—	—	—	—
Over NT\$ 100,000,000	—	—	—	—
Total	3 directors	3 directors	3 directors	11 directors

Note: Director Chang, Chih-Kai was dismissed on April 17, 2017

2. Remuneration of supervisors: Not applicable since the company has not established any supervisor positions

3. Remuneration of Presidents and Vice Presidents

Unit: 1000NTD; %

Title	Name	Base compensation (A)		Severance pay and retirement pension (B)		Bonuses and allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total remuneration (A+B+C+D) to net income(%) (%)		Number of received Employee Stock Option Certificates		Number of acquired shares through Restricted Stock Awards		Compensation paid to presidents/ vice presidents from an invested company other than the company's subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus							
Chairman and President	Chang, Hsien-Ming	0	17,343	0	0	0	150,058	13,447	0	13,447	0	1.35%	3.25%	0	0	0	0	0
Vice Chairman and Spokesperson	Tsai, Shu-Ken																	
Director and Executive Vice President	Chang, Wen-Lung																	
Director and Executive Vice President	Chen, Wu-Chi																	
Executive Vice President	Kung, Hsing-Yuan																	
Executive Vice President	Huang, Wen-Hung																	
Vice President	Hsu, Ching-Hsiung																	
Vice President	Lin, Tai-Feng																	
Vice President	Kuo, Jui																	
Vice President	Huang, Ching-Chung																	
Vice President	Lin, Yu-I																	

Range of Remunerations

Range of remunerations paid to presidents and vice presidents of the company	Names of presidents and vice presidents	
	The company	Companies in the consolidated financial statements (A+B+C+D)
Below NT\$ 2,000,000	—	Kuo, Jui
NT\$ 2,000,000 or more but less than NT\$ 5,000,000	—	Chang, Wen-Lung; Kung, Hsing-Yuan; Huang, Wen-Hung; Hsu, Ching-Hsiung; Lin, Tai-Feng; Huang, Ching-Chung; Lin, Yu-I
NT\$ 5,000,000 or more but less than NT\$ 10,000,000	—	Tsai, Shu-Ken; Chen, Wu-Chi; Chang, Hsien-Ming
NT\$ 10,000,000 or more but less than NT\$ 15,000,000	—	—
NT\$ 15,000,000 or more but less than NT\$ 30,000,000	—	—
NT\$ 30,000,000 or more but less than NT\$ 50,000,000	—	—
NT\$ 50,000,000 or more but less than NT\$ 100,000,000	—	—
Over NT\$ 100,000,000	—	—
Total	0 persons	11 persons

4. Managers and their allotted employee bonuses:

Unit: 1000 NTD; December 31, 2016

	Title	Name	Stock bonus	Cash Bonus	Total	Ratio of total amount to net income (%)
Managers	Chairman and President	Chang, Hsien-Ming	—	—	—	0%
	Vice Chairman and Spokesperson	Tsai, Shu-Ken				
	Director and Executive Vice President	Chang, Wen-Lung				
	Director and Executive Vice President	Chen, Wu-Chi				
	Executive Vice President	Kung, Hsing-Yuan				
	Executive Vice President	Huang, Wen-Hung				
	Vice President	Hsu, Ching-Hsiung				
	Vice President	Lin, Tai-Feng				
	Vice President	Kuo, Jui				
	Vice President	Huang, Ching-Chung				
	Vice President	Lin, Yu-I				

(d) Analysis of the ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements to directors, supervisors, presidents and vice presidents of the Company within the two most recent fiscal years, to the net income and description of remuneration policies, standards, and mixes, setting of relevant procedures, and correlation between business performance and future risks:

(1) Analysis of the ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements to directors, supervisors, presidents and vice presidents of the Company, to the net income:

Unit: 1000 NTD; %

Item	2015		2016	
	Amount	%	Amount	%
Director	25,701	1.90%	33,554	3.36%
Presidents and Vice Presidents	45,720	3.39%	45,847	4.60%
Consolidated net income	1,349,123	100%	997,419	100%

Note: The total remuneration of directors includes compensations for concurrent positions. The calculation of the remuneration of directors is therefore overlapping with that of presidents and vice presidents therefore

(2) Remuneration policies, standards, and mixes, setting of relevant procedures, and correlation between business performance and future risks

1. The remuneration of directors is based on the positions held in the company the value of the participation and contributions to company operations.
2. The remuneration of presidents and vice presidents is based on their positions and their level of contribution with reference to industry standards in accordance with the HR related rules and regulations of the company

3. Implementation of Corporate Governance

(a) Operations of the board of directors

A total of 8 board meetings (A) were convened in the most recent fiscal year (2015). Director attendance was follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) 【 B / A 】	Remarks
Chairman	Chang, Hsien-Ming	8	0	100.00%	
Director	Chang, Cheng-Chung	8	0	100.00%	
Director	Chang, Wen-Lung	8	0	100.00%	
Director	Tsai, Shu-Ken;	8	0	100.00%	
Director	Chen, Wu-Chi	7	1	87.50%	
Director	Wu, Ting-Tsai	0	3	—	Stepped down on June 7, 2016 (attendance required in 3 meetings)
Director	Hsu, Yu-Yueh	3	0	—	Stepped down on June 7, 2016 (attendance required in 3 meetings)
Director	Chang, Chih-Kai	7	1	87.50%	
Director	Kung, Hsing-Yuan	4	1	—	Stepped down on June 7, 2016 (attendance required in 5 meetings)
Director	Huang, Wen-Hung	5	0	—	Stepped down on June 7, 2016 (attendance required in 5 meetings)
Independent Director	Chen, Ching-Hung	7	1	87.50%	
Independent Director	Chang, Cheng-Lung	8	0	100.00%	
Independent Director	Wei, Chia-Min	8	0	100.00%	

Other items to be recorded:

1. If any of the circumstances referred to in Article 14-3 of Securities and Exchange Act apply and objections or reservations to resolutions by Independent directors are recorded or declared in writing, the dates of meetings, sessions, contents of motions, the opinions of all independent directors and responses to such opinions by the company should be specified: None
2. If directors recuse themselves from discussion and voting on motions that involve conflicts of interest, the names of the directors, contents of motions, the reasons for recusal, and actual participation in the voting process shall be clearly stated:
 - (1) On March 11, 2016, the board of directors discussed the award of the 2015 year-end bonus to the managers of the company. Due to the fact that the directors Chang, Hsien-Ming, Tsai Shu-ken, Chang, Wen-Hung and Chen, Wu-Chi concurrently serve as managers of the company, they recused themselves from participation in the discussions and voting process due to a personal conflict of interest. The motion was passed unanimously upon inquiry of the other directors in attendance by the acting chairman, Chang, Cheng-Lung.
 - (2) On April 14, 2016, the board of directors reviewed the list of independent director candidates submitted by the General Shareholders' Meeting. Due to the fact that the independent directors Chang, Cheng-Lung, Chen, Ching-Hung, and Wei, Chia-Min were also listed as candidates, they did not participate in the discussions and voting process to preclude a conflict of interest. The motion was passed unanimously upon inquiry of the other directors in attendance by the chairman.
 - (3) On August 5, 2016, the board discussed the compensation and transportation allowance proposal for newly appointed directors. The independent directors Chang, Cheng-Lung, Chen, Ching-Hung, and Wei, Chia-Min did not participate in the discussions and voting process to preclude a conflict of interest. The motion was passed unanimously upon inquiry

of the other directors in attendance by the chairman.

(4) On August 5, 2016, the board discussed the 2016 bonus proposal for managers. The directors Chang, Hsien-Ming, Tsai, Shu-Ken, Chang, Wen-Lung, Chen, Wu-Chi, Kung, Hsing-Yuan, and Huang, Wen-Hung did not participate in the discussions and voting process to preclude a conflict of interest. The motion was passed unanimously upon inquiry of the other directors in attendance by the acting chairman Chang, Cheng-Lung.

3. Assessment of measures taken to strengthen the functionality of the Board in recent years and their actual implementation (such as the establishment of an audit committee and the enhancement of information transparency):

(1) The company established an audit committee and remuneration committee on March 19, 2010 and October 14, 2011, respectively, to strengthen the functionality of the board, improve its supervisory capabilities, and enhance its management functions. Said committees are comprised of all independent directors of the company.

(2) The company fully discloses all categories of business and financial information in its annual reports, the corporate website, and the Market Observation Post System to implement the spirit of corporate governance and effectively enhance information transparency.

(b) Operations of the audit committee/Participation of supervisors in board operations

A total of 4 committee meetings (A) were convened in the most recent fiscal year (2016).

Independent director attendance was follows:

Title	Name	Attendance in person (B)	By proxy (C)	Attendance rate (%) 【 B / A 】	Remarks
Independent director	Chen, Ching-Hung	3	1	75.00%	
Independent director	Chang, Cheng-Lung	4	0	100.00%	
Independent director	Wei, Chia-Min	4	0	100.00%	

Other items to be recorded:

1. If any of the circumstances referred to in Article 14-3 of Securities and Exchange Act apply and resolutions which have not been approved by the Audit Committee are approved by at least two thirds of all directors, the dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee opinions should be specified: None
2. If independent directors recuse themselves from discussion and voting on motions that involve conflicts of interest, the names of the directors, contents of motions, the reasons for recusal, and actual participation in the voting process shall be clearly stated: None
3. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs (e.g. the contents, methods and results of communications regarding corporate finance or operations, etc.): The Chief Internal Auditor and CPA submit regular reports to the audit committee and communications are excellent.

(c) Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Assessment items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Y	N	Brief description	
1. Has the company formulated and duly disclosed corporate governance best practice principles pursuant to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”	✓		The company formulated and duly disclosed corporate governance best practice principles pursuant to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. Corresponding norms and regulations are observed and implemented in accordance with the spirit of corporate governance. In the future, the company will continue to strengthen information transparency and board functionality through the amendment of relevant management regulations with the goal of promoting corporate governance.	No major deviations
2. Shareholding Structure & Shareholders’ Rights (a) Have internal operating procedures for the handling of shareholder suggestions, uncertainties, disputes, or grievances been formulated and implemented? (b) Does the company possess a list of major shareholders that have actual control over the company and a list of ultimate controllers of these major shareholders? (c) Has the company established and implemented a risk management and firewall mechanism with its affiliates? (d) Has the company formulated internal norms and regulations that prohibit insiders from using non-public information on the market to conduct security transactions?	✓ ✓ ✓ ✓		1. The company has formulated internal operating procedures. The spokesperson and deputy spokesperson are in charge of handling shareholder suggestions, uncertainties, disputes, or grievances in coordination with related units. 2. Actual information is provided through service agencies and the company discloses lists of major shareholders and their ultimate controllers on a regular basis in accordance with the Article 25 of Securities and Exchange Act. 3. All affiliates are independently responsible for the management of their assets and finances in accordance with the internal control system of the company to ensure the implementation of the risk control and firewall mechanism 4. The company has formulated internal norms and regulations that prohibit insiders from using non-public information on the market to conduct security transactions	No major deviations
3. Composition and responsibilities of the board of directors (a) Has the board formulated and implemented diversified policies with regard to membership composition? (b) Has the company established other functional committees in addition to the remuneration and audit committees on a voluntary basis?	✓ ✓		1. The board has formulated diversified policies with regard to membership composition. The company has also established three independent director positions. Chang, Cheng-Lung, Chen, Ching-Hung, and Wei Chia-Min currently serve as independent directors. Chen, Ching-Hung has a legal background, while Chang, Cheng-Lung is a finance and accounting specialist and Wei, Chia-Min has an industry-related background. The expertise of the three independent directors spans the fields of finance, law, and industry.	No major deviations

Assessment items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Y	N	Brief description	
(c) Has the company determined board performance assessment regulations and assessment methods? Are performance assessments carried out every year on a regular basis?		✓	2. The company has not established other functional committees. The board will authorize the establishment of other committees in accordance with actual needs.	
(d) Does the company assess the independence of CPAs on a regular basis?	✓		3. The board of directors fully complies with relevant provisions set forth in the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Board performance assessment regulations and assessment methods have not been determined yet. 4. The appointed accounting firm and CPAs are fully independent and have no conflict of interest with the company.	
4. Has the company established communication channels with its stakeholders and a special section for stakeholders on its website? Does the company deal with CSR issues of concern to stakeholders in an appropriate manner?	✓		The company maintains open communication channels with banks it has dealings with as well as employees, consumers, and suppliers and respects and protects their lawful rights and interests. The company has established a spokesperson system and a Litigation/Non-Litigation Agent position and requires that company information is disclosed in an honest manner to provide stakeholders with highly transparent financial and business information. It is also planned to set up a special section for stakeholders on the corporate website to enable the company to deal with CSR issues of concern to stakeholders in an appropriate manner	No major deviations
5. Has the company commissioned a professional service agency to handle shareholders meeting affairs?	✓		The company has commissioned Capital Securities Corp., Registrar Agency Department to handle shareholders meeting affairs	No major deviations
6. Information disclosure (a) Has the company established a corporate website to disclose information regarding the Company’s financials, business, and corporate governance status?	✓		1. The company has set up a Chinese-language website and will continue to disclose relevant information. Finance, business, and corporate governance related information of the company can also be queried on the Market Observation Post System after the company goes public.	No major deviations
(b) Has the company adopted other information disclosure methods (e.g., maintenance of an English-language website, appointment of dedicated personnel in charge of handling information collection and disclosure, implementation of a spokesperson system, webcasting of investor conferences)?	✓		2. The company has already established a spokesperson and deputy spokesperson position as well as a Chinese-language website. Finance, business, and corporate governance related information have been made available and investor conference related announcements are handled in accordance with regulations prescribed by the Taiwan Stock Exchange.	

Assessment items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”																																																																																				
	Y	N	Brief description																																																																																					
7. Other important information to facilitate better understanding of the Company’s corporate governance practices (e.g., employee rights, employee care, investor relations, supplier relations, rights of stakeholders, advanced training of directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer relations policies, and purchase of liability insurance for directors and supervisors):	✓		1. Advanced training for directors and supervisors: The company has scheduled advanced training courses for all directors	No major deviations																																																																																				
			<table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Training course date</th> <th>Hours</th> <th>Organizer</th> <th>Course title</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Director</td> <td rowspan="2">Chen, Ching-Hung</td> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Risk management and internal control</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Best board operation practices</td> </tr> <tr> <td rowspan="2">Independent Director</td> <td rowspan="2">Chang, Cheng-Lung</td> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Risk management and internal control</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Best board operation practices</td> </tr> <tr> <td rowspan="3">Independent Director</td> <td rowspan="3">Wei, Chia-Min</td> <td>2016/10/06</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>13th International Corporate Governance Summit</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Risk management and internal control</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Best board operation practices</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Chang, Wen-Lung</td> <td>2016/03/22</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>How can directors and supervisors without a financial background review financial statements</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Risk management and internal control</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Chang, Chih-Kai</td> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Best board operation practices</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Risk management and internal control</td> </tr> <tr> <td rowspan="3">Director</td> <td rowspan="3">Tsai, Shu-Ken</td> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Best board operation practices</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Risk management and internal control</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Best board operation practices</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Chen, Wu-Chi</td> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Risk management and internal control</td> </tr> <tr> <td>2016/12/07</td> <td>3</td> <td>Taiwan Corporate Governance Association</td> <td>Best board operation practices</td> </tr> </tbody> </table>		Title	Name	Training course date	Hours	Organizer	Course title	Independent Director	Chen, Ching-Hung	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices	Independent Director	Chang, Cheng-Lung	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices	Independent Director	Wei, Chia-Min	2016/10/06	3	Taiwan Corporate Governance Association	13th International Corporate Governance Summit	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices	Director	Chang, Wen-Lung	2016/03/22	3	Taiwan Corporate Governance Association	How can directors and supervisors without a financial background review financial statements	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control	Director	Chang, Chih-Kai	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control	Director	Tsai, Shu-Ken	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices	Director	Chen, Wu-Chi	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices
			Title		Name	Training course date	Hours	Organizer	Course title																																																																															
			Independent Director		Chen, Ching-Hung	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control																																																																															
						2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices																																																																															
			Independent Director		Chang, Cheng-Lung	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control																																																																															
						2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices																																																																															
			Independent Director		Wei, Chia-Min	2016/10/06	3	Taiwan Corporate Governance Association	13th International Corporate Governance Summit																																																																															
						2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control																																																																															
						2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices																																																																															
			Director		Chang, Wen-Lung	2016/03/22	3	Taiwan Corporate Governance Association	How can directors and supervisors without a financial background review financial statements																																																																															
						2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control																																																																															
			Director		Chang, Chih-Kai	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices																																																																															
						2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control																																																																															
			Director		Tsai, Shu-Ken	2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices																																																																															
2016/12/07	3	Taiwan Corporate Governance Association		Risk management and internal control																																																																																				
2016/12/07	3	Taiwan Corporate Governance Association		Best board operation practices																																																																																				
Director	Chen, Wu-Chi	2016/12/07	3	Taiwan Corporate Governance Association	Risk management and internal control																																																																																			
		2016/12/07	3	Taiwan Corporate Governance Association	Best board operation practices																																																																																			

Assessment items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Y	N	Brief description	
evaluations, major deficiencies or suggestions, and improvements)				

(d) Remuneration Committee Operations

1. Remuneration committee member data

Status	Name	Criteria	Meet One of the Following Professional Qualification Requirements in addition to at Least Five Years Work Experience	Independence Criteria(Note 1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (Note 2)	
			An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6			7
Independent director	Chang, Cheng-Lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Independent director	Chen, Ching-Hung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Independent director	Wei, Chia-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA

Note 1: If committee members meet one or several of the following criteria within two years before election or during their terms of office, please place a check in the column with the corresponding number

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the

- preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.
 - (6) Not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
 - (7) Not a professional individual who, or an owner, partner, director, supervisor, or executive of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
 - (8) None of the conditions defined in Article 30 of the Company Law apply.

Note 2: If committee members are directors, please specify whether the regulations set forth in Paragraph 5, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter

2. Remuneration Committee Competencies

- (1) Assessment and monitoring of the company's remuneration policies
- (2) Assessment and setting of remuneration standards for directors (incl. Chairman and Vice Chairman)
- (3) Assessment and setting of remuneration standards for executives above the level of president and Associate GM
- (4) Assessment and setting of remuneration standards for executives
- (5) Regular reviews of remunerations of directors (incl. Chairman and Vice Chairman) and top executives (incl. executives above the level of manager and associate GM) based on company goals, business performance, and competitive environment

3. Operations of the remuneration committee

- (1) The Remuneration Committee of the company is comprised of three members
- (2) Term of office of the current committee:

The term of office began on June 7, 2016 and will end on June 15, 2017 (on the same day as the 5th board of directors)

A total of 2 committee meetings (A) were convened in the most recent fiscal year (2016). Member qualifications and attendance records are as follows:

Title	Name	Attendance in person (B)	By proxy (C)	Attendance rate (%) 【 B / A 】	Remarks
Convener	Chang, Cheng-Lung	2	0	100%	
Committee member	Chen, Ching-Hung	2	0	100%	
Committee member	Wei, Chia-Min	2	0	100%	

Other items to be recorded:

- If the board rejects or revises suggestions submitted by the remuneration committee, the date of the board meeting, the session, content of the motion, the board resolution, and the response by the company to opinions of the remuneration committee members should be specified (if remunerations and compensations approved by the board are higher than those suggested by the committee, the actual discrepancies and reasons should be stated clearly): None
- If objections or reservations to resolutions by committee members are recorded or declared in writing, the dates of committee meetings, sessions, contents of motions, the opinions of all committee members and responses to such opinions by the company should be specified: None

(e) Implementation of Corporate Social Responsibility

Assessment items	Implementation status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
1. Exercising corporate governance				
(a) Has the company formulated CSR policies or established a CSR system and does it review the implementation results?	✓		(a)The company has formulated CSR Best Practice Principles and handles CSR related matters in accordance with these principles.	No major deviations
(b) Does the company organize CSR-related educational training on a regular basis?	✓		(b)The company organizes CSR-related training courses and education on a scheduled and non-scheduled basis.	No major deviations
(c) Has the company established exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing CSR policies and has the board authorized the top management level to	✓		(c)Management departments of the company concurrently serve as dedicated CSR units during the current stage and are in charge of promoting CSR-related operations.	No major deviations

Assessment items	Implementation status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
<p>handle CSR-related matters and report the progress to the board?</p> <p>(d) Has the company formulated reasonable remuneration and compensation policies? Is the employee performance evaluation system linked to CSR policies? Is a clear and effective reward and penalty system in place?</p>		✓	(d)The company has established an employee performance evaluation system and provides relevant education during meetings or staff training on a non-scheduled basis. The company also actively schedules advanced training courses for board directors to reinforce their understanding of corporate governance. However, the employee performance evaluation system has not yet been linked to CSR policies.	Future planning will continue to focus on this aspect
<p>2. Fostering a sustainable environment</p> <p>(a) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?</p> <p>(b) Has the company established a proper environmental management system based on the characteristics of its industry?</p>	✓		(a)The company is committed to a more efficient utilization of resources and promotes low-carbon offices and inculcates water and power conservation habits among its employees.	No major deviations
<p>(b) Has the company established a proper environmental management system based on the characteristics of its industry?</p>	✓		(b)The company has always placed great emphasis on eco-friendliness and energy conservation to fulfill its responsibility in the field of environmental protection. Pollution prevention facilities have been installed in accordance with relevant laws and all production affiliates have passed the ISO14001 certification. Environmental protection is implemented in the fields of environmental management, pollution prevention, and garbage reduction in the hope of making a contribution to global environmental protection efforts. In addition, the general affairs units are responsible for designating dedicated personnel in charge of the management of environmental protection operations in the fields of air pollution, waste water, and solid waste and relevant legal requirements.	No major deviations
<p>(c) Does the company monitor the impact of climate change on business activities? Does it carry out greenhouse gas inventories and has it formulated energy conservation, carbon reduction, and</p>	✓		(c)The company has already implemented energy	No major deviations

Assessment items	Implementation status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
greenhouse gas reduction strategies?			conservation and carbon reduction activities. In addition to the reduced use of light tubes in public areas, the turning off of unnecessary lights as well as the use of AC temperature controllers and highly effective energy conservation equipment are promoted in office areas.	
3. Preserving public welfare				
(a) Has the company formulated relevant management policies and procedures pursuant to corresponding laws and regulations and the International Covenant on Human Rights?	✓		(a)The company safeguards the legal rights and interests of its employees through various management systems and norms including the formulation of HR management regulations and staff work rules in accordance with relevant labor laws. The company also contributes to employee medical insurance, basic old-age insurance, unemployment insurance, occupational injury insurance, and maternity insurance.	No major deviations
(b) Has the company established mechanisms and channels for employee grievances and are they handled in a proper manner?	✓		(b)The company has established mechanisms and channels for employee grievances and are handles them in a proper manner.	No major deviations
(c) Does the company provide a safe and healthy work environment for its employees and does it organize safety and health related training for its employees on a regular basis?	✓		(c)The company is committed to providing a comfortable, safe, and healthy work environment for its employees in accordance with laws and regulations governing public building safety and fire safety. It also organizes educational training and annual health checks for its employees on a regular basis and provides complete life and entertainment facilities including staff dorms and recreation centers.	No major deviations
(d) Is a mechanism in place for regular communication with employees and are employees notified in a reasonable manner of operational changes that may have a significant impact?	✓		(d)The company organizes labor-management conferences on a regular basis and enables positive communication between both sides. In addition, employees are notified of operational changes that	No major deviations No major deviations The company will

Assessment items	Implementation status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
(e) Has the company established an effective career skill development program for its employees? (f) Has the company formulated relevant policies and grievance procedures for the protection of consumer rights and interests with regard to its R&D, procurement, production, operation, and services processes? (g) Does the company comply with relevant laws and international standards in the marketing and labeling of its products and services? (h) Does the company evaluate past records of suppliers with regard to environmental and social impacts before initiating dealings with them? (i) Do contracts between the company and its main suppliers stipulate that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate significant environmental and social impacts?	✓ ✓ ✓	✓	may have a significant impact on them through different methods such as public notices to give both sides a full understanding of labor and management related information. (e)The company has established an effective career skill development program for its employees. (f)The company doesn't sell its products to end consumers. (g)The company fully complies with relevant laws and regulations in Mainland China and international standards in the marketing and labeling of its products. (h)The company conducts assessments of different supplier conditions including environmental and social impacts before initiating dealings with them. (i)The contracts between the company and its main suppliers do currently not include provisions stipulating that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate a significant environmental and social impacts with its main suppliers: Relevant provisions will be added or removed in accordance with actual needs	discuss the inclusion of relevant contract provisions stipulating that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate significant environmental and social impacts with its main suppliers.
4. Enhancing information disclosure (a) Does the company disclose relevant and reliable CSR-related information on its corporate website and the Market Observation Post System?	✓		(a) The company has already set up a corporate website and will establish a link to the Market Observation Post System in accordance with relevant Taiwanese laws to disclose relevant and reliable CSR-related information.	No major deviations

Assessment items	Implementation status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
5.			If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: No major discrepancies exist as far as compliance with the CSR Best Practice Principles of the company is concerned.	
6.			Other important information to facilitate a better understanding of the company’s corporate social responsibility practices: (a) The company implements and reinforces environmental management in accordance with relevant environmental laws. (b) The company regularly responds to community charity events such as events organized by the Liyang Association for the Promotion of the Guangcai Program and the Ningbo Zhenhai Charity Federation. (c) The company provides feedback channels for employees and convenes labor-management and employee conferences on a regular basis to enable employees to fully express their opinions.	
7.			State clearly whether the CSR reports issued by the company have met the assurance standards of relevant verification organizations : NA	

(f) Implementation of Ethical Corporate Management and Adopted Measures

Implementation of Ethical Corporate Management

Assessment items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
1. Formulation of ethical corporate management policies and programs				
(a) Are ethical corporate management policies and methods stated explicitly in the company’s rules and regulations and externally circulated documents and do the board and management level honor the commitment to ethical corporate management.	✓		(a) The company has already formulated Ethical Corporate Management Best Practice Principles and Supplier Code of Conduct. Ethical management policies have been disclosed in internal regulations, on the corporate website, in annual reports, or other promotional materials.	No major deviations
(b) Has the company developed programs to prevent unethical behavior and do these programs contain clearly defined operating procedures, codes of conduct, penalties for violations, and a grievance system? Are these programs implemented and carried out?	✓		(b) The company has included clearly formulated prevention schemes and relevant handling procedures in its “Ethical Corporate Management Operating Procedures and Code of Conduct” covering the prohibition of bribery, illegal political contributions, improper charity donations or sponsorships, improper gifts, entertainment, or other benefits.	No major deviations
(c) Has the company adopted preventive measures with regard to the provisions set forth in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” or other business activities within the scope of the company’s operations that involve a high risk of unethical behavior?	✓		(c) The company has included clearly formulated provisions prohibiting the offering and acceptance of improper benefits and the offering of illegal political contributions with clearly stated handling procedures in its “Ethical Corporate Management Operating Procedures and Code of Conduct”.	No major deviations

Assessment items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
2. Implementation of ethical corporate management				
(a) Does the company evaluate integrity records of trading counterparties and do contracts signed with trading counterparties include clearly formulated provisions regarding ethical behavior?	✓		(a) Before the company establishes commercial relations with third parties, it carries out assessments of the legality, ethical corporate management policies, and past records of unethical behavior of suppliers, customers, or other trading counterparties to ensure the fairness and transparency of their business operations and guarantee that they will not request, offer, or accept bribes.	No major deviations
(b) Has the company established exclusively (or concurrently) dedicated units subordinate to the board to be in charge of proposing and enforcing ethical corporate management policies and submit regular reports regarding the implementation progress to the board?	✓		(b) The company has designated the audit office as its dedicated unit in charge of amendment, implementation, interpretation, and counseling services with regard to the “Ethical Corporate Management Operating Procedures and Code of Conduct” in addition to the recording and archiving of reported contents as well as supervision of implementation and submission of regular reports to the board of directors.	No major deviations
(c) Are policies in place to prevent conflicts of interest and have appropriate appeal channels been established and implemented?	✓		(c) The board directors uphold a high standard of self-discipline. When a proposal at a given board of directors meeting concerns the personal interest or the interest of the juristic person represented by any director, that director may state his/her opinions and respond to inquiries, but may not participate	No major deviations

Assessment items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
(d) Has the company established an effective accounting and internal control system to implement ethical corporate management and are regular reviews carried out by internal audit	✓		<p>in the discussion or vote on that proposal and shall recuse himself or herself from any discussion and voting, where there is a likelihood that the interests of the company would be prejudiced. In addition, said director may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.</p> <p>If in the course of conducting company business, any personnel of the company discovers that a conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>(d) The company has established an accounting system and effective internal control system. Audit departments regularly review compliance with this accounting and internal</p>	No major deviations

Assessment items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
units or commissioned accountants? (e) Does the company organize regular internal and external training on ethical corporate management?	✓		(e) control system and submit reports to the board of directors. The company organizes regular training and education for directors, executives, employees, and appointees to provide them with a full understanding of the commitment, policies, and prevention schemes of the company in the area of ethical corporate management and ward off unethical behavior.	No major deviations
3. Implementation of the whistle-blowing system (a) Has the company established a clearly defined whistle-blowing and incentive system and convenient review channels? Has dedicated personnel been designated to ensure an appropriate processing of reported cases. (b) Has the company formulated standard operating procedures for the investigation and processing of received reports and relevant confidentiality mechanisms? (c) Has the company adopted measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	✓ ✓ ✓		(a) The company has set up reporting mailboxes to encourage employees to submit reports on detected misconduct that prejudices the interests of the company. The audit office is in charge of processing such reports. (b) The audit office carries out investigations of reported contents and reports the final results to the chairman in accordance with confidentiality principles. (c) The company is responsible for the confidentiality of the identity of the whistle-blower to prevent inappropriate dismissal or retaliation at the workplace against the whistle-blower.	No major deviations No major deviations No major deviations
Enhancing information disclosure (a) Does the company disclose its Ethical	✓		(a) The company has already disclosed the	No major deviations

Assessment items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
Corporate Management Best Practice Principles and effects of their promotion on its corporate website and the Market Observation Post System?			norms set forth in the Ethical Corporate Management Best Practice Principles in the corporate governance section of the corporate website and the Market Post Observation System.	
5.	If the Company has established ethical corporate management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The company has formulated “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Operating Procedures and Code of Conduct” based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and requires compliance with these principles by all staff members.			
6.	Other important information to facilitate a better understanding of the company’s ethical corporate management practices: (such as review and amendment of ethical corporate management best practice principles) The company closely monitors national and international developments in the field of ethical management related norms and encourages directors, executives, and employees to provide suggestions. Ethical management policies and promotion measures adopted by the company are reviewed and enhanced based on these suggestions to increase the effect of ethical corporate management.			

- (g) If the company has formulated corporate governance best practice principles and relevant rules and regulations, query methods should be disclosed:
Please refer to the corporate website: <http://www.ygget.com> (Investor section/corporate governance)
- (h) Other important information that facilitates a better understanding of corporate governance practices should also be disclosed: None

- (i) Implementation of the internal control system
1. Declaration regarding the internal control system

Yeong Guan Energy Technology Group Co., Ltd.

Declaration regarding the internal control system

Date: March 9, 2017

Based on the results of a self-inspection, the company hereby makes the following declaration regarding the internal control system in 2016:

- I. The company is fully aware of the fact that directors and managers of this company shall be fully responsible for the establishment, implementation, and maintenance of an internal control system. It has already established such a system in order to guarantee achievement of a wide range of goals including effectiveness and efficiency of company operations (e.g., profitability, performance, and asset security), reliability, timeliness, and transparency of reporting, and compliance with relevant laws, rules, and regulation.
- II. The internal control system faces inherent constraints. No matter how perfect the design of the system is, an effective internal control system may only provide reasonable guarantees regarding the achievement of the aforementioned three goals. Furthermore, the effectiveness of the internal control system is affected by changes of the environment and external conditions. However, the internal control system of the company is equipped with a self-monitoring mechanism. Once shortcomings are identified, the company adopts corrective measures in a prompt manner.
- III. The company judges the effectiveness of the design and implementation of the internal control system based on the judgment criteria prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as “these Regulations”). The judgment criteria for the internal control system adopted in these Regulations divide the internal control system into five main constituents based on the management and control process: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communication and 5. Monitoring. Each constituent includes several items. For more details on the aforementioned items, please refer to the provisions set forth in these Regulations.

- IV. The company inspects the effectiveness of the design and implementation of the internal control system based on the aforementioned judgment criteria
- V. Based on the results of the aforementioned inspections, the company believes that the design and implementation of the internal control system on December 31, 2016 (including the supervision and management of subsidiaries) was efficient as far as goal achievement in the field of results and efficiency of operations, reliability of financial reports, and legal compliance are concerned and may provide reasonable guarantees regarding the achievement of the aforementioned goals.
- VI. This declaration will be included as a main component of the annual report and prospectus of the company and will be made public. If the aforementioned published contents involve illegal activity such as fraud or concealment, the company shall assume legal liability pursuant to Article 20, 32, 171, 174 of the Securities and Exchange Act.
- VII. This declaration was approved unanimously by the board of directors with an attendance of 11 directors on March 9, 2017. All directors consented to the contents of this declaration as stated herein.

Yeong Guan Energy Technology
Group Co., Ltd.

Chairman: Signature/Seal

General Manager: Signature/Seal

2. If an accountant is commissioned to review the internal control system, the contents of the review report shall be disclosed: NA

(j) Penalties imposed in accordance with the law upon the company or its internal personnel and any penalties imposed by the company upon its internal personnel for violations of internal control system provisions as well as principal deficiencies and improvements efforts for the most recent fiscal year up to the printing date of the annual report: None

(k) Major Resolutions of Shareholders' and Board Meetings (in the most recent fiscal year up to the printing date of the annual report)

1. Major resolutions of shareholders meetings in 2016 and implementation status:

- (1) Ratification of the 2015 Business Report and Consolidated Financial Statement
- (2) Ratification of the company's 2015 Earnings distribution proposal
Implementation conditions: July 19, 2016 was set as the base date and August 8, 2016 as the distribution date (Cash dividend of NT\$ 8.4540163 per share)
- (3) Deliberation of the modification of the authorized capital amount
Implementation conditions: Completion of modification registration on Cayman Islands on June 28, 2016
- (4) Deliberation of the amendment of the company's Memorandum and Articles of Incorporation
Implementation conditions: Completion of amendment registration on Cayman Islands on June 28, 2016 and public announcement on corporate website
- (5) Complete reelection of all board directors (including independent directors)
Implementation conditions: Completion of registration of new board on Cayman Islands on June 28, 2016
- (6) Annulment of non-compete clause for newly appointed directors
Implementation conditions: Implementation in accordance with shareholders' meeting resolutions
- (7) Participation in the issuance of overseas depository receipts and issuance and public offering of convertible corporate bonds through cash capital increase via issuance of common shares
Implementation conditions: Not yet implemented since current capital and investment plans of the company do not require capital raising

2. Major resolutions of board meetings in 2016 up to the printing date of the annual report:

Meeting name	Date	Major resolutions
Board meeting	2016.3.11	<ol style="list-style-type: none"> 1. Approval of the 2015 Business Report 2. Approval of the 2015 Consolidated Financial Statement 3. Approval of the 2015 Earnings distribution proposal 4. Approval of the 2015 Internal Control System Statement issued by the company 5. Approval of complete reelection of board directors (including independent directors) 6. Approval of annulment of non-compete clause for

Meeting name	Date	Major resolutions
		<p>newly appointed directors</p> <ol style="list-style-type: none"> 7. Approval of authorized capital modification 8. Approval of amendment of the company's Articles of Incorporation and their outline 9. Approval of participation in the issuance of overseas depository receipts and issuance and public offering of convertible corporate bonds through cash capital increase via issuance of common shares 10. Approval of the convening of the 2016 General Shareholders' Meeting
Board meeting	2016.4.14	<ol style="list-style-type: none"> 1. Review of the proposals submitted by shareholders during the 2016 General Shareholders' Meetings The deadline for the processing of proposals submitted by shareholders for the 2016 General Shareholders' Meeting is 2016/04/01~2016/04/11. As of 2016/04/11 no motions had been received from shareholders with a shareholding ratio of over 1%.; 2. Review of the list of independent director candidates nominated during the 2016 General Shareholders' Meeting
Board meeting	2016.6.7	<ol style="list-style-type: none"> 1. Election of the chairman and vice chairman by the board of directors Complete reelection of board directors at the General Shareholders' Meeting on June 7, 2016. Unanimous approval of the reappointment of Mr. Chang, Hsien-Ming as Chairman and Mr. Tsai, Shu-Ken as Vice Chairman at the board meeting convened on June 7, 2016
Board meeting	2016.6.15	<ol style="list-style-type: none"> 1. Approval of matters pertaining the setting and distribution of 2015 cash dividends 2. Approval of audit committee members 3. Approval of remuneration committee members
Board meeting	2017.3.9	<ol style="list-style-type: none"> 1. Approval of the 2016 Business Report 2. Approval of the 2016 Consolidated Financial Statement 3. Approval of the 2016 Earnings distribution proposal 4. Approval of the 2016 Internal Control System Statement issued by the company 5. Amendment of Shareholders' Meeting Rules of Procedure 6. Amendment of Procedures for Election of Directors 7. Amendment of Procedures Governing Acquisition

Meeting name	Date	Major resolutions
		and Disposal of Assets 8. Approval of the convening of the 2017 General Shareholders' Meeting

- (l) Directors or supervisors who were on record or had submitted a written declaration for holding a dissenting opinion on major resolutions passed by the board of directors in the most recent fiscal year up to the publication date of the annual report: None
- (m) Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports (including the Chairman, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor) in the most recent fiscal year up to the publication date of the annual report: None

4. Professional fees of CPAs

(a) Range of professional fees of CPAs

Name of Accounting Firm	Accountant Name		Audit Period	Remarks
Deloitte&Touche	Li, Tung-Feng	Kung, Che-Li	Jan 1, 2016-Dec 31, 2016	

Unit: 1000 NTD

Accounting firm	Name of accountant	Audit fee	Non-audit fees					Accountant audit period	Note
			System design	Business registration	HR	Other (Note 1)	Subtotal		
Deloitte Taiwan	Dong-Feng Li Ze-Li Gong	9,050				800	9,850	2016.01.01~ 2016.12.31	Note 1 Tax assessment fee

- (b) Non-audit fees paid to CPAs, their accounting firms, and related businesses make up over 25% of the audit fees: NA
- (c) Reduction of audit fees after replacement of the accounting firm compared to the year preceding replacement: NA
- (d) Reduction of audit fees by more than 15% compared to the previous year: NA

5. Replacement of CPAs: NA

6. The Chairman, President, or executives in charge of finance or accounting affairs were employed in the accounting firm the CPAs are part of or related businesses in the most recent fiscal year: No

7. Transfer of stocks or changes in pledged shares of directors, supervisors, and executives, and shareholders holding over 10% of the total shares in the most recent fiscal year up to the publication date of the annual report

- (a) Changes in Shareholding of Directors, Supervisors, Executives and Major Shareholders

Title	Name	2016		2017 up to April 14	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and major shareholder	Chang, Hsien-Ming	(4,699,000)	(3,640,000)	—	—
Director and Executive Vice President	Chang, Wen-Lung	(1,284,000)	—	(950,000)	—
Director	Chang, Cheng-Chung	(1,050,000)	(1,000,000)	—	—
Vice Director	Tsai, Shu-Ken	(90,000)	—	—	—
Director and Executive Vice President	Chen, Wu-Chi	(230,000)	—	—	—
Director	Chang, Chih-Kai	—	—	(70,000)	—
Independent Director	Chen, Ching-Hung	—	—	—	—
Independent Director	Chang, Cheng-Lung	—	—	—	—
Independent Director	Wei, Chia-Min	—	—	—	—
Director and Executive Vice President	Kung, Hsing-Yuan	—	—	—	—
Director and Executive Vice President	Huang, Wen-Hung	—	—	—	—
Vice President	Hsu, Ching-Hsiung	—	—	—	—
Vice President	Lin, Tai-Feng	—	—	—	—
Vice President	Huang, Ching-Chung	—	—	—	—
Vice President	Kuo, Jui	—	—	—	—
Vice President	Lin, Yu-I	—	—	—	—

(b) Share Transfer to Related Parties:

Unit: Shares

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship between Transferee and the company, Directors, Supervisors, and Major Shareholders	Shares	Transaction Price
Chang, Cheng-Chung	Stock grant	2016/7/06	Chang, Chia-Yi	Director's son/daughter	600,000	0
Hsu, Yu-Yueh	Stock grant	2016/7/06	Chang, Chia-Min	Director's son/daughter	600,000	0
Hsu, Yu-Yueh	Stock grant	2016/7/06	Chang, Wei-Lun	Director's son/daughter	300,000	0
Chang, Wen-Lung	Stock grant	2017/4/6	Lee Chang, Yueh-Yun	Relationships within the Second Degree of the director and executive vice president of the company	950,000	0

(c) Shares pledged to related parties: NA

8. Information Disclosing the Relationship or Spousal or Kinship Relationships within the Second Degree between any of the Company's Top Ten Shareholders

As of April 14, 2017/Unit: Shares; %

NAME/TITLE	Personal shareholding		Shareholding of spouse or minor children		Shareholding by nominee arrangement		The relationship between any of the company's top ten shareholders (name/title)		REMARKS
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name /title	Relationship	
Chang, Hsien-Ming	12,788,540	10.76%	3,120	0.00%	-	-	Chang, Wen-Lung	Brother	
Cathay Life Insurance Company, Ltd.	9,317,000	7.84%							
Chang, Wen-Lung	5,806,313	4.89%	2,127,832	1.79%	-	-	Chang, Hsien-Ming	Brother	
Fubon Life Insurance Co., Ltd.	5,287,981	4.45%							
Nan Shan Life Insurance Co., Ltd.	4,408,959	3.71%							
Chang, Cheng-Chung	3,794,408	3.19%	2,562,261	2.16%	-	-	Hsu, Yu-Yueh	Spouse	
Mercuries Life Insurance	3,253,000	2.74%							
Hsu, Yu-Yueh	2,562,261	2.16%	3,794,408	3.19%	-	-	Chang, Cheng-Chung	Spouse	
Labor Pension Fund (New Scheme)	2,532,380	2.13%							
Wu, Ting-Tsai	2,183,701	1.84%	-						

9. Number of shares held and consolidated shareholding ratio of the company, directors, supervisors, executives, and businesses directly or indirectly controlled by the company in the same joint venture business

Joint venture business	Investments by the company		Investments by directors, supervisors, executives, and businesses directly or indirectly controlled by the company		Total investments	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Yeong Guan Holdings Co., Ltd.	146,000	100.00	—	—	146,000	100.00
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	37,500	75.00	—	—	37,500	75.00
Yeong Guan International Co., Ltd.	506,000	100.00	—	—	506,000	100.00
Shin Shang Trade Co., Ltd.	50	100.00	—	—	50	100.00
New Power Team Technology Co., Ltd.	13,000	52.00	—	—	13,000	52.00
Lizhan Limited	Note	52.00	—	—	Note	52.00
Yeong Chen Asia Pacific Co., Ltd.	Note	100.00	—	—	Note	100.00
Dongguan Yeong Guan Mould Factory Co., Ltd.	Note	100.00	—	—	Note	100.00
Ningbo Yeong Shang Casting Iron Co., Ltd.	Note	100.00	—	—	Note	100.00
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Note	100.00	—	—	Note	100.00
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Note	100.00	—	—	Note	100.00
Ningbo Yeong Chia Mei Trade Co., Ltd.	Note	100.00	—	—	Note	100.00
Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.	Note	90.00	—	—	Note	90.00
Shanghai No. 1 Foundry Trading Co., Ltd.	Note	90.00	—	—	Note	90.00
Ningbo New Power Team Technology Co., Ltd.	Note	52.00			Note	52.00

Note: Limited liability company that has not issued any shares

IV. Capital Overview

1. Capital and shares

(a) Source of Capital

1. Capital formation process

Month/ Year	Par value	Authorized capital		Paid-in capital		Remarks		
		Shares (1000 shares)	Amount (1000 dollars)	Shares (1000 shares)	Amount (1000 dollars)	Sources of capital	Capital Increased by Assets Other than Cash	Other
2008.1	-	Common shares 1,000	HKD 100	1,000	HKD 100	Company establishment	NA	
2008.9	-	Common shares 985,000 Preferred shares 15,000	HKD 100,000	50,000	HKD 5,000	Organizational restructuring	NA	
2009.5	USD 2.08	Common shares 1,000,000	HKD 100,000	57,822	HKD 5,782	Cash capital increase	NA	
2009.8	USD 1.51	Common shares 1,000,000	HKD 100,000	77,683	HKD 7,768	Cash capital increase	NA	
2010.3	-	Common shares 120,000	NTD 1,200,000	80,000	NTD 800,000	Conversion of capital into NT dollars	NA	
2012.4	NTD 53	Common shares 120,000	NTD 1,200,000	88,889	NTD 888,890	Cash capital increase	NA	
2012.9	-	Common shares 120,000	NTD 1,200,000	100,889	NTD 1,008,890	Capitalization of earnings	NA	
2014.8	NTD 118	Common shares 120,000	NTD 1,200,000	104,889	NTD 1,048,890	Cash capital increase	NA	
2015.3	NTD 153	Common shares 120,000	NTD 1,200,000	105,793	NTD 1,057,930	Convertible bond conversion	NA	
2015.4	NTD 153	Common shares 120,000	NTD 1,200,000	105,862	NTD 1,058,622	Convertible bond conversion	NA	
2015.6	NTD 149	Common shares 150,000	NTD 1,500,000	111,212	NTD 1,112,118	Convertible bond conversion	NA	
2015.7	NTD 149	Common shares 150,000	NTD 1,500,000	112,151	NTD 1,121,507	Convertible bond conversion	NA	
2015.8	NTD 149	Common shares 150,000	NTD 1,500,000	112,155	NTD 1,121,545	Convertible bond conversion	NA	
2015.10	NTD 168	Common shares 150,000	NTD 1,500,000	117,155	NTD 1,171,545	Cash capital increase	NA	
2015.10	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,830	NTD 1,178,303	Convertible bond conversion	NA	
2015.11	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,845	NTD 1,178,451	Convertible bond conversion	NA	
2015.12	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,980	NTD 1,179,796	Convertible bond	NA	

						conversion		
2016.1	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,126	NTD 1,181,263	Convertible bond conversion	NA	
2016.2	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,299	NTD 1,182,986	Convertible bond conversion	NA	
2016.3	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,702	NTD 1,187,023	Convertible bond conversion	NA	
2016.4	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,771	NTD 1,187,709	Convertible bond conversion	NA	
2016.6	NTD 148.6	Common shares 300,000	NTD 3,000,000	118,782	NTD 1,187,823	Convertible bond conversion	NA	
2016.8	NTD 148.6	Common shares 300,000	NTD 3,000,000	118,818	NTD 1,188,175	Convertible bond conversion	NA	

2. Type of stock

April 15, 2017

Share type	Authorized capital			Remarks
	Issued shares	Unissued shares	Total shares	
Common	118,817,519	181,182,481	300,000,000	

3. Information for the shelf registration system: NA

(b) Shareholder Structure

As of April 15, 2017; Unit: Persons; Shares; %

Shareholder structure	Government agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	3	22	51	122	5,619	5,817
Number of shares	2,928,288	26,496,492	5,876,820	14,884,050	68,631,869	118,817,519
Shareholding ratio (%)	2.47%	22.30%	4.95%	12.52%	57.76%	100.00%

Note: The shareholding ratio of Mainland Chinese capital in this company is zero

(c) Shareholding distribution status:

As of April 15, 2017; Unit: Persons; Shares; %

Shareholding classes	Number of shareholders	Number of shares	Shareholding ratio (%)
1 ~ 999	631	90,288	0.08%
1,000 ~ 5,000	3,988	7,825,238	6.59%
5,001 ~ 10,000	533	4,142,302	3.49%
10,001 ~ 15,000	184	2,380,864	2.00%
15,001 ~ 20,000	107	1,965,386	1.65%
20,001 ~ 30,000	118	2,987,106	2.51%
30,001 ~ 40,000	66	2,319,624	1.95%
40,001 ~ 50,000	22	1,024,495	0.86%
50,001 ~ 100,000	62	4,562,835	3.84%

Shareholding classes	Number of shareholders	Number of shares	Shareholding ratio (%)
100,001 ~ 200,000	47	6,172,346	5.20%
200,001 ~ 400,000	18	4,990,705	4.20%
400,001 ~ 600,000	9	4,147,568	3.49%
600,001 ~ 800,000	7	4,955,505	4.17%
800,001 ~ 1,000,000	6	5,585,639	4.70%
1,000,001 or more	19	65,667,618	55.27%
Total	5,817	118,817,519	100.00%

(d) List of Major Shareholders

As of April 15, 2017; Unit: Shares; %

Name of major shareholder	Number of shares and shareholding ratio	Number of shares	Shareholding ratio (%)
Chang, Hsien-Ming		12,788,540	10.76%
Cathay Life Insurance Company, Ltd.		9,317,000	7.84%
Chang, Wen-Lung		5,806,313	4.89%
Fubon Life Insurance Co., Ltd.		5,287,981	4.45%
Nan Shan Life Insurance Co., Ltd.		4,408,959	3.71%
Chang, Cheng-Chung		3,794,408	3.19%
Mercuries Life Insurance		3,253,000	2.74%
Hsu, Yu-Yueh		2,562,261	2.16%
Labor Pension Fund (New Scheme)		2,532,380	2.13%
Wu, Ting-Tsai		2,183,701	1.84%

(e) Market Price, Net Worth, Earnings, and Dividends per Share in the previous two fiscal years

Unit: NTD; 1000 shares

Item	Year	2015	2016	Up to March 31, 2017
		Market price per share	Highest	244
	Lowest	130	98.4	103
	Average	186.98	179.52	113.22
Net worth per share	Before distribution	89.36	82.26	—
	After distribution	80.91	Not yet distributed	—
Earnings per share	Weighted average shares	110,323	118,673	—
	EPS	12.24	8.5	—
Dividends per share	Cash dividends	8.45	3.25 (Note 4)	—
	Stock	—	—	—

	dividends	None	None	—	
	Accumulated undistributed dividends		None	None	—
Return on investment	Price-Earnings Ratio(Note 1)		15.28	21.12	—
	Price-Dividend Ratio(Note 2)		22.00	55.24	—
	Cash dividend yield rate(Note 3)		4.55%	1.81%	—

Note 1: Price-Earnings Ratio = Average closing price per share in the respective year/Earnings per Share

Note 2: Price-Dividend Ratio = Average closing price per share in the respective year/Cash dividends per share

Note 3: Cash dividend yield rate = Cash dividends per share/Average closing price per share in the respective year

Note 4: The 2016 Earnings Distribution Proposal was approved by board resolution on March 9, 2017 and will be submitted to the shareholders' meeting for ratification on June 3, 2017

(f) Dividend Policy and Implementation Status

1. Dividend policy as prescribed in the Articles of Incorporation

Dividends are paid to shareholders based on their shareholding ratios upon approval by ordinary resolution of the shareholders' meeting, or in accordance with the conditions specified in Article 11.4(a) of the Articles of Incorporation by supermajority resolution of the board provided that the Articles of Incorporation and directions of the shareholders' meeting are not violated. Dividends may be paid in form of cash, shares, or fully or partially in different types of assets. The value of these assets is determined by the board of directors. The company does not pay interest on undistributed dividends.

The board of directors may resolve to distribute all or part of the dividends from designated assets (shares or securities of other companies) and shall deal with problems generated by this distribution. The board of directors shall determine the value of said specified assets under condition that the aforementioned general provisions are not affected. It may also resolve to pay dividends to certain shareholders in cash in place of designated assets and may decide to convey said designated assets to a trustee under appropriate conditions.

Unless stipulated otherwise in relevant laws, Article 11.4 (a) of the Articles of Incorporation, the Articles of Incorporation, or the rights attached to shares, the company may distribute earnings in accordance with board earnings distribution proposals approved by ordinary resolution of the General Shareholders' Meeting. The company may not pay dividends or make other distributions unless based on realized or unrealized earnings, share premium accounts, legally authorized reserves, or other funds. Unless rights attached to shares stipulate otherwise, all dividends shall be calculated based on the number of held shares and amounts paid by shareholders. If share issue conditions prescribe the calculation of dividends from a specified date, calculations shall be made accordingly.

Where the Company earns profits in a fiscal year (as defined below), 2% - 15% shall be allocated as employee bonuses. The beneficiaries of such compensations shall include employees of subsidiaries who meet certain conditions. A maximum of 3% of the aforementioned profits may be allocated as director compensations. The employee bonus and director compensation proposal shall be approved by resolution of a majority of directors with a minimum of 2/3 of all directors in attendance and shall be reported to the shareholders' meeting. In case of accumulated losses, a specified amount shall be retained for compensation prior to the allocation of employee bonuses and director compensations in accordance with the aforementioned ratios. The term "profits" shall refer to earnings before tax. The term "earnings before tax" shall refer to the amount prior to payment of employee bonuses and director compensations.

As for the determination of dividend policies, the board of directors determines the amounts of dividends and other distributions (if applicable) in each fiscal year based on a clear understanding of the maturity of the company's operations and services and the stable income situation and sound financial structure of the company and requests approval by the shareholders. The board of directors shall:

- (a) take into account the earnings, overall development, financial planning, capital demands, industry outlook, and future prospects of the company in the respective fiscal year to safeguard the rights and interests of the shareholders and;
- (b) Shall make allocations from net income in the current quarter for (i) reserves for the payment of taxes in the respective fiscal year (ii) compensation of losses (iii) 10% general reserves and (iv) reserves as determined by the board of directors pursuant to Article 14.1 of the Articles of Incorporation or special reserves required by authorities in charge of securities pursuant to regulations for public companies.

The board of directors shall allocate a minimum of 20% of the distributable amount as shareholder dividends upon allocation of amounts deemed appropriate by the board of directors as employee bonuses and director compensations in accordance with relevant regulations set forth in Article 13.4 and the dividend distribution policy specified in Article 13.5 under the premise of legal compliance. Dividends shall be subject to approval by resolution of the shareholders' meeting.

Shareholder dividends and employee bonuses may be paid out to employees or shareholders as cash, unissued shares purchased with said amount, or a combination of these two methods. Issued cash dividends shall make up at least 10% of the total dividends paid to shareholders. The company does not pay interest on undistributed dividends and bonuses.

2. Dividend distribution in this fiscal year:

The board of directors approved the 2016 Earnings distribution proposal on March 9, 2017 with a planned distribution of cash dividends amounting to NT\$ 3.25 per share. The proposal will be submitted to the shareholders' meeting on June 13, 2017 for ratification. Earnings are to be distributed as follows:

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the quarter	\$1,626,814,255
plus: Net income after taxes for this quarter	1,008,298,222
minus: Legal reserves	(100,829,822)
minus: Special reserves	(612,633,952)
Distributable earnings in this fiscal year	1,921,648,703
Distribution items:	
Shareholder bonus	
Cash dividend (provisionally set at NT\$ 3.25 per share)	386,156,937
Undistributed earnings at the end of the quarter	\$1,535,491,766

(g) Impact of stock dividends proposed by this shareholders' meeting on business performance and EPS:

The board of directors approved the 2016 Earnings distribution proposal on March 9, 2017 with a planned distribution of cash dividends amounting to NT\$ 3.25 per share. The proposal will be submitted to the shareholders' meeting on June 13, 2017 for ratification. Since only cash dividends are distributed, the overall business performance of the company will not be affected.

(h) Compensation of employees, directors and supervisors

1. Quotas or range of compensations of employees, directors and supervisors as specified in the Articles of Incorporation: Please refer to Paragraph 1 (f)

2. Estimation basis for employee bonuses and compensations of directors and supervisors for this quarter, calculation basis for number of shares allocated as stock bonus, and accounting procedures in case of discrepancies between actually distributed amounts and estimated figures:

A proportional basis for the distribution of payable employee bonuses and director compensations in 2016 shall be determined based on the distribution intervals of 2%~15% and 3% after allocation of 10% legal reserves and special reserves from net income after tax (minus employee bonuses and director compensations). In case of major changes of distribution amounts determined by the board of directors after year end, the originally allocated annual expenses shall be adjusted. Further changes on the date of the shareholders' meeting resolution shall be handled as accounting estimate changes. Annual adjustments shall be entered into accounts by resolution of the shareholders' meeting. If the shareholders' meeting resolves to pay out employee bonuses as stock, the number of shares allocated as stock dividends shall be determined based on payable bonus amounts divided by fair stock value. The term fair stock value shall refer to the closing price on the day prior to the shareholders' meeting resolution date (upon consideration of ex-right/ex-dividend impacts)

3. Compensations approved by the board of directors:

(1) Employee bonuses and director and supervisor compensations in form of cash payment or dividend distribution. Where there is a discrepancy between such compensations and recognized fees and estimated amounts, the actual difference as well as the reasons and handling thereof shall be specified: The board of directors approved employee cash bonus payments of NT\$ 21 million.

(2) Amount of employee bonuses paid as distributed dividends/ratio of employee bonuses paid as dividends to after-tax net income as stated on the individual financial statement and total employee bonuses: NA

(3) Pro-forma EPS upon deduction of proposed employee bonuses and director/supervisor compensations: Employee bonus estimates have already been incorporated into the 2016 financial statement. Pro-forma EPS is therefore identical to the amount specified on the financial statement.

4. Actual distribution of employee, director, and supervisor compensations in the previous year (including number and value of distributed shares and share price); where there is a discrepancy between actual compensations and approved amounts, the actual difference as well as the reasons and handling thereof shall be specified: NA

(i) Repurchase of shares by the company: NA

2. Issuance of company bonds:

1. Current Status of Company Bonds

Type of corporate bond	1st Issue of Domestic (ROC) Unsecured Convertible Bonds	2nd Issue of Domestic (ROC) Unsecured Convertible Bonds
Issue (offer) Date	June 3, 2014	August 18, 2015
Denomination	NT\$ 100,000 each	NT\$ 100,000 each
Place of issuance and transaction	Taipei Exchange	Taipei Exchange
Issuing price	Fully issued at par price	Fully issued at par price
Total amount	NT\$ 1.5 billion	NT\$ 2.5 billion
Interest rate	0%	0%
Maturity	5 years; Maturity date: June 3, 2019	5 years; Maturity date: August 18, 2020
Guarantee agency	None	None
Trustee	Trusts Department of Land Bank of Taiwan	Trusts Department of Land Bank of Taiwan
Underwriter	KGI Securities Co. LTD.	KGI Securities Co. LTD.
Certified Lawyer	Attorney Tian-Hsiang Song from Lee and Li Attorneys-At-Law	Attorney Tian-Hsiang Song from Lee and Li Attorneys-At-Law
CPA	Deloitte Touche Tohmatsu Limited (DTTL) Accountants Dong-fong Lee and Zhe-li Gong	Deloitte Touche Tohmatsu Limited (DTTL) Accountants Dong-fong Lee and Zhe-li Gong
Payback method	Except for redemption by the company, reselling by bondholders, or transfer, the bonds will be bought back with bond denomination plus interest compensation, which is 105.10% of the denomination (annual yield is about 1%) in a lump cash payment.	Except for redemption by the company, reselling by bondholders, or transfer, the bonds will be bought back with bond denomination plus interest compensation, which is 102.53% of the denomination (annual yield is about 0.5%) in a lump cash payment.
Outstanding principal	NT\$ 145,100,000	NT\$ 2,500,000,000
Provisions of redemption and prepayment	Please refer to the issuance and conversion procedures.	Please refer to the issuance and conversion procedures.
Restrictions	None	None
Credit rating agency, credit rating date, and corporate bond rating results	None	None
Other rights	Converted (exchanged or subscribed) common shares, global depository receipts, or amount of other securities.	By April 15, 2017, a total of NT\$ 1,354,900,000 have been converted into 8,928,504 ordinary shares of a face value of NT\$10 each.
	Issuance and conversion (exchange or subscription) procedures	Please refer to the credit section of the market observation post system for bond issuance information
Impact of issuance and conversion, exchange and subscription methods and issuance conditions on equity dilution, possible dilution on stock equity and shareholder's equity	According to the current conversion price of NT\$142.3, 1,019,676 shares need to be issued if all shares are to be converted to common shares. The impact on shareholders' equity is limited so far.	Conversion started on November 19, 2015; no bonds have been converted yet Please refer to the credit section of the market observation post system for bond issuance information
Commissioned agency for exchanged object	Not applicable	Not applicable

2. Convertible bond data

Corporate bond type		(15891) 1 st Issue of Domestic (ROC) Unsecured Convertible Bonds	
Year		2016	Current year until April 30, 2017
Market price of convertible bonds	Highest	165.00	106.45
	Lowest	120.45	102.05
	Average	146.36	103.56
Conversion price		142.3	142.3
Issue (offer) date and conversion price on issue date		Issue date: June 3, 2014 Conversion price on issue date: 158	Issue date: June 3, 2014 Conversion price on issue date: 158
Conversion method		Issuance of new shares	Issuance of new shares

Corporate bond type		(15892) 1 st Issue of Domestic (ROC) Unsecured Convertible Bonds	
Year		2015	Current year until April 30, 2017
Market price of convertible bonds	Highest	114.00	101.00
	Lowest	98.10	98.45
	Average	105.04	99.24
Conversion price		207.3	207.3
Issue (offer) date and conversion price on issue date		Issue date: August 18, 2015 Conversion price on issue date: 217	Issue date: August 18, 2015 Conversion price on issue date: 217
Conversion method		Issuance of new shares	Issuance of new shares

3. Exchange of corporate bond date: NA

4. Shelf registration of issued corporate bonds: NA

5. Corporate bonds with attached warrant: NA

3. Preferred shares: None

4. Overseas depositary receipts: None

5. Employee stock option certificates: None

6. Restricted Employee Shares Compensation: None

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

8. Implementation of fund utilization plans:

The company raised a total of 2.5 billion NTD through the 2nd Issue of Domestic (ROC) Unsecured Convertible Bonds in August 2015. The raised funds were mainly used for the construction of factory buildings, the purchase of machines and equipment, and the replenishment of working capital . These bonds are expected to be exercised in full by the first quarter of 2019. The company plans to use NT\$1,077,215,000 and NT\$1,808,967,000 for the construction of factory buildings and purchase of machinery and equipment, respectively. Upon assessment of accumulated expenses, major irregularities have been ruled out, By the printing date of the annual report, the company did not have any uncompleted plans for issuance or private placement of securities or plans completed within the last three years that had not produced any significant benefits.

V. Operations Overview

1. Business activities

(a) Business scope

1. Main areas of business operations

The company's operations mainly focus on the manufacture and sale of spheroidal graphite cast iron and gray cast iron including hubs and bases for wind turbines, thermal power generation exhaust hoods, injection molding machine components, and castings for machine tools and other industrial machinery

2. Revenue distribution

Main product categories	2015		2016	
	Net sales	% of total sales	Net sales	% of total sales
Energy castings	4,757,759	58.58%	3,893,540	52.58%
Injection molding machine castings	1,784,435	21.97%	1,863,685	25.27%
Other castings	1,580,276	19.45%	1,616,663	21.93%
Total	8,122,470	100.00%	7,373,888	100.00%

3. Current product categories

Main product categories	Application areas
Low-temperature high-tensile spheroidal graphite iron castings and gray cast iron castings for energy applications	Large-scale wind turbines (hubs, gear boxes, and bases) Steam turbine components for large-scale power plants
High-grade spheroidal graphite iron castings for injection molding machines	Plastic injection molding machine
Other applications of high-grade spheroidal graphite iron castings and gray cast iron castings	Large-scale high-precision machine tools Air compressor Very large-scale rapid color printing machine Medical equipment (cancer therapeutic apparatus, gamma knife therapeutic apparatus)

4. Planned development of new products: Engineering, mining, and marine equipment castings

(b) Industry overview

1. Current status and development

Wind power industry

The world economy grew by a meager 2.2% in 2016, which represents the lowest growth rate since the recession in 2009. Due to the sluggish outlook of the global economy, investments are stagnant and global trade is slowing down. In addition, productivity growth is high and debts remain at high levels. Total global production is expected to expand by 2.7% and 2.9% in 2017 and 2018, respectively. This recovery trend signals a stabilization of the global economy. In view of the inextricable connection between demands, investments, trade, and productivity, the sluggish growth and expansion of the global economy may be mirrored in the wind energy industry.

Statistics released by the Global Wind Energy Council (GWEC) reveal that the newly installed wind power capacity in 2016 fell short of 55GW. New capacities did not reach the record-breaking number of 2015 but exceeded the records of all other years. The total global capacity currently exceeds 487GW. 241GW of this total capacity was added in the last five years. Despite the fact that the market share fell short of 60GW in 2016 (since the newly installed capacity in China only reached 23GW in 2016 as opposed to 30GW in 2015), the industry still achieved an aggregate growth rate of 12.6%. In addition, the performance in China, Brazil, Germany, Mexico, South Africa, and Canada dropped somewhat compared to the base year of 2015. However, this is a matter of cyclic trends (except Germany and South Africa). The Global Wind Energy Council forecasts a turn for the better in 2017.

GWEC statistics also indicate that the Chinese wind power market gradually shifts to an optimized use of existing wind turbine generators. The number of new installations slightly decreased compared to 2015 but still exceeded 23GW, accounting for 40% of all newly added installations worldwide. China's total wind power capacity is currently close to 170GW, comprising over 30% of the global capacity despite the fact that statistics released by the National Energy Administration reveal that on-grid capacity fell short of 150GW. India set a new record of 3,612 MW, which is only surpassed by China, the US, and Germany. India's cumulative wind power capacity approaches 29GW, but it is currently planned to dismantle and re-commission installations of a total capacity of 4.5GW. Pakistan was the fastest growing market in the Asia Pacific region in

2016. The country almost doubled its installed capacity to 282MW. The Australian wind power market also shows signs of positive development. The country added 140MW of operable capacity in 2016. Growth in Japan remains sluggish. In 2016, the country added a meager 196MW, but its total installed capacity surpassed Korea for the first time (201MW).

In 2016, Germany provided almost 40% of the newly added wind power capacity for the European market. The country added 5.4GW in new installations and achieved a total capacity of over 50GW. Despite the fact that newly added capacities slightly decreased compared to 2015, they still exceeded other EU countries by over 300%.

France and Turkey are two other successful examples in this region with significant growth and newly added capacities of 1.6GW and 1.4GW, respectively. The growth pattern in Sweden, Denmark, and Ireland was similar to 2015, while most areas in Central Europe and Eastern Europe did not exhibit any significant growth. Poland and Romania have recently promoted a wind power expansion program, but the anti-onshore wind turbine policy of the Polish government starts to affect the market. The capacity of newly installed wind turbines dropped from 1266 MW in 2015 to 682 MW in 2016. Romania, on the other hand, believes that the 2020 target for renewable energy sources can be achieved without relying on new installations and has therefore drastically reduced investments in wind power.

The Spanish market is on the verge of extinction with a mere 49 MW in newly added capacities. Italy did not exhibit any significant growth, either. The UK added 736MW of wind power in 2016 (56MW of this newly installed capacity consists of offshore installations). However, onshore installations hardly increased after the government withdrew its support.

A dramatic increase in the US in the fourth quarter of 2016 led to the installation of new wind turbines with a total capacity of 8.2GW, increasing the total capacity to over 82GW. The following five US states accounted for 75% of newly added capacities in the US last year: Texas(2611 MW), Oklahoma(1,462 MW), Idaho(707MW), Kansas(687MW), and North Dakota(603MW). Despite the fact that the new government seems to favor fossil fuels, the American Wind Energy Association (AWEA) is optimistic about the mid- and short-term prospects of the wind energy market. AWEA points out that new turbines with a

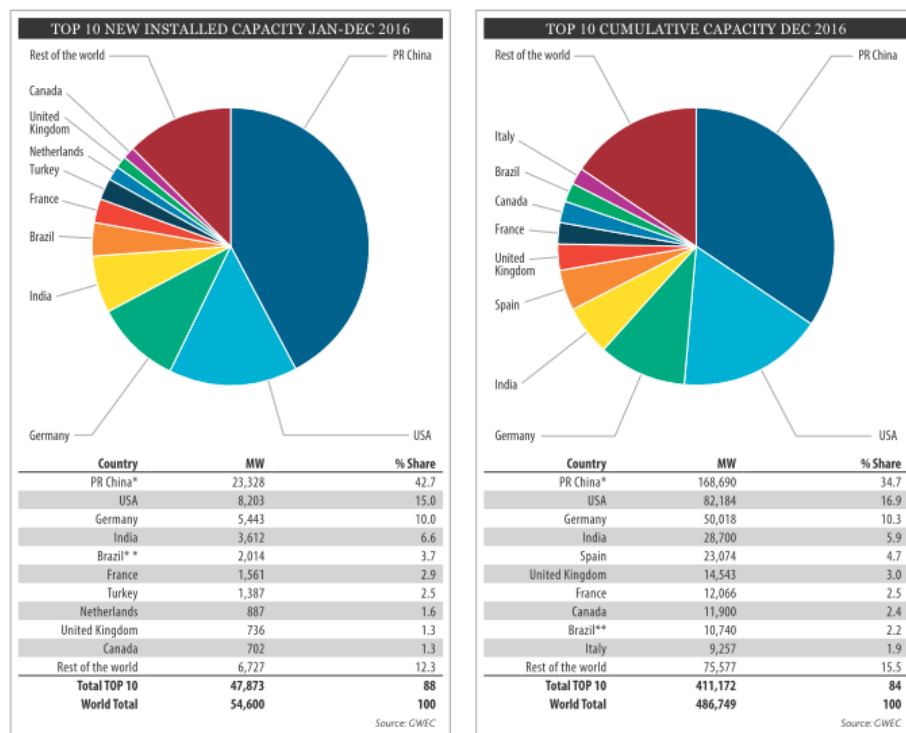
total capacity of over 10GW are currently under construction, while projects with a total capacity of 8GW are nearing completion. AWEA states that these new wind power projects consist of 130 items spread out over 31 states. Canada, on the other hand, saw a dramatic drop of new wind power installations from 1545MW in 2015 to a mere 702MW in 2016. It is expected that new installations in 2017 will reach a capacity similar to that in 2016. In the long run, the prospects of the Canadian market look quite promising since Alberta and Saskatchewan make steady progress toward more ambitious renewable energy goals.

The economic crisis in Brazil stifles the demand for electricity and accounts for the sluggish growth of wind power in the country. In 2016, newly added capacities exceeded 2GW in 2016 compared to 3.2GW in 2015 and the total cumulative capacity reached 10.7GW. New installations in Chile exceeded those in Mexico and the total cumulative capacity amounted to 1424 MW in 2016. Mexico is still the second largest market in this region with a total capacity in excess of 3.5GW. However, newly added capacities in Mexico dropped from 692MW in 2015 to 454MW in 2016. Uruguay also joined the club of nations with a wind power capacity of 1GW. The country added 365MW in 2016, reaching a total capacity of 1,210 MW. Argentina is the fastest growing market in this region. However, the bidding process for two major renewable energy projects has just been initiated, which explains why no new wind power installations were added in 2016.

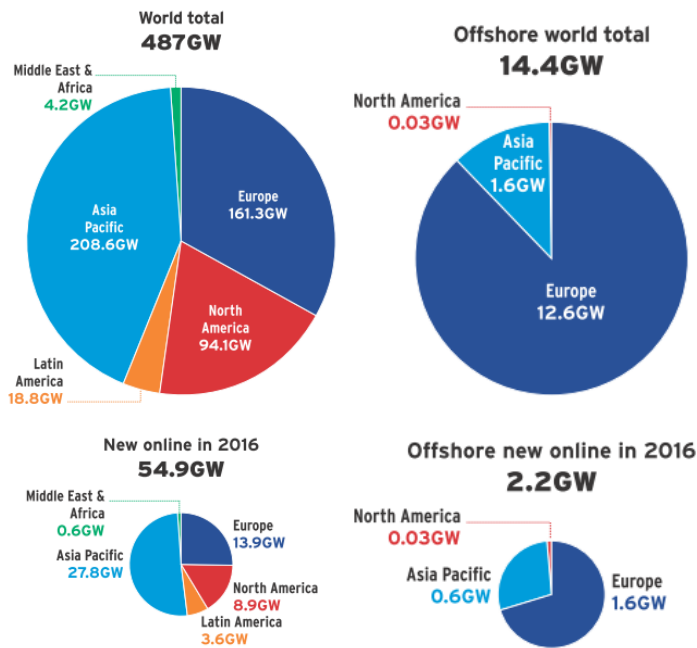
The South African wind power market is stagnating and the state-owned energy industry company Eskom has delayed the signing of power purchase agreements with wind energy developers. The country added new installations of a total capacity of 418 MW last year and the total cumulative capacity reached 1,471MW. Morocco offers the best opportunities for wind power developers in this region. Despite the fact that only 95MW were added in 2016, a consortium led by Enel is currently carrying out a project encompassing five items with a total capacity of 850MW. Siemens will provide a portion of the turbines and Vestas turbines will drive the 120MW Khalladi project which will be commissioned this year. The goal of the Egyptian government is a wind power capacity of 7GW by 2022, but progress is sluggish. The Egyptian government has secured the funds for a 200MW project and plans to initiate the bidding process later this year.

For the European offshore wind power industry, 2016 was a year of relative lull. Even the UK which is the leading nation in the field of offshore wind power added a mere 56MW. It should however be pointed out that projects of a total capacity of 700MW are currently in their final stages and are expected to be completed this year. Germany added a total of 813 MW in offshore wind installations in 2016, resulting in a total offshore wind power capacity of over 4GW. The Netherlands added 691 MW in offshore wind power capacity. The largest part of this capacity is provided by the newly commissioned Gemini offshore wind farm. Following the completion of the 30MW Block Island project, the US entered the age of offshore wind power generation. South Korea followed suit by completing the 30MW Tamra wind farm, the country's first commercial offshore development project. In China, the progress of offshore wind power development is still sluggish. However, newly added capacities of 59.2 MW exceed those in Denmark, turning China into the third largest offshore wind power nation behind the UK and Germany.

Ranking of countries by newly added/cumulative wind power capacities in 2016



Source: GWEC, February 2017



Global cumulative and newly added wind power capacity (the chart on the right shows offshore capacities)

Source: Windpower Monthly

Injection molding machine

The application range of injection molding machines is very wide and includes injection molding operations in the fields of household appliances, food products, automobiles, construction, pharmaceuticals, aviation, national defense, petrochemistry, and the casing of cell phones, cameras, notebook computers, and other digital devices. The evaluation of plastic goods is mainly based on three factors: 1. Outer appearance including integrity, color, and luster 2. Accuracy of dimensions and relative positions 3. Physical, chemical, and electrical properties correspond to the purpose. Quality and size requirements vary based on different usage locations.

Injection molding machines are mainly manufactured in Germany, Austria, Italy, and Japan. However, in view of the performance in 2014, the US growth potential should not be underestimated. Europe and Japan mainly produce high-precision large-scale injection molding machines with high technology content and high added value. Following the import of technologies and technological innovation over many years, the Chinese molding machine industry is gradually elevating its manufacturing standards in the field of low-end injection molding machines and is now playing a leading role in this market due to the added impact of a competitive advantage in the area of labor costs. In addition, a large

number of European and Japanese enterprises set up factories or R&D centers in China to reduce costs and get closer to the domestic market.

North America was the area with the most impressive performance between 2014 and 2015 with an output volume of 4000 machines in 2015. The main reason for this high production volume lies in the fact that a large number of plastic processing enterprises built new plants in this area (suppliers of North American car makers in particular). Numerous automobile manufacturers and their plastic part suppliers have built factories in the Southeastern US and Mexico. Manufacturers of electrical appliances and plastic packaging have also seen growth. It is expected that Mexico will turn into one of the regions with the largest demand for injection molding machines in 2016. There are currently around 4,400 plastic manufacturers in Mexico (84% of them are small- or micro-sized enterprises) with a total annual production capacity of 5 million tons of plastic products. In the upcoming years, the annual growth rate is expected to reach 9-10%. Around 43% of these products are bottles or packaging materials. Other products are widely applied in the packaging, construction, furniture, and toy industries as well as agriculture.

In addition, the US output of plastic has exceeded that of other countries for many years. Texas' and California's combined output of plastic goods is ranked second in the world. Due to the advantage of low costs in Mexico, numerous plastic processing enterprises in the above-mentioned two states have moved into Mexico, providing a shot in the arm for the Mexican plastic industry. Small-scale facilities predominate and all-electric machines have an edge. Smart, automatic, and high-speed machines with program design are favored by the market. Equipment with applications in the fields of health care, consumer products, and silicon materials have a strong footing in the market.

Statistics released by the Committee on Equipment Statistics (CES) which is subordinate to the Society of the Plastics Industry (SPI) reveal that the total value of new orders placed in the fourth quarter of 2016 reached US\$ 390.2 million, exceeding the third quarter by 24.2%. A CES report points out that the output volume of new equipment in 2016 will increase by 1.2% compared to 2015.

Machinery industry

The machinery industry is of fundamental and strategic importance for every nation and is the mother of all industries. The machinery sector is closely connected to other sectors and provides suitable and highly efficient production equipment and facilities to satisfy the demand of other industries. The machinery industry covers a wide range and can have a

wide or narrow meaning. The wide definition of machinery industry includes the five main categories of general machinery, electrical machinery, transportation tools, high-precision machinery, and metal goods, while the narrow definition only refers to production machinery and facilities and auxiliary equipment directly used by different industries including metal processing machinery, industrial machinery, special and electrical manufacturing machinery, general machinery, transportation and automation facilities, metal molds, and other machinery and components.

The customers of Yeong Guan Energy Technology Group are distributed in four main categories: Energy, injection molding machines, medical equipment, and industrial machinery. The last category includes machine tools, air compressors, marine equipment, nut making machines, gear processing machines, printing machinery, rubber machines, paper making equipment, tile making machines, cement machines and equipment, conduit valves, and transportation equipment and components. An overview of the development of machine tools and air compressors, the main applications belonging to the category of industrial machinery products of this company will be provided below:

A. Machine tools

The term machine tools refers to motive power manufacturing equipment which is used for precision cutting of metals to manufacture other machines or processed metal parts. Machine tools are commonly known as “the mother of all machines” or “mother machines”. Machine tools may be used for molding, cutting, and bonding. Machine may be divided into the following categories based on usage purposes: lathes, milling machines, grinding machines, and drilling machines. Based on the level of computerization they may also be divided into traditional metal cutting machines, numerical control (NC) machines (equipped with automated control but not with digital control), and computerized numerical control (CNC) machines which have wide application in the machinery, automobile, electronics, mold, and, aerospace industries.

Machine tool manufacturers must adopt a strategy of low prices and high performance to enhance their international competitiveness. In addition to the lowering of product prices through manufacturing technologies and component modularization, localized and low-cost key technologies and components such as high-speed spindle technologies, high-speed feed technologies, high-precision ball bearings, high-speed high-precision ball screws, high-performance servo motors and servo controls, and CNC software technologies must be developed independently. The design and development of key technologies and components is therefore one of the key development goals of machine tool manufacturers. Yeong Guan can supply industrial machinery business customers with

fatigue-resistant ductile cast iron which is suitable for high-speed applications.

The global machinery tool market was in a slump in 2015. Reports of professional research institutions indicate a decline of global production value forecasts from \$EU 64 billion at the beginning of the year to 59.3 billion in October. A detailed market analysis however reveals the emergence of a phenomenon called “the strongest prevail” in almost all machinery industries in 2015.

In addition, the favored weapon of Chinese manufacturers to control prices through volume has also lost its past effectiveness. The added impact of the strong depreciation of the Euro at the beginning of the year and the weak Japanese Yen has led to a situation in which more markets turn to high-end/highly efficient/smart European and Japanese manufacturers.

The brisk demand for machine tools in 2017 is a clear indicator for economic recovery. The rising demand for machine tools also boosts the demand for other types of industrial machinery. The Company will actively develop new demands and products.

B. Air compressors

Air compressors are capable of converting mechanical energy into gas pressure energy and compressed air pressure. Based on the compression methods, compressors can be divided into Positive Displacement Compressors and Dynamic Compressors. Based on the cooling method air compressors can also be categorized into water-cooled and air-cooled types. In addition, compressors can also be classified into lubricated and non-lubricated types based on the fact whether or not air is mixed with lubricating oil during the air compression process. Lubricating oil has a lubricating and cooling effect on any machinery equipment. In lubricated air compressors, it also has a sealing effect and thereby enhances the volumetric efficiency of air compressors. From an energy conservation perspective, the efficiency of lubricated air compressors is much higher than that of non-lubricated compressors. However, it is impossible to completely remove the oil gas from the compressed air through a meticulous filter mechanism. Despite the higher energy efficiency of lubricated air compressors, the purchase costs and pressure loss generated by the precise filter mechanism as well as the energy loss are also quite significant. Most clients therefore favor non-lubricated air compressors. In the upcoming years, the petroleum, chemical, metallurgy, shipping, environmental protection, and clean energy industries will continue to develop and the demand outlook in the compressor market is still expected to be positive.

However, this highly competitive environment has also generated quite a few positive changes. Last year, many businesses still pondered how to develop their products. This year, the focus has shifted to the selection of an appropriate business model. How can energy-saving products be realized? The air compressor industry cannot survive without transformations regardless of whether businesses are willing or not or whether they are active or passive. The reconstruction of the corporate value chain through innovations and reforms is a key prerequisite for development in this new era.

In 2017, the machinery industry enjoyed brisk orders and the demand of leading brands for injection molding machines, machines tools, and air compressors rose significantly. Although price competition is fierce, key players tend to dominate the market and end customers gradually understand that quality has its price and that the prices charged by leading brands represent a quality guarantee.

Medical equipment

Since the 1970s, electronic instruments have been adopted for medical purposes. Large-scale high-precision medical equipment such as CT, MRI, medical linear accelerators, ultrasonic positioning extracorporeal shock wave lithotripsy devices, PET, and ultrasonic diagnostic devices have wide application areas. These devices and medical technologies not only focus on the cure of communicable diseases and the enhancement of rescue technologies but place greater emphasis on minimally invasive examinations and precise medical treatment. In addition, global medical equipment and facilities have evolved from surgery and treatment equipment to diagnosis and monitoring equipment, which has led to a rapid development of the medical instrument industry. The global market for medical supplies was affected by regional economic growth patterns in 2012. The market structure and growth rates saw significant changes. Slowed down economic growth in Western Europe and Japan led to a lower growth rate for the medical instrument market. The exchange difference of the currencies of these two regions was greatly affected by these developments which resulted in changes in annual market values. In addition, the continued growth of the senior population in these regions also leads to a rising demand for medical equipment. Due to the impact of future economic changes, all countries will assess the reasonableness of medical expenses even more carefully and respond by tightening insurance reimbursements. It will therefore be imperative to constantly monitor changes in economic policies and insurance reimbursements to be able to respond to transformations of the global medical instrument industry. On the other hand, the Affordable Care Act proposed by President Obama contains hidden business

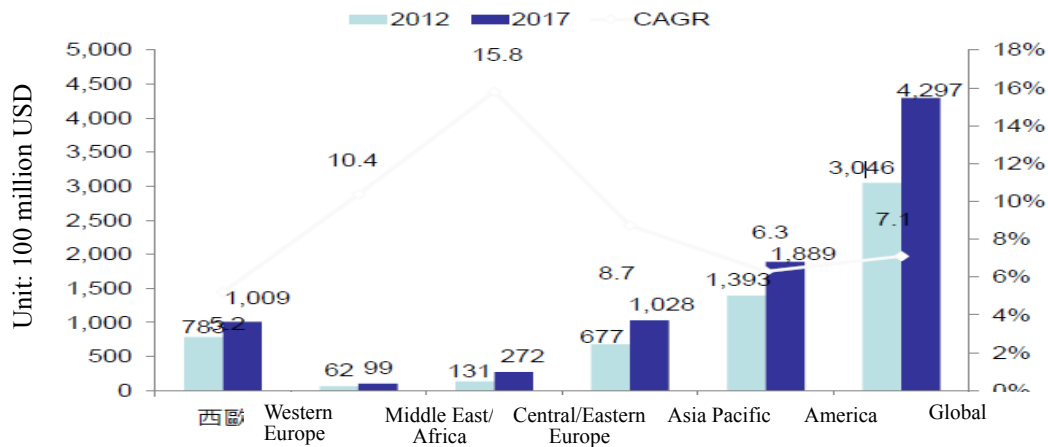
opportunities for providers of “affordable” medical equipment. This new policy has a considerable effect on European, American, and emerging markets. In the face of this trend, manufacturers should reconsider their product positioning, pricing, and marketing strategies.

In contrast to high market uncertainty in Western Europe and Japan, the rapid growth of emerging markets generates a higher demand for medical instruments. Following the gradual improvement of the economic situation in Mainland China, India, and emerging ASEAN markets, governments successively adopt policies for the improvement of medical infrastructure, which in turn leads to higher health awareness of the general public and stimulates purchase demands and development of the global medical instrument market. It is expected that emerging markets have the greatest potential in the field of medical instruments and supplies. This includes the Southeast Asian region, Latin America, and Central and Eastern Europe. Global manufacturers accelerate their deployment in these markets and the identification and firm grasp of business opportunities represents a key future objective.

In response to a gradual emergence of demand in emerging markets regulations governing the medical instrument industry will be adjusted through a harmonization of relevant laws and regulations in the face of frequent transactions of medical instruments and emerging demand. In addition to a firm grasp of demands and business opportunities, a full understanding of medical instrument related laws and regulations in target markets and advance responses are also of paramount importance to gain rapid access to these markets.

Research data released by BMI in 2013 indicate that the global market for medical instruments had a total size of 304.6 billion USD in 2012. America, Europe, and the Asia Pacific region accounted for 45.4%, 30.0%, and 22.2%, respectively. It is expected that the size of the global market for medical instruments will reach 429.7 billion USD in 2017 and the compound annual growth rate (CAGR) of this market is projected to amount to 7.1% between 2013-2017. The growth rate of the Asia Pacific region is expected to exceed that of America and Western Europe.

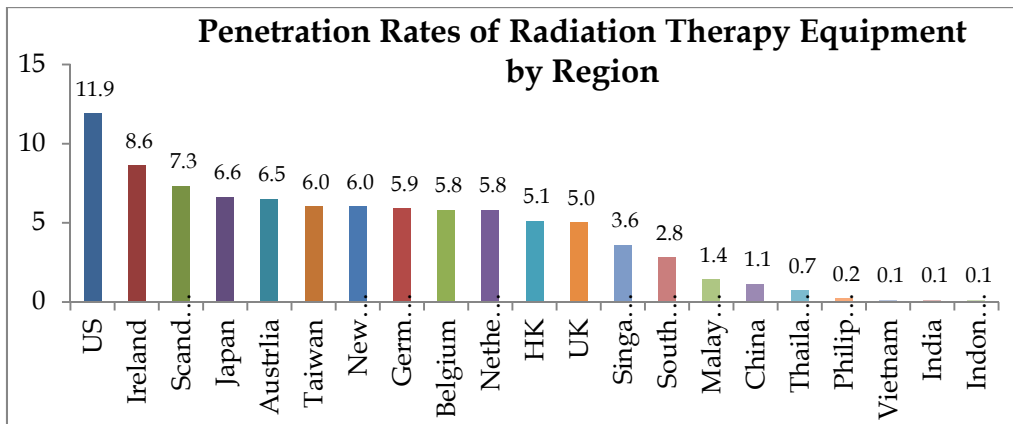
Forecast of the size of the global medical instrument market



Source: BTM, IEK, November 2013

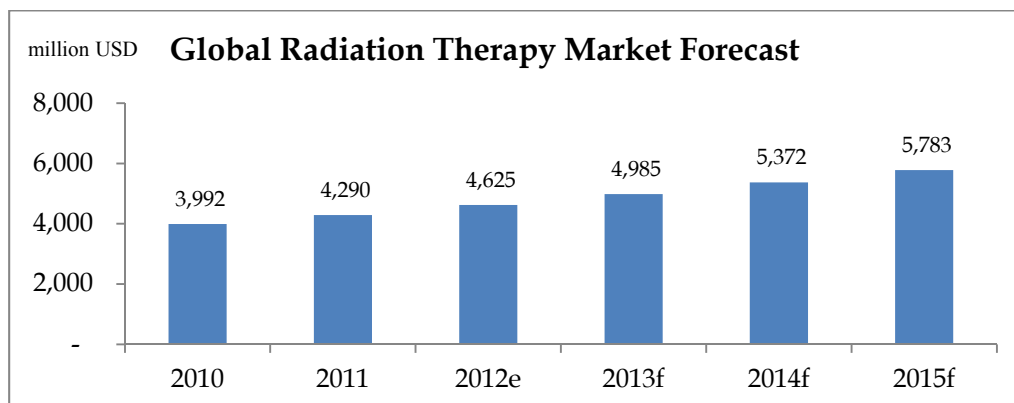
According to data released by CA Cheuvreux, most sales of radiation therapy equipment was concentrated in America and Europe in 2010. America is the largest market with a penetration rate of radio therapy accelerator equipment around 11.9 devices per one million people on average, while Ireland and Northern Europe have penetration rates of 8.6 and 7.3 devices per one million people, respectively. On the contrary, penetration rates of radiation therapy equipment in many countries with large populations are relatively low. For instance, penetration rates in China and India amount to a mere 1.1 and 0.1 devices per one million people. These countries obviously offer an excellent growth potential for providers of radiation therapy equipment.

The medical equipment industry is also affected by the global recession and oil prices. Due to the high unit prices, medical institutions in developing countries tend to cut down on their expenditures and their willingness to invest in such equipment is comparatively low, which in turn leads to sluggish sales and declining sales performance on the part of medical equipment manufacturers. Currency depreciation all over the world also has an impact on sales. A recovery of the medical equipment market is not expected in the short run. The worsening market climate affects all manufacturers. This is not related to product issues but rather to the fact that countries are more careful in their assessment of capital expenditures. Extension of the service life of existing equipment serves as a substitute for the purchase of new devices.



Source: CA Cheuvreux, 2010/6

Our main client for medical equipment is one of the leading manufacturers of radiation therapy equipment in the world. The company's product range encompasses neuroscience, oncology, brachytherapy. In addition, the company has developed highly sophisticated systems in the field of radiation therapy and software to enhance the efficiency of the cancer treatment process. The China Food and Drug Administration (CFDA) approved the sale and marketing of the Flexitron® brachytherapy platform in China. The company will maintain its focus on North America and will actively develop the Latin American, Chinese, and Japanese markets. Elektra currently has a US market share of 15%. Our clients request more flexible delivery times and adjustment of business models in accordance with their needs and wishes. Make-to-stock has been transformed to make-to-order and orders will be less visible in the future. This new business model affects short- and long-term operative goals. We are committed to enhancing our own competitiveness to provide the best quality at highly competitive prices in response to market developments.



Source: Konzept Analytics, November 2010

We continue to actively develop new clients in the field of medical equipment assembly. The leading manufacturer in the field of proton therapy is introduced below:

Proton therapy

Figure 11: Competition among proton therapy is already important

Proton therapy competitive landscape



Source: "US Proton Therapy Outlook: Market Opportunities"

The main manufacturers of radiation therapy equipment are listed below:

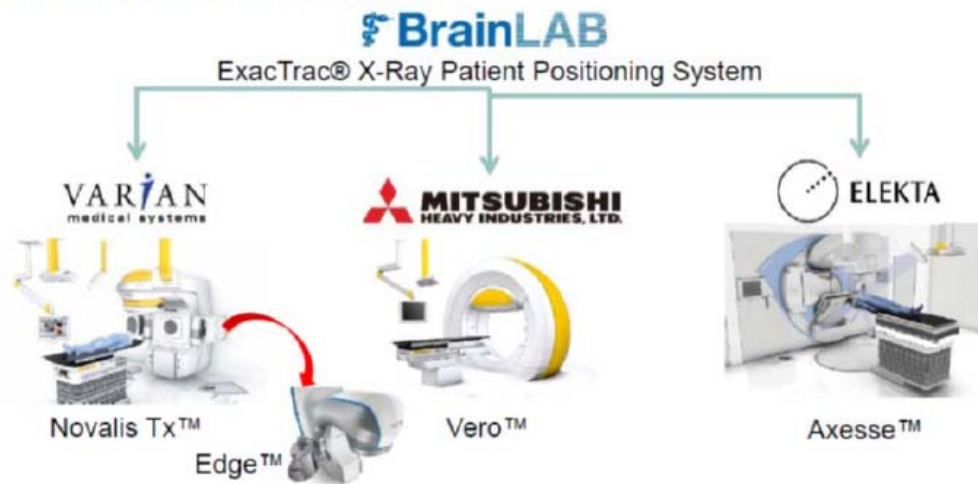
Figure 9: Varian and Elekta Versatile Linac offer



Source: Pr. Hannoun-Levy

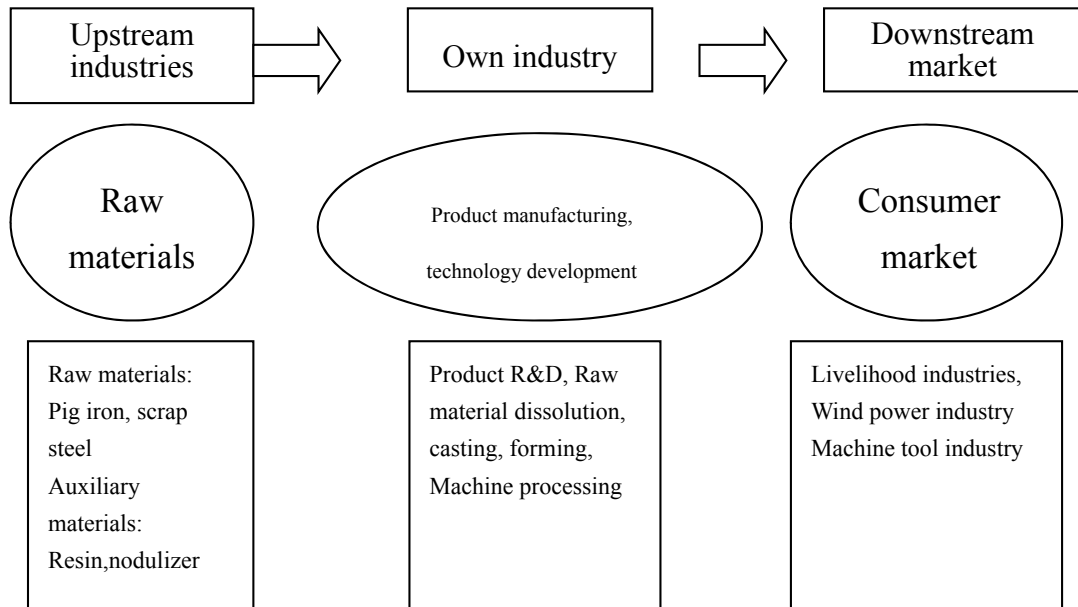
SBRT(Stereotactic Body Radiation Therapy)

Figure 19: Dedicated SBRT solutions



Source: Pr. Hannoun-Levy

2. Relationship between up- mid- and downstream industries



Castings have a very wide application range which currently includes the hardware, machinery, and electronics industry with a constantly expanding range of uses. Castings are used in construction, hardware, equipment, engineering machinery, and other large-scale machinery as well as the machine tool, shipping, aerospace and aviation, automobile and motorcycle, and electronic appliance industries.

3. Economic and industrial development and product competition trends

Wind power industry

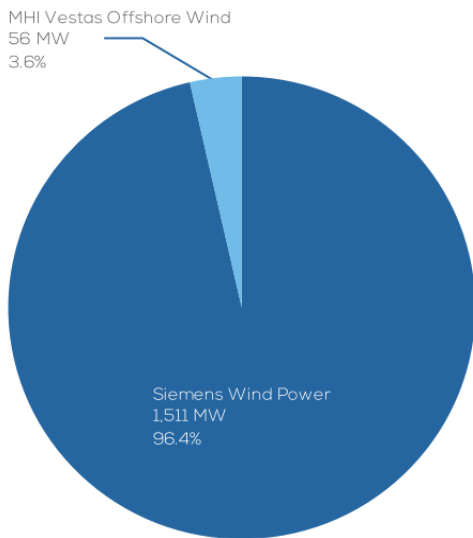
A. Analysis of wind power market shares in 2015

According to preliminary surveys of FTI Intelligence, Vestas turned into the largest supplier of wind turbines in 2016 mainly due to the company's efforts in the US market. Vestas surpassed the US company GE in this market. GE and Enercon, on the other hand, relied on robust growth of the domestic markets in the USA and Germany to move up to the second and fifth rank, respectively. The Chinese supplier Goldwind dropped two ranks and is currently ranked third mainly due to a decrease of new wind power installations by 24% in 2016. The Spanish company Gamesa moved up one rank to fourth position, which can be attributed to the company's excellent performance in India and emerging markets.

Ranking in 2016	Wind turbine manufacturer	Compared to 2015	Note
1	Vestas	+1	Ranked 2 nd in 2015
2	General Electric	+1	Ranked 3 rd in 2015
3	Goldwind	-2	Ranked 1 st in 2015
4	Gamesa	+1	Ranked 5 th in 2015
5	Enercon	+1	Ranked 6 th in 2015

Source: FTI Intelligence (Gamesa data does not include Siemens)

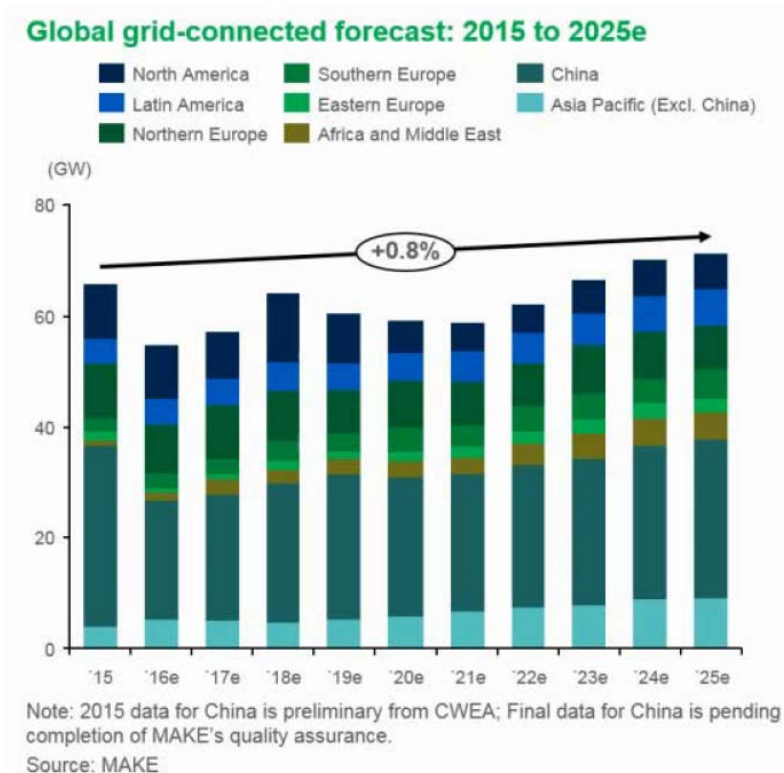
Statistics released by GWEC reveal that new offshore wind power installations with a capacity of 2,219 MW were added in 2016 bringing the total global capacity to 14,384 MW. Europe, which is the largest market for offshore wind power in the world added offshore installations with a total capacity of 1,558 MW in 2016, which represents a decrease by 48.4% compared to 2015. The newly added offshore wind power capacity in 2016 was comparable to the level of 2013 and 2014. Siemens Wind Power and Mitsubishi Heavy Industries/Vestas account for 96.4% and 3.6% of all new offshore wind power installations in Europe, respectively. Grid-connected wind turbine generators have capacities of 3 to 8 MW (Market shares for other markets have not been released yet)



Source: WindEurope

B · Market forecasts

The wind power industry outlook report published by the industry analysis firm MAKE in March 2016 reveals a projected annual growth rate of 0.8% of the global wind power market for the next ten years. It is expected that the growth rate in Latin America, India, and the Middle East will greatly exceed that of traditional wind power markets.



Sub-region	2016e to 2025e	
	CAGR	New capacity
N. America	-4.3%	74,480MW
L. America	4.5%	54,188MW
N. Europe	-2.4%	84,685MW
S. Europe	7.9%	39,711MW
E. Europe	4.4%	18,430MW
Middle East and Africa	21.7%	33,465MW
China	-1.4%	253,500MW
APeC	9.4%	65,575MW
Global	0.8%	624,033MW

Source: MAKE

Global investments in offshore wind power in 2016 reached 29.9 billion USD, which represents a 40% increase year-on-year. The Danish Dong Energy Corporation made the largest investment in 2016. The company decided to invest 750 million USD in the construction of the 1.2GW Hornsea Project One. Despite the fact that European offshore wind power projects (total value of 25.6 billion USD) accounted for the bulk of global investments, offshore wind power investments in China also amounted to 4.1 billion USD in 2016.

Data released by Bloomberg New Energy Finance (BNEF) reveals that the growth of global offshore wind power investments in 2016 could not reverse the global trend of declining investments in clean energy sources. Global investments in clean energy dropped by 18% to 287.5 billion USD compared to 2015. Investments by clean energy industries in the Asia-Pacific region (including India and China) decreased by 26% to 135 billion USD, while investments in the US dropped by 7% to 58.6 billion USD. On the contrary, investments in clean energy in Europe rose by 3% to 79 billion USD.

Dramatically decreasing offshore wind power tariffs is a phenomenon which has been brewing since 2016 and will finally erupt in 2017. For instance, the tender price for the Dutch Borssele 1 & 2 in June dropped to an unexpected low of 72 Euro/MWh. Another example is the tender price of near-shore projects in Denmark in September which fell to 64 Euro/MW. The tender price of the Kriegers Flak project in November further dropped to a shocking low of 49.90 Euro/MWh. The transaction price of Dutch Borssele 3 & 4 project in December was 54.50 Euro/MWh. These prices are sure to draw the attention of other offshore wind power markets. A strange (albeit temporary) situation of onshore wind power being cheaper than offshore power has emerged in certain European countries. There are many reasons for this price drop such as maturity of the industry, improvements and maturity of technologies and management, growing investor confidence, and adoption

and deployment of new-generation 6-8 MW turbines (9 MW V-194 are currently available). These wind turbines have a huge swept area and power generation capacity. Based on these observations, we predict that offshore wind power will soon appear in markets other than Northern Europe such as North America, East Asia, India, and other regions.

GWEC forecasts that the US, Germany, and India will maintain their development rate in 2017. At the same time, the Brazilian economy shows signs of recovery, which should help restore some demand for wind power in this market. The growth outlook of the South African wind power market is also improving due to the fact that the stalemate between the South African President Zuma and his relatives on the one hand and regulatory agencies and the industry on the other is seemingly about to end. As for other areas of Africa, construction of a 850MW project in Morocco which was auctioned off at a record low price was initiated in 2016, while the Lake Turkana project in Kenya is slated to be completed in the first half of this year. In addition to the recovery in Brazil, the GWEC forecasts the initiation of a large number of new wind power projects in Argentina, most of which will not be completed in 2017. The Chilean wind power industry is currently developing vigorously, the Peruvian market is recovering, and Colombia is gradually turning into a new potential market. Within the next two years, the Australian market is expected to stage a recovery and the Philippines and Vietnam could turn into markets with huge potential.

GWEC also expects new installations with a capacity of 30GW for the Chinese market in 2017 in the wake of planned further reductions of feed-in tariffs in early 2018. Despite the fact that new HVDC lines are expected to alleviate the problem of wind power curtailment, the issue still exists. The main problem does not lie in a lack of transmission lines but an insufficient willingness on the part of regional system operators to give priority to wind power transmission in accordance with the Renewable Energy Law of the PRC and the fact that the central authorities are unwilling or incapable of enforcing this law. This problem will persist unless China implements true reforms in its electricity market. The national emission trading system which was implemented this year will at least provide relief in the economic dimension.

The previously released 13th Five-Year Plan for wind power development provided effective effective guidance and direction for the development of the industry in the upcoming five years or even longer. Stable scope, optimized layout, greatly reduced wind power curtailment, and a sound market mechanism represent the four plan highlights. The Chinese government has made a firm commitment to realizing the goal of raising the ratio of non-fossil energy sources to 15% and 20% of primary energy consumption by 2020 and 2030, respectively. After the Paris Agreement became effective on November 4, this commitment was elevated to a legal obligation and a binding target. According to estimates of relevant agencies, power generated through non-water renewable energy sources (contributions of nuclear and hydropower deducted) must reach at least 50TWh by 2020 to ensure achievement of the 15% target. Based on average usage hour calculations for different renewable energy sources, grid-connected wind power installations must reach a capacity of at least 0.21 TWh. Wind power is a strategic emerging industry. Current conditions point to the conclusion that annual new installations of a total capacity of at least 20GW are required to facilitate industrial and technological progress.

The plan prescribes a concrete direction to optimize the industry layout. The core contents

of the plan aim to accelerate the large-scale development of wind power in eastern, central, and southern China and optimize and adjust the industry layout. The latest assessments of the China Meteorological Administration indicate that the wind speed of 5m/s or more in this area allows the development of a wind power capacity of close to 0.9 TW through available wind resource technologies, which will satisfy future development needs. The plan significantly increased the development targets for this area to turn eastern, central, and southern China into a key incremental market for the continued large-scale development of wind power. For onshore wind power, the goals are newly added grid-connected installations of a total capacity of 42GW or more and an aggregate grid-connected capacity of 70GW or more. If new offshore wind power installations are taken into account, newly added grid-connected installations in eastern, central, and southern China account for 56.9% of all new installations in China, which far exceeds the goal of 25.8% stipulated in the 12th Five-Year Plan. At the same time, cumulative grid-connected installations in this area will also rise from the 21.7% stipulated in the 12th Five-Year Plan to 33.3%.

Table 1 2020 Onshore Wind Power Development Targets in Eastern, Central and Southern China		
No.	Area	Cumulative grid-connected capacity (unit: 10,000kW)
Eastern China	Shanghai City	50
	Jiangsu Province	650
	Zhejiang Province	300
	Anhui Province	350
	Fujian Province	300
	Eastern China total	1650
Central China	Jiangxi Province	300
	Henan Province	600
	Hubei Province	500
	Hunan Province	600
	Chongqing Province	50
	Sichuan Province	500
	Tibet Autonomous Region	20
	Central China total	2570
Southern China	Guizhou Province	600
	Yunnan Province	1200
	Guangdong Province	600
	Guangxi Zhuang Autonomous Region	350
	Hainan Province	30
	Southern China total	2780
Onshore wind power total		7000

Table 2 2020 Onshore Wind Power Development Targets in the three northern regions		
No.	Area	Cumulative grid-connected capacity (unit: 10,000kW)
Northern China	Beijing City	50
	Tianjin City	100
	Hebei Province	1800
	Shanxi Province	900
	Shandong Province	1200
	Mengxi Area	1700
	Northern China total	5750
Northeast	Jiangning Province	800
	Jilin Porvince	500
	Heilongjiang Province	600
	Mengdong Area	1000
	Northeast total	2900
Northwest	Shanxi Province	550
	Ganshu Province	1400
	Qinghai Province	200
	Ningxia Hui Autonomous Region	900
	Xinjiang Uyghur Autonomous Region (including the Xinjiang Production and Construction Corps.)	1800
	Northwest total	4850
Three northern regions total		13500

New energy policies in Taiwan will be determined by the new government led by Tsai Ing-Wen, who was elected president early this year. The political views of President Tsai as summarized by the Industrial Development Bureau indicate that the new government plans to increase the target of an offshore wind power capacity of 2GW in 2025 set by the outgoing Ma Government by 50% to 3GW.

The Tsai government plans to realize its new energy goals through policy guidance, sound infrastructure, establishment of an application environment, and promotion of international cooperation, and industrial autonomy.

Power generation categories		Installed capacity (MW)					Capacity factor	Power generation (100 million kWh)		
		2015	2025			2030		2025		2030
		Current state	New government	Current government	Projected increase	Current government		New government	Current government	Current government
Wind power	Land	642	1,200	1,200	0	1,200	33%	34.7	29	29
	offshore	0	3000	2,000	1,000	4,000	38%	99.9	68	136
	Small-scale	0	100	0	100	0	33%	2.9	0	0
Hydropower		2,089	2,502	2,150	352	2,200	26%	57	48	49
Photovoltaic	Roof	668.5	3,000	6,200	6,800	8,700	15%	39.4	78	109
	Ground		10,000				15%	131.4		
Geothermal		0	600	150	450	200	90%	47.3	10	13
Biomass energy		740.5	1,400	813	597	950	60%	73.6	59	69
Total		4,140	21,802	12,033	9,299	17,250	---	486.2	292	405

Source: Political views of President Tsai Ing-Wen (organized data): Renewable Energy Promotion Program of the Industrial Development Bureau
Feb. 2016

Injection molding machines

The following trends will determine the development of injection molding machine technologies in 2016:

China has accelerated the development of high-precision injection molding and extruding machines. The market for high-precision injection molding machines is currently dominated by international brands such as Engel and Krauss-Maffei. 60% of the 20,000 injection molding machines which are imported by China every year are high-precision machines. In many application fields of multi-layered co-extrusion and molding machines, Chinese machinery is no match for foreign-made machinery as far as accurate control technologies are concerned. As for extruding equipment, biaxially-oriented film machines PET (PA, BOPP) and medical tube extruders are also monopolized by international brands. It is therefore of paramount importance to develop domestically produced high-precision injection molding and extruding machinery with independent intellectual property rights

Analysis and comparison of currently available data for the first half of 2016

1. From January to June 2016, China imported 2611 injection molding machines, a 14.3 % decrease compared to the same period of the previous year. The total value of imported

injection molding machines dropped by 21.8% to US\$ 273.5 million. In June alone, China imported 595 machines of a total value of US\$ 56.08 million, representing a decrease by 4.5% and 16.4%, respectively, compared to the same month of the previous year.

2. From January to June 2016, China exported 13737 injection molding machines, a 17.2% increase compared to the same period of the previous year. The total value of exported injection molding machines dropped by 4.1% to US\$ 485.23 million. In June alone, China exported 2313 machines, which represents a 12.8% increase compared to the same month of last year and a 40.4% decrease compared to the previous month. The export value in June amounted to US\$ 90.8 million, a 3.9% increase compared to June of last year.

The technical performance of standard and special injection molding machinery made in China has been greatly improved in recent years. A large number of performance indicators of fully electric, hybrid, or large-scale two-platen machinery made in China are identical or comparable to machinery manufactured in Japan or Taiwan. At the same time, injection molding machinery made in China has significant price and service advantages compared to Japanese and Taiwanese machinery. Against the backdrop of unfavorable economic conditions, a larger number of enterprises select local Chinese brands which has a considerable impact on machinery produced in Japan and Taiwan.

The most high-end injection molding machinery is produced in Germany. Despite the unfavorable economic conditions, the import quantity and value of German injection molding machinery has remained stable between January and June. This clearly indicates that China's demand for high-end injection molding machinery is still high.

Injection molding machinery export conditions

Chart 3 Chinese injection molding machinery export data broken down by month (January-June 2016) (Unit: 10,000USD, units)

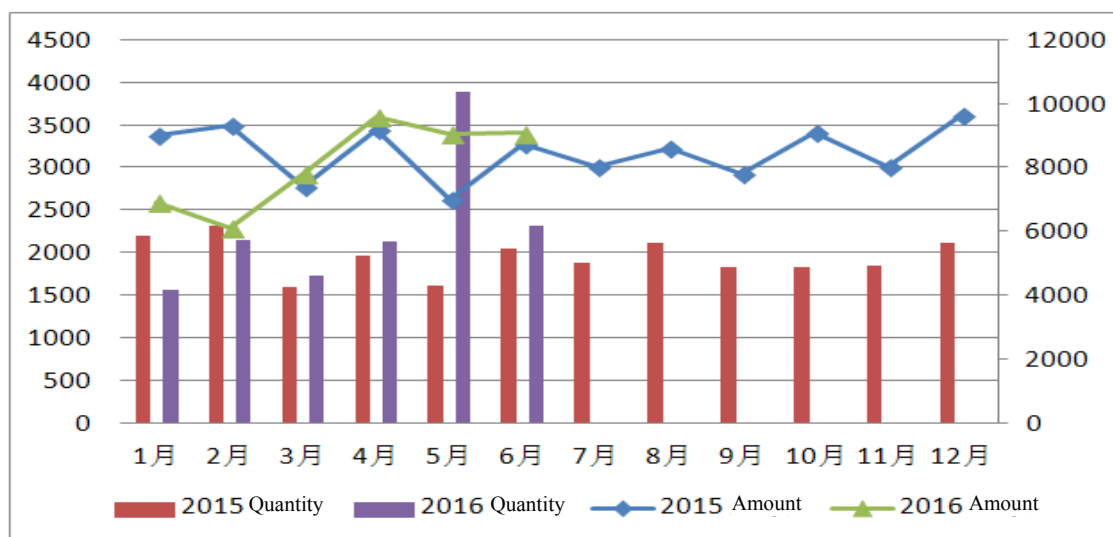


Chart 3 clearly shows that the export value of Chinese injection molding machinery from March to June 2016 was higher than in the same period of 2015. From January to June 2016, a total of 13737 Chinese injection molding machines were exported, which

represents an increase by 17.2% compared to the same period of 2016. The export value reached US\$ 485.23 million, a drop by 4.1% compared to the same months in 2015.

Chart 4 Top ten importing nations of Chinese injection molding machinery
(January-June 2016)

Unit: 10,000USD/unit

Country	Amount	Quantity	Amount compared to the same period of the previous year	Quantity compared to the same period of the previous year
Vietnam	5403	1628	64.4%	76.8%
USA	4617	455	36.4%	8.1%
Turkey	3785	694	-6.8%	-3.3%
Mexico	3707	404	88.3%	30.3%
Indonesia	1897	451	-2.7%	-26.1%
Korea	1764	580	-30.8%	-18.4%
Thailand	1430	237	-46.0%	-44.9%
Bangladesh	1167	385	-23.3%	36.0%
Russia	1129	337	78.4%	85.2%
Malaysia	1039	2117	-51.1%	339.2%

Chart 4 shows that Vietnam has surpassed the USA as the largest importer of Chinese injection molding machinery with a growth rate of over 60% compared to the same period of the previous year. The USA was ranked 2nd with a growth rate of 36.4%. The growth rate of Mexico and Russia reached 88.3% and 78.4%, respectively. Turkey, Indonesia, Korea, Thailand, Bangladesh, and Malaysia exhibited different levels of decrease. Imports by Malaysia dropped by the widest margin of 51.1%.

A. Development of large-scale and micro machines

International currently focus on the development of large-scale and micro machines. Large-scale and micro machines in China are currently still in a fledgling stage.

The design and manufacture of large-scale and micro plastic machinery is inextricably linked to the national standard of machine production and materials technology. Emphasis must be placed on the establishment of a technology foundation and intellectual property right system in the initial stage. International brands such as Krauss-Maffei have already initiated the research and development of 8,000-12,000 ton models, while the Chinese brand Chende has launched the development of a 6,500 ton models.

Miniaturization represents the main development direction for all product categories. The obvious momentum in the fields of electronics, information, electrical appliances, medical treatment, and biology reflected in rising demand is evidence for this. The demand for production equipment for plastic tubes of a diameter of less than 0.5mm which can be used as artificial blood vessels and high-performance soft packaging film for a wide variety of industry fields such as food products, beverages, and new energy continues to surge.

Plastic film multi-layer co-extrusion technologies are constantly innovated. For instance, Nissei currently focuses on the development of micro machinery.

B. Development of energy-saving plastic machinery

In view of a global trend of energy conservation and carbon reduction, the government has formulated new energy conservation benchmarks for all industries. Traditional plastic machinery has a certain potential for energy conservation due to the fact that the focus of past designs often lay on the maximization of machine productivity. The main plastic machinery production bases in China such as Ningbo, Foshan, and Dongguan therefore implement stripped down designs for plastic machinery.

Production rates will no longer be the main consideration for the design of energy-saving plastic machinery, which will instead focus on the energy consumption generated by heavy goods of processing units. Optimized design of machinery structure, control modes, and operation technology conditions is therefore implemented based on the goal of minimization of energy consumption. Advanced energy conservation technologies are adopted. For instance, the power conversion efficiency of motors with variable frequency speed control is much higher than that of motors with electromagnetic speed control or direct current motors. Following the maturity of variable frequency speed control technologies and the decreasing cost of variable frequency speed regulators, these technologies are widely adopted in the field of plastic machinery and extruding equipment in particular.

C. Development of automated smart plastic machinery

The development of automated plastic machinery will greatly increase the stability and reliability of such machines. This will be conducive to the enhancement of high quality, efficiency, and energy conserving production functions and production rates and the reduction of labor intensity and costs as well as the improvement of labor conditions and maximization of equipment usage rates.

A large number of new control devices are being adopted. For instance, Programmable logic controllers (PLC) replace traditional relays. Programmed controllers and micro computers are used for process and parameter control of injection molding machines. These new control methods are extremely important for high-precision molded goods. They can automatically adjust the molding conditions and thereby guarantee the dimensions and quality of finished goods. The production process of machines for the manufacture of generic goods is fully automated from material input to the testing and packaging of finished goods. Machine safety is ensured through relevant safety devices. Safety is fully automated and centrally managed allowing unmanned operation.

D. Network-based smart management

The essence of “Industry 4.0” lies in the realization of an industrial Internet, or in other words the linkage of virtual and physical networks to form a highly effective production system. Maximization of competitive advantages of this traditional industry is achieved through the Internet and big data analysis and clustering and linkage of competitive industry chains through innovative information installations. In the face of upgrading pressures of the manufacturing industry and disappearance of demographic dividends, the

plastic machinery industry realizes its own “Industry 4.0”. Industry development is fully linked to the Internet. Network-based management technologies from production management to after-sale services are non-equipment related technologies but are inseparable from relevant equipment. Auxiliary equipment and host machine manufacturers use network-based management systems as one of their equipment control functions.

Industrial machinery

A. Smartness and automation

Establishment of autonomous key components and technologies, promotion of high-precision manufacturing and services, and development of high-end system controllers to create A+ high-end machine tools and new-generation smart factory control systems. A rising number of manufacturers have adopted robotic arms and automated production processes. The characteristics of the casting industry are different, but partial semi-automation can effectively improve production processes and data recording.

B. Green manufacturing

Promotion of green manufacturing concepts with an emphasis on sustainability, renewability, material and resource conservation, and eco-friendliness to develop a green manufacturing industry, green industrial manufacturing, and green competitiveness. While water will be a key resource in the future, the importance of crude oil will decrease due to diversified power generation methods and a rising awareness of energy conservation and carbon reduction. Automated production processes will eliminate generated waste. A large number of major manufacturers actively adopt automation and green manufacturing concepts. Our customers also sincerely hope that we cooperate with them in the inspection of process waste and active improvements and share the profits generated through these savings with them.

Medical equipment

A. New health care industry model

- (A) Effective use of medical expenses:
Medical expenses in Europe and America are skyrocketing, while those in emerging markets are very limited. The emphasis has shifted from expenses to benefits and from capitation to pay for performance
- (B) Integrated information is conducive to health management:
Emphasis on user-oriented thinking and provision of convenient and effective products and services, data integration and analysis to create value

B. Demand for products is affected by population aging; medical equipment for the treatment of diseases and life expectancy extension of the elderly population exhibits continued growth.

- C. Application opportunities for cross-disciplinary technologies increase rapidly and wearable health equipment becomes more popular
- D. In view of the unclear economic situation, medical institutions are gradually adopting a more conservative attitude as far as capital expenditures and purchase of new equipment is concerned. Clients are therefore forced to develop new device models to target different market segments. Business models have to be transformed from make-to-stock to make-to-order in the past. In addition, end clients have a high demand for product maintenance and warranties. Repair and maintenance to extend service lives reduces sales. Clients will therefore continue their efforts in the field of cost optimization, which in turn affects the suppliers. Flexible supplier strategies are therefore extremely important.
- E. Supply chain management methods of the medical equipment industry are characterized by rising flexibility. The goal is to optimize the quality of services, minimize costs, and shorten delivery times of suppliers. Make-to-order production allows an effective reduction of inventories. The company must therefore more comprehensive service packages to satisfy customer demands.

(c) Overview of Technologies and R&D

1. Research and development expenses and R&D investments as share of revenue in recent years up to the first quarter of 2017

Unit: 1000 NTD; %

Item \ Year	2015	2016	First Quarter of 2017
R&D expenses(Note)	88,597	187,517	43,118
Revenue	8,122,470	7,373,888	1,434,679
Share of revenue (%)	1.09%	2.54%	3.01%

Note: R&D expenses are manpower and mold costs generated by technology improvements and development of new products

2.R&D Achievements

Technology or product type	Properties and functions
Molding flask	Based on the contour of the mold, these specially designed flasks guarantee the use of suitable amounts of sand to reduce sand-iron ratios and cooling times and improve turnover rates of flasks.
Iron ball	This sphere-shaped object is hollow and is added during stages of molding and core making processes that consume large amounts of sand. These balls can be recycled and reused and help reduce sand costs.
Inoculants with Bi content	Improve the grade of nodulization and enhance the mechanical properties and quality of castings
EN-GJS-350-22U-LT	Utilized in wind power and gas turbine products to ensure high elongation rates, excellent low-temperature impact properties, and high fatigue resistance
EN-GJS-400-18U-LT	
Anti-overflow gate riser	The effect of inertia when molten iron is poured into the mold cavity from the ladle during the casting process which leads to

Technology or product type	Properties and functions
	overflow at the gate riser and an expanding area of molten iron. This technical improvement prevents the overflow of molten iron at gate risers onto the surface of sand mold.
Core-wire injection nodulizing equipment	Enhances the molten iron nodulization effect and quality
Unpluggable pouring basin	Allows the pouring of molten iron of a weight equivalent or approximate to the casting into the basin above the mold cavity and ensures that impurities in the molten iron float to the surface. When the plug is removed and the molten iron flows into the cavity, the impurities are kept in the basin and out of the casting.
ASME U STAMP(Certified by American Society of Mechanical Engineers)	Permission certificate for export of pressure vessels to Europe and the US
PED(pressure equipment directive)	Permission certificate for export of pressure vessels to Europe
Ceramic tube runner	Decreases slag flowing into castings and enhances product quality
CNC wooden pattern processing	Machine tools are employed for 3D programming of processing patterns. This enhances the accuracy of the dimensions of the pattern and the surface flatness, increases the service life of the pattern, reduces the impact of human negligence and facilitates the production and measuring of complicated shapes which cannot be created manually.
PFMEA - Process failure mode and effect analysis	Increases the ability to control production processes and reduces process reject ratios.
Optimization of gating systems	Reduced use of ceramic tubes, decreased labor costs and intensity, and enhanced yield rate
Minimization of allowances for pouring weight	Enhances the usage rate of molten iron and reduces energy consumption
Promotion of the use of chips in all plants	The computerization of mold data enhances the consistency of scheduling and production and reduces human error during production processes
Wind turbine hub rotary fixture	Implementation of simultaneous setup and machining of three flanges to effectively reduce processing times and enhance production efficiency.
Hollow core support technology for wind turbine hub castings	Reduced consumption of core sand, decreased sand-iron ratio, convenient core making operations and facilitate ventilation during casting.
Ventilated and anti-leakage flask	Guarantees sufficient ventilation during the casting process and facilitates mold closing and sand enclosing operations and prevents leakage
Standardization of the base plate of pattern	Reduce pattern costs and shorten pattern making times
Air-cooled iron core technologies	One end of the sand core is exposed to cold air and the other end releases hot air to accelerate the cooling of heavy castings and enhance the quality of castings
Ductile iron castings(energy-type gas	Refined inspection process to guarantee product inspection quality

Technology or product type	Properties and functions
turbines)MT, UT Special inspection code	
Universal assembly and welding device/tool	Reduces assembly and welding times, enhances production efficiency, and guarantees product quality
Styrofoam cylinder molding technology	Cylinder-shaped Styrofoam rapid molding tool for increased production efficiency
Special tapping clamping cutter	Enhanced efficiency and reduced costs
Converter	Face mill cutter head is converted and clamped to boring shank for reduced costs
C5 High-grade anti-corrosion coating technology	Improved and optimized coating techniques allow the highest C5 grade corrosion protection and provide enhanced coating quality
EN-GJS-600-10U-LT	Wind power and gas turbine products are characterized by excellent elongation characteristics and low-temperature impact resistance as well as high fatigue resistance and weight reduction
Casting dimension scanning technology	Enhances the accuracy and efficiency of casting dimension detection
Coating automation	Enhances the quality consistency and efficiency of spray coating for castings

(d) Long- and short-term development plans

1. Short-term development plans

(1). Customer dimension and after-sale services: Continued increase of sales opportunities in the Japanese and North American markets to enhance and balance the export market distribution. American and British sales representatives have been hired for the North American and European markets, respectively to accelerate market development and penetration and enhance after-sale service capabilities. A senior Danish processing technology consultant is stationed in Jiangsu Bright Steel Machinery to enhance processing capabilities and production capacity utilization efficiency.

(2). Expansion into new product areas and vertical services: Provision of vertically integrated services for existing products such as precise processing services for injection molding machines, assembly capabilities for existing products for which processing services are already available, and provision of more comprehensive services. In 2017 it is planned to add precise processing services for wind turbine gearbox castings. Components include the gearbox body, planetary brackets, and torque arms. Provision of processing services for finished products other than castings with higher demands for processing accuracy (an additional processing workshop with temperature and humidity control has therefore been established and a European/Japanese high-precision processing lathe was added to enhance product competitiveness)

(3). Horizontal expansion into new industries and product areas including the shipping industry, agricultural machinery, castings for the automobile industry, and the health care industry as well as horizontal expansion through acquisition of new customers in the same industry or cross-industry cooperation with existing customers. Expansion of sales to

same-industry businesses upon successful initiation of cooperation with top-ranked enterprises.

(4). Energy industry: In view of the fact that the wind power market shifts toward offshore wind turbines, the company is searching for suitable locations for the production of large-scale castings. The next step in the planning of marketing strategies for the group lies in the planning of factories with integrated production processes that include casting, processing, spray coating, and assembly capabilities. This year, orders have been placed by key clients for the development of offshore wind turbines and deployment of capacities for future production bases is being planned.

(5). Production strategies: Processes are improved, yield rates and production efficiency are increased, production costs are reduced, and current production flows are optimized to increase production capacities and satisfy rising customer demands. A continued focus on supplier management and development allows the maintenance of positive and stable interactions with suppliers. In addition, the company also actively seeks cooperation with large international suppliers of raw materials to ensure a stable source of raw materials under conditions of wide price fluctuations in countries of origin.

2. Long-term plans:

(1) Marketing strategies: Balancing of regional sales ratios and reasonable allocation of sales volumes to different fields and industries to maintain a flexible utilization of production capacities and reduce the risks and impact of regional market fluctuations. Newly developed order quantities of existing top customers and increased purchase shares of key customers have an indicative and stabilizing effect on certain regional markets.

(2) Research and development: Cooperation with customers and participation in customer designs to resolve casting-related problems and optimization of product mixes and casting processes to reduce production costs. Maintenance of positive exchanges and interactions with relevant international industry associations to ensure a firm grasp of the main trends in the field of casting technologies worldwide.

(3) Production strategies: Integration of upstream and downstream resources to effectively reduce production costs and concerted efforts to increase yield rates and rigorous implementation of quality control operations to guarantee the provision of superior product services. Gradual adoption of automation concepts covering the whole range of production operations from mold making to spray coating to enhance and promote production concepts related to production control and data analysis.

2. Market and sales overview

(a) Market analysis

1. Main products and sales regions

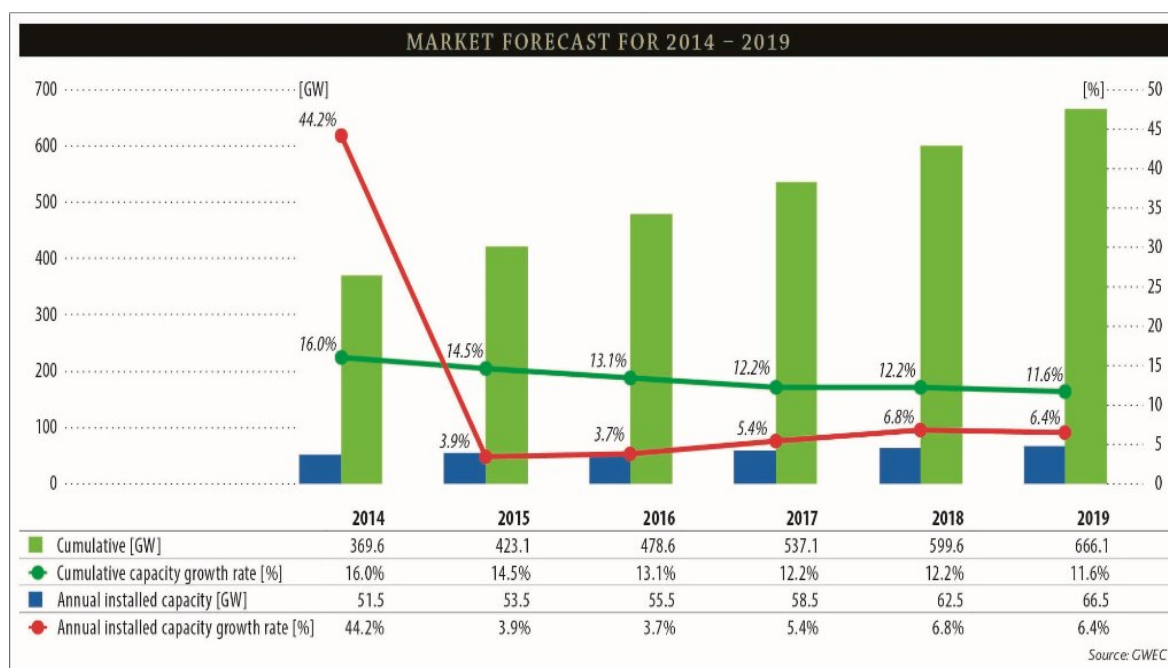
Unit: 1000NTD; %

Region	Year	2015		2016	
		Amount	%	Amount	%
Europe		2,595,647	31.96%	2,383,665	32.33%
China		2,859,938	35.21%	2,200,694	29.84%
USA		1,850,843	22.79%	1,460,238	19.80%
Asia		816,042	10.04%	1,329,291	18.03%
Total		8,122,470	100.00%	7,373,888	100.00%

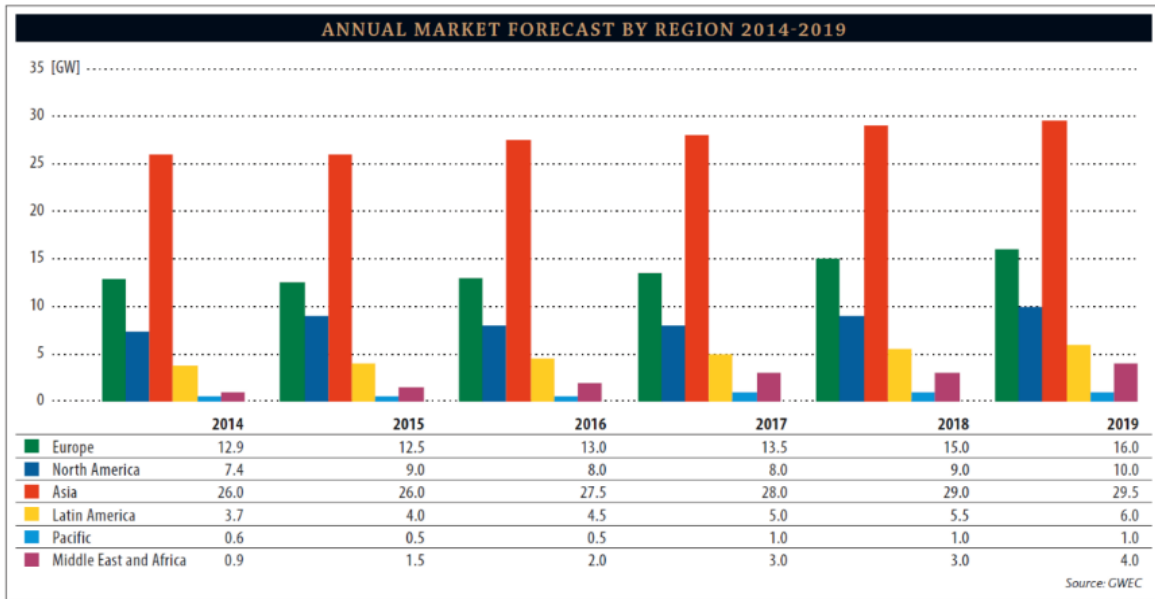
2. Future supply conditions and growth potential of the market

Wind power industry

The global wind power industry still exhibits a long-term stable growth trend.



It is expected that regional wind power markets display the same stable growth pattern.



Paris Agreement enters into force

The United Nations Climate Change Agreement also known as the “Paris Agreement” came into effect on October 5, 2016. Among the 197 United Nations Framework Convention on Climate Change members, 132 have ratified the agreement. This solid international support shows the strong momentum in favor of a transition to clean energy resources.

The capacity of newly added wind power installations in 2016 dropped by 14% compared to 2015

In 2015, newly added wind energy capacities worldwide reached a record high of 63GW. 2015 has been the best year in the history of the wind power industry so far. However, new installations decreased by 14% in 2016 mainly due to sluggish demand in China. Nevertheless, the wind power industry still achieved impressive results in 2016. For instance, wind power turned into the second most important power generation method in Europe. The total installed capacity of wind power in Europe exceeds that of natural gas. In the US, wind power surpassed hydropower as the largest renewable energy source, while power generated through wind exceeded coal generated power in the UK in 2016.

In the US, short-term growth is guaranteed, while mid-term prospects are unclear

Short-term prospects in the wind power market in the US are still stable and the newly appointed Secretary of the Treasury has confirmed his support of the Production Tax Credit (“PTC”). However, the mid-term development of the US market is unclear since President Trump has repeatedly called for the repeal of the Clean Power Plan and withdrawal from the Paris Agreement.

Continued integration of the Value Chain

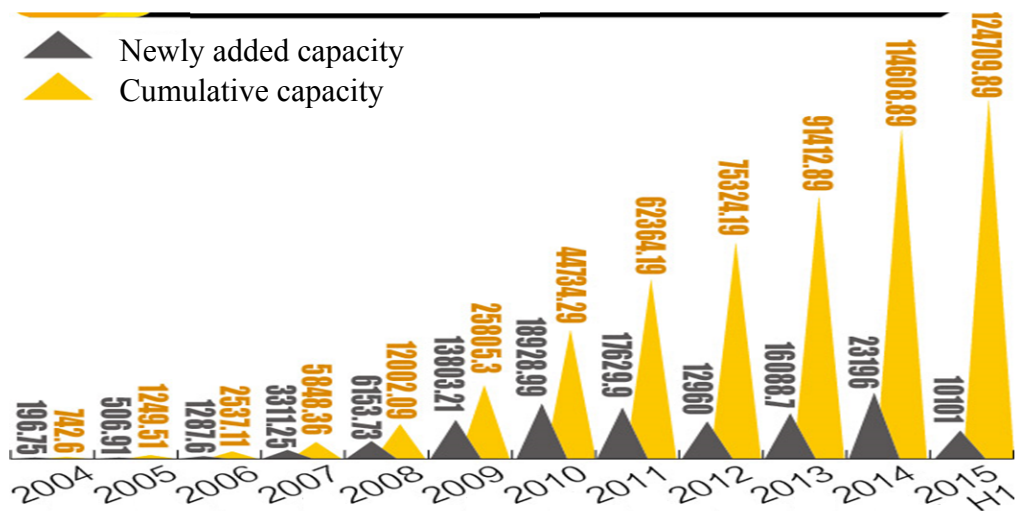
Over the past 12 months, large wind turbine manufacturers merged with competing businesses (Siemens/ Gamesa, Gamesa / Adwen, Senvion / Kenersys, and WEG / Northern Power Systems), adjusted their strategic positioning, and expanded to upstream areas of the value chain (GE acquired LM blade manufacturer, Senvion acquired EUROS, and Nordex recently acquired SSP). In addition, state-owned Chinese enterprises are also unusually active in overseas markets, acquiring renewable energy assets in areas all over the world (SPIC acquired PacificHydro and China Three Gorges/Mei Rong).

Continued growth of corporate PPAs

The wind industry has invited a growing number of enterprises to sign independent Power Purchase Agreements over the past three years. These agreements represent direct contracts signed by wind turbine manufacturers and power consuming enterprises. The total utilization capacity of corporate renewable energy sources passed the milestone of 7GW in the US in late 2016. Europe lags behind America with direct contracts for only 1GW. However, it is expected that European enterprises will also gradually follow the example of their American counterparts in view of the long-term demand of commerce and industry ("C & I") for self-owned green energy sources, rising electricity tariffs, and competitive prices of renewable energy.

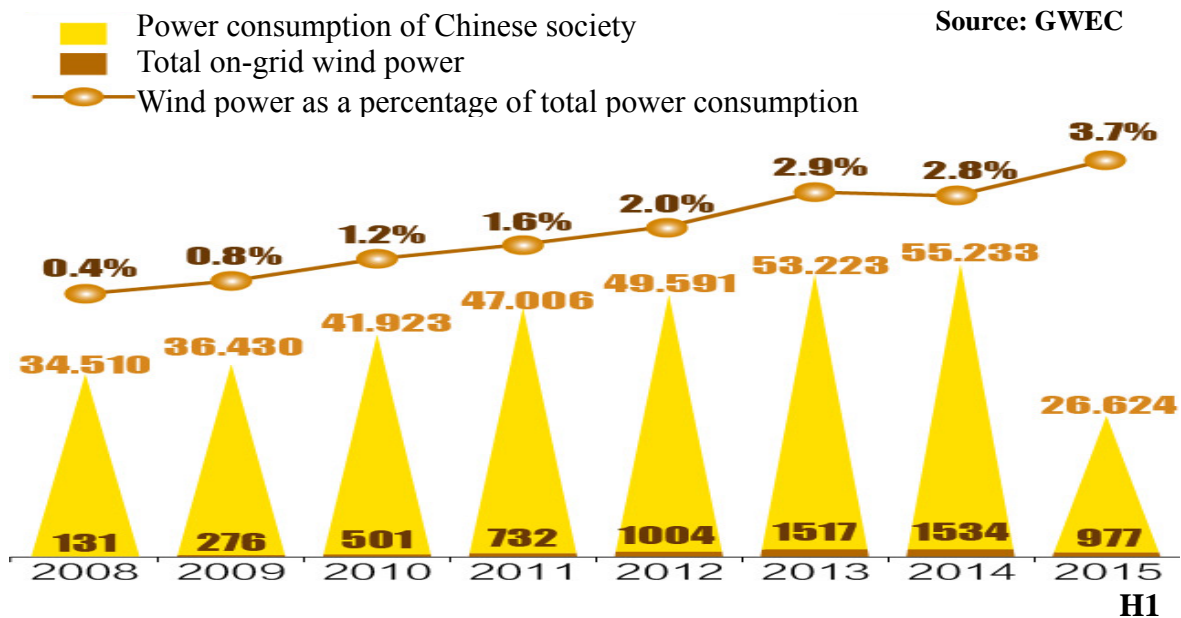
The Company's main sales markets are China, Europe, and America. However, the European and US casting industry has been relocating to China due to the rapid growth of Chinese wind turbine manufacturers and lower manpower costs in China. This analysis therefore focuses on the Chinese market. Prior to 2000, Chinese wind power equipment manufacturers mainly relied on imports. The wind equipment castings industry is still in its initial stages, production capacities are small, and technical capabilities are limited. Following the rapid development of the wind power industry and rising procurement demands of domestic and international wind turbine manufacturers, casting businesses start to engage in the manufacture of castings for wind power equipment. The number of Chinese wind turbine generator manufacturers rapidly rose from 6 in 2004 to around 70 in 2008. This indicates that the industry has already reached a certain scale.

The Chinese Wind Power Development Roadmap 2050 was officially released on October 19, 2011. It is expected that the capacity of Chinese wind power installations will reach 1 TWh in 2050, which will meet 17% of the domestic power demand. After 2020, wind power prices will be lower than coal power prices and current wind power subsidy policies will be gradually phased out. The future outlook of wind power development can be outlined as follows: Prior to 2020, onshore wind power will represent the main focus and offshore pilot projects will be initiated. Between 2021 and 2030, onshore and near-shore wind power will be developed simultaneously and high-sea pilot projects will be initiated. Between 2031 and 2050, the full development of onshore wind power in eastern, central, and western China and near-shore and high-sea wind power will be realized. According to recent forecasts, Chinese power consumption will reach 13,000 TWh in 2050. Currently available wind power technologies and resources can support a maximum wind power capacity of over 1 TWh.



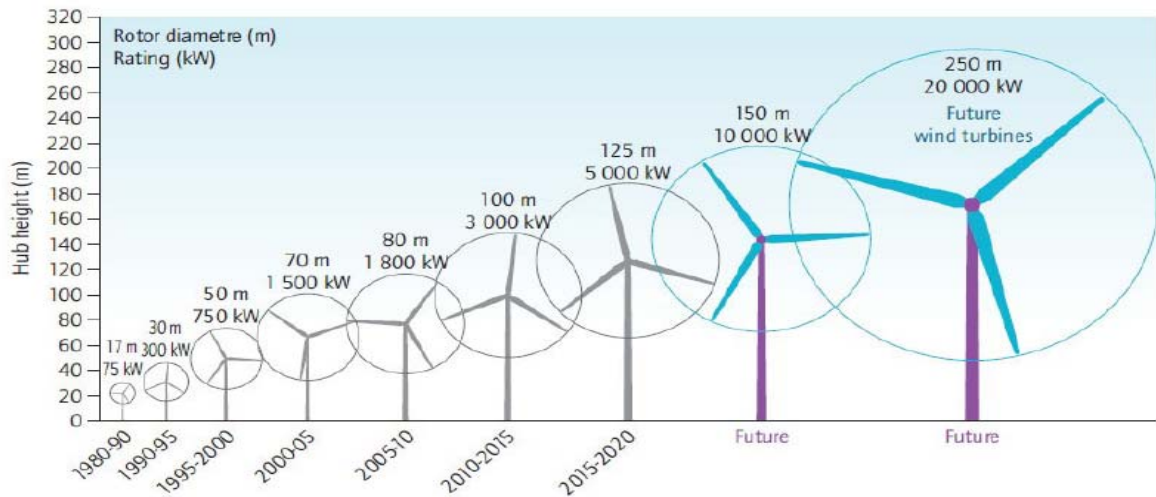
Source: GWEC

The chart above clearly shows that new wind power installations in China in 2015 account for 45% of all ne installations worldwide. The policies of the 13th National Congress focus on pursuit of progress and stability. It is also evident from the chart that wind power accounts for a relatively low percentage of power generation in China and that there is still a lot of room for growth.



Source: GWEC

Wind turbine generator capacities are increasing; the mainstream is currently 1.5~3.6MW



Source: IEA Wind Power Technology Roadmap 2013 Edition (2013)

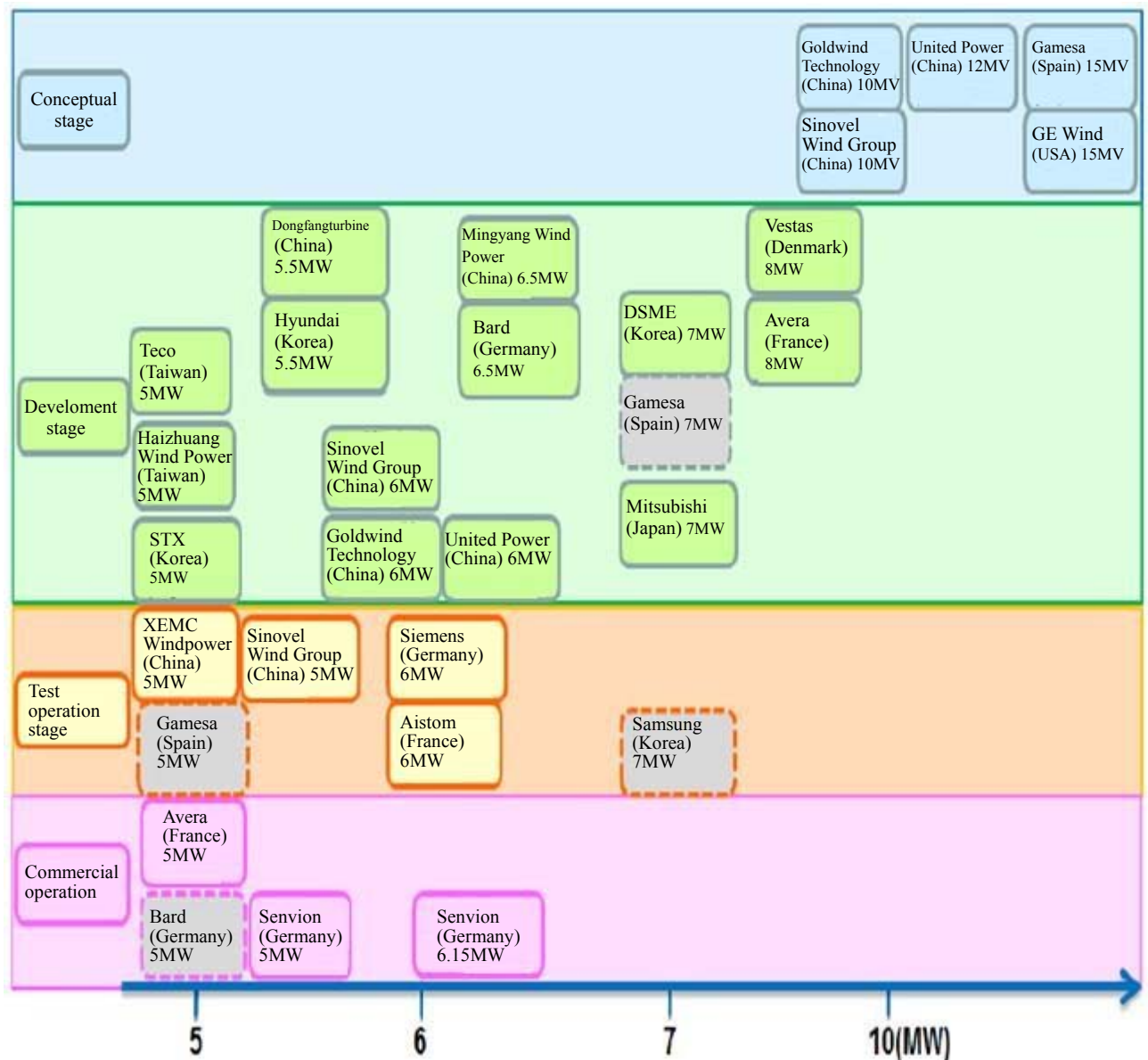
India

1. Fifth largest market in the world with regard to newly added wind turbines in 2014
2. Within the next five years, India is expected to be the country with the fastest growth
3. Within the next five years, renewable energy is expected to account for 12% of total generation

Brazil

1. Within the next five years, an annual increase of wind power by 12-13GW is planned; wind power is expected to account for 12% of total generation in 2023
2. Wind power projects of a total capacity of over 21GW will be made available for wind power developers starting in February 2016

Current state of development of offshore turbines of a rating of 5MW or more



Source: IEK, December 2014

Wind-generated power has seen the most rapid development in the field of new power supply and renewable energy sources in the US since 2000. Wind-generated power has seen a threefold growth in the US, accounting for 1.5% and 4.5% of the annual electricity consumption in 2008 and 2013, respectively. Wind power facilities of a total capacity of over 61 GW were installed in 2013. Electric power system operators all over the country generally believe that wind power is an integral part of the diversified power generation mix. The interest in wind power is spurred by the great potential of these rich resources (over tenfold the amount of current electricity demand), the competitive and stable prices, the economic development potential, and the environmental protection properties including reduced carbon emissions, improved air quality, and decreased water consumption.

At the same time, relatively low natural gas prices and wholesale electricity prices and a decreased electricity demand are also key factors that affect investments in new power sources. The annually installed wind power capacity in the US has seen drastic

fluctuations due to the abovementioned factors and policy development trends.

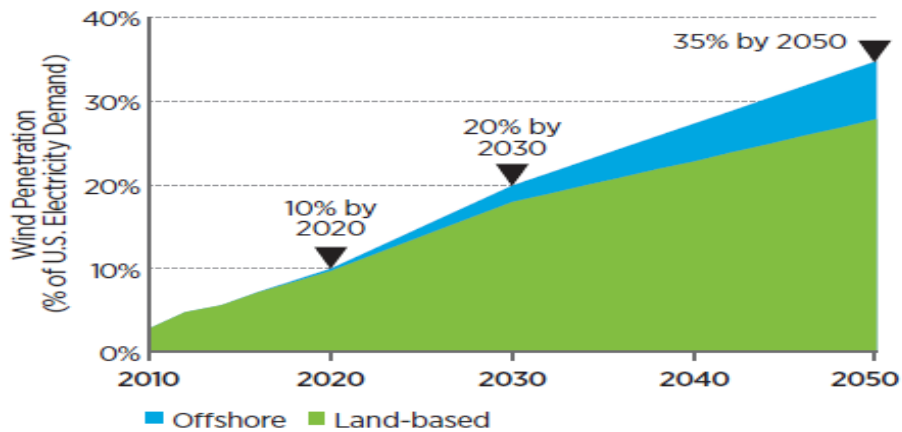
In 2008, the US Department of Energy assumed that 20% of the total annual power consumption could be provided by wind-generated power in 2030 and assessed the technical feasibility of this scenario. The main conclusion of this report is that the US electricity system can sustain a market share of 20% for wind power in this scenario. Under the assumption that no new wind power will be added, the expenses of the Department of Energy are expected to rise by 2% within the time interval (2008-2030) of this scenario.

This report also points out key activities that require increased attention including an expansion of transmission infrastructure, a reduction of wind power generation costs, the integration of reliable wind energy into the major electricity systems as well as the solution of potential problems related to selection of suitable sites for wind farms and the application for licenses. Upon publication of this report, the total installed wind power capacity has seen a threefold increase. By the end of 2013, the annual installed capacity had already exceeded the anticipated 20%, surpassing the previously predicted challenges. The Wind Vision report records the progress in this field since 2008 and relies on past experiences to predict future opportunities.

The goal of the analyses in the Wind Vision report is to provide a deeper understanding of the future potential of wind-generated electricity and quantify the costs and benefits of continued investments in wind power. The provided analyses, model input, and conclusions are based on the most reliable information currently available as well as past experiences in the field of science, technology, economy, finance, and engineering and industry growth and maturity periods until October 2014.

Finally, the Wind Vision report is action-oriented. It examines the potential for continued development and utilization of wind-generated power in the US. The report analyses and standards identify key challenges and potential solution methods. The prime objective lies in the utilization of wind-generated power to support the continued transformation of the national electricity sector.

The Wind Vision report mainly analyzes the future outlook. It states that wind energy can supply 10%, 20%, and 35% of the national electricity demand in 2020, 2030, and 2050, respectively. This outlook is referred to as the Wind Vision study scenario. This ambitious but credible scenario has been identified after a series of analyses of different settings and modeling under the condition of normal operations. Comparisons are conducted based on the study scenario results and a fixed installed wind power capacity of 61GW as specified in the baseline scenario to quantify costs, benefits, and the impact of the deployment of other forms of wind power in the future. The baseline scenario and study scenario do not represent goals or a forecast of the future of wind power. On the contrary, they contain analyses and a framework for potential costs, benefits, and relevant effects of the deployment of other forms of wind power in the future.



The USA has enacted a law to extend the PTC policy for the wind power industry. Production tax credits are valid for five years which decreases policy uncertainty. Over the past six years, the cost of US wind turbines has decreased by almost 60%, Yeong Guan is therefore forced to constantly reduce its costs to maintain its competitiveness.

The table below shows the long-term US plans as far as the ratio of wind power to total generation is concerned

Installed capacity (GW)	Wind power to total generation ratio of 10% in 2020	Wind power to total generation ratio of 20% in 2030	Wind power to total generation ratio of 35% in 2050
Land-based wind power capacity	110	202	318
Offshore wind power capacity	3	22	86
Total installed wind power capacity	113	224	404

Injection molding machinery industry

The following trends characterize the injection molding machinery industry

- ◆ China is accelerating the development of high-precision injection molding and extruding machinery
- ◆ It is of paramount importance to develop high-precision injection molding and extruding machinery with independent intellectual property rights
- ◆ Increasing size and capacity
- ◆ The design and manufacture of large-scale and micro plastic machinery is inextricably linked to the national standard of technology in machine manufacturing and materials
- ◆ Miniaturization is the main development direction for all product categories
- ◆ Energy conservation trends
- ◆ Optimized design of machine structures, control modes, and operation technology

- ◆ conditions based on energy conservation concepts
- ◆ Adoption of advanced energy conservation technologies and motors with variable frequency speed control
- ◆ Automated smart molding machines
- ◆ Production functions conducive to enhancement of molding machine quality, efficiency, and energy conservation and key approaches to enhance production rates, reduce labor intensity, improve labor conditions, maximize equipment usage rates, and reduce costs
- ◆ Programmable logic controllers (PLC) replace traditional relays. Programmed controllers and micro computers are used for process and parameter control of injection molding machines
- ◆ Network-based smart management
- ◆ Linkage of virtual and physical networks to create more efficient production systems and maximization of competitive advantages of this traditional industry through the Internet and big data analysis
- ◆ Implementation of Industry 4.0 in the plastic machinery industry and linkage of industry development to the Internet

Industrial machinery

The global machinery tool market was in a slump in 2015. Reports of professional research institutions indicate a decline of global production value forecasts from \$EU 64 billion at the beginning of the year to 59.3 billion in October. A detailed market analysis however reveals the emergence of a phenomenon called “the strongest prevail” in all machinery industries this year.

Starting in 2017, the demand of industrial machinery clients increased significantly, the order situation stabilized, and visibility was higher. The Company therefore fully cooperated with castings and processing delivery times.

In addition, the favored weapon of Chinese manufacturers to control prices through volume has also lost its past effectiveness. The added impact of the strong depreciation of the Euro at the beginning of the year and the weak Japanese Yen has led to a situation in which more markets turn to high-end/highly efficient/smart European and Japanese manufacturers.

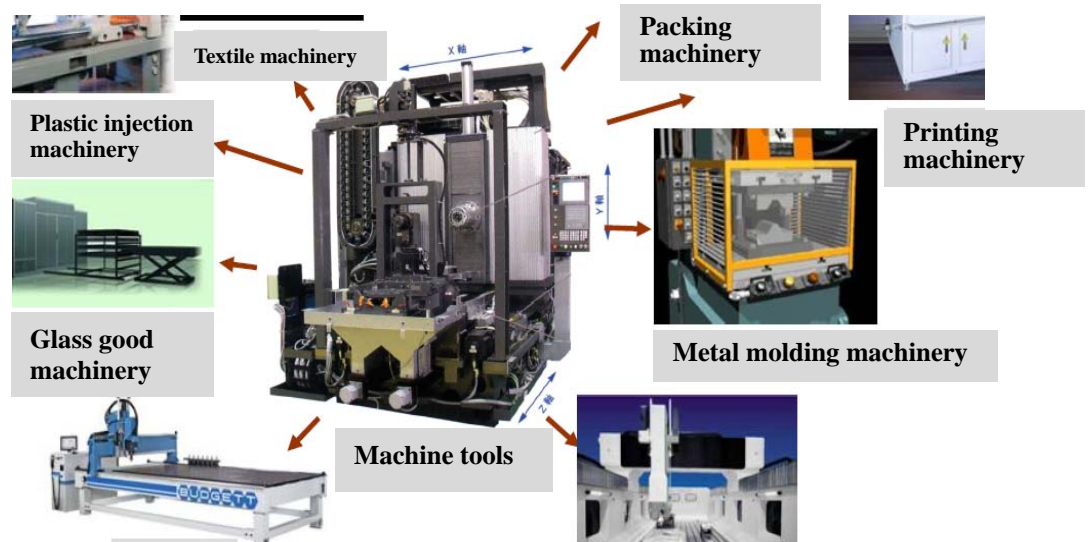
In 2015, reports released by numerous Chinese machine tool providers point out that the industry is in a deep trough mainly for the following reasons:

1. Decrease and constant decline of sales figures and orders placed by related industries by an average of 10%-30%;
2. Only the output volume of metal forming machines of all brands has increased, while that of other processing machine tools exhibits a decline of around 10%;
3. The loss ratio of Chinese machine tools hit a record high in 2015 (56.9%)

The term industrial machinery refers to a wide range of facilities. Every type of machinery that is used for production purposes may be classified as industrial machinery. Machine tools (“mother machines”), air compressors, and shipping equipment currently form the mainstay of Yeong Guan Energy Technology Group’s industrial machinery sales. The machine tool market currently has a global focus, while Asia provides the main growth momentum and China represents the largest market. However, the competition between

Mainland Chinese and Taiwanese manufacturers is still fierce and market conditions are harsh. Against the backdrop of a full-scale expansion of the US manufacturing sector, machine tool orders still exhibit a pattern of gradual decline. Only Germany and Japan showed signs of recovery in the third quarter of 2013. As for China, local Chinese enterprises have been forced to start transforming their businesses after an over two-year period of excess supply. Certain products have even gained a foothold in the international brand market. This phenomenon has also prompted large international manufacturers to accelerate localized production in China.

Machinery equipment derived from machine tools



The DMG group is the undisputed industry leader as far as market share and technical capabilities are concerned and is a typical representative of the law of “the strongest prevail”. Despite the fact that the manufacturing sector is mired in a slump, the company still posted a growth of 6% compared to the same period of the previous year. In the third quarter, the sales volume of the group reached 1.648 billion EURO (1.562 billion EURO in October 2014). Despite the impact of dropping demand in China, it is expected that the total sales volume in 2015 will still reach 5.58 billion EURO. Yeong Guan has already initiated the development of new machine models as a foundation for cooperation between the two companies and mutual growth.

As far as the market for air compressors is concerned, the demand of the downstream market is indeed insufficient against the backdrop of a continued cooling down of the economy in 2015. Excessive supply and production capacities have led to a significant drop of prices.

The sluggish market has also generated numerous negative effects. Some manufacturers pursue a low-cost strategy through reduced deployment and quality. Some even adopt non-standard methods and norms, which leads to lower product quality and negatively affects the reliability and stability of products, which in turn results in a vicious cycle for the air compressor market.

However, quite a few positive developments have also been brought about in this

competitive environment. Last year, many people were still pondering over the direction of product development. This year, the focus has shifted to the selection of a business model that ensures the survival of the company and the realization of energy-saving products. The air compressor industry has reached a stage where transformation is the only way to survive regardless of intention or attitude. A remolding of the value chain through innovative thinking is a prerequisite of development in this new era.

Atlas has maintained its leadership position in the global air compressor market since 2010. Although the overall demand for the company's products was also affected in 2015, the procurement volume from Yeong Guan has seen positive growth (an increase by 9% compared to the same period in 2014) due to constant innovation and the latest energy-saving high-end centrifuge (MKII). Development efforts have been crowned with success. In 2016, Yeong Guan will initiate the development of other machine models, which are expected to ensure further growth.

In 2017, the company will continue to develop even more new models with better performance characteristics. Orders are brisk and the company has been able to maintain its leadership position in the air compressor market due to the exceptional quality of its products despite low-price competition.

A detailed analysis reveals that despite the fact that overall demand has dropped significantly, remaining demand is highly concentrated in high-end brands. Order records clearly show that the aforementioned DMG and Atlas, the packing machine manufacturer Bobst, and the ship equipment provider Man have posted growth figures in the face of adversity. All current forecasts in 2017 point to the conclusion that the economic outlook has significantly improved and customers have placed their orders earlier than expected. The selection/development/retention of major customers therefore represents the key task in 2017.

As far as the market for shipping equipment is concerned, the shipping industry has been undergoing structural adjustments for some time due to the bleak outlook of the global shipping market. As to the market demand structure, the demand for ship models with complicated technologies continues to grow and international shipbuilding regulations successively require that development focus on energy conservation, safety, and environmental protection, which in turn generates a large number of new opportunities for the market.

Due to the higher technical requirements and the fact that all advanced countries have their register of shipping certificates (12 major registers of shipping currently exist), a market entrance barrier is formed owing to the fact that large investments of time and money are required for the certification process. New markets are mostly dominated by large manufacturers, which leads to a situation in which a small number of big players continue to grow stronger. Small- and medium-sized shipping businesses are forced to grit their teeth and hang on in the face of adverse economic circumstances. However, the worst is already over in this industry since demand is clearly picking up. An increase of localized production in China has turned into a key course of action for large international manufacturers due to cost considerations. The demand for castings has therefore never waned, but high-precision processing has to be provided. Due to the fact that the production capacity of Yeong Guan Energy Guan has not been expanded yet, the company is willing to increase the output of existing products for clients at its own discretion, but

will only be able to meet customer demands for the development of new products after expansion of its production capacities. The Company is currently applying for a certificate issued by the British classification society and plans to apply for a certificate from the Norwegian classification society in the future with the goal of a gradual enhancement of capabilities and the development of more shipping industry clients.

Medical equipment

The main customer for medical equipment manufactured by Yeong Guan Energy Technology Group is currently Elektra, which is one of the leading manufacturers of Radiation Therapy equipment in the world (ranked second and first in the global and North American markets, respectively). Elektra has recently focused on the development of the North American market and actively expands into the Latin American, Chinese, and Japanese markets. Yeong Guan Energy Technology Group will continue to develop casting products for medical equipment in coordination with Elektra's market expansion efforts to achieve joint growth and will also step up its efforts in the acquisition of new customers in the field of medical equipment.

The US is currently still the largest market for LINAC. However, shrinking capital expenditures have considerably reduced the willingness of medical institutions to invest in such equipment. The main focus lies on repair and maintenance to extend the service life of existing equipment. Our clients therefore actively develop new models with the goal of satisfying the demands of different markets. JPM has conducted a survey of US doctors who are engaged in the field of radiation therapy. 65% of all US hospitals state that their budgets are tight recently, while 27% believe that capital expenditures will remain unchanged and 8% express the opinion that the economic outlook is more positive than last year. This obviously generates considerable pressure on our clients in the medical field. Economic downturns in developing countries impede the acquisition of orders. Our clients therefore step up their efforts to increase the sale of Gamma Knife (ICON) products. The conversion to new device models is more difficult than previously assumed by management levels since the required time for conversion in the neurology and radiation therapy departments of large-scale hospitals is hard to estimate. In addition, sales prices have increased significantly and equipment must be reviewed and approved by the US Nuclear Therapy Commission prior to official launch.

3. Creation of a niche

- (1) Due to the group's over forty years' experience in the casting industry, it possesses exclusive metallurgy technologies and provides stable quality occupying a leadership position in the industry.
- (2) In the field of production the group possesses vertically integrated capabilities in the field of casting and processing which enable it to provide customers with higher added-value services and maintain strong partnerships with its customers.
- (3) The group continues to develop new products in close cooperation with its clients to maintain its market competitiveness.
- (4) The field of industrial applications is very wide and production and sales counterparties and fields can be adjusted flexibly.
- (5) Due to the fact that most of the group's customers are highly ranked large manufacturers in different fields and the group is cooperating with large-scale international raw material suppliers, the group is able to resist the impact of economic fluctuations in the areas of production and sales.

4. Favorable and unfavorable factors for long-range development and response strategies

(1) Favorable factors

(A) Components and parts for products with excellent mechanical properties and wide range of product areas

The company is mainly engaged in the manufacture of spheroidal graphite cast iron and gray cast iron high-grade castings and creation of hand-made molds. Products are customized and the main product applications include components and parts for products with excellent mechanical properties such as plastic injection molding machines, large-scale wind turbines, large-scale high-precision machine tools, large-scale gas turbines for power plants, large-scale air compressors, and medical equipment. The company is currently committed to spanning different industries by moving beyond the equilibrium in the field of product areas and increasing product types and categories. Production technologies may be utilized for different product categories to give product technologies a more comprehensive character.

(B) Integration of up-and downstream industries allows an effective reduction of production costs and enhanced delivery efficiency

To achieve a breakthrough in the field of services, Yeong Guan Energy Technology Group not only focuses on casting operations but has also created a main niche through a successful integration of secondary processing of metal. The company has established five casting plants, two processing plants, one assembly plant, and one resource recycling plant (recycled scrap steel is used as a substitute raw material) in Dongguan in Guandong province, Ningbo in Zhejiang province, Liyang in Jiangsu, and in Taiwan. The group currently provides casting, processing, welding, assembly, and spray coating services and imports advanced processing lathes of international standard from Europe, Japan, and the US. The company also actively seeks cooperation with downstream subcontractors to gain the ability to provide customers with comprehensive and high-quality services and gain a firm grasp of high-end casting technologies with the goal of providing customers with outstanding and highly effective solutions. This enables the company to reduce customer costs, shorten delivery times, and satisfy customer demands in the field of casting and processing and thereby further raise the threshold for industry competition. Continued growth enables the group to gradually widen the gap between the group and same industry competitors as far as business scope and production capacity are concerned. Customer reliance will also gradually increase.

(C) Independent sales capabilities and international competitiveness

The business scope of the company is wider than that of generic same industry businesses and its technical standards are equivalent to European standards. The group has the ability to accept orders from large international manufacturers. The group's customers are leading industry brands with excellent standards. This clearly indicates that the company's technologies and quality are recognized by large international manufacturers. Due to the fact that the operations of these

manufacturers are characterized by a high level of stability, the operation of Yeong Guan Energy Technology Group are also more stable than those of its same industry competitors which has earned the company the trust of large international manufacturers.

(2) Unfavorable factors and response strategies

(A) Exchange rate fluctuations

Since most of the group's customers are located in Europe and America, the value of its exports accounts for a large proportion of revenues. Exchange rate fluctuations therefore have a considerable impact on actual revenues. Drastic fluctuations of the global economic climate in recent years and frequent disasters caused by changes of the natural environment lead to dramatic changes of national economic climates. Exchange rate fluctuations in particular have a huge impact on the group's operations.

Response strategies

To cope with exchange rate fluctuations, the company uses sales revenues in a certain currency to pay for purchases and related expenses in the same currency to achieve a natural hedging effect, lower the demand for currency exchange, and reduce risks associated with currency exchange losses. The company has adopted a response strategy which focuses on the reinforcement of currency exchange hedging related concepts among financial personnel and constant monitoring of exchange rate fluctuations through real-time online exchange rate systems. A real-time grasp of exchange rate developments and trends based on an analysis of financial data provided by banks and investment institutions provides a reference basis for foreign exchange settlement. In addition, the company has established a price adjustment and floating mechanism with its sales counterparties and actively expands marketing scopes and industry categories. Multi-currency sales serve the purpose of lowering currency exchange risks generated by large-scale single currency exchange rate fluctuations. With regard to foreign exchange net positions, the company has formulated Operating Procedures for the Trading of Derivative Financial Products which have been approved by resolution of the board and the shareholders' meeting and prescribe relevant procedures for derivative financial products. Required measures are adopted based on foreign exchange positions and exchange rate fluctuations to reduce exchange rate risks generated by the company's business operations. In addition, the company also actively adjusts its market dominance and equilibrium strategies under conditions of a rapidly changing global economy to balance domestic and foreign sales ratios and buffer the impact of changes of the economic environment.

(B) Raw material price fluctuations

The main raw materials of the casting industry which are characterized by large market price fluctuations are pig iron, scrap steel, and iron ore fines. Futures trading prices frequently fluctuate before the actual market demand situation is reflected. Spot or futures operations therefore involve a higher risk. Contract breach damages incurred by suppliers for scheduled transactions are usually lower than the actual

price increases. In addition, large storage spaces are required complicating the stock-up process and affecting production.

Response strategy

To prevent contract breach on the part of suppliers or higher purchase costs caused by emergency feedstock preparation in case of large-scale price increases of raw materials, the company actively seeks to secure raw material sources through cooperation with large international raw material suppliers and previously rated upstream suppliers. It also selects a spread out range of countries of origin for supplied materials and prepares feedstock in batches in advance to ensure that the production process and realized revenue are not affected by a shortage of raw materials.

In addition, the company has taken account of the fact that the available warehouse space in its subsidiaries is not sufficient for the storage of large quantities of pig iron. Several factory buildings of the Qing Zhi plant of Ningbo Yeong Shang Casting Iron Co., Ltd. have therefore been converted into storage space for pig iron. This allows the company to order large quantities of pig iron when prices are relatively low, which helps reduce pig iron unit costs and allows the company to effectively distribute pig iron to all subsidiaries. In the future, the group plans to integrate upstream raw material industries to achieve self-sufficiency in the field of raw materials or strategic alliances with upstream industries, which in turn will ensure an optimized production efficiency as well as an adequate supply of raw materials.

(C) Corrosion at sea affects product quality

In recent years, the development of wind power products has seen significant changes with a gradual shift from land-based wind power installations to offshore wind power. The techniques, design, and processing capabilities employed during the casting process are different from those utilized for the manufacture of onshore wind turbines. Corrosion at sea poses a serious problem that affects product quality and life cycles.

Response strategy

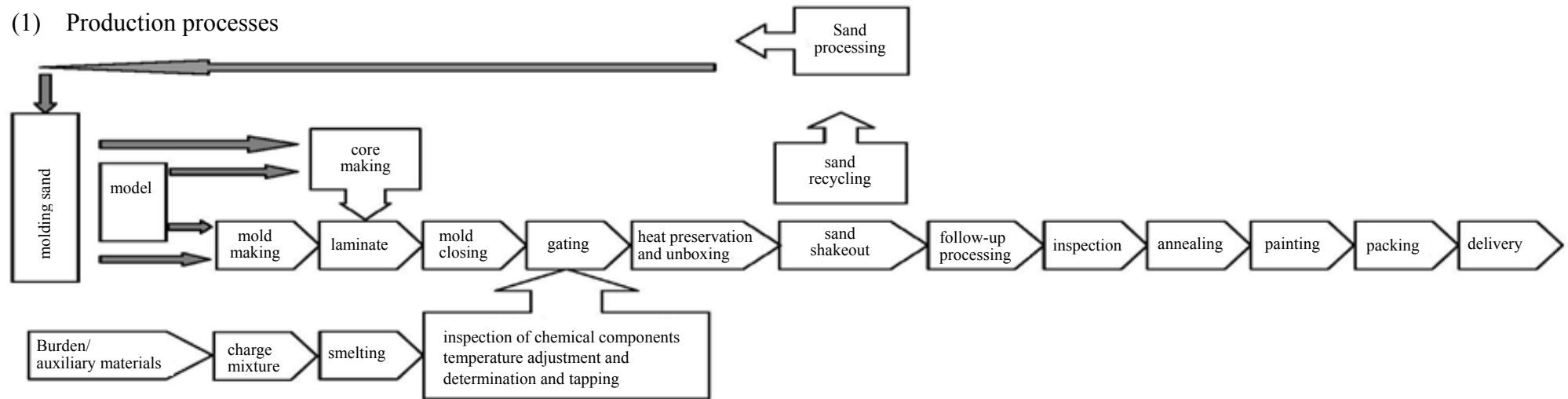
In view of the harsh marine environment which causes serious corrosion, it is necessary to strengthen the corrosion resistance and enhance the quality of products to make them more resistant against corrosion caused by the sea wind. Based on the abovementioned considerations, Yeong Guan Energy Technology Group has obtained the ISO12944 Corrosion protection certification allowing it to provide the highest C5 grade corrosion protection for offshore wind turbines. The company has constructed new factory buildings at Jiangsu Bright Steel Fine Machinery Co., Ltd. and Ningbo Yeong Shang Casting Iron Co., Ltd. that provide anti-corrosion coating capabilities including sand blasting, spray painting, and zinc spraying. These facilities specialize in the coating of offshore wind power products to maximize the benefits of vertical integration of casting and spray coating processing and enable the company to further expand its offshore wind power business.

(b) Main uses and production procedures of major products

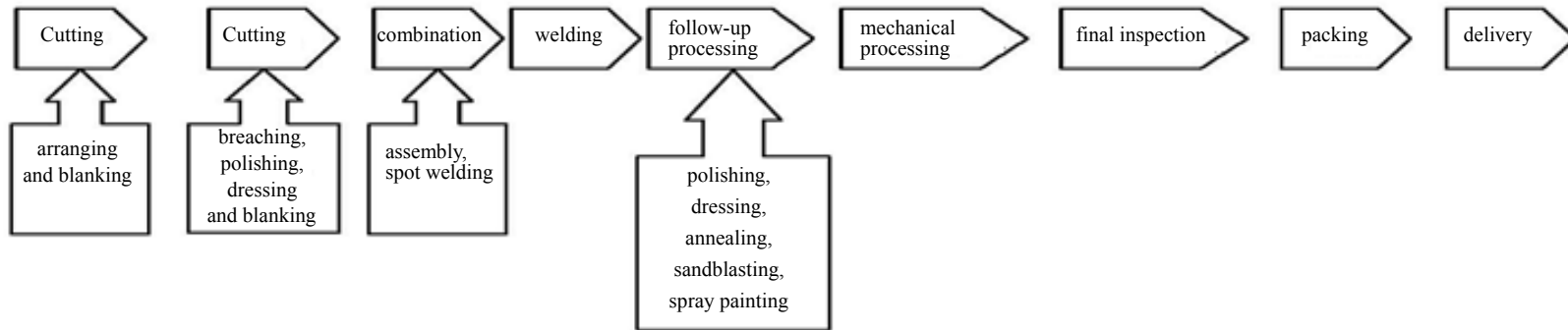
1. Main uses of major products

Provision of key components for industrial machinery equipment of different industrial fields including wind energy and injection molding machinery

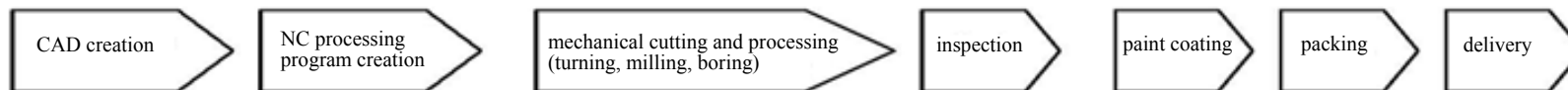
(1) Production processes



(2) Welding



(3) Mechanical processing



(c) Supply status of main materials

Main raw materials	Main suppliers	Supply status
Pig iron	Ningbo Mingyuan Trading Co., Ltd. (hereinafter referred to as “Ningbo Mingyuan”), Jongmeixin Industry & Trading Company, Benxi Shentie Iron (Group) Co., Ltd., Benxi Juxinda Machine Company, Hebei Fongshan Casting Company, Linzhou Hexin Casting Industrial Co., Ltd.	Good
Scrap steel	Ningbo Yinzhou Jinlong Waste Metal Recycling Co., Ltd., Ningbo Yinzhou Hongli Metal Recycling Co., Ltd., Ningbo Zhonglie Renewable Resource Recycling Co., Ltd., Changzhou Hengguan Metal Company, Liyang City Tianheng Recycling Co., Ltd., Wenling City Hua Tai Resource Recycling Co., Ltd., Ningbo City Yinzhou Chihao Recycling Co., Ltd., Dongguan City Youxin Recycling Co., Ltd., Chiashan County Dong Tzu Scrap Metal Recycling Company.	Good
Resin	Kao Chemical Corporation Shanghai (hereinafter referred to as Kao Shanghai), Jinan Shengquan Group Co., Ltd.	Good
Nodulizer	Sanxiang Advanced Materials Co., Ltd.	Good

The company maintains positive and stable cooperative relationships with its main raw material suppliers. In addition to a firm grasp of raw material sources, the company also implements rigorous controls in the field of quality and delivery times to guarantee a stable supply of main raw materials. No shortages or disruptions of material supply occurred in the last three years and the application year. Supply sources have been stable.

(d) Major suppliers and clients

1. Suppliers that account for over 10% of total purchases of materials in any of the last two calendar years as well as purchase amounts, ratios, and specification of reasons for increases/decreases

Unit: 1000 NTD ; %

Item	2015				2016				1 st Quarter of 2017			
	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer	Company name	Amount	Percentage of annual net purchases (%)	Relation with issuer
1	Kao Shanghai	341,239	10.23%	none	Benxi Shentie Iron Co., Ltd.	304,379	9.78%	none	Benxi Shentie Iron Co., Ltd.	76,073	9.11%	none
2	Benxi Shentie Iron Co., Ltd.	333,518	10.00%	none	Kao Shanghai	267,690	8.60%	none	Kao Shanghai	53,371	6.39%	none
3	Other	2,661,093	79.77%		Other	2,539,011	81.62%		Other	705,189	84.50%	
	Net purchases	3,335,850	100.00%		Net purchases	3,111,080	100.00%		Net purchases	834,633	100.00%	

Specification of reasons for increase/decrease:

Specification of reasons for increase/decrease:

In 2016, several pig iron suppliers were unable to maintain their supply due to a lack of capital. In response to the risk of overreliance on a small number of suppliers, the Company has added new suppliers and reduced the amount and ratio of purchases from single suppliers. The amount and ratio of purchases from Benxi Shentie Iron therefore decreased compared to 2015. Due to a change of product mix ratios in 2016, resin purchases were decreased and the amount and ratio of purchases from Kao Shanghai dropped compared to 2015.

2. Clients that account for over 10% of total sales in any of the last two calendar years as well as sales amounts, ratios, and specification of reasons for increases/decreases

Unit: 1000 NTD; %

Item	2015				2016				1 st Quarter of 2017			
	Company name	Amount	Percentage of annual net sales (%)	Relation with issuer	Company name	Amount	Percentage of annual net sales (%)	Relation with issuer	Company name	Amount	Percentage of annual net sales in 1 st quarter (%)	Relation with issuer
1	IO	1,400,788	17.25%	None	IO	1,270,743	17.23%	None	IO	274,121	19.11%	None
2	EA	1,143,188	14.07%	None	EA	1,065,662	14.45%	None	EN	104,143	7.26%	None
	Other	5,578,494	68.68%		Other	5,037,483	68.32%		Other	1,056,415	73.63%	
	Net sales	8,122,470	100%		Net sales	7,373,888	100%		Net sales	1,434,679	100.00%	

Specification of reasons for increase/decrease:

1. The following three reasons have been identified for the drop in sales to IO:

- 1) In 2016, average raw material prices decreased compared to 2015. Due to the fact that the Company signed a floating agreement with IO which requires price adjustments in accordance with raw material price fluctuations, sales prices were adjusted downward and sales amounts decreased.
- 2) The exchange rate of NTD to RMB dropped from 5.1436 in 2015 to 4.8607 in 2016, generating exchange rate losses of 5.5%.
- 3) However, the shipping weight increased from around 16,700T in 2015 to around 18,300T in 2016. The drop in sales was therefore most likely caused by the first two reasons.
- 4) The decreasing sales to EA have mainly been caused by the supply of castings by suppliers of the supply chain of the company which was acquired by EA. This has resulted in a drop in purchases from EA's original suppliers.

(e) Production volume and value over the last two years

Unit: tons ; 1000 NTD

Production volume/value Production categories	2015			2016		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Casting products	174,400	157,014	4,744,725	174,400	149,373	4,324,854
Precisely processed products(Note1)	336,421 (hour)	284,315 (hour)	1,160,592	342,566 (hour)	251,743 (hour)	956,266
Pressed scrap steel blocks	42,000	29,618	213,431	42,000	26,436	180,694
Other	Note2	Note2	451,083	Note 2	Note 2	489,247

Note 1: Processing production capacity and production volume units are calculated in hours

Note 2: Other categories include welded and assembled products. Manpower is dispatched to conduct processing operations based on client order types. Due to the fact that different types of services are provided and measurement units are not consistent, production capacities and volumes are not comparable.

Note 3: Due to the fact that measurement units are inconsistent, total annual production volumes can not be indicated.

Specification of reasons for increase/decrease:

The main reason for the growing production volume and value in 2014 lies in the fact that the company increased production to meet customer demands for optimized processes and removal of bottlenecks.

Specification of reasons for increase/decrease:

- (1) The decreasing output amount and value of castings and processed products can be mainly attributed to reduced customer demand and delivery time delays. Another reason for the decreasing output value lies in downward price adjustments in line with raw material price fluctuations pursuant to price agreements with customers. In addition, the RMB depreciated against NTD in 2016.
- (2) The reduced output amount and value of pressed scrap steel blocks may be explained by reduced usage due to decreased customer demand. Another reason for the decreased output value lies in the lower scrap steel prices compared to the same period of last year.

(f) Sales volume and value over the last two years

Unit: tons; 1000 NTD

Sales volume/value Main products	2015				2016			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Energy product castings	29,010	1,555,079	49,871	3,202,680	17,563	879,353	51,952	3,014,187
Injection molding machine castings	18,558	727,678	29,567	1,056,757	18,748	662,058	34,465	1,201,627
Other castings	19,337	970,822	6,019	609,454	21,009	1,007,934	7,116	608,729
Total	66,906	3,253,579	85,457	4,868,891	57,320	2,549,345	93,533	4,824,543

3. Number, average years of service, average age, and level of education of employees engaged in different fields in the two most recent fiscal years up to the publication date of the annual report

Year		2015	2016	1 st Quarter of 2017
Number	Executives	75	90	93
	Production line staff	1,696	1,648	1,714
	General staff	405	454	448
	R&D personnel	52	71	74
	Total	2,228	2,263	2,329
Average age		35.52	36.91	37.20
Average years of service		5.41	5.83	5.89
Distribution of level of education(%)	PhD/MA	0.54%	0.57%	0.47%
	BA	8.12%	13.83%	13.65%
	Junior college or below	91.34%	85.60%	85.88%

4. Environmental protection expenses

Total amount of losses (including compensations) and fines in the most recent fiscal year up to the publication date of the annual report due to environmental pollution as well as future response strategies (including improvement measures) and potential expenses (including estimated amounts of potential losses, fines, or compensations due to failure to adopt response strategies; if reasonable estimates are not possible, a corresponding statement shall also be included):

This company and its subsidiaries did not incur any fines due to pollution of the environment in the most recent fiscal year up to the printing date of this report

5. Labor-Management Relationship

- (a) Employee welfare measures, advanced education, training, retirement system and implementation status, labor-management agreements, and measures to safeguard employee rights and interests

1. Employee welfare measures

The company allocates statutory contributions in accordance with Chinese law including social security contributions (old-age insurance, medical insurance, occupational injury insurance, unemployment insurance, and childbirth insurance) as well as contributions to the housing provident fund. In addition, new-year bonuses, marriage and childbirth cash gifts are also granted and regular contributions are made to welfare funds. Staff trips, dinner parties, and recreation activities are organized on a non-scheduled basis to enhance the mental and physical health of the staff and promote staff engagement and emotional attachment.

2. Advanced education and training

The company organizes professional and safety-related educational training on a non-scheduled basis to enhance the professional skills of its staff in order to ensure they are qualified for their jobs and able to realize their potential. The goal is to strengthen the innovative energy of the company and achieve the target of sustainable operations through an increased refinement and core competitiveness of the staff.

3. Retirement system and implementation status

The company pays monthly contributions to old-age insurance in accordance with regional laws and regulations and legally required ratios to care for retired employees

4. Labor-Management Agreements

In addition to labor contracts concluded in accordance with relevant laws after employees assume their duties, the company has also established a grievance channel and a labor union to provide open communication channels between labor and management.

5. Measures to safeguard employee rights and interests

The company safeguards employee rights and interests in accordance with the law and has formulated welfare management guidelines that clearly state various benefits, rights, and interests. Actual implementation is based on these guidelines.

- (b) Losses caused by labor-management disputes in the most recent fiscal year up to the publication date of the annual report and disclosure of estimated current and future amounts and response measures. If reasonable estimates are not possible, a corresponding statement shall also be included

The total amount paid due to labor dispute arbitration in the most recent fiscal year up to the publication date of the annual report was 56,000 RMB. Adopted response measures are as follows:

1. General investigation of employee contracts and regular update of relevant lists
2. Reinforced health checks to detect occupational diseases
3. Better understanding of the current condition of employees who have suffered work-related injuries and timely ascertainment and appraisal of work-related injuries within the prescribed deadline.
4. Regular education of employees, amicable relations between employees, reinforced controls, and implementation in accordance with management rules and regulations. No lawsuits are currently pending that involve labor-management disputes.

6. Critical Contracts

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Lease Contract	Lessor: Ningbo Yeong Shang Lessee: Ningbo Yeong Chia Mei	2014-1-1~2018-12-31	Factory Building Lease	Nil
Lease Contract	Lessor: Ningbo Yeong Shang Lessee: Ningbo New Power Team	2016-8-1~2019-7-31	Factory Building Lease	Nil
Insurance	Insured: Ningbo Yeong Shang Insurance company: PICC P&C	2016-6-29~2017-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Ningbo Yeong Shang	2016-7-5~2017-7-4	Property Insurance	Nil
Insurance	Lessor: Ningbo Lu Lin Lessee: PICC P&C	2016-6-29~2017-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Ningbo Lu Lin	2016-7-5~2017-7-4	Property Insurance	Nil
Insurance	Insured: Jiangsu Bright Insurance company: PICC P&C	2016-6-29~2017-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Jiangsu Bright	2016-7-5~2017-7-4	Property Insurance	Nil
Insurance	Insured: Dongguan Yeong Guan Insurance company: PICC P&C	2016-6-29~2017-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Dongguan Yeong Guan	2016-7-5~2017-7-4	Property Insurance	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Dongguan Yeong Guan	2017-3~2017-11	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Jiangsu Bright	2017-3~2017-11	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Ningbo Yeong Shang	2017-3~2017-11	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Ningbo Lu Lin	2017-3~2017-11	Technology Service	Nil
Purchase Contract	Supplier: Benxi Shentie Iron Purchaser: Jiangsu Bright	2016.2.24	Pig iron	Nil
Purchase Contract	Supplier: Benxi Juxinda Purchaser: Jiangsu Bright	2016.2.24	Pig iron	Nil
Purchase Contract	Supplier: Benxi Shentie Iron Purchaser: Dongguan Yeong Guan	2016.2.24	Pig iron	Nil
Maintenance	Party A: Chagnzhou Du Sheng Machine Party B: Jiangsu Bright Steel	2015/3~2018/3	Air Compressor Maintenance	Nil
Purchase Contract	Supplier: Benxi Juxinda Purchaser: Ningbo Lu Lin	2016.2.29	Pig iron	Nil
Purchase Contract	Supplier: Benxi Shentie Iron Purchaser: Ningbo Lu Lin	2016.2.28	Pig iron	Nil
Sales & Purchase Contract	Party A: Wenlin Huatai Party B: Ningbo Lu Lin	2015.1.2-long term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Party A: Ningbo Zhonglie Party B: Ningbo Lu Lin	2015.1.2-long term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Party A: Shanghai Ding En Party B: Ningbo Lu Lin	2015.1.2~2017.12.31	Scrap Steel Sales & Purchase Contract	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Sales & Purchase Contract	Party A: Yinzhou Chin Hao Party B: Ningbo Lu Lin	2015.1.2-long term	Scrap Steel Sales & Purchase Contract	Nil
Purchase Contract	Supplier: Benxi Juxinda Purchaser: Ningbo Yeong Shang	2015.3.17	Pig iron	Nil
Purchase Contract	Supplier: Benxi Juxinda Purchaser: Ningbo Yeong Shang	2015.11.25	Pig iron	Nil
Purchase Contract	Supplier: Benxi Shentie Iron Purchaser: Ningbo Yeong Shang	2015.11.25	Pig iron	Nil
Purchase Contract	Supplier: Benxi Shentie Iron Purchaser: Ningbo Yeong Shang	2016.2.24	Pig iron	Nil
Purchase Contract	Supplier: Benxi Juxinda Purchaser: Ningbo Yeong Shang	2016.2.24	Pig iron	Nil
Collateral contract	Pledger: Ningbo Lu Lin Debtor: Ningbo Lu Lin Creditor: Bank of China	2015-7-13~2020-7-13	The pledger provides 33,333 sq m of land and 23,502 sq m of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Jul 13, 2015 to Jul 13, 2020 or about to be concluded. Secured claims shall not exceed the principal of RMB\$ 37.5 million.	Nil
Collateral contract	Pledger: Ningbo Lu Lin Debtor: Ningbo Lu Lin Creditor: Bank of China	2015-9-22~2020-9-22	The pledger provides 12,697 sq m of land and 3,786 sq m of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 22, 2015 to Sep 22, 2020 or about to be concluded. Secured claims shall not exceed the principal of RMB\$ 12.5 million.	Nil
Collateral contract	Pledger: Ningbo Lu Lin Debtor: Ningbo Yeong Chia Mei Creditor: Bank of China	2015-12-15~2017-12-15	The pledger provides 39,290 sq m of land and 24,895 sq m of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Dec 9, 2015 to Dec 15, 2017 or about to be concluded. Secured claims shall not exceed the principal of RMB\$ 48.59 million.	Nil
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9~2019-9-8	The pledger provides 13,350 sq m of land and 12,801 sq m of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB\$ 18.4	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			million.	
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9~2019-9-8	The pledger provides 24,948 sq m of land and 36,394 sq m of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB\$ 46.87 million.	Nil
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9~2019-9-8	The pledger provides 33,344 sq m of land and 18,980 sq m of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB\$ 36.47 million.	Nil
Collateral contract	Pledger: Jiangsu Bright Steel Debtor: Jiangsu Bright Steel Creditor: Bank of China	2013-08-28~2018-08-27	The pledger provides 30,066 sq m of land as collateral for loan, trade finance, guarantee letter, financial service, and other credit service contracts concluded with the creditor valid from Aug 28, 2013 to Aug 27, 2018 or about to be concluded. Secured claims shall not exceed the principal of RMB\$ 11.48 million.	Nil
Collateral contract	Pledger: Jiangsu Bright Steel Debtor: Jiangsu Bright Steel Creditor: Bank of China	2015-01-22~2020-01-22	The pledger provides 32,066 sq m of land and 24,577 sq m of factory buildings as collateral for loan, trade finance, guarantee letter, financial service, and other credit service contracts concluded with the creditor valid from Jan 22, 2015 to Jan 22, 2020 or about to be concluded. Secured claims shall not exceed the principal of RMB\$ 30.75 million.	Nil
Collateral contract	Pledger: Dongguan Yeong Guan Debtor: Dongguan Yeong Guan Creditor: Industrial and Commercial Bank of China	2014.10.17~2019.10.05	The pledger provides land and factory buildings as collateral for Financial derivative Agreements and other documents signed with the creditor valid from Oct 17, 2014 to Oct 5, 2019 such as Foreign Exchange Loan Contracts, Foreign Exchange Sub-loan Contracts, Bank Acceptance Agreements, Letter of Credit Issuance Agreements/Contracts, Guarantee	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			Issuance Agreements, International and Domestic Trade Finance Agreements, and Agreements on Forward Transaction of Foreign Exchange. Secured claims shall not exceed the principal of RMB\$ 36.8 million.	
Foreign Exchange Loan Contract	Borrower: Ningbo Yeong Shang Lender: Shanghai Commercial & Savings Bank	2017-2-10~2020-2-9	Shanghai Commercial & Savings Bank provides Ningbo Yeong Shang with a working capital of US\$ 3 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Ningbo Yeong Shang Lender: BNP Paribas	2016-08-30~2017-08-31	BNP Paribas provides Ningbo Yeong Shang with a working capital of US\$ 3 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Steel Lender: Shanghai Commercial & Savings Bank	2016-12-17~2017-12-16	Shanghai Commercial & Savings Bank provides Jiangsu Bright Steel with a working capital of US\$ 2.5 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Steel Lender: Citibank	2016-8-01~2017-7-31	Bitibank provides a revolving line of credit of NT\$ 5 million for Jiangsu Bright Steel. Interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Steel Lender: CTBC Bank Joint guarantor: Yeong Guan Energy Tech.	2016-08-05~2017-08-04	CTBC Bank provides a revolving line of credit of US\$ 4 million for Jiangsu Bright Steel. Interest shall be payable once every month.	Nil
Credit agreement	Borrower: Yeong Guan Energy Tech. Lender: Bank SinoPac Hong Kong Branch	2016-8-29~2017-8-28	Bank SinoPac Hong Kong Branch provides Yeong Guan Energy Technology with a revolving line of credit of US\$ 6 million. Interest shall be payable once every month.	
Credit agreement	Borrower: Yeong Guan Energy Tech. Lender: CTBC Bank Joint guarantor: Chang, Hsien-Ming	2016-08-05~2017-08-04	CTBC Bank provides Yeong Guan Energy Technology with a revolving line of credit of US\$ 10 million. Interest shall be payable once every month.	
Credit Extension Contract	Borrower: Yeong Guan Energy Tech. Lender: Citibank	2016-08-01~2017-07-31	Bitibank provides a revolving line of credit of NT\$ 5 million for Yeong Guan Energy Tech.. Interest shall be payable once every three months.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Tech. Lender: BNP Paribas	2016-08-30~2017-08-31	BNP Paribas provides a revolving line of credit of NT\$ 3 million for Yeong Guan Energy Tech. Interest shall be payable once every three months.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Tech. Lender: Shin Kong Bank	2017-02-14~2018-02-13	Shin Kong Bank provides a revolving line of credit of NT\$ 15 million for Yeong Guan Energy Tech.. Interest	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			shall be payable once every months.	
Credit Extension Contract	Borrower: Yeong Guan Holding Lender: CTBC Bank Joint guarantor: Yeong Guan Energy Tech.	2016-08-05~2017-08-04	CTBC Bank provides a revolving line of credit of NT\$ 135 million for Yeong Guan Holdings Co., Ltd. Taiwan Branch on the British Virgin Islands. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Shin Shang Trade Lender: Shanghai Commercial & Savings Bank Joint guarantor: Yeong Guan Energy Tech.	2016-11-29~2019-11-28	Shanghai Commercial & Savings Bank provides a revolving line of credit of US\$ 2 million for Yeong Chen Asia Pacific. Interest shall be payable once a month. The bank provides the company with an additional NT\$700,000 for financial derivative operations.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: Land Bank of Taiwan Joint guarantor: Chang, Wen-Lung	2016-11-03~2017-11-02	Land Bank of Taiwan provides a short-term secured loan and a total financing line of NT\$ 300 million for Yeong Chen Asia Pacific. The latter company provides land and factory buildings for a maximum lien of NT\$ 360 million.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: KGI Bank Joint guarantor: Yeong Guan Energy Tech.	2015-7-3~2016-7-2	KGI Bank provides a revolving line of credit of NT\$ 30 million for Yeong Chen Asia Pacific. Interest shall be payable once a month. The bank provides the company with an additional NT\$ 30 million for financial derivative operations.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: DBS Bank (Taiwan) Joint guarantor: Yeong Guan Energy Tech.	2016-09-26~2017-09-25	DBS Bank (Taiwan) provides a short-term financing line of US\$ 6 million for Yeong Chen Asia Pacific. The bank provides the company with an additional US\$ 2 million for financial derivative operations.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: Bitibank Joint guarantor: Yeong Guan Energy Tech.	2016-08-01~2017-07-31	Bitibank provides a revolving line of credit of NT\$ 5 million for Yeong Chen Asia Pacific. Interest shall be payable once every three months.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: CTBC Bank Joint guarantor: Yeong Guan Energy Tech.	2016-08-05~2017-08-04	CTBC Bank provides a revolving line of credit of NT\$ 200 million for Yeong Chen Asia Pacific. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: BNP Paribas Joint guarantor: Yeong Guan Energy Tech.	2016-08-30~2017-08-31	BNP Paribas provides a revolving line of credit of US\$ 5 million for Yeong Chen Asia Pacific. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Shanghai No. 1 Foundry Lender: Fubon Bank (China) Joint guarantor: Yeong Guan Energy	2017-01-18~2018-01-17	Fubon Bank (China) provides a revolving line of credit of RMB\$ 26	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Contract	Tech.		million for Yeong Chen Asia Pacific. Interest shall be payable once every month.	
Credit Extension Contract	Borrower: New Power Team Lender: Taiwan Business Bank Joint guarantor: Chiang, Shao-Hsieh	2016-4-18~2017-4-18	Taiwan Business Bank provides a revolving line of credit of NT\$ 30 million for New Power Team. Interest shall be payable once every month. The latter company provides 4,536 m ² of land and 3,699.49 m ² of factory buildings for a maximum lien of NT\$ 200 million.	

VI. Financial Summary

1. Summarized balance sheets and consolidated income statements for the last five years

(1) Summarized Balance Sheet & Income Statement 1-1 Summarized Consolidated Balance Sheet

Unit: NTD in thousands

Item	Year	Financial data for the last five years				Current Financial Data as of March 31 st , 2017 (Note 1)	
		2012	2013 (Note)	2014 (Note 1)	2015 (Note 1)		2016 (Note1)
Current Asset			4,971,886	6,726,616	9,557,290	8,127,766	8,017,934
Property, Plant and Equipment			4,021,240	4,310,151	5,251,823	5,700,681	5,457,037
Intangible Asset			131,652	134,386	133,214	145,208	141,850
Other Asset			381,580	507,107	647,429	1,078,734	1,082,379
Total Asset			9,506,358	11,678,643	15,589,756	15,052,389	14,699,200
Current Liability	Before allocation		2,466,894	2,067,496	2,473,907	2,546,022	2,661,506
	After Allocation		2,820,006	2,734,973	3,478,095	Note3	Note3
Non-current Liability			740,034	1,553,712	2,461,407	2,428,059	2,526,310
Total Liability	Before allocation		3,206,928	3,621,591	4,935,314	4,974,081	5,187,816
	After Allocation		3,560,040	4,288,685	5,939,502	Note3	Note3
Owner's Equities Attributed to Parent Company		Note2	6,299,430	7,937,034	10,542,667	9,774,150	9,218,936
Share Capital			1,008,890	1,048,890	1,179,796	1,188,175	1,188,175
Additional Paid-in Capital			3,548,276	4,045,959	6,091,651	6,204,774	6,204,774
Retained Earnings	Before allocation		1,665,736	2,314,788	2,998,411	3,002,521	3,056,287
	After Allocation		1,312,624	1,647,694	1,994,223	Note3	Note3
Other Equities			76,528	527,397	272,809	(621,320)	(1,230,300)
Treasury Share			0	0	0	0	0
Non-controlling Equities			0	120,018	111,775	304,158	292,448
Non-controlling Equities	Before allocation		6,299,430	8,057,052	10,654,442	10,078,308	9,511,384
	After Allocation		5,946,318	7,389,958	9,650,254	Note3	Note3

Note 1: Financial data for 2013, 2014, 2015, 2016 and those as of March 31st, 2017 have all been audited or reviewed by certified accountants.

Note 2: With respect to financial data for summarized consolidated balance sheet for 2012, please refer to 1-2 Summarized Balance Sheet – Financial Accounting Guidelines in the Republic of China hereunder.

Note 3: As of May 4th, 2017, 2016 earnings distribution has yet to be approved by shareholder meeting resolution.

1-2 Summarized Balance Sheet – ROC GAAP

Items	Year	
	2012	
Current Asset	3,869,454	
Fund & Investment	0	
Fixed Asset	3,996,823	
Intangible Asset	372,637	
Other Asset	126,475	
Total Asset	8,365,389	
Current Liability	Un-allocated	1,865,364
	Allocated	2,127,675
Long Term Liability	788,545	
Other Liability	9,763	
Total Liability	Un-allocated	2,663,672
	Allocated	2,925,983
Share Capital	1,008,890	
Additional Paid-in Capital	3,548,276	
Retained Earnings	Un-allocated	1,346,037
	Allocated	1,083,726
Financial Product Unrealized Income	0	
Cumulative Translation Adjustment	(201,486)	
Unrecognized Pension Cost Net Loss	0	
Minority Interest	0	
Shareholder's Equity	Un-allocated	5,701,717
	Allocated	5,439,406

Note 1: Financial data for 2012 is based on consolidated financial statements audited and certified by accountants.

2-1 Summarized Consolidated Income Statement

Unit: NTD in thousands except for EPS

Item	Year	Financial data for the last five years					Current Financial Data as of March 31 st , 2017 (Note 3)
	2012	2013	2014 (Note2)	2015 (Note2)	2016 (Note2)		
Operation Revenue		5,899,431	7,206,294	8,122,470	7,373,888	1,434,679	
Operation Profit Margin		1,687,389	2,257,711	2,668,103	2,418,746	385,694	
Operation Income		861,908	1,348,859	1,515,908	1,274,865	107,450	
Non-operation Revenue & Expenses		(132,332)	(27,782)	272,605	180,777	(16,028)	
Pre-tax Net Profit		729,576	1,321,077	1,788,513	1,324,658	91,422	
Current Net Profit for Continuing Operations		541,119	1,001,817	1,349,123	997,419	65,323	
Discontinued Operations Loss		0	0	0	0	0	
Current Net Profit		541,119	1,001,817	1,349,123	997,419	65,323	
Current Other Consolidated Income (after tax net amount)	(Note 1)	286,228	455,109	(261,237)	(899,614)	(614,451)	
Current Consolidated Income Total Amount		827,347	1,456,926	1,087,886	97,805	(549,128)	
Net Profit Attributed to Parent Company Owner		541,119	1,002,164	1,350,717	1,008,298	71,427	
Net Profit Attributed to Non-controlling Equities		0	(347)	(1,594)	(10,879)	(6,104)	
Consolidated Income Total Attributed to Parent Company Owner		827,347	1,453,033	1,096,129	114,619	(537,553)	
Consolidated Income Total Attributed to Non-controlling Equities		0	3,893	(8,243)	(16,364)	(11,575)	
Earnings Per Share		5.36	9.78	12.24	8.50	0.60	

Note 1: The Company did not present consolidated financial statements prepared based on International Financial Reporting Standard (IFRS) in 2012.

Note 2: Financial data for 2013, 2014, 2015 and 2016 have already been audited by accountants.

Note 3: Current financial data as of March 31st, 2017 have already been audited by accountants.

2-2 Summarized Consolidated Income Statement - ROC GAAP

Unit: NTD in thousands except for EPS

Item	Year	Financial data for the last two years (note)
	2012	
Operation Revenue		5,261,316
Operation Profit Margin		1,215,451
Operation Income		546,722
Non-operation Revenue & Expenses		(82,616)
Pre-tax Income for Continuing Operations		464,106
After Tax Income for Continuing Operations		370,385
Discontinued Operations Loss		0
Extraordinary Gain or Loss		0
Cumulative Effects from Accounting Principle Changes		0
Current Income		370,385
Earnings Per Share		3.79

Note: Financial data for 2012 are based on consolidated financial statements audited and certified by accountants.

(2) Certified accountants and their audit comments for the last five years

Year	Name of Accounting Firm	Certified Accountants	Audit Comments
2012	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Kuo, Cheng-Hung	No Reservation
2013	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2014	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2015	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2016	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation

2. Financial analysis for the last five years

I. Financial Analysis

Year		Financial analysis for the last five years					Current Financial Data as of March 31 st , 2017
		2012 (note 1)	2013	2014	2015	2016	
Finance Structure	Debt Ratio (%)	31.86	33.73	31.01	31.66	33.05	35.29
	Long Term Fund to Fixed Asset Ratio (%)	161.09	175.06	220.20	247.61	214.05	215.23
Repayment Capability	Current Ratio (%)	207.00	201.54	325.35	386.32	319.23	301.26
	Quick Ratios (%)	153.25	151.29	250.55	327.24	260.02	242.81
	Times Interest Earned	5.80	11.24	25.09	41.69	23.16	6.38
Operating Performance	Account Receivables Turnover Rate (Times)	3.41	3.44	3.59	3.61	3.14	2.86
	Average Collection Days	107	106	102	101	116	128
	Inventory Turnover Rate (Times)	3.99	3.96	3.82	3.92	3.72	3.11
	Account Payable Turnover Rate (Times)	7.84	5.79	4.55	4.67	4.44	3.85
	Average Inventory Turnover Days	91	92	96	93	98	117
	Fixed Asset Turnover Rate (Times)	1.27	1.46	1.73	1.70	1.35	1.03
	Total Asset Turnover Rate (Times)	0.62	0.66	0.68	0.60	0.48	0.39
Profitability	Return on Asset (%)	5.38	6.77	9.93	10.19	6.86	0.54
	Return on Equity (%)	6.87	9.02	14.07	14.60	9.82	0.69
	Pre-tax Net Profit to Paid-in Capital (%)	10.18	16.01	25.93	20.85	17.92	1.24
	Net Margin Rate (%)	7.04	9.17	13.90	16.61	13.53	4.55
	Earnings Per Share (NTD)	3.79	5.36	9.78	12.24	8.5	0.6
Cash Flow	Cash Flow Ratio (%)	59.93	27.47	72.32	60.22	52.6	9.27
	Cash Flow Adequacy Ratio (%)	Note2	Note2	Note2	Note2	96.95	83.42
	Cash Re-investment Ratio (%)	14.23	4.73	9.69	5.30	2.27	1.68
Leverage	Operating Leverage	3.21	2.79	2.29	2.40	2.96	5.14

	Financial Leverage	1.21	1.09	1.04	1.03	1.05	1.19
	<p>Reasons for changes of various financial ratios within the last two years (analysis is exempted for changes of increase/decrease less than 20%)</p> <ol style="list-style-type: none"> 1. Quick Ratio: The company continued to invest in modifications and improvements of Shanghai No. Foundry Trading Co., Ltd. and Jiangsu Bright Steel Fine Machinery Co., Ltd this year. 2. Times Interest Earned: Continued modifications and expansion of factories without commensurate increases of production capacities and profitability in the short run 3. Fixed Asset Turnover Rate, Return on Asset, Return on Equity, Earnings Per Share: Drop in profitability due to dropping revenues 4. Cash Re-investment Ratio: Higher cash dividends issued to shareholders 5. Operating Leverage: Lower operating expenses 						

Note 1: Data for 2012 are derived from the calculation of 2013 current numbers on consolidated financial statements which are prepared using IFRS.

Note 2: No calculation conducted because application of IFRS is less than five years.

Note 3: Calculation formulas are as follows:

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long Term Fund to Fixed Asset Ratio = (Total Equities + Non-Current Liability) / Net Fixed Asset

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Net Income before Income Tax and Interest Expense / Current Interest Expense

3. Operating Performance

(1) Account Receivable (including Account Receivable and Operating Notes Receivables) Turnover Rate = Net Sales / Average Account Receivable (including Account Receivable and Operating Notes Receivables) Balance

(2) Average Collection Days = 365 / Account Receivable Turnover Rate

(3) Inventory Turnover Rate = Cost of Sales / Average Inventory

(4) Account Payable (including Account Payable and Operating Notes Payables) Turnover Rate = Cost of Sales / Average Account Payable (including Account Payable and Operating Notes Payables) Balance

(5) Average Days of Sales = 365 / Inventory Turnover Rate

(6) Fixed Asset Turnover Rate = Net Sales / Net Average Fixed Asset

(7) Total Asset Turnover Rate = Net Sales / Average Total Asset

4. Profitability

(1) Return on Asset = [Income After Tax + Interest Expense × (1 – Tax Rate)] / Average Total Asset

(2) Return on Equity = Income After Tax / Average Total Equity

(3) Net Margin Rate = Income After Tax / Net Sales

(4) Earnings Per Share = (Income Attributed to Parent Company Owner – Preferred Share Dividend) / Weighted Average Number of Outstanding Shares

5. Cash Flow

(1) Cash Flow Ratio = Operating Activity Net Cash Flow / Current Liability

(2) Net Cash Flow Adequacy Ratio = Operating Net Cash Flow for the Last Five Years / (Capital Expenditure + Increased Inventory + Cash Dividend) for the Last Five Years

(3) Cash Re-Investment Ratio = (Operating Activity Net Cash Flow – Cash Dividend)

/(Gross Fixed Asset + Long Term Investment + Other Non-Current Asset + Working Capital)

6. Leverage:

(1) Operating Leverage = (Net Sales – Variable Operating Cost & Expense) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income – Interest Expense)

II. Financial Analysis – ROC GAAP

Items Analyzed(note 2)		Year	Financial Analysis for Last Two Years	
			2012	
Financial Structure	Debt Ratio (%)		31.84	
	Long Term Fund to Fixed Asset Ratio (%)		162.39	
Liquidity	Current Ratio (%)		207.44	
	Quick Ratios (%)		151.17	
	Times Interest Earned		5.80	
Operating Performance	Account Receivables Turnover Rate (Times)		3.41	
	Average Collection Days		107	
	Inventory Turnover Rate (Times)		3.99	
	Account Payable Turnover Rate (Times)		7.84	
	Average Inventory Turnover Days		91	
	Fixed Asset Turnover Rate (Times)		1.26	
	Total Asset Turnover Rate (Times)		0.62	
Profitability	Return on Asset (%)		5.39	
	Return on Equity (%)		6.87	
	Percentage to Paid-in Capital (%)	Operating Income		12.00
		Pre-Tax Income		10.18
	Net Margin Rate (%)		7.04	
Earnings Per Share (NTD)		3.79		
Cash Flow	Cash Flow Ratio (%)		58.83	
	Cash Flow Adequacy Ratio (%)		76.14	
	Cash Re-investment Ratio (%)		13.88	
Leverage	Operating Leverage		3.21	
	Financial Leverage		1.21	

Note 1: No calculation because information of operating activity net cash flow and capital expenditure for the last five years is unavailable.

Note 2: Calculation formulas are as follows:

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long Term Fund to Fixed Asset Ratio = (Net Shareholder Equity + Long Term Liability) / Net Fixed Asset

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Net Income before Income Tax and Interest Expense / Current Interest Expense

3. Operating Performance

- (1) Account Receivable (including Account Receivable and Operating Notes Receivables) Turnover Rate = $\text{Net Sales} / \text{Average Account Receivable (including Account Receivable and Operating Notes Receivables) Balance}$
- (2) Average Collection Days = $365 / \text{Account Receivable Turnover Rate}$
- (3) Inventory Turnover Rate = $\text{Cost of Sales} / \text{Average Inventory}$
- (4) Account Payable (including Account Payable and Operating Notes Payables) Turnover Rate = $\text{Cost of Sales} / \text{Average Account Payable (including Account Payable and Operating Notes Payables) Balance}$
- (5) Average Days of Sales = $365 / \text{Inventory Turnover Rate}$
- (6) Fixed Asset Turnover Rate = $\text{Net Sales} / \text{Net Fixed Asset}$
- (7) Total Asset Turnover Rate = $\text{Net Sales} / \text{Total Asset}$

4. Profitability

- (1) Return on Asset = $[\text{Income After Tax} + \text{Interest Expense} \times (1 - \text{Tax Rate})] / \text{Average Total Asset}$
- (2) Return on Shareholder Equity = $\text{Income After Tax} / \text{Average Net Shareholder Equity}$
- (3) Net Margin Rate = $\text{Income After Tax} / \text{Net Sales}$
- (4) Earnings Per Share = $(\text{Net Income After Tax} - \text{Preferred Share Dividend}) / \text{Weighted Average Number of Outstanding Shares}$

5. Cash Flow

- (1) Cash Flow Ratio = $\text{Operating Activity Net Cash Flow} / \text{Current Liability}$
- (2) Net Cash Flow Adequacy Ratio = $\text{Operating Net Cash Flow for the Last Five Years} / (\text{Capital Expenditure} + \text{Increased Inventory} + \text{Cash Dividend}) \text{ for the Last Five Years}$
- (3) Cash Re-Investment Ratio = $(\text{Operating Activity Net Cash Flow} - \text{Cash Dividend}) / (\text{Gross Fixed Asset} + \text{Long Term Investment} + \text{Other Asset} + \text{Working Capital})$

6. Leverage

- (1) Operating Leverage = $(\text{Net Sales} - \text{Variable Operating Cost \& Expense}) / \text{Operating Income}$
- (2) Financial Leverage = $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expense})$

3. Audit Committee's Review Report over the Latest Year Financial Statements

Yeong Guan Energy Technology Group Company Limited

Audit Committee's Review Report

To: Shareholders' Annual General Meeting for Year 2017

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of the company the Business Report, Consolidated Financial Statements and Dividend Distribution proposal. The above Business Report, Consolidated Financial Statements and Dividend Distribution proposal have been examined and determined to be correct and accurate by the undersigned. This Report is duly submitted in accordance with applicable laws.

Yeong Guan Energy Technology Group Company Limited

The Audit Committee, Chairman:

March 9, 2017

- 4. The Latest Year Financial Statement: Please refer to Appendix 1.**
- 5. Latest individual financial statements audited and attested by CPAs but without detailed lists of the main accounting items: NA**
- 6. In the latest year and as of the date when annual report was published, occurrence of financial difficulty which poses influences over the Company's financial situation: none.**

VII. Financial Status and Financial Performance Analysis and Risk Issues

1. Financial Status

Unit: NTD in thousands

Item \ Year	2015	2016	Difference	
			Amount	%
Current Asset	9,557,290	8,127,766	(1,429,524)	(14.96%)
Real Estate, Factory Buildings and Equipment	5,251,823	5,700,681	448,858	8.55%
Intangible Asset	133,214	145,208	11,994	9.00%
Other Asset	647,429	1,078,734	431,305	66.62%
Total Asset	15,589,756	15,052,389	(537,367)	(3.45%)
Current Liability	2,473,907	2,546,022	72,115	2.92%
Non-Current Liability	2,461,407	2,428,059	(33,348)	(1.35%)
Total Liability	4,935,314	4,974,081	38,767	0.79%
Share Capital	1,179,796	1,188,175	8,379	0.71%
Additional Paid-in Capital	6,091,651	6,204,774	113,123	1.86%
Retained Earnings	2,998,411	3,002,521	4,110	0.14%
Other Interest	272,809	(621,320)	(894,129)	(327.75%)
Non-controlling Interest	111,775	304,158	192,383	172.12%
Total Interest	10,654,442	10,078,308	(576,134)	(5.41%)
<p>Main reasons and impacts of major changes (increase/decrease by over 10% in two years; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year):</p> <ol style="list-style-type: none"> 1. Current assets: Investment of held capital in modifications and improvements of the Wujiang Plant in Shanghai and the expansion of the Liyang plant in Jiangsu 2. Other assets: The company actively increased and expanded its prepayments 3. Other interest: Decrease of cumulative translation adjustments of long-term investments due to depreciation of the RMB compared to the previous year. 4. Non-controlling interests: Generation of non-controlling interests due to new investments in New Power Team Technology Inc. 				

2. Financial Performance

(1). Operating Performance Analysis Table

Unit: NTD in thousands

Item \ Year	2015	2016	Difference	
			Amount	%
Operating Income	8,122,470	7,373,888	(748,582)	(9.22%)
Operating Cost	5,454,367	4,955,142	(499,225)	(9.15%)
Operating Gross Margin	2,668,103	2,148,746	(249,357)	(9.35%)
Operating Expense	1,152,195	1,274,865	122,670	10.65%
Operating Net Income	1,515,908	1,143,881	(372,027)	(24.54%)
Non-Business Income & Expense	272,605	180,777	(91,828)	(33.69%)
Pre-Tax Net Income	1,788,513	1,324,658	(463,855)	(25.94%)
Income Tax Expense	439,390	327,239	(112,151)	(25.52%)
Current Net Income	1,349,123	997,419	(351,704)	(26.07%)
<p>Explanations on items with significant changes (items with changes exceeding 10% and with change amount reaching 1% of current year total asset amount)</p> <ol style="list-style-type: none"> 1. Operating net income: Drop in operating net income mainly due to falling gross margins in 2016 2. Pre-tax net income and current net income: Drop in profitability compared to the previous year mainly due to falling gross margins in 2016 				

(2) Expected Sales and Reasons

The Company maintains a neutral and conservative attitude with regard to overall sales income for 2017 will maintain. This mainly comes from considerations of changes in macroeconomic environment, industry prospect, the Company's future development direction as well as operating target which is established based on the Company's operating status.

(3) Potential Effects on The Company's Future Finance Business and Responding Plan

The Company will closely monitor changes of economic situation and trend of market demand in order to expand market share and increase the Company's profit. As such, the Company's future business is expected to grow continuously while its financial conditions will also remain in good shape.

3. Cash Flow

(1) Analysis of Cash Flow Changes in Recent Years

Unit: NTD in thousands

Item \ Year	2015	2016	Increased (Decreased) Amount %	Increased (Decreased) Percentage %
Operating Activity	1,489,816	1,339,211	(150,605)	(10.11%)
Investment Activity	(1,676,846)	(857,121)	819,725	(48.88%)
Financing Activity	2,756,380	(1,361,045)	(4,117,425)	(149.38%)
Analysis of Changes:				
1. Investment Activity: Decrease of this year's investment activity net cash outflow is mainly because of decrease in capital expenditure.				
2. Financing Activity: Increase of this year's financing activity net cash outflow is mainly because of paying cash dividends.				

(2) Cash flow liquidity analysis and liquidity insufficiency improvement plan for the upcoming year

The Company still plans capital expenditures in fixed assets for 2017, but will adopt a neutral and conservative attitude and carefully assess investment scope and efficiency. It is expected that net cash outflows will be generated by non-investment activities in the context of development of new orders in 2017, but an assessment of the current capital situation of the company indicates that sufficient capital is available to meet these expenses and no liquidity risks exist.

4. Influence on finance business from major capital expenditure in the latest year:

The main goal of capital expenditures in recent years was the expansion of business scopes in response to future industry development trends with the goal of strengthening future competitiveness and maintaining the growth momentum. The Company therefore continues to expand its plants and purchase required equipment in the Greater China area. These expenses will be met with the company's own capital. The Company will only adopt other financing methods such as loans if its own funds are insufficient.

5. Investment strategy for the latest year, main reason(s) for gain or loss, improvement plan and investment plan for the upcoming year

(1) The Company's Investment Strategy

The Company's management over invested enterprise is based on investment cycle requirements of internal control system. Additionally, management is also based on the Company's drafted requirements of "Operation guidelines for business operating and finance transaction among group enterprise, designated company and related party," "Operation guidelines for subsidiary monitoring," and "Operation guidelines for subsidiary operation and management." Under considerations of domestic laws and actual operations for respective invested companies, assistance is offered accordingly for respective invested companies

to establish appropriate internal control system. With respect to organization structure, directors for respective invested companies are established in accordance with domestic laws and are designated by parent company. As for management level for respective invested companies, all general managers are designed by parent company while other managers are designed or recruited by authorized respective invested companies' general managers. However, employment of finance head shall be submitted to parent company for approval or be designated by parent company. Furthermore, the Company regularly receives related financial statement materials, operation reports as well as CPA certified financial statements for the purpose of in-time analysis and assessment over invested enterprise's operation condition and income status. The Company's internal audit department will also dispatch personnel, regularly or randomly, to conduct auditing operation over subsidiary, and establish related auditing plan as well as prepare audit report in order to monitor internal control system deficiency and rectification over irregularity matter.

(2) Main reasons for gain or loss on investments for the latest year (2016)

Unit: NTD in thousands

Invested Enterprises	Recognized Investment Gain/Loss Amount	Reason for Gain or Loss	Improvement Plan
Yeong Guan Holding Co., Ltd.	1,192,301	This is mainly because investment income is assessed using equity method.	—
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	(1,157)	This is mainly because invested enterprise is still in its opening phase and business has not yet started.	Nil
New Power Team Technology Co., Ltd.	(7,961)	Insufficient production and sales amounts have been caused by the sluggish progress of product development and large variations of customized products	Commitment to the development of standardized new products
Yeong Guan International Co., Limited	893,507	This is mainly because investment income is assessed using equity method.	—
Shin Shang Trade Co., Ltd.	2,291	This is main because of order transfer benefits from shipments to Europe/US customers.	—
Yeong Chen Asia Pacific Co., Ltd.	149,648	This is main because of order transfer benefits from shipments to Europe/US customers.	—
Lizhan Limited	(3,416)	This is main because of order transfer benefits from shipments to Europe/US customers.	Nil
Ningbo Yeong Shang Casting Iron Co., Ltd.	193,559	Profit for main business remains steady.	—
Dongguan Yeong Guan Mould Factory Co., Ltd.	83,694	Profit for main business remains steady.	—
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	304,732	Profit for main business remains steady.	—
Jiangsu Bright Steel Fine Machinery Co., Ltd.	451,071	Profit for main business remains steady.	—
Ningbo Yong Jia Mei Trade Company	855	Profit for main business remains steady.	—
Shanghai No.1 Machine Tool Foundry (Su Zhou) Co., Ltd.	(28,308)	This is mainly because reinvestment businesses are still in the adjustment and improvement stage and operations have not yet been initiated	Nil
Shanghai No.1 Foundry Trading Co., Ltd.	(4,279)	This is mainly because reinvestment businesses are still in the adjustment and improvement stage and operations have not yet been initiated	Nil
Ningbo New Power Team Technology Co., Ltd.	(3,424)	This is mainly because reinvestment businesses are still in the adjustment and improvement stage and operations have not yet been initiated	Nil

(3) Investment plan for the upcoming year

The Company continues its investments to establish Thailand plant and Taichung plant.

In view of the rising global awareness of climate change issues, “Green Home” and “Investment in Green Energy” have replaced traditional energy policies centered around coal, natural gas, and nuclear energy. These new concepts gradually turn into the mainstream of economic strategies and public administration all over the world. In line with the global trend of energy conservation and carbon reduction, development and application of new energy technologies, a constantly rising demand for green energy worldwide, and promotion of vigorous development of relevant industries, the Company continues its commitment to serve as a driving force for the development of green energy industries. It also constructs new and expands existing up- and downstream casting, processing, and spray coating plants to extend and expand industry standards. In addition to an increase of “hard power” through plant expansion investments, the Company develops its soft power by adopting a long-term strategic perspective. The goal is to strengthen the capabilities of the company in the field of material and technology development as well as make an active commitment to corporate social responsibility and safe production. EHS development is conducive to strengthening the future international competitiveness of the Company, gives a strong impetus to sustainability, and creates synergy effects fostering long-term growth.

6. Risk Analysis and Assessment

(1) Interest rate, change of exchange rate and inflation’s influence over the Company’s gain or loss as well as future responding measures

I. Interest Rate

The Company’s interests paid in cash for 2015 and 2016 are NTD11,299 thousands and NTD19,882 thousands with percentages of 0.14% and 0.27% to respective current year operating income. These percentages are extremely small and therefore change of interest rate does not have a significant influence over the Company. Although currency market interest rates for the latest year decrease slowly, they’re still relatively low. Therefore the Company’s borrowing interest rates did not change a lot. However, in the event of larger fluctuation for interest rates going forward and the Company still has needs for loan, the Company will then raise capital through other fund raising instruments in capital market. Additionally, the Company will observe interest rate trends and select fixed or floating interest rate loan to avoid interest rate fluctuation risk.

II. Exchange Rate

Given the fact that thirty percent (30%) of the Company’s sales territories are in China with sales are denominated in RMB, and fifty percent (50%) are in Europe and U.S. with sales denominated in EUR and USD, while goods purchased are mainly denominated in RMB, offset incurred accordingly between purchase in RMB and sales in RMB. Meanwhile, exchange rate changes among different currencies still come with offset effect. As a result, in addition to natural hedging on exchange rate

differences, the Company is also engaged in selling forward exchange to evade risks on foreign currency positions held. The Company's net exchange gains (losses) for 2015 and 2016 are NTD162,742 thousands and NTD150,299 thousands respectively accounting for 2.00% and 2.04% of respective current operating net income.

Influences are extremely small and therefore there are no significant exchange risks as a whole. However, under consideration of future operation growth, the Company will continue to increase its foreign currency position. As such, possible counter measures to enhance control over foreign currency position are as follows:

- (a) Financial personnel's foreign exchange hedge concept will be enhanced continuously. Through internet exchange rate real time system as well as enhanced communication with financial institutions, exchange rate change trend will be determined accordingly to serve as foreign exchange settlement reference basis.
- (b) Sales income in the same currency will be utilized, to the maximum extent, to pay for purchase and related expenses in order to obtain natural hedging effect.

III. Inflation

The Company continues to maintain close and good interaction relationship with suppliers and customers, adjusts purchase and sales strategies in a flexible way, pays attention to price changes in the market and keeps well informed of upstream material price changes in order to mitigate influence on the Company's income from change of inflation. In the latest year and as of the date when annual report was published, there are no significant changes on financial market and prices and there is no significant influence on the Company's income.

- (2) Policy for conducting high risk/high leveraged investment, lending capital to others, endorsement/guarantee and derivative transactions; Major reasons for gain or loss and future responding measures

The Company has already drafted guidelines of "Handling Process for Asset Acquisition and Disposition," "Operation Procedure for Capital Lending to Others," "Operation Procedure for Endorsement/Guarantee," and "Handling Process for Derivative Product Transactions" which shall serve as compliance basis for the Company and subsidiary when engaged in related behavior.

As of the date when this annual report was published, the Company is not engaged in Endorsement/Guarantee or lending of capital to other companies except for the ones between the Company and its subsidiaries, or the ones between its subsidiaries.

Aforementioned endorsement/Guarantee or lending of capital are all conducted in accordance with related operation process regulations and, in general, they do not have significant influence over consolidated income. Furthermore, the Company is always focused on the operating of its main businesses and has never stepped into other high risk industries. The Company's finance policy is based on the principle of being stable and conservative and never engages itself in high risk/high leveraged investment or transaction. As such, related risks should be limited.

- (3) Future R&D plan and expected R&D expenditure
1. Future R&D plan
 - (a) The Company's future R&D plan utilizes new auxiliary materials to enhance casting product quality, reduce defected product, enhance casting product material conversion rate and develop high power wind power products.
 - (b) Development and improvement of new techniques and production technologies to reduce defect rates and thereby enhance product competitiveness and quality consistency.
 - (c) Development of new industry materials and alloys to achieve a breakthrough in existing casting technologies; provision of more professional services to meet future customer demands through upgrades of welding capabilities and acquisition of professional system certifications
 2. Projected R&D expenses
 - (a) Projected R&D expenses account for a fixed ratio of 1-3% of the operating revenue in 2017. Future R&D expenses will be determined by optimizations and improvements of new products, production processes, and molds developed by customers as well as yield rate enhancement, energy conservation, and waste reduction.
- (4) Influence from domestic/offshore important policies and changes of law on the Company's finance business as well as responding measures

The Company is registered in British Cayman Islands while its important subsidiaries are registered in Taiwan, British Virgin Islands, Hong Kong and China. The Company does not operate in British Cayman Islands. Fluctuation for China's internal exchange rate is stable. Political relationship between Taiwan and China is stable. The Company and its important subsidiaries conduct all their businesses in accordance with regulations of their respective territories. The Company's major products include large wind power generator (wheel hub and base) and steam turbine for large power plant. Therefore, this industry should not be a franchising or a restricted industry. Therefore in the latest year and as of the date when this annual report was published, critical policy changes or regulation changes in British Cayman Islands, British Virgin Islands, Taiwan, Hong Kong and China are not expected to pose significant influence on the Company's finance business. Most of the Company's major customers and suppliers are located in Asia. Given special political situations in some Asian countries, the Company and its customers' finance business may be affected by politics, economy and laws. Therefore, in the event of changes in respective government's policy, economy, tax or interest rate, or in the event of incidents involving politics, diplomacy or society, business of the Company's client or the Company might be affected accordingly.

- (5) Influence on the Company's finance business from changes of technology and industry as well as responding measures to such influence

The Company's clients include leading vendors across the world. Given the close collaboration relationship between both parties now, the Company is therefore able to access to information of the latest technology through such relationship. Losing

such important clients is equal to losing critical sources to understand changes of technology as well as changes in the industry. Failure to master market trend and the trend for future product development will keep the Company from launching products needed by the market and operation may suffer from significant and negative impact. As such, the Company continuously pursues product promotion in an effort to elevate product positioning to the position of a market leading brand. On the other hand, the Company also follows clients' steps closely in order to obtain, at any time, the latest technology information in the market, understand future changes in the industry and master market trend as well as product future development trend.

The company's main clients are currently concentrated in the energy, injection molding machinery, and industrial machinery industry. As for the energy sector, the design of wind power products, and offshore wind turbines in particular, is characterized by increasing size. These products pose new challenges in the fields of weight, dimensions, and technologies and represent the future trend of this industry. The company also plans to further upgrade its production capabilities and technologies in line with customer demands. We will continue our efforts in the development of new customers in different industries and new products for existing customers to ensure continued growth of our energy products sales and maintain our competitiveness and technological edge in the industry. Technology and industry changes therefore don't have a significant impact on our financial operations.

- (6) Influence to enterprise crisis management from enterprise image change as well as responding measures to such influence

The company has always been dedicated to the development goal of honesty and sustainable operation while focusing on high quality casting products technology enhancement of spherical graphite cast iron and grey cast iron as well as development and manufacturing of energy and injection molding machine products with the goal of meeting market demands. The Company enjoys good business reputation in international market and this has established the Company's credibility and position in this industry. There is no change of company image which leads to crisis management in the latest year and as of the date when annual report was published.

- (7) Projected benefits, potential risks, and response measures for mergers & acquisitions

The Company's subsidiary Yeong Guan Holdings Co., Ltd. acquired 52% of the total equity of New Power Team Technology Inc. on January 7, 2016. This was followed by the establishment of New Power Team Special Equipment Inc. near the manufacturing base in Ningbo, China to achieve maximum benefits and continued sophistication of the company's products. The main goal of the acquisition is to take advantage of the industrial machinery assembly capabilities and technologies accumulated by New Power Team in various fields. This move is expected to effectively replenish and strengthen the casting assembly capabilities of the company in Mainland China. It is also expected to enhance the product quality and economic value, intensify links with different machinery industries and markets, and increase the competitiveness of the company's products in different fields.

In addition, the company's subsidiaries Yeong Guan International Co., Ltd. and

Dongguan Yeong Guan Mould Factory Co., Ltd. acquired 90% of the total equity of Shanghai No.1 Machine Tool Foundry (Su Zhou) Co., Ltd. on January 25, 2016 to alleviate the shortage of production capacities, enhance the supply capabilities of the group, and maintain the company's growth momentum. Due to the fact that Shanghai No.1 mainly focused on modifications and improvements to enhance its capability to provide large-scale castings in 2016, the trial run stage was still in progress in the first quarter of 2017 to ensure consistent quality upon initiation of mass production. Stable output increases are planned for the third quarter of 2017. It is estimated that Shanghai No.1 will only make minor contributions to the company's revenue. The main benefits are expected to occur in 2018.

To sum up the expected benefits and risk considerations associated with these acquisitions, the Company's manufacturing capabilities have received international acclaim and product quality and competitiveness can withstand conflicts generated by market variations. In the latest year, customer orders have shown stable growth. Acquisitions and mergers allow the integration of resources, increase of output capacities, and enhancement of operational performance. Full consideration is given to investment returns and potential risks and overall assessments of positive impacts on future shareholder rights and interests are carried out.

(8) Expected benefits, potential risks and responding measures for plant expansion

The company serves leading manufacturers of various industries. Plants are expanded to build excellent supply capabilities and the Company will continue to adopt innovative technologies and advanced operation concepts. Safe production (EHS), enhanced quality, and conservation of resources serve the purpose of intensifying cooperation with large international manufacturers in pursuit of business opportunities created by the demand for next generation green energy products. Plant expansion processes are initiated upon comprehensive and careful assessments by dedicated units in full consideration of investment returns and potential risks.

(9) Risks and responding measures for concentrated purchase of goods or sales of goods

1. Purchase of Goods

The main raw materials used by this company are pig iron, scrap steel, nodulants, inoculants, carburants, ferro-silicon, ferro-manganese, ferro-chromium, ferro-molybdenum, ferro-phosphorous, and ferro-sulphur. Auxiliary casting materials include furan resin, curing agents, deslagging agents, steel shot, bonding agents, dross filters, quartz sand, and magnesium oxide coating. Pig iron and scrap metal account for the bulk of all purchases and 40% of the total procurement costs. As for supply sources, the main raw materials are purchased in the local Chinese market due to the fact that Mainland China possesses rich mineral resources.

In response to market demands, the company added two pig iron suppliers (Hebei Long Feng Shan Casting Industry Co., Ltd and Linzhou Hexin Casting Co., Ltd.) and two scrap steel suppliers (Tian Heng Renewable Resources Co., Ltd. in Liyang City and Dong Zu Scrap Steel and Metal Recycling Co., Ltd. in Jiashan County) in 2016. Due to the fact that several suppliers have been

selected for each raw material, no major supply shortages have occurred. In the most recent two years, the top ten suppliers accounted for 49% and 42% of the total net purchases of the Company, respectively. Average ratios of the top ten suppliers lie between 42% and 49%. In 2016, purchases from individual suppliers did not exceed 10% of total purchases. The risk of concentration of supply sources is therefore not present.

2. Sales of Goods

In 2016, percentages of the Company's sales to its biggest and second biggest clients all exceeded 10% while sales percentages to other individual clients are all under 9%. Sales to the Company's top ten client accounts for roughly 65% of total sales in latest fiscal year of 2016. Given the fact that the Company's casting product technology has been improving continuously and the professional stability of service quality has been affirmed by numerous major international companies, Yeong Guan aggressively explores other industries in different business fields such as agriculture machine, mining machine, naval machine and auto accessories. It is also hoped that offshore sales can be more balanced globally and sales development for America and Japan markets can be enhanced. These plans shall assist to diversify and lower impact on the Group's sales from concentrated sales to individual clients as well as market fluctuations in respective industries. With analysis herein, the Company's risks from sales to concentrated clients is expected to be controlled effectively.

- (10) Influence, risks to the Company from large amount equity transfer or change by director, supervisor or major shareholder with ownership exceeding 10% and responding measures to such influence and risks.

No aforementioned cases in the latest year and as of the date when annual report was published.

- (11) Influence and risks to the Company as well as responding measures from changes of management rights

The Company has a stable major shareholder structure and a comprehensive professional management team. The Company's various management and operation advantages will not be compromised if there are changes in management rights. There are no changes of the Company's management rights in the latest year and as of the date when annual report was published.

- (12) The Company and the Company's director, supervisor, general manager, actual responsible person and major shareholders holding more than 10% of shares shall prescribed litigation or non-litigation incidents. With respect to subsidiary's finalized or pending major litigation, non-litigation and administrative dispute incidents, the disputed facts, target amount, litigation commencement date, major parties involved and processing status as of annual report publish date shall all be disclosed if results for aforementioned incidents may have significant influence over shareholder's equity or securities price.

Total number of finalized litigations and arbitration cases for the Company's

subsidiaries of Ningbo Yeong Shang Casting Iron Co., Ltd., Jiangsu Bright Steel Fine Machinery Co., Ltd., Dongguan Yeong Guan Mold Factory Co., Ltd. and Ningbo Lu Lin Machine Tool Foundry Co., Ltd. in the latest two years and as of the date when annual report was published is four, while total compensation amount paid by the Company is only RMB 56,000. Such result does not have significant influence over the Company's shareholder equity or securities price.

(13) Other critical risks and responding measures

- (a) The Company's critical operating risks and responding measures:
With respect to possible negative factors incurred from the Company's operation as well as their responding strategies, please refer to positive, negative factors for the Company's future development and responding strategies prescribed in this annual report. Even with the existence of such responding strategies, it is still possible that complete implementation is unfeasible because of force majeure factors encountered during implementation. This will further affect the Company's operation, business and finance.
- (b) Negative influence on the Group's business, operating performance and financial condition from the Company's potential insufficient insurance over operation:
Currently, the Company has already followed Chinese enterprise's common practice and proposed comprehensive property insurance which covers the Company's properties of plant and machine equipment with a total insurance amount of RMB1,459,734 thousands. However, the Company did not propose any insurance over operation disruptions in China factory or any compensation liability from damage to environmental protection. Reason for not proposing is that such insurance in China is not mature enough and causes for compensation are not clearly stipulated. The Company may suffer losses or assume compensation liability from occurrence of such risks because of its failure to propose such insurance accordingly. Additionally, among items which are already insured, it is possible that the scope of insurance may not provide sufficient protection against possible losses. This could have negative impact on the Company's business, financial condition and operating performance.
- (c) Risk of Intellectual Property Infringement:
As of now, the Company holds 4 trade mark rights and 32 patents. Intellectual property of these trademarks and patents is critical to the Company's operation. Therefore, the Company is dedicated to protecting these intellectual properties. In the event of any infringement to the Company's intellectual property in the future which damages the Company's product market value and brand reputation and affects the Company's business, financial status and operating performance, the Company will file litigations to protect such rights. However, when faced with different levels of litigation costs, the Company will take necessary measures and actions under considerations of overall cost efficiency.
- (d) Risk of Patent Rights Violation:
In the face of more and more fierce competition in emerging energy industry, competitor may use patent infringement litigation to disrupt the Company's

business development. The Company's risk of being sued for compensation from intellectual property rights infringement is also increasing. Therefore, as the Company's operating scale continues to grow, it is expected that the possibility to face with other competing company's patent infringement litigation will also increase. Accordingly, the Company strictly complies with patent related regulations, avoids using other's patented technology by mistake, continues to enhance R&D and emphasizes on developing the Company's own technology. As of now, there is no legitimation raised from the Company's violation of patent rights.

7. Other Critical Matters: None.

VIII. Special Matters Documented

1. Subsidiary Related Information

(1) Enterprise Organization Chart: Please refer to “II. Company Introduction”

(2) Subsidiary Basic Information

March 31st, 2017, Unit: in thousands

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
Yeong Guan Holding Co., Ltd.	2007.11	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 146,000	Investment in share holding
Yeong Guan International Co., Limited	2007.11	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	HKD 506,000	Investment in share holding
Shin Shang Trade Co., Ltd.	1998.01	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	USD 50	Trading business
Yeong Chen Asia Pacific Co., Ltd.	2008.06	No. 502, Sec. 1, Cheng Gon Rd., Guan Yin Township, Taoyuang County	NTD 95,000	Trading business, manufacturing and selling of cast iron
Dongguan Yeong Guan Mould Factory Co., Ltd.	1995.06	Yin Quan Industrial Zone, Chin Xi Town, Dong Guan City, Guangdong Province, China	HKD 31,000	Manufacturing and selling of cast iron
Ningbo Yeong Shang Casting Iron Co., Ltd.	2000.12	No. 1, Gang Kuo Rd., Bei Lun District, Ningbo City, Zhejiang Province, China	USD 43,100	Manufacturing and selling of cast iron; processing of precision machinery
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2000.08	No. 28, Ding Hai Rd., Economic Technology Development Zone, Zhen Hai District, Ningbo City, Zhejiang Province, China	USD 13,705	Manufacturing and selling of cast iron; recycling of scrap steel
Jiangsu Bright Steel Fine Machinery Co., Ltd.	2006.11	No. 9, Yue Pen Rd., Tien Mu Hu Industrial Park, Li Yang City, Jiangsu Province, China	USD 80,000	Manufacturing and selling of cast iron
Ningbo Yong Jia Mei Trading Co., Ltd.	2009.11	No. 95, Huang Hai Rd., Bei Lun District, Ningbo City, Zhejiang Province, China	USD 1,000	Trading business
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	2014.07	6 No.622/15, Rama2 Road, Samae Dum Sub-District, Bangkhuntian District, Bangkok Metropolis.	THB500,000	Manufacturing and selling of cast iron
Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd.	2009.08	No.999 Laixiu Road, Fen Lake Economic Development Zone, Wujiang	USD23,540	Manufacturing and selling of cast iron
New Power Team Technology Co., Ltd.	2009.08	No. 9, Minquan Rd., Dayuan District, Taoyuan City	NTD 250,000	Manufacturing and selling of machine & equipment
LIZHAN LIMITED	2016.01	Offshore Chambers, P.O. Box 217, Apia, Samoa	USD 1,000	Investment in share holding
Shanghai No. 1 Foundry Trading Co., Ltd.	2009.11	Room No.312, Haiboxin Building, No. 829, Yishan Rd., Xuhui District, Shanghai	CNY 15,000	Trading business
Ningbo New Power Team Co., Ltd.	2016.07	No. 647, Xin Qi Bo Hai Rd., Beilun District, Ningpo City, Zhejiang Province, China	USD 1,000	Manufacturing of base of medical equipment, wind turbine hub and semiconductor equipment products

(3) Materials for same shareholder under assumed control and affiliate relationship: None.

(4) Director, Supervisor and General Manager Information for Respective Subsidiaries

Name of Enterprise	Job Title	Name
Yeong Guan Holding Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung
Yeong Guan Heavy Industries (Thailand) Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Chang, Cheng-Chung Tsai, Shu-Ken Chen, Wu-Chi Sutep Jatupornpakdi Niyom Jatupornpakdi
Yeong Guan International Co., Limited	Director	Chang, Hsien-Ming Chang, Wen-Lung
Shin Shang Trade Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung
Yeong Chen Asia Pacific Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung
Dongguan Yeong Guan Mould Factory Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Chang, Cheng-Chung Tsai, Shu-Ken Chen, Wu-Chi
	General Manager	Chen, Wu-Chi
Ningbo Yeong Shang Casting Iron Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Chang, Cheng-Chung Chen, Wu-Chi
	Supervisor	Hsu, Yu-Yue
	General Manager	Hsu, Ching-Hsiung
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Chang, Cheng-Chung Tsai, Shu-Ken Chen, Wu-Chi
	Supervisor	Hsu, Yu-Yeeh
	General Manager	Lin, Tai-Feng
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Director	Chang, Hsien-Ming Chang, Wen-Lung Tsai, Shu-Geng Hsu, Ching-Hsiung
	Supervisor	Chang, Cheng-Chung
	General Manager	Chang, Hsien-Ming
Ningbo Yong Jia Mei Trading Co., Ltd.	Director	Chang, Wen-Lung
	Supervisor	Chang, Hsien-Ming

Name of Enterprise	Job Title	Name
Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd.	Director	Chang, Hsien-Ming Tsai, Shu-Ken Chen, Wu-Chi Huang, Wen-Hung Yu, Hsiao-Bin
	Supervisor	Chang, Chih-Kai
New Power Team Technology Co., Ltd.	Director	Chiang, Hsiao-Chieh Tsai, Shu-Ken Chen, Wu-Chi
	Supervisor	Chiang, Yung-Chien Chang, Wen-Lung
LIZHAN LIMITED	Director	Chiang, Hsiao-Chieh
Shanghai No. 1 Foundry Trading Co., Ltd.	Director	Lu, Hai-Feng
Ningbo New Power Team Co., Ltd.	Director	Chiang, Hsiao-Chieh
	Supervisor	Chiang, Yung Chien

(5) Operating Summary for Respective Subsidiaries

Unit: NTD in thousands except earnings per share

Name of Enterprise	Paid-in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Yeong Guan Holding Co., Ltd.	4,793,180	11,913,205	617	11,912,588	-	(2,805)	1,192,301	8.17
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	454,750	441,639	533	441,106	-	(1,346)	(1,542)	(0.03)
Yeong Guan International Co., Limited	2,142,910	9,321,240	774,241	8,546,999	-	(196)	893,517	1.77
Shin Shang Trade Co., Ltd.	1,642	304,756	176,314	128,442	435,292	(12,938)	146	2.92
Yeong Chen Asia Pacific Co., Ltd.	95,000	2,400,270	1,568,398	831,872	3,863,366	194,411	150,692	Note
New Power Team Technology Co., Ltd.	250,000	335,957	22,319	313,638	66,671	(10,635)	(15,641)	(0.63)
Lizhan Limited	32,260	27,819	-	27,819	-	2	(3,422)	Note
Dongguan Yeong Guan Mould Factory Co., Ltd.	128,955	764,605	134,403	630,202	570,654	99,458	84,404	Note
Ningbo Yeong Shang Casting Iron Co., Ltd.	1,390,406	3,648,572	602,700	3,045,872	2,002,664	122,360	189,047	Note
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	442,123	2,114,188	184,273	1,929,915	1,685,035	343,700	307,648	Note

Name of Enterprise	Paid-in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Jiangsu Bright Steel Fine Machinery Co., Ltd.	2,580,800	5,268,425	1,277,049	3,991,376	3,114,983	540,510	453,439	Note
Ningbo Yong Jia Mei Trading Co., Ltd.	32,260	36,957	1,970	34,987	10,310	443	1,100	Note
Shanghai No.1 Machine Tool Foundry (Su Zhou) Co., Ltd.	759,400	1,076,391	923,327	153,064	1,464	(68,968)	(43,602)	Note
Shanghai No.1 Foundry Trading Co., Ltd.	162,765	13,945	1,480	12,465	-	(4,280)	(4,279)	Note
Ningbo New Power Team Technology Co., Ltd.	32,260	35,978	8,161	27,817	146	(3,293)	(3,424)	Note

Note: Earnings per share cannot be calculated because this is not an incorporated company.

(6) Affiliated Enterprise Consolidated Financial Statements: Please refer to appendix 1.

(7) Affiliation Report: None.

2. In the latest year and as of the date when this annual report was published, any cases of securities private placement: None.
3. In the latest year and as of the date when this annual report was published, cases of subsidiary holding or disposing the Company's shares: None.
4. Other necessary supplementary explanation: None.
5. Explanation of major differences from ROC shareholder equity protection regulations:

Shareholder Equity Protection Critical Issues	Contents of The Company's Modified Articles of Incorporation	Reasons for Differences
1. Shareholders holding more than 3% of the Company's outstanding shares for more than one year are entitled to request, in writing, supervisor to raise litigation against director for the Company and are entitled to utilize Taiwan Taipei District Court as the first instance court.	Within the scope legally permitted by British Cayman Island laws and in accordance with applicable laws which allow the Company to raise litigation against director, shareholders holding more than 3% of the Company's outstanding shares for more than one year are entitled to: (a) request, in writing, BOD meeting to authorize	Company Act of British Cayman Islands does not have specific regulations to allow minority shareholders to raise litigation process against director in British Cayman Island court. Articles of Incorporation is not a contract entered between shareholder and director. Rather, it is an agreement between shareholder and the Company. As such, even though articles of

Shareholder Equity Protection Critical Issues	Contents of The Company's Modified Articles of Incorporation	Reasons for Differences
<p>2. In the event that supervisor does not raise litigation hereto within thirty (30) days after shareholder's request, shareholder hereto will be entitled to raise litigation for the Company and is entitled to utilize Taiwan Taipei District Court as the jurisdiction court.</p>	<p>audit committee independent director to raise litigation against director for the Company and are entitled to utilize Taiwan Taipei District Court as the first instance court; or (b) request, in writing, audit committee independent director to raise litigation against director for the Company after being approved by BOD meeting resolution and are entitled to utilize Taiwan Taipei District Court as the first instance court; Within thirty (30) days after requests prescribed in the preceding clause (a) or clause (b) have been submitted, in the event that: (i). BOD meeting being requested has failed to authorize audit committee independent director in accordance with clause (a), or audit committee independent director authorized by BOD meeting has failed to raise litigation accordingly in accordance with clause (a); or, (ii). Requested audit committee independent director has failed to raise litigation accordingly in accordance with clause (b), or BOD meeting does not pass a resolution to raise litigation accordingly, Within the scope legally</p>	<p>incorporation allows minority shareholder to raise litigation against director, British Cayman Islands lawyers don't consider such contents will be entitled to regulate director accordingly. However, as per common law, all shareholders (including minority shareholders) are entitled to raise litigation (including litigation against director) disregard of their shareholding percentages or duration of shareholding. In the event of litigation raised against director, British Cayman Islands court shall have full and complete authority to determine if shareholders are entitled to proceed with litigation hereto. To elaborate, even though articles of incorporation prescribes that minority shareholders (or shareholders with certain holding percentage or holding duration) are entitled to represent the Company to raise litigation against director, proceeding of such litigation shall ultimately be determined by British Cayman Island court. Based on related judgements from the grand court of British Cayman Islands, guideline applied in determining if litigation can be proceeded is that if British Cayman Island court is convinced and accepts that there is ostensible</p>

Shareholder Equity Protection Critical Issues	Contents of The Company's Modified Articles of Incorporation	Reasons for Differences
	<p>permitted by British Cayman Island laws and in accordance with applicable laws which allow the Company to raise litigation against related director, shareholders hereto shall be entitled to raise litigation against director for the Company and are entitled to utilize Taiwan Taipei District Court as the first instance court.</p>	<p>substantiality on plaintiff's request submitted on behalf of the Company, and the claimed illegal behavior is conducted by the party who is capable of controlling the Company, and the controlling party is capable of keeping the Company from raising litigation accordingly. British Cayman Island court will make determinations based on facts for individual cases. (Although court may take references of the Company's articles of incorporation, this is however not a decisive factor.)</p> <p>According to the laws of British Cayman Islands, BOD meeting shall make decisions on behalf of the Company based on expression of intention from the BOD as a whole (instead of individual director). As such, any director shall all be authorized by BOD meeting resolution in accordance with articles of incorporation to raise litigation against other director on behalf of the Company.</p> <p>Company Act of British Cayman Islands does not have regulations granting shareholders the rights to request the holding of BOD meeting for resolution on specific issues. On the other hand, the aforementioned Company Act does not</p>

Shareholder Equity Protection Critical Issues	Contents of The Company's Modified Articles of Incorporation	Reasons for Differences
		prohibit companies from drafting BOD meeting agenda related requirements (including requirements on convening BOD meeting) in articles of incorporation.

Note: With respect to related matters of “Equity Protection Checklist for Foreign Issuer’s Shareholders of Registered Country” modified by Taiwan Stock Exchange Corporation on April 14th, 2015 under reference of Tai-Zheng-Shang-Yi-Tze No. 1040020809, the Company intended modification of “Company Articles of Incorporation” had already been approved by BOD meetings on March 11th, 2016 and is expected to be submitted to shareholder’s meeting on June 7th, 2016 for approval.

IX. In the latest year and as of the date when annual report was published, occurrence of events with significant effect on shareholder’s equity or securities prices as prescribed in Clause 2, Paragraph 2, Article 36 of Securities & Exchange Law: None.

STOCK CODE: TT.1589

(English Translation of Financial Report Originally Issued in Chinese)

**YEONG GUAN ENERGY TECHNOLOGY
GROUP CO., LTD. AND SUBSIDIARIES**

**Consolidated Financial Statements and
Independent Auditors' Report**

DECEMBER 31, 2016 and 2015

Address: Cricket Square, Hutchins Drive, Po Box 2681,
Grand Cayman, KY1-1111, Cayman Islands
Telephone: +86-574-86228866

§ Table of Contents §

<u>ITEM</u>	<u>PAGE</u>	<u>FINANCIAL STATEMENTS NOTE NO.</u>
1. Cover Page	1	-
2. Table of Contents	2	-
3. Independent Auditors' Report	3~7	-
4. Consolidated Balance Sheet	8	-
5. Consolidated Statements of comprehensive income	9	-
6. Consolidated Statements of Changes in Equity	10	-
7. Consolidated Statements of Cash Flows	11~12	-
8. Consolidated Financial Statements Notes		-
(1) History of Company	13	1
(2) Financial Statements Authorization Date and Authorization Process	13	2
(3) Application of Newly Promulgated and Modified Guidelines and Explanation	13~24	3
(4) Explanation of Summarized Significant Accounting Policy	24~37	4
(5) Significant Accounting Judgment and Assessment and Major Source of Assumption Uncertainty	38~39	5
(6) Significant Accounting Item Explanation	40~72	6~27
(7) Related Party Transaction	72~75	28
(8) Mortgaged or Pledged Assets	75	29
(9) Significant Contingencies or Unrecognized Contractual Commitment	-	-
(10) Significant Disaster Loss	-	-
(11) Significant Subsequent Events	-	-
(12) Foreign Currency Financial Assets and Liabilities Exchange Rate Information	76	30
(13) Notes Disclosures		
1. Significant Transaction Related Information	77	31
2. Reinvestment Related Information	77	31
3. China Investment Information	77~78	31
(14) Segment Information	78~80	32

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD.

Opinion

We have audited the accompanying financial report of Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31st, 2016 and 2015, and the Consolidated Statements of comprehensive income, table of consolidated Statements of changes in equity, consolidated Statements of cash-flows and notes to consolidated financial Statements (including Explanation of Summarized Significant Accounting Policy) from January 1st to December 31st of 2016 and 2015.

In our opinion, all material aspects of aforementioned financial Statements were compiled in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Financial Reporting Standards (hereinafter referred to as "IRFSs"), International Accounting Standards (hereinafter referred to as "IAS"), interpretation from International Financial Reporting Interpretations Committee and announcement made by Standing Interpretations Committee which are recognized and promulgated by the Financial Supervisory Commission. These Statements can be utilized to appropriately describe consolidated financial status for Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries as of December 31st, 2016 and 2015, as well as consolidated financial performance and consolidated cash-flow from January 1st to December 31st for 2016 and 2015.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries in accordance with the code of ethics for professional accountants, and we have fulfilled our other ethical responsibilities in

accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' financial Statements for 2016. These matters were addressed in the context of our audit of the financial Statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Explanation of key audit matters on 2016 consolidated financial Statements for Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries is as follows:

Closing Date for Operating Income

Operating income for both Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries mainly comes from export. Sea freight must be utilized due to product characteristics. According to related guidelines on income recognition timing prescribed in International Accounting Standards #18, condition for income recognition can only be qualified when enterprises transfer ownership major risks and compensation to buyers. Please refer to note #4 of consolidated financial Statements. As such, the most critical matter for this audit is to verify if year-end export income has already been recorded correctly in accordance with business income recognition timing point.

With respect to this most critical matter, accountant hereto considered Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' operating income recognition policy, assessed operating income related internal control design and implementation, selected samples of this implementation details from export income for verification and test, and checked audit procedure on transaction documents for the purpose of verifying if operating income has been recorded in correct timing point.

Accounting Judgments for Bad Debt Allowance

As described in note #8 of consolidated financial Statements, for bad debt allowance, consideration of account receivable's collectability is also needed in addition to assessment over bad debt allowance recognition policy drafted by the company. This part involves major accounting assessment and judgment. In the event that future actual cash flow is lower than expected one, it is possible to incur major impairment loss. Disclosure of related major accounting assessment and judgment explanation is described in note #4 and #5 of consolidated financial Statements. With this, this is the key audit matter for this audit.

With respect to most critical matter, accountant hereto reviewed Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' bad debt allowance recognition policy, assessed design and implementation of account receivable assessment related internal control, tested management's assessment on bad debt and materials utilized, tested collectability through subsequent collection documents, re-calculated bad debt allowance amount which was then compared with Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' recognized bad debt allowance. This is to verify if recognition has already been conducted as well as its adequacy in accordance with Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' bad debt allowance policy.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial Statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of consolidated financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial Statements, management is responsible for assessing Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' or to cease operations, or have no realistic alternative but to do so.

Those charged with governance (including audit committee) are responsible for overseeing Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our Objectives are to obtain reasonable assurance about whether the consolidated financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial Statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial Statements, including the disclosures, and whether the consolidated financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the

consolidated financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a Statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters for Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' 2016 consolidated financial Statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte and Touche

CPA Lee, Dong-Fong

CPA Gong, Ze-Li

Securities and Futures Committee,
Ministry of Finance
Approval Document No.
Tai-Cai-Zheng-Liu-Tze
No. 0930128050

Financial Supervisory Commission
Executive Yuan
Approval Document No.
Gin-Guan-Zheng-Shen-Tze
No. 1000028068

March 9, 2017

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
Dec. 31, 2016 and 2015

Unit: in thousands of NTD

Code	Asset	Dec. 31, 2016		Dec. 31, 2015	
		Amount	%	Amount	%
CURRENT ASSETS					
1100	Cash and cash equivalent(Notes 4 and 6)	\$ 4,240,818	28	\$ 5,407,809	35
1110	Financial assets at fair value through profit and loss (Notes 4, 5 and 7)	8,386	-	1,024	-
1150	Notes receivable(Notes 4 and 28)	278,886	2	282,319	2
1170	Account receivables, net(Notes 4, 5, 8 and 28)	1,907,569	13	2,200,256	14
130X	Inventories, net(Notes 4, 5 and 9)	1,261,237	8	1,304,494	8
1419	Prepayments	246,282	2	157,219	1
1479	Other current assets(Notes 4, 14, 22, 28 and 29)	184,588	1	204,169	1
11XX	Total Current Assets	<u>8,127,766</u>	<u>54</u>	<u>9,557,290</u>	<u>61</u>
NON-CURRENT ASSETS					
1600	Property, plant and equipment(Notes 4, 5, 11 and 29)	5,700,681	38	5,251,823	34
1760	Investment property, net(Notes 4, 12, 25 and 29)	27,405	-	8,993	-
1805	Goodwill(Notes 4, 5 and 13)	145,208	1	133,214	1
1840	Deferred income tax assets(Notes 4, 5 and 22)	72,066	-	12,879	-
1915	Equipment prepayments	561,335	4	252,360	2
1985	Long-term prepaid rents(Notes 4, 14 and 29)	380,547	3	341,295	2
1990	Other non-current assets(Notes 4 and 28)	37,381	-	31,902	-
15XX	Total Non-Current Assets	<u>6,924,623</u>	<u>46</u>	<u>6,032,466</u>	<u>39</u>
1XXX	TOTAL ASSETS	<u>\$ 15,052,389</u>	<u>100</u>	<u>\$ 15,589,756</u>	<u>100</u>
LIABILITIES and SHAREHOLDER'S EQUITY					
CURRENT LIABILITIES					
2100	Short-term debts(Notes 15 and 29)	\$ 521,950	3	\$ 401,885	3
2120	Financial liabilities at fair value through profit and loss (Notes 4, 5 and 7)	2,190	-	-	-
2150	Notes payable(Note 28)	369,993	2	394,530	2
2170	Accounts payable (Note 28)	728,110	5	739,640	5
2219	Other accounts payable(Notes 18 and 28)	528,177	4	501,510	3
2230	Current income tax liabilities(Notes 4, 5 and 22)	93,153	1	132,756	1
2321	Exercise of Corporate Bond Payable Put Option Within One Year (Note 4 and 16)	145,360	1	264,581	2
2322	Long term liabilities due within one year (Note 15)	96,780	1	-	-
2399	Other current liabilities(Note 17)	60,309	-	39,005	-
21XX	Total Current Liabilities	<u>2,546,022</u>	<u>17</u>	<u>2,473,907</u>	<u>16</u>
NON-CURRENT LIABILITIES					
2500	Financial debts at fair value through profit and loss – non-current (Notes 4, 5, 7 and 16)	20,500	-	3,000	-
2530	Bonds payable (Notes 4 and 16)	2,392,775	16	2,347,777	15
2540	Long-term debts payable (Notes 15 and 29)	-	-	98,490	1
2570	Deferred income tax debts(Notes 4, 5 and 22)	14,046	-	12,140	-
2613	Rent payable-non-current(Note 17)	735	-	-	-
2670	Other non-current liabilities	3	-	-	-
25XX	Total Non-Current Liabilities	<u>2,428,059</u>	<u>16</u>	<u>2,461,407</u>	<u>16</u>
2XXX	TOTAL LIABILITIES	<u>4,974,081</u>	<u>33</u>	<u>4,935,314</u>	<u>32</u>
Shareholder's Equity					
3110	Common stock capital	1,188,175	8	1,179,796	7
3200	Additional paid-in capital	6,204,774	41	6,091,651	39

	Retained earnings				
3310	Legal reserve	359,195	2	224,123	1
3320	Special reserve	8,214	-	8,214	-
3350	Unappropriated retained earnings	<u>2,635,112</u>	<u>18</u>	<u>2,766,074</u>	<u>18</u>
3300	Total Retained Earnings	<u>3,002,521</u>	<u>20</u>	<u>2,998,411</u>	<u>19</u>
	Other Shareholder's Equity				
3410	Exchange difference on translation of foreign financial Statements	(<u>621,320</u>)	(<u>4</u>)	<u>272,809</u>	<u>2</u>
31XX	The Company's Total Shareholder's Equity	<u>9,774,150</u>	<u>65</u>	<u>10,542,667</u>	<u>67</u>
36XX	Non-controlling interest	<u>304,158</u>	<u>2</u>	<u>111,775</u>	<u>1</u>
3XXX	TOTAL SHAREHOLDER'S EQUITY	<u>10,078,308</u>	<u>67</u>	<u>10,654,442</u>	<u>68</u>
	TOTAL LIABILITIS and SHAREHOLDER'S EQUITY	<u>\$ 15,052,389</u>	<u>100</u>	<u>\$ 15,589,756</u>	<u>100</u>

The accompanying notes constitute an integral part of this consolidated financial Statements.

Chairman: Chang, Hsien-Ming

General Manager: Chang, Hsien-Ming

Chief Accountant: Lin, Yu-Yi

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of comprehensive income

For periods from January to December 30 of 2016 and 2015

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		2016		2015	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 4 and 28)			\$	
		\$7,373,888	100	8,122,470	100
5000	OPERATING COSTS (Notes 4, 9, 21 and 28)	<u>4,955,142</u>	<u>67</u>	<u>5,454,367</u>	<u>67</u>
5900	OPERATING GROSS PROFIT	<u>2,418,746</u>	<u>33</u>	<u>2,668,103</u>	<u>33</u>
	OPERATING EXPENSES(Note 21)				
6100	Marketing expenses	496,660	7	537,168	7
6200	General and administrative expenses	590,688	8	526,430	6
6300	Research and development expenses	<u>187,517</u>	<u>2</u>	<u>88,597</u>	<u>1</u>
6000	Total Operating Expenses	<u>1,274,865</u>	<u>17</u>	<u>1,152,195</u>	<u>14</u>
6900	OPERATING NET PROFIT	<u>1,143,881</u>	<u>16</u>	<u>1,515,908</u>	<u>19</u>
	NON-OPERATING INCOME and EXPENSES				
7100	Interest income	39,682	-	56,784	1
7110	Rent income(Note 28)	1,344	-	1,232	-
7190	Other income and losses(Note 21)	66,047	1	70,026	1
7235	Financial product net profit (loss) at fair value through profit and loss (Notes 4, 5, 7 and 16)	(18,004)	-	25,781	-
7630	Foreign currency exchange net profit(loss) (Notes 21 and 30)	150,299	2	162,742	2
7510	Interest expenses(Note 16)	(58,591)	(1)	(43,960)	(1)
7000	Total Non-Operating Income and Expenses	<u>180,777</u>	<u>2</u>	<u>272,605</u>	<u>3</u>
7900	Pretax net profit			\$	
		\$1,324,658	18	1,788,513	22
7950	Income tax(Notes 4 and 22)	<u>327,239</u>	<u>5</u>	<u>439,390</u>	<u>6</u>
8200	Current net profit	997,419	13	1,349,123	16
	Other Comprehensive Income				
8361	Exchange Differences on Translation of Foreign Financial Statements	(899,614)	(12)	(261,237)	(3)
8500	Current Total Comprehensive Income	<u>\$ 97,805</u>	<u>1</u>	<u>1,087,886</u>	<u>13</u>

Net Profit Attributed to:

8610	Shareholders			\$		
		\$1,008,298	14	1,350,717	17	
8620	Non-Controlling Interest	(<u>10,879</u>)	<u>-</u>	(<u>1,594</u>)	<u>-</u>	
8600				\$		
		<u>\$ 997,419</u>	<u>14</u>	<u>1,349,123</u>	<u>17</u>	
Comprehensive Income Attributed to:						
8710	Shareholders			\$		
		\$ 114,169	1	1,096,129	13	
8720	Non-Controlling Interest	(<u>16,364</u>)	<u>-</u>	(<u>8,243</u>)	<u>-</u>	
8700				\$		
		<u>\$ 97,805</u>	<u>1</u>	<u>1,087,886</u>	<u>13</u>	
Earnings Per Share(Note 23)						
9750	Basic	<u>\$ 8.50</u>		<u>\$ 12.24</u>		
9850	Diluted	<u>\$ 7.89</u>		<u>\$ 11.63</u>		

The accompanying notes constitute an integral part of this consolidated financial Statements.

Chairman: Chang, Hsien-Ming

General Manager: Chang, Hsien-Ming

Chief Accountant: Lin, Yu-Yi

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
for periods from January 1st to December 31st of 2016 and 2015

Unit: in thousands of NTD

EQUITY ATTRIBUTED TO SHAREHOLDERS (Notes 4, 16 and 20)													
Code		Capital Surplus			Retained Earnings				Exchange Differences on Translation of Foreign Financial Statements	The Company's Total Shareholder's Equity	Non-Controlling Interests (Notes 4 and 20)	Total Shareholder's Equity	
		Common Share	Additional Paid-In Capital	Stock Option	TOTAL	Legal Reserve	Special Reserve	Retained Earnings					TOTAL
A1	BALANCE, JANUARY 1 ST , 2015	\$ 1,048,890	\$ 3,977,130	\$ 68,829	\$ 4,045,959	\$ 123,907	\$ 8,214	\$ 2,182,667	\$ 2,314,788	\$ 527,397	\$ 7,937,034	\$ 120,018	\$ 8,057,052
	Appropriation and Distribution of 2014 Earnings:												
B1	Legal Reserve	-	-	-	-	100,216	-	(100,216)	-	-	-	-	-
B5	Cash Dividend	-	-	-	-	-	-	(667,094)	(667,094)	-	(667,094)	-	(667,094)
	Sub-Total	-	-	-	-	100,216	-	(767,310)	(667,094)	-	(667,094)	-	(667,094)
D1	2015 Net profit	-	-	-	-	-	-	1,350,717	1,350,717	-	1,350,717	(1,594)	1,349,123
D3	2015 Other consolidated income	-	-	-	-	-	-	-	-	(254,588)	(254,588)	(6,649)	(261,237)
D5	2015 Total consolidated income	-	-	-	-	-	-	1,350,717	1,350,717	(254,588)	1,096,129	(8,243)	1,087,886
E1	Capital Increase by Cash	50,000	786,494	-	786,494	-	-	-	-	-	836,494	-	836,494
I1	Convertible corporate bond	80,906	1,165,310	(56,467)	1,108,843	-	-	-	-	-	1,189,749	-	1,189,749
I1	Amount incurred from issuance of convertible corporate bond recognized equity component – recognized equity	-	-	150,355	150,355	-	-	-	-	-	150,355	-	150,355
Z1	Balance, Dec. 31, 2015	1,179,796	5,928,934	162,717	6,091,651	224,123	8,214	2,766,074	2,998,411	272,809	10,542,667	111,775	10,654,442
	2015 Earnings appropriation and distribution:												
B1	Legal Reserve	-	-	-	-	135,072	-	(135,072)	-	-	-	-	-
B5	Cash Dividend	-	-	-	-	-	-	(1,004,188)	(1,004,188)	-	(1,004,188)	-	(1,004,188)
	Sub-Total	-	-	-	-	135,072	-	(1,139,260)	(1,004,188)	-	(1,004,188)	-	(1,004,188)
D1	2016 Net profit	-	-	-	-	-	-	1,008,298	1,008,298	-	1,008,298	(10,879)	997,419
D3	2016 Other consolidated income	-	-	-	-	-	-	-	-	(894,129)	(894,129)	(5,485)	(899,614)
D5	2016 Total consolidated income	-	-	-	-	-	-	1,008,298	1,008,298	(894,129)	114,169	(16,364)	97,805
I1	Convertible corporate bond	8,379	118,827	(5,704)	113,123	-	-	-	-	-	121,502	-	121,502
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	208,747	208,747
Z1	Balance, Dec. 31, 2016	\$ 1,188,175	\$ 6,047,761	\$ 157,013	\$ 6,204,774	\$ 359,195	\$ 8,214	\$ 2,635,112	\$ 3,002,521	(\$ 621,320)	\$ 9,774,150	\$ 304,158	\$ 10,078,308

The accompanying notes constitute an integral part of this consolidated financial Statements.

Chairman: Chang, Hsien-Ming

General Manager: Chang, Hsien-Ming

Chief Accountant: Lin, Yu-Yi

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For periods from January 1 to Dec. 31 of 2016 and 2015

		Unit: in thousands of NTD	
Codes		2016	2015
	Cash Flows from Operating Activities		
A1000	Pre-tax net profit		
0		\$1,324,658	\$1,788,513
A2001	Income/Expense item not affecting cash		
0	flows		
A2010	Depreciation expense		
0		467,847	465,564
A2020	Amortization expense		
0		5,617	2,925
A2030	Gain on reversal of bad debts		(949
0		3,087)
A2040	Financial instrument net profit at fair		(15,752
0	value through profit and loss	14,304)
A2090	Interest expense		
0		58,591	43,960
A2120	Interest income	(39,682	(56,784
0))
A2250	Net loss from disposal and abolishment		
0	of property, factory and equipment	2,773	22,690
A2380	Inventory devaluation and obsolescence		(12,478
0	loss (price recovery gain)	31,371)
A2410	Unrealized foreign currency exchange	(7,427	(26,020
0	net profit))
A2990	Amortization of prepaid lease payment		
0		9,037	8,103
A3000	Net change on operating assets and liabilities		
0			
A3113	Notes receivable	(20,058	(104,671
0))
A3115	Account receivable		(404,756
0		134,324)
A3120	Inventory		
0		(56,449)	95,696
A3123	Advance payments		
0		(90,654)	(25,571)
A3124	Other current assets		
0		96,426	32,086
A3211	Financial instrument at fair value through		
0	profit and loss	(2,971)	479

A3213 0	Notes payable	(33,419)	(87,523)
A3215 0	Account payable	(60,464)	50,736
A3218 0	Other payables	(54,285)	130,866
A3223 0	Other Current Liabilities	(<u>8,010</u>)	(<u>16,280</u>)
A3300 0	Operating net cash inflows	1,774,616	1,890,834
A3330 0	Interest paid	(19,882)	(11,299)
A3350 0	Income tax paid	(<u>415,523</u>)	(<u>389,719</u>)
AAAA	Operating Activity Net Cash Inflows	<u>1,339,211</u>	<u>1,489,816</u>

(to be continued)

(brought forward)

Codes		2016	from January 1 2015	from to
	Investment Activity Cash Flows			
B0220 0	Acquisition of subsidiaries	\$ 935	\$ -	
B0270 0	Purchase of property, plant and equipment	(326,794)	(895,353)	
B0280 0	Disposal of property, plant and equipment	24,296	1,087	
B0450 0	Payment for intangible assets	(12,142)	(2,758)	
B0670 0	Increase in other non-current assets	(767)	(12,175)	
B0710 0	Increase in equipment prepayments	(594,237)	(757,871)	
B0730 0	Long term lease prepayments	11,056	(67,161)	
B0750 0	Interests collected	<u>40,532</u>	<u>57,385</u>	
BBBB	Investment Activity Net Cash Outflow	<u>(857,121)</u>	<u>(1,676,846)</u>	
	Financing Activity Cash Flows			
C0020 0	Increase (Decrease) in short term loan	(227,739)	89,144	
C0120 0	Issuance of Corporate Bond	-	2,493,454	
C0160 0	Long term loan	-	4,382	
C0170 0	Long term loan repayment	(129,121)	-	
C0300 0	Increase in deposit received	3	-	
C0450 0	Cash dividend	(1,004,188)	(667,094)	
CCCC	Financing Activity Net Cash Inflow (Outflow)	<u>-</u>	<u>836,494</u>	
		<u>(1,361,045)</u>	<u>2,756,380</u>	
DDDD	Exchange rate change effects on cash and cash equivalents	<u>(288,036)</u>	<u>(103,925)</u>	
EEEE	Cash and cash equivalents increase (decrease)	(1,166,991)	2,465,425	
E0010 0	Cash and cash equivalents, beginning of the period	<u>5,407,809</u>	<u>2,942,384</u>	

E0020 0	Cash and cash equivalents, end of the period	<u>\$4,240,818</u>	<u>\$5,407,809</u>
------------	--	--------------------	--------------------

The accompanying notes constitute an integral part of
this consolidated financial Statements.

Chairman: Chang, Hsien-Ming

General Manager: Chang, Hsien-Ming

Chief Accountant: Lin, Yu-Yi

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
for periods from January 1st to Dec. 31st of 2016 and 2015
(Unless otherwise specified, all amounts are in thousands of NTD.)

1. History of Company

Yeong Guan Energy Technology Group Co., Ltd. (hereinafter referred to as the “Company”) was established on January 22nd, 2008 in British Cayman Islands under the main purpose of organization restructuring. According to the Company’s equity swap agreement, organization restructuring was completed on September 22nd, 2008. The Company has become an investment holding company after the restructuring.

The Company’s stocks was listed and traded in Taiwan Stock Exchange starting April 27th, 2012.

Consolidated financial Statements hereto are presented in the Company’s functional currency of NTD.

2. Financial Statements Authorization Date and Authorization Process

The consolidated Statements were approved by the Board of Directors on March 9, 2017.

3. Application of Newly Promulgated and Modified Guidelines and Explanation

- (1) Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China, which is not yet effective, and 2017 International Financial Reporting Standard (“IFRS”) , International Accounting Standard (“IAS”), International Financial Reporting Interpretations Committee (“IFRIC”) Interpretations and Standing Interpretations Committee (“SIC”) Interpretations recognized by the Financial Supervisory Commission.

According to mails under reference numbers of Gin-Guan-Zheng-Shen-Tze No. 1050050021 and Gin-Guan-Zheng-Shen-Tze No. 1050026834 issued by the Financial Supervisory Commission (hereinafter referred to as “FSC”), the consolidated company shall apply 2017 IFRS, IAS, IFRIC and SIC (hereinafter referred to as “IFRSs”), which are issued by International Accounting Standards Board (“IASB”) and approved by FSC, IAS, IFRIC,

SIC as well as related modified Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China starting 2017.

Newly Published / Rectified / Modified Guidelines and Explanations	Effective Dates Published by IASB(Note1)
“Annual Improvement for 2010-2012 Period”	July 1 st , 2014 (note 2)
“Annual Improvement for 2011-2013 Period”	July 1 st , 2014
“Annual Improvement for 2012-2014 Period”	January 1 st , 2016 (note 3)
IFRS 10, IFRS 12 and IAS 28’s modification of “Investment Entities: Applying the Consolidation Exception”	January 1 st , 2016
IFRS 11’s modification of “Accounting for Acquisitions of Interests in Joint Operations”	January 1 st , 2016
Modification of IAS 1 “Disclosure Initiative”	January 1 st , 2016
IAS 16 and IAS 38’s modification of “Interpretation for Acceptable Methods of Depreciation and Amortization”	January 1 st , 2016
IAS 16 and IAS 41’s modification of “Agriculture: Bearer Plants”	January 1 st , 2016
IAS 19’s modification of “Defined Benefit Plan: Employee Contribution”	July 1 st , 2014
IAS 36’s modification of “Recoverable Amount Disclosures for Non-Financial Assets”	January 1 st , 2014
IAS 39’s modification of “Novation of Derivatives and Continuation of Hedge Accounting”	January 1 st , 2014
IFRIC 21 “Common Levy”	January 1 st , 2014

Note 1: Unless otherwise stipulated, aforementioned newly published/rectified/modified guidelines or explanations shall become effective in the years starting after respective dates.

Note 2: Share-based payment transactions with grant date after July 1st, 2014 start to apply IFRS 2 modifications; Business combinations with acquisition dates after July 1st, 2014 start to apply IFRS 3 modifications; IFRS 13 takes effect immediately upon modification. The remaining modifications apply to years starting after July 1st, 2014.

Note 3: With the exception that application of IFRS 5 modification is postponed to years starting after January 1st, 2016, the remaining modifications shall be applied retrospectively to the years starting after January 1st, 2016.

With the exception of explanations hereunder, application of IFRSs in 2017 is not expected to incur major changes to the consolidated company's accounting policy:

1. Modification of “Recoverable Amount Disclosure for Non-Financial Assets” of IAS 36

Modification of IAS 36 is to clarify that the consolidated company only needs to disclose recoverable amounts when recognizing or reversing assets, or in the period when impaired losses are incurred to cash generating unit.

Furthermore, in the event that recoverable amount for real property, factory and equipment already recognized or reversed is measured using fair value deducted by disposal cost, the consolidated company shall disclose fair value level, and valuation technique as well as every key assumption for fair value measurement shall also be disclosed in the event of level 2 or level 3 fair value measurement. In the event that present value is used to measure fair value deducted by disposal cost, an additional disclosure of discount rate used shall be made accordingly. Aforementioned modifications shall be applied retrospectively in 2017.

2. Annual Improvement for 2010-2012 Period

Annual improvement for 2010-2012 period modifies guidance of IFRS 2 “Share-Based Payment,” IFRS 3 “Corporate Merger” and IFRS 8 “Operating Segment.”

IFRS 2's modification changes definitions for vesting conditions and market price conditions and increases definitions for performance conditions and service conditions. This modification clarifies that performance goal prescribed under performance conditions can be established based on operations (non-market price conditions) or equity instrument market price (market price conditions) of consolidated company or another entity of the same group. Establishment of this performance goal can be related to overall or partial (for instance, a specific segment) performance of consolidated company and period for achieving performance goal shall not be longer than service period. Furthermore, this modification also clarifies that stock price index goal is not a performance condition because it reflects performances of both consolidated company itself and other enterprises outside the group. Given the fact that accounting handlings for market price term, non-market price term or non-existing term share-based payment agreements are different, aforementioned modifications are expected to impact share-based payment agreements after 2017.

IFRS 3 modification clarifies that corporate merger contingent consideration, no matter if it falls within application scopes of IAS 39 or IFRS 9, shall be measured in fair value and changes in fair value is recognized in profit and loss Statements.

Aforementioned modifications shall be applied to business merger transaction with purchase date after 2017.

IFRS 8 modification clarifies that consolidated company's summary disclosure of operating segments with similar economic characteristics shall disclose, in consolidated financial Statements, management's judgment when utilizing summarized standards. Additionally, this modification also clarifies that consolidated company shall only disclose adjustment information of segment asset total amount's transferring to enterprise asset total amount when department assets are regularly provided to major operation decision makers. Explanation of summarized base judgment will be added when modified IFRS 8 is retrospectively applied in 2017.

Upon retrospective application of IFRS 13 in 2017, no stated interest rate short term receivables or payables with immaterial discounting effect shall be measured in accordance with original invoice amounts.

IAS 24 “Related Party Disclosures” modification clarifies that management entities providing services to major management levels of the consolidated company shall be the consolidated company’s related parties, and such entities’ amounts already paid or should be paid as a result of management entities’ providing of services to major management levels shall be disclosed accordingly. However, there is no need to disclose composition of categories for such remunerations.

3. *Annual Improvement for 2011-2013 Period*

Annual improvement for 2011-2013 period modifies guidance of IFRS 3, IFRS 13 and IAS 40 “Investment Property.”

IFRS 13 modification modifies financial assets and exceptions to financial liabilities group fair value (i.e., composition exception), both of which apply net amount based measurement, in order to clarify that such exception scope includes IAS 39 or IFRS 9 application scope, and process all contracts in accordance with such guidance, even if such contracts are not in line with definitions of financial assets or financial liabilities from IAS 32 “Financial Instruments: Presentation.”

IAS 40 modification clarifies that consolidated company shall, based on both IAS 40 and IFRS 3, determine if an investment property belongs to asset obtained or corporate merger. Aforementioned modifications shall be applied to investment real property acquisition transactions after 2017.

4. *Modification of IAS 16 and IAS 38 “Interpretation of Acceptable Methods of Depreciation and Amortization”*

Enterprises shall adopt appropriate depreciation and amortization methods to reflect expected future economic benefits from their consumption of real property, plant and equipment as well as intangible asset.

With respect of modification of IAS 16 “property, plant and equipment”, income is not an appropriate basis for measuring depreciation expense of property, plant and equipment, and the modification does not provide

exceptional requirements for recognition of depreciation expense using income as a basis.

With respect of modification of IAS 38 “Intangible Assets”, income is not an appropriate basis for measuring intangible asset amortization expense unless with limited circumstances as follows:

- (1) Intangible assets are measured and expressed in income (for instance, no rights to use intangible asset after income has reached specific threshold as pre-set by agreement), or
- (2) It can be proved that income and intangible assets economic benefit consumption are highly related.

5. Annual Improvement for 2012-2014 Period

Annual improvement for 2012-2014 period modifies guidance of IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations,” IFRS 7, IAS 19 and IAS 34.

6. Modification of Regulations Governing the Preparation of Financial Reports by Securities Issuers

In addition to newly added certain accounting items and non-financial asset impairment disclosure requirements for the purpose of aligning with IFRSs adopted in 2017, this modification also emphasizes certain recognition and measurement requirements for the purpose of aligning with domestic implementation of IFRSs, and disclosure over stakeholder transaction and goodwill has also been added.

This modification mandates that in the event that board director or general manager for other company and the consolidated company are the same person, or are spouses or relatives within the second degree, they shall then be substantial stakeholder unless it can be proved that they don't possess control or signification influence. Additionally, this modification also mandates name of stakeholder engaged in major transaction with the consolidated company and relationship shall be disclosed accordingly. In the event that transaction amount or balance from one single stakeholder reaches 10% of such transaction total amount or balance for the consolidated

company, separate disclosure shall then be made following stakeholders' names.

Furthermore, this modification mandates disclosure through notes shall be made in the event that there are significant differences between expected benefits at the time of purchase and actual operation status after consolidation for the purchasing company.

In the event of retrospective application of aforementioned modification in 2017, disclosure of stakeholder transaction and goodwill impairment will be added accordingly.

In addition to aforementioned influences and as of the day when this consolidated financial Statements was promulgated and took effect, the consolidated company shall continue to assess influences on respective periods of finance and financial performance from modified Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as modified IFRSs applied in 2017. Disclosure will be made accordingly once assessment over related influences is completed.

- (2) IFRSs which has already been published by IASB but yet to be recognized by Financial Supervisory Commission:

Consolidated company does not apply the following IFRSs which has already been published by IASB but yet to be recognized by Financial Supervisory Commission. As of the date of this consolidated financial Statement's approval and release, the Financial Supervisory Commission has not yet promulgated validity dates for other guidelines with the exception of IFRS 9 and IFRS 15 which shall be applied starting from the year of 2018.

<u>Newly Published / Rectified / Modified Guidelines and Explanations</u>	<u>Effective Dates Published by IASB(Note 1)</u>
“Annual Improvement for 2014-2016 Period”	Note 2 January 1 st , 2018
IFRS 2's modification of “Classification and measurement of share-based payment transactions”	
IFRS 9 “Financial Instrument”	January 1 st , 2018
IFRS 9 and IFRS 7's modification of “Mandatory Effective Date and Transition Disclosure”	January 1 st , 2018

IFRS 10 and IAS 28's modification of "Sale or Contribution of Assets Between An Investor and Its Associate or Joint Venture"	pending
IFRS 15 "Revenue from contract with customer"	January 1 st , 2018
IFRS 15's modification of "IFRS 15 Explanations"	January 1 st , 2018
IFRS 16 "Lease"	January 1 st , 2019
IFRS 7's modification of "Disclosure Initiative"	January 1 st , 2017
IAS 12's modification of "Recognition of Unrealized Loss related to Deferred Income Tax Asset"	January 1 st , 2017
IAS 40 modification of "Transfers of Investment Property"	January 1 st , 2018 January 1 st , 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	

Note 1: Unless otherwise stipulated, aforementioned newly published/rectified/modified guidelines or explanations shall become effective in the years starting after respective dates

Note 2: Modified IFRS 12 shall be applied retrospectively to the year which began from January 1st, 2017. Modified IAS28 shall be applied retrospectively to the year which shall begin from January 1st, 2018.

1. **IFRS 9 "Financial Instruments"**

Recognition and Measurement of Financial Assets

With regard to financial assets, subsequent measurement over financial assets which originally fall within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" shall be conducted in amortized cost measurement or fair value measurement. IFRS 9 stipulates categorization of financial assets as follows:

With regard to consolidated company's invested debt instruments, categorization and measurement shall be as follows if contract cash flow is completely for principal payment as well as for interest over outstanding principal amount:

- (1) For financial assets held under operation pattern which aims to collect contract cash flow, such financial assets shall be measured in amortized costs. Financial assets of this kind will later be recognized as interest income on profit and loss Statements based on effective interest rates, and will be assessed continuously of their impairment. Impairment profit/loss will then be recognized accordingly on profit and loss Statements.
- (2) For financial assets held under operation pattern which achieves its goal by collecting contract cash flow and selling of financial assets, such financial assets are measured at fair value through other consolidated profit and loss. Financial assets of this kind will later be recognized as interest income on profit and loss Statements based on effective interest rates, and will be assessed continuously of their impairment. Both impairment profit/loss and exchange profit/loss be recognized accordingly on profit and loss Statements, while changes in other fair values will be recognized in other consolidated profit and loss Statements. In the event of de-recognition or re-categorization of such financial assets, fair value changes which originally accumulate in other consolidated profit and loss Statements shall be re-categorized to profit and loss Statements.

Financial assets invested by the consolidated company but do not fall within the scope of aforementioned conditions are measured in fair value, and changes in fair value shall be recognized in profit and loss Statements. However, during original recognition, the consolidated company is entitled to designate equity investment not held for trading to be measured at fair value through other consolidated profit and loss. For this type of financial assets, with the exception of recognition of stock dividend income on profit and loss Statements, other related profit and loss will be recognized in other consolidated profit and loss Statements. There is no need for subsequent impairment assessment, and fair value changes accumulated in other consolidated profit and loss Statements will not re-categorized to profit and loss Statements.

Impairment of Financial Assets

IFRS 9 adopts “Expected Credit Loss Model” to recognize financial asset impairment. Financial assets at amortized cost and rents receivables are all

recognized as credit loss reserves. In the event that credit risks for aforementioned financial assets do not increase substantially after original recognition, credit loss reserve shall therefore be measured using expected credit loss for future 12 months. In the event that credit risks for aforementioned financial assets increase substantially after original recognition and they are not low credit risks, credit loss reserve shall therefore be measured using expected credit loss for residual existing period. However, for account receivables which is not included in major financial components, its credit loss reserves must be measured using expected credit loss for existing period.

Additionally, with respect to financial assets which already have credit impairment during original recognition, the consolidated company calculates effective interest rates after credit adjustments under considerations of expected credit loss during original recognition. Subsequent credit loss reserves shall then be measured using subsequent expected credit loss accumulated changes.

2. IFRS 15 “Revenue from Contracts with Customers” and Related Modifications

IFRS 15 mandates recognition principles for revenue from contracts with customers. This guideline shall replace IAS 18 “Revenue”, IAS 11 “Accounting for Construction Contracts” and related interpretations.

Upon the consolidated company’s application of IFRS 15 revenue was recognized in the steps as follows:

- (1) Identification of customer contract;
- (2) Identification of performance obligation in the contract;
- (3) Determination of transaction price;
- (4) Performance obligation to amortize transaction price to contract; and
- (5) Recognition of revenue while filling performance obligation.

3. IFRS 16 “Lease”

IFRS 16 is for regulating accounting handling over lease. This guideline shall replace IAS 17 “lease” and related interpretations.

Upon application of IFRS 16 and in the event that the consolidated company serves as a lessee, with the exceptions that handling similar to the IAS 17

business lease can be adopted and used on small amount lease and short term lease, other leases shall all be recognized as utilization rights assets and lease liabilities on the consolidated balance sheet. The Consolidated Statements of comprehensive income shall respectively illustrate depreciation expenses for utilization rights assets as well as interest expenses incurred from lease liability under effective interest rate. With respect to consolidated cash flow Statements, repayment amount for lease liability principal shall be illustrated as capital-raise activities, while amount for interest repayment shall be recognized as business activities.

The consolidated company's being a lessor is not expected to have material effects on accounting handling.

When IFRS 16 takes effect, the consolidated company is entitled to retrospectively apply it to a relatively shorter period, or, to recognize first application cumulative effect of changes on the first application day.

4. IAS 12's modification of "Recognition of Unrealized Loss related to Deferred Income Tax Asset"

IAS 12's modification is mainly for the clarification that regardless if a consolidated company retrieves fair value measured debt instrument investment through selling or collecting cash equivalent, or if there is unrealized loss related to such asset, temporary difference shall be determined based on the difference between asset fair value and taxable base.

Additionally, unless tax laws restrict deductible revenue types for deductible temporary difference and therefore assessment shall be conducted on deductible temporary differences to verify if they shall be recognized as deferred income tax asset, otherwise all temporary differences shall be assessed together. Upon assessment to verify if they shall be recognized as deferred income tax assets and in the event that there is enough evidence indicating that the consolidated company is quietly likely to retrieve assets at prices higher than their book values, asset retrieval amounts to be considered when assessing future taxable income will therefore not be limited to their book values, and estimate on future taxable income shall exclude effects incurred as a result of deductible temporary difference reversal.

In addition to aforementioned effects, the consolidated company still continues to assess effects on financial condition and financial performance from modifications of other guidelines and explanation as of the approval and publish date of this consolidated Statements. Related effects will be disclosed upon completion of assessment.

5. Annual Improvement for 2014-2016 Period

Annual Improvement for 2014-2016 Period modifies guidelines of IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures.”

6. Modification of IAS 40 “Investment Property Conversion”

This modification clarifies that conversion of property into or from investment property can only be conducted when the consolidated company’s real property complies (or no longer complies) with the definition of investment property and there is evidence of change of application purpose. Mere change of management’s intention on property utilization shall not be used as evidence of change of application purpose. Additionally, this modification also clarifies that evidence for change of application purpose is not limited to the ones listed in IAS 40.

The consolidated company may choose to postpone application of aforementioned modifications starting from the year of first application, and re-categorize real property, when necessary, depending on the circumstances existed on the day of first application. The consolidated company shall also have additional disclosure of re-categorized amounts, and include first application day re-categorization in investment property book value adjustments. The consolidated company may also choose to retrospectively apply this modification under the premises that no hindsight is utilized.

7. IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 mandates that original recognition of foreign currency transaction shall be recorded in functional currency which is converted from spot exchange rate between functional currency and foreign currency based on foreign currency

amount on the transaction day. IFRIC 22 further explains that in the event that an enterprise originally recognized non-functional currency asset, or consideration has already been prepaid or received prior to being indebted, original recognition day when consideration is prepaid or received shall serve as the transaction day. In the event that prepaid or pre-received consideration is conducted by enterprise in multiple times, transaction day for each prepaid or pre-received consideration shall be determined.

The consolidated company may choose to retrospectively apply IFRIC 22, or postpone application of IFRIC 22 starting from the first application day, or from starting day of comparative period for financial Statements with first application of IFRIC 22.

With the exception of aforementioned influences and as of the day when this consolidated financial Statements is passed and announced, the consolidated company continues to assess influences on financial status and financial performance from other guidelines, interpretation modification. Disclosure will be made accordingly upon the completion of assessment over related influences.

4. Explanation of Summarized Significant Accounting Policy

(1) Compliance Announcement

This consolidated financial Statements is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China and IFRS 34 “Interim financial reporting” which is recognized by the Financial Supervisory Commission.

(2) Consolidation Basis

In addition to financial assets measured at fair value, this consolidated financial Statements is prepared in accordance with historical cost basis. Historical cost is usually determined by fair value of consideration paid to obtain asset.

Fair value measurements are categorized from Level 1 to Level 3 in accordance with Observability and importance of related input values:

1. Level 1 Input Value: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (without adjustment);
2. Level 2 Input Value: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly(i.e., price) or indirectly(i.e., inferred from price).
3. Level 3 Input Value: Inputs are unobservable inputs for the asset or liability.

(3) Standards for Distinguishing Current and Non-Current Assets and Liabilities
Current assets include:

1. Assets held mainly for the purpose of transaction;
2. Assets realized within twelve (12) months after the balance sheet date;
and
3. Cash and cash equivalents (but excluding the ones which have been restricted as a result of being used for liability exchange or repayment exceeding twelve (12) months after balance sheet date).

Current liabilities include:

1. Liabilities held mainly for the purpose of transaction;
2. Liabilities to be repaid upon maturity twelve (12) months after balance sheet date; and
3. Liabilities whose repayment deadlines cannot be extended unconditionally to at least twelve (12) months after balance sheet date.

For those which are not aforementioned current assets or current liabilities, they are categorized as non-current assets or non-current liabilities.

(4) Consolidation Basis

This consolidated financial Statements is a financial Statements which includes the Company and entities controlled by the Company (subsidiaries). Consolidated Statements of comprehensive income has already included purchased or disposed subsidiaries' current operating income starting from purchase date or until disposal date. Subsidiaries' financial Statements have already been adjusted to ensure their accounting policies are consistent with the one for consolidated company. During preparation of consolidated financial Statements, transactions, account balances, income and expense impairments among respective entities have already been eliminated. Subsidiaries' total consolidated income is attributed to the Company's owners

and non-controlling interests even if non-controlling interests have become loss balance as a result of this.

In the event that consolidated company's equities on subsidiary change but this does not lead to loss of control, it shall be processed as equity transaction. Adjustment of book amounts for the consolidated company and non-controlled equities has been conducted to reflect changes of its relative equities in such subsidiary. Difference between adjusted amount for non-controlled equities and fair value for consideration paid or received shall be recognized directly as equities and shall be attributed to the company's owners.

(5) Business Merge

Business merge is processed using acquisition method. Acquisition related costs are recognized as expenses for the year when costs are generated and services are acquired.

Goodwill is measured over the net amount which is the sum of transfer consideration fair value and non-controlling interest amount of the purchased party exceeding the sum of identifiable assets obtained and liabilities assumed on the merger day.

Current ownership interest over the purchased party as well as non-controlling interest, which is entitled to the purchased party's net assets during liquidation, are measured over the percentage of rights on the purchased party's identifiable net asset amounts already recognized.

(6) Foreign Currency

During respective entities' preparation of financial Statements, transactions entered in currencies other than respective entities' functional currencies (foreign currency) have been recorded by exchanging such currencies into functional currencies in accordance with exchange rates of the days for transactions.

Foreign currency items have been translated based on closing rates of each balance sheet day. Exchange differences incurred from settlement currency items or exchange currency items have been recognized as current profit or loss.

Foreign currency non-monetary items measured in historical costs have been translated based on exchange rates of transaction days and there are no re-translation for these items.

During preparation of consolidated financial Statements, assets and liabilities of consolidated company's offshore operating institutions (including

subsidiaries or branches with operating locations or currencies used different from the ones for the Company) have been translated in New Taiwan Dollar based on exchange rates for each balance sheet day. Items of income and expense impairment are translated based on current average exchange rates, and exchange differences incurred accordingly have been recognized as other consolidated profit or loss.

(7) Inventory

Inventory includes raw materials, finished goods and work-in-process.

Inventory is measured in cost or net realizable value, whichever is lower. With the exception of inventory of the same category, comparison of cost and net realizable value is based on inventory of respective categories. Net realizable value is, under normal circumstances, the balance from selling price's deducting of estimated costs still needed for completion of production and estimated costs needed to complete sales. Calculation of inventory cost adopts weighted average method.

(8) Property, Factory and Equipment

Property, factory and equipment are recognized based on their costs. Going forward, they will be measured in amounts from cost's deducting of accumulated depreciation and accumulated impairment loss.

Property, factory and equipment in progress are recognized in amounts from cost's deducting of accumulated impairment loss. Costs hereto include professional service fees as well as borrowing costs which are in line with capitalized conditions. Upon such assets' completion of construction and reaching of expected utilization status, they will be classified into proper categories of property, factory and equipment, and depreciation shall begin to incur accordingly.

Depreciation for property, factory and equipment is based on linear basis, while depreciation for every significant portion is incurred separately. The consolidated company reviews service life, residual value and depreciation method on fiscal year ending day at least for each fiscal year. Influence from changes in accounting estimates is processed using prospective application. Gain or loss amounts generated from the de-recognition of property, factory and equipment are differences between such assets' net disposal proceeds and book values, and these amounts are recognized as current income (loss).

(9) Investment Property

Investment property is property held for the purposes of earning rents, or increasing capital, or both. Investment property also includes lands held with future purpose yet to be determined as of now.

Originally, investment property is measured in costs (including transaction costs), and going forward will be measured in amounts from cost's deducting of accumulated depreciation and accumulated impairment loss. The consolidated company adopts linear basis to recognize depreciation.

Gain or loss amounts generated from de-recognition of investment property are differences between such assets' net disposal proceeds and book values, and these amounts are recognized as current income (loss).

(10) Goodwill

Goodwill obtained from corporate merger adopts goodwill amounts recognized on the purchase day as costs, and going forward it will be measured in amounts from cost's deducting of accumulated impairment loss. For the purpose of impairment test, goodwill is amortized to the consolidated company's respective cash generating units or cash generating unit groups which are expected to benefit from the synergy of consolidation (cash-generating unit (CGU)).

Each year (or when there are signs indicating impairment already incurred to such unit), the cash generating unit with amortized goodwill conducts its impairment test through the comparison between such unit's book value, which includes goodwill, and its recoverable amounts. In the event that goodwill, which is amortized to cash generating units or cash generating unit groups, is obtained through current year corporate merger, such units or unit groups shall therefore conduct impairment test prior to the end of that current year. In the event that recoverable amount for the goodwill-amortized cash generating unit is lower than book value, impairment loss shall first be deduction of such cash generating unit's amortized goodwill book value, and the next will be proportionate deduction of respective asset book values based on the percentages of other respective assets within such unit. Any impairment loss shall be directly recognized current loss. Goodwill impairment loss shall not be reversed in subsequent periods.

In the event of disposing goodwill-amortized cash generating unit's certain operation, goodwill amounts related to such disposed operation is included the operation's book value in order to determine disposal gain or loss.

(11) Intangible Assets

1. Separate Acquisition

Originally, intangible assets with limited service life from separate acquisition are measured in costs. Going forward, they will be measured in amounts from cost's deducting of accumulated depreciation and accumulated impairment loss. The consolidated company adopts linear basis in its depreciation amortization, and reviews estimated service life, residual value and depreciation method on the fiscal year ending day at least for each fiscal year. With the exception of the consolidated company's expected disposal of intangible asset prior to the expiration of such asset's economic life, residual value for intangible asset with limited service life is estimated to be zero. Influence from changes in accounting estimates is processed using prospective application.

2. De-Recognition

Gain or loss amounts generated from de-recognition of intangible assets are differences between such assets' net disposal proceeds and book values, and these amounts are recognized as current income (loss).

(12) Tangible and Intangible Assets (excluding Goodwill) Impairment

On each balance sheet day, the consolidated company conducts assessments to clarify if there are any signs to indicate that tangible and intangible assets (excluding goodwill) may have already been impaired. In the event of existence of any impairment sign, the recoverable amount for such asset will therefore be assessed. In the event that recoverable amount for individual asset cannot be estimated, the consolidated company will then estimate recoverable amount for the cash generating unit to which such asset belongs. In the event that shared resources can be amortized to individual cash generating units based on a reasonable and consistent basis, such resources will then be amortized to individual cash generating units accordingly. Otherwise, such resources will be amortized to the smallest cash generating group based on a reasonable and consistent basis.

As for intangible assets with un-defined service life and are not yet available for use, impairment tests shall be conducted at least each year, or when there is a sign of impairment.

Recoverable amount comes from fair value's deducting of selling cost or utilization value, whichever is higher. In the event that recoverable amounts for respective asset or cash generating units are lower than their book values, book values for such assets or cash generating units shall therefore be adjusted and reduced to recoverable amounts. Impairment loss shall be recognized in profit and loss.

During impairment loss's subsequent reversal, book values for aforementioned assets or cash generating units will be adjusted and increased to modified recoverable amounts. However, these increased book values shall not exceed aforementioned assets or cash generating units' book values (less amortization or depreciation) determined prior to previous year's recognition of impairment loss. Reversal of impairment loss is recognized in profit or loss.

(13) Financial Instruments

In the event that consolidated company becomes a party for such instrument contract, both financial assets and financial liabilities are recognized in balance sheet.

During original recognition of financial assets and financial liabilities, in the event that financial assets and financial liabilities are not measured at fair value through profit and loss, they should therefore be measured at fair value plus transaction costs which can be directly attributed to the acquisition or issuing of financial assets or financial liabilities. Transaction costs which can be directly attributed to the acquisition or issuing financial assets or financial liabilities measured at fair value through profit and loss are immediately recognized in profit and loss.

1. Financial Assets

Regular way purchase or sale for financial assets adopts transaction day accounting recognition and de-recognition.

(1) Types of Measurements

Financial assets held by the consolidated company are financial assets at fair value through profit and loss and loans extended and account receivables.

A. Financial Assets at Fair Value through Profit and Loss

Financial assets at fair value through profit and loss are financial assets held for the purpose of transaction.

Financial assets at fair value through profit and loss are measured at fair value. Profit or loss generated from re-measurement will be recognized in income. Method for measuring the fair value, please refer to Note 27.

B. Loans and Account Receivables

Loans and account receivables (including account receivables, cash and cash equivalents, and bond investment with no active market) are measured using amounts from amortized costs', which are derived from effective interest rates method, lessing of impairment losses. However, short term account receivables interest recognition without significance is excluded.

Cash equivalents include time deposits which are obtained in less than three (3) months after acquisition dates with high liquidity, and can be transformed into fixed amounts of cash at any time with very little risks of change in value. This is to be used for meeting short term cash commitments.

(2) Impairment of Financial Assets

In addition to financial assets at fair value through profit and loss, consolidated company assesses other financial assets on each balance sheet day to clarify if there are objective evidences for impairment. If there is an objective evidence indicating that single or multiple items generated after financial asset's original recognition has/have caused losses to financial asset's estimated future cash flow, financial asset under such circumstances has already suffered from impairment. For financial assets such as account receivables which are recognized in amortized costs, there will be another collective assessment on impairment if there is no objective impairment evidence for such assets.

Collectively existed objective impairment evidence for account receivables may include consolidated company's previous payment collection experience, increased cases of delayed payments which collectively exceed average credit extension period of ninety (90) days, and observable national or regional economic situation changes which are related to default in account receivables.

Impairment loss amounts for financial assets recognized in amortized costs are the differences between such assets' book values and estimated future cash flow discounted in accordance with such financial assets' original effective interest rates.

For financial assets recognized in amortized costs, in the event that impairment loss amounts decrease in subsequent period and objective judgment indicates that such decrease is related to matters occurred after recognition of impairment, previously recognized impairment loss under such circumstances will be reversed, either directly or through adjustments in allowance accounts, and recognized in income. However, such reversal shall not make financial assets' book values exceed original amortized costs on the reversal day if there is no recognition of impairment.

Financial assets' other objective impairment evidences include issuer's or debtor's major financial difficulty, default (such as delay or suspension of interest or principal payment), or increased possibilities of debtor's entering into bankruptcy or other financial restructuring. All of financial assets' impairment losses are deducted directly from such financial assets' book values. For account receivables, however, it will be by lowering their book values through allowance accounts. In the event that account receivables are determined to be unrecoverable, allowance accounts in such cases will be offset accordingly. Payment which was originally offset but later recovered will be credited in allowance accounts. With the exception that account receivables are unrecoverable and are therefore offset against allowance accounts, changes in allowance account book value amounts shall be recognized in income.

(3) De-Recognition of Financial Assets

Financial assets shall only be de-recognized if the consolidated company's cash flow contract rights from such financial assets have become invalid, or when such

financial assets have already been transferred and almost all risks and remuneration from such assets' ownership have already been transferred to other enterprise.

Upon de-recognition of a certain financial asset as a whole, the difference between its book value and considerations collected plus any total accumulated profit or loss recognized in other consolidated income is recognized as income.

2. Equity Instruments

Debts and equity instruments issued by the consolidated company are categorized as financial liabilities or equities based on natures of contract agreements and definitions of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized in amounts from acquisition prices' lessing of direct issuance costs.

3. Financial Liabilities

(1) Subsequent Measurement

With the exceptions hereunder, all financial liabilities are measured in amortized costs using effective interest rate method:

A. Financial Liabilities at Fair Value through Profit and Loss

Financial liabilities at fair value through profit and loss are held for transaction purpose.

Financial liabilities at fair value through profit and loss are first measured at fair value. After that, profit or loss generated will be measured accordingly.

(2) De-Recognition of Financial Liabilities

Upon de-recognition of financial liabilities, differences between book value and considerations paid (including any non-cash assets transferred or liabilities assumed) are recognized as income.

4. Convertible Corporate Bond

During original recognition, components of compound financial instruments (convertible corporate bonds) issued by

the consolidated company are categorized into financial liabilities and equities based on nature of contract agreement and definitions for financial liabilities and equity instruments.

During original recognition, fair values for liability components are estimated using current market interest rates for similar nonconvertible instruments. Upon conversion or prior to maturity, aforementioned fair values will be measured using amortized costs from effective interest rate method. Liability components for embedded non-equity derivatives are measured at fair value.

Conversion rights, which are categorized as equities, equals to residual amounts from such compound instrument overall fair value's lessing of separately determined liability component fair values. They are recognized as equities after income tax effects are lessed and there will be no subsequent measurements. Upon execution of such conversion rights, related liability components and equity amounts will be recognized as Capital and Additional Paid-In Capital – Issuance Premium. In the event that convertible corporate bond conversion rights are not executed upon maturity, amounts originally recognized as equities will now be recognized as Additional Paid-In Capital – Issuance Premium. Related transaction costs to issue convertible corporate bonds will be amortized to such instrument's liabilities (as liability book value) and equity components (as equities) based on amortization percentage for total payment.

5. Derivatives

Derivative instruments entered by the consolidated company are forward exchange contracts which are utilized to manage the consolidated company's exchange rate risks. ◦

Derivative instruments originally were recognized at fair value when derivative instrument contract was entered. Later on the balance sheet day, they will be re-measured at fair value, and subsequent profit or loss generated are measured and directly recognized in income. Derivative instruments will be recognized as financial assets when their fair values

are positive. On the other hand, they will be recognized as financial liabilities when their fair values are negative.

(14) Income Recognition

Income is measured at fair values of consideration received or consideration receivables, with estimated customer returns, discounts and other similar allowances lessed. Sales returns are recognized based on previous experiences as well as reasonable estimated future return amounts derived from other relevant factors.

1. Sale of Products

Sale of Products are recognized as income when all of the following conditions are met:

- (1) Consolidated company has already transferred ownership's significant risks and remuneration to buyer;
- (2) Consolidated company does not continuously participate in management nor maintain effective control over products already sold;
- (3) Income amounts can be measured in a reliable way;
- (4) There is a great possibility that transaction related economic efficiencies will flow into the consolidated company; and
- (5) Transaction related costs already incurred or about to incur can be measured in a reliable way.

During subcontract processing, significant risks and remuneration of ownership for processed products have not been transferred. Therefore, there is no sales accounting process for subcontract processing.

2. Provision of Labor

Provision of labor is recognized when labor is provided. Income incurred from provision of labor is recognized in accordance with extents of contract completed.

3. Interest Income

Financial asset interest income is recognized when it is possible for economic efficiency to flow into the consolidated company and income amounts can be measured in a reliable way. Interest income is recognized based on outstanding

principal, which depends on the time lapsed, and effective interest rates applied under accrual basis.

(15) Lease

In the event that lease terms transfer asset ownership's almost all risks and remuneration to lessee, the lease shall therefore be categorized as financial lease, while all other leases shall be categorized as business lease.

1. Consolidated Company as Lessor

Lease income from business lease is recognized, in accordance with linear basis and during relevant lease periods, as income. Under business lease, contingent rents are recognized as current income for the period when it is incurred.

2. Consolidated Company as Lessee

For financial leasing, the lowest lease payment present value total amount among respective installments or lease asset fair value on the day of lease commencement, whichever is lower, shall be recognized as costs and lease payable liability shall also be recognized accordingly. Interest implied in each installment lease payment is recognized as current finance expense, and it will be capitalized if it can be directly attributed to assets which meet requirements

Under business lease, contingent rents are recognized as current expense for the period when it is incurred.

3. Leased Land

Leased land from consolidated company's business lease is a land utilization rights in China region and it is amortized under linear basis during lease period.

(16) Borrowing Costs

Borrowing costs directly attributed to acquisition, building or production of qualified assets will serve as a portion of such assets' costs until almost all necessary activities for such assets to reach expected utilization or sale status are completed.

With the exception of aforementioned, all other borrowing costs are recognized as current profit or loss.

(17) Post-Employment Benefits

With respect to pension in a defined contribution pension plan, pension to be contributed during employee service period shall all be recognized as current expense.

(18) Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current Income Tax

Retained earnings calculated in accordance with income tax law plus 10% requisitioned income tax are recognized as income tax expense for the year of shareholders' meeting resolution.

Adjustments over income tax payable for the previous year is recognized as current income tax.

2. Deferred Income Tax

Temporary differences incurred between consolidated financial Statements asset and liability book values and taxable bases, which are used for income tax calculation, are recognized as deferred income tax. Generally, all taxable temporary differences are recognized as deferred income tax liability, while deferred income tax asset is recognized when there's a possibility of taxable income for use on income tax deduction which is generated from deductible temporary difference and loss carry-forward.

Taxable temporary differences related to subsidiary investments are all recognized as deferred income tax liabilities. Nevertheless, cases that consolidated company is able to control the timing of temporary difference reversal and it's quite possible that such temporary differences will not be reversed in the foreseeable future will be excluded. Deferred income tax assets incurred from deductible temporary differences related to such investments and equities are recognized only to the extent that it's quite possible that there is enough taxable income to realize benefits of temporary differences, and within the scope of reversal in the foreseeable future.

Deferred income tax book values are reviewed on each balance sheet day. Adjustment and reduction of book values will be made on those that it is impossible for them to have enough taxable income to retrieve all or partial assets. For those which have not been recognized as deferred income tax

assets, they will also be reviewed on each balance sheet day. Adjustment and increase of book values for these items will be made in the future when it is possible for them to generate taxable income to retrieve all or partial assets.

Deferred income tax assets and liabilities are measured based on current tax rates for expected liability repayment or asset realization. Such tax rates are based on tax rates and tax laws already established or substantially established on the balance sheet day. Measurements of deferred income tax liability and asset reflect tax consequences for an enterprise generated from methods of expected retrieval or repayment of asset and liability book values on the balance sheet day.

3. **Current and Deferred Income Tax for This Year**

Current and deferred income tax are recognized as profit or loss. However, current and deferred income tax related to items recognized in other consolidated income or items directly recognized as equities are recognized as other consolidated income or are directly recognized as equities. In the event that current income tax or deferred income tax is generated from a corporate merger, accounting process on income tax effect incurred will therefore be included in accounting process for such merged corporation.

5. **Significant Accounting Judgment, Assessment and Major Source of Assumption Uncertainty**

With respect to related information not easily accessible from other resources, the consolidated company's accounting policy requires that management must make related judgment, assessment and assumption based on historical experience and other relevant factors. Actual results may be different from assessments.

Management will continue to review assessments and basic assumptions. Current recognition will be modified accordingly if modification is expected to have current influence only. In the event that modification, based on accounting estimate, poses both current and future influence, recognition shall therefore be made in current and future periods accordingly.

(1) **Estimated Goodwill Impairment**

Determination of impairment for goodwill requires assessment of utilization value amortized to goodwill cash generating units. For the purpose calculating utilization value, management shall assess expected future cash flow incurred from cash generating units, and determine appropriate discount rates utilized for current value calculation. Significant impairment losses may incur if actual cash flow amount is less than anticipated one.

(2) Income Tax

As of Dec. 31 for both 2016 and 2015, deferred income tax related to tax loss are NTD72,066,000 and NTD12,879,000 respectively. Given the unforeseeability of future profit, consolidated company still has tax losses of NTD1,389,000 and NTD12,221,000 not recognized as deferred income tax assets as of Dec. 31, 2016 and 2015 respectively. Realization of deferred income tax assets mainly depends on whether there are sufficient profits or taxable temporary differences in the future. In the event that profits generated in the future are less than anticipated ones, it will be possible to have a reversal incurred on deferred income tax assets. Such reversal will be recognized as profit or loss for the period of occurrence.

(3) Account Receivable Estimated Impairment

In the event of objective evidence indicating signs of impairment, the consolidated company will consider estimates for future cash flow. Impairment loss amount is measured based on the difference between such asset's book value and estimated future cash flow (excluding future credit loss not yet incurred) current value discounted by such financial asset's original effective interest rate. There is a possibility of significant impairment losses if future actual cash flow is less than expected.

(4) Fair Value Measurement and Assessment Process

In the event that there is no market quotation in an active market for assets and liabilities measured in fair value, the consolidated company shall determine, in accordance with related laws or its judgment, whether to have outsourced evaluation and determine appropriate fair value evaluation techniques.

In the event that tier 1 input value cannot be obtained for estimated fair value, the consolidated company or outsourced appraiser shall refer to market price or information of interest rate and derivative instrument features in determining input value. In the event that future actual changes on input value are different from expected ones, it is possible to incur changes on fair value. Each quarter, the consolidated company shall update various input values depending on market situations for the purpose of monitoring if fair value measurement is appropriate.

Please refer to note #7 and note #27 for explanation on fair value assessment techniques and input values.

(5) Service Life for Property, Factory and Equipment

With reference of aforementioned note 4(8), the consolidated company reviews service life for property, factory and equipment on each balance sheet day.

(6) Inventory Impairment

Inventory net realizable value is estimated based on, during normal business process, balance from estimated sale price's lessing of estimated costs still needed for work completion and sale of products. Such estimates are based on current market conditions and historical sale experiences for similar products. Changes in market conditions may have major influences over results for such estimates.

6. Cash and Cash Equivalents

Mortgaged or Pledged Assets

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Cash On Hand	\$ 3,701	\$ 2,179
Bank Check and Demand Deposit	2,827,824	4,516,931
Cash Equivalents		
Time Deposit with Original Maturity within 3 months	<u>1,409,293</u>	<u>888,699</u>
	<u>\$ 4,240,818</u>	<u>\$ 5,407,809</u>

Scope of Bank Deposit Market Interest Rates on Balance Sheet Day:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Bank Deposit	<u>0.01%~4.5%</u>	<u>0.01%~5.4%</u>

7. Financial Instruments at Fair Value through Profit and Loss

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
<u>Financial Assets Held for</u>		
<u>Transaction-Current</u>		
Derivatives		
Forward Exchange Contract	\$ 8,342	\$ -
Domestic First Convertible Corporate Bond (Note 16)	<u>44</u>	<u>1,024</u>
	<u>\$ 8,386</u>	<u>\$ 1,024</u>
 <u>Financial Assets Held for Transaction-Current</u>		
Derivatives		
Forward Exchange Contract		<u>\$ -</u>
	<u>\$ 2,190</u>	
 <u>Financial Assets Held for</u>		
<u>Transaction-Non-Current</u>		
Derivatives		
Domestic Second Convertible Corporate	<u>\$ 20,500</u>	<u>\$ 3,000</u>

Bond (Note 16)

Forward Exchange Contract with Hedge Accounting not Applied and Maturity not Reached on Balance Sheet Day:

Dec. 31, 2016

	Currency	Periods of Maturity	Contract Amounts (in thousands)
Forward Exchange Sold	USD/RMB	2017.01.10-2017.02.24	USD 2,600/RMB 17,784
Forward Exchange Sold	EUR/RMB	2017.01.09-2017.04.06	EUR 1,500/RMB 11,232
Forward Exchange Sold	EUR/USD	2017.01.03-2017.06.28	EUR 3,900/USD 4,359

Purpose of consolidated company's forward exchange transactions in 2016 is mainly for avoiding exchange rate fluctuation risks incurred from foreign currency assets and liabilities.

8. Account Receivables

	Dec. 31, 2016	Dec. 31, 2015
Account Receivables	\$ 1,927,320	\$ 2,210,134
Less: Bad Debt Reserves	(19,751)	(9,878)
	<u>\$ 1,907,569</u>	<u>\$ 2,200,256</u>

Consolidated company's average credit extension period for products sold is ninety (90) days, with no interests accrued on account receivables. Upon determination of account receivable recoverability, consolidated company will consider any changes in account receivable credit quality from the day of original credit extension to the balance sheet day. Given the fact that historical experience has shown that account receivables aged more than 180 days are unrecoverable, the consolidated company hereto therefore recognizes 100% of them as bad debt reserves. For account receivables aged between 0 day and 180 days, bad debt reserves unrecoverable amounts are estimated based on transaction counterparty's previous default records as well as analysis of their current financial conditions.

Aging analysis for account receivables is as follows:

	Dec. 31, 2016	Dec. 31, 2015
Non-Overdue	\$ 1,831,096	\$ 2,114,427

Below 90	79,754	84,288
90 ~ 180 Days	257	6,574
Over 180 Days	<u>16,213</u>	<u>4,845</u>
Total	<u>\$ 1,927,320</u>	<u>\$ 2,210,134</u>

Aforementioned aging analysis is conducted based on the number of overdue days.

Information of changes in account receivables bad debt reserves is as follows:

	Group Estimated Impairment Loss
Balance, January 1 st , 2015	\$ 11,038
Plus: Current Bad Debt Reversal Expense	(949)
Foreign Exchange Difference	<u>(211)</u>
Balance, Dec. 31 st , 2015	9,878
Plus: Current Bad Debt Reversal Expense	3,087
Less: Current Actual Write-Off Amount	(5,095)
Acquisition from Business Merge	13,679
Foreign Exchange Difference	<u>(1,798)</u>
Balance, Dec. 31 st , 2016	<u>\$ 19,751</u>

9. Net Inventory

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Finished Goods	\$ 501,01	\$ 586,270
Work-In-Progress	366,38	332,395
Raw Materials	<u>393,83</u>	<u>385,829</u>
	<u>\$ 1,261,23</u>	<u>\$ 1,304,494</u>

Operating costs related to inventory for 2016 and 2015 are NTD 4,955,142,000 and NTD 5,454,367,000 respectively.

2016 operating cost includes inventory price drop loss of NTD 31,371,000, while 2015 operating cost includes inventory net realizable value increase profit of NTD 12,478,000 (which is mainly because of sale of dead stock in mid-year).

10. Subsidiaries

Subsidiaries included in this consolidated financial Statements

Subjects for this consolidated financial Statements are as follows:

Investor Company	Subsidiary	Nature of Business	2016 Dec. 31	2015 Dec. 31
Yeong Guan Energy Technology Group Co., Ltd.	Yeong Guan Holding Co., Ltd. (Yeong Guan Holding Company)	Investment	100	100
	Yeong Guan Heavy Industry (Thailand) Co., Ltd. (Yeong Guan Heavy Industry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	75	75
Yeong Guan Holding Co., Ltd.	Yeong Guan Energy International Co., Ltd. (Yeong Guan Energy International Company)	Investment	100	100
	Shin Shang Trade Co., Ltd. (Shin Shang Trade Company)	Transaction of various steel castings and casting molds as well as related import/export businesses	100	100
	Yeong Chen Asia Pacific Co., Ltd. (Yeong Chen Asia Pacific Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	New Power Team Technology Inc. (New Power Company)	Processing, manufacturing and selling of various of machinery and hardware	52 (Note 1)	-
Yeong Guan Energy International Co., Limited	Ningbo Yeong Shang Casting Iron Co., Ltd. (Yeong Shang Casting Iron Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Ningbo Lu Lin Machine Tool Foundry Co., Ltd. (Lu Lin Machine Tool Foundry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Dongguan Yeong Guan Mould Factory Co., Ltd. (Dongguan Yeong Guan Mould Factory Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Jiangsu Bright Steel Fine Machinery Co., Ltd. (Bright Steel Fine Machinery Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	80	80
	Ningbo Yeong Chia Mei Trade Co., Ltd. (Yeong Chia Mei Trade Company)	Transaction of various steel castings and casting molds as well as related import/export businesses	100	100
	Shanghai No. 1 Machine Tool (Suzhou) Co., Ltd.	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	50 (Note 2)	-
	Yeong Shang Casting Iron Company	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	20
Dongguan Yeong Guan Mould Factory Co., Ltd.	Shanghai No. 1 Machine Tool (Suzhou) Co., Ltd.	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	40 (Note 2)	-
Shanghai No. 1 Machine tool Co., Ltd.	Shanghai No. 1 Machine Tool and Marketing Co., Ltd. (Shanghai Marketing Company)	Trading, importing and exporting of various steel and iron castings and casting mold	100	100
New Power Team Technology Inc.	Lizhan Limited	Investment	100 (Note 1)	-

Investor Company	Subsidiary	Nature of Business	2016	2015
			Dec. 31	Dec. 31
Lizhan Limited	Ningbo New Power Team Technology Co., Ltd.	Manufacturing of base of medical equipment, wind turbine hub and semiconductor equipment products	100 (Note 3)	-

Note 1 : Yeong Guan Holding Co., Ltd. acquired the control of 52% shares of New Power Team Technology Inc. on January 7th, 2016 and therefore this company is merged accordingly.

Note 2 : Yeong Guan International Co., Ltd. And Dongguan Yeong Guan Casting Iron Factory Company acquired 50% and 40% of shares of Shanghai No. 1 Machine Tool Co., Ltd. respectively on January 25th, 2016. This Group is capable of controlling the company and therefore this company is merged accordingly.

Note3: Lizhan Limited established New Power Team Technology Inc., which was integrated into the consolidated entity based on 100% ownership, on July 5th, 2016 through seasoned equity offerings.

11. Property, Factory and Equipment

	Self-Owned		Machine	Transportation	Other	Leased	Work-in-	Total
	Land	Building	Equipment	Equipment	Equipment	Asset	Progress	
							Property	
<u>Cost</u>								
Balance, Jan. 1 st , 2016	\$ 533,005	\$ 3,092,713	\$ 3,434,044	\$ 65,841	\$ 509,051	\$ -	\$ 777,909	\$ 8,412,563
Addition	-	17,172	125,031	6,102	32,171	1,847	165,458	347,781
Disposal	-	(11,270)	(39,997)	(4,033)	(9,177)	-	(2,059)	(66,536)
Acquisition from Business Merge	180,658	203,695	113,476	10,870	4,960	-	389,076	902,735
Reclassification	(6,729)	(14,621)	131,225	-	20,965	-	79,951	210,791
Net Exchange Difference	(13,073)	(253,484)	(294,159)	(5,387)	(42,598)	(80)	(77,779)	(686,560)
Balance, Dec. 31 st , 2016	<u>\$ 693,861</u>	<u>\$ 3,034,205</u>	<u>\$ 3,469,620</u>	<u>\$ 73,393</u>	<u>\$ 515,372</u>	<u>\$ 1,767</u>	<u>\$ 1,332,556</u>	<u>\$ 9,120,774</u>

Balance, Jan. 1 st , 2015	\$ 120,092	\$ 2,961,153	\$ 3,237,067	\$ 65,283	\$ 450,760	\$ -	\$ 274,822	\$ 7,109,177
Addition	-	203,935	163,776	5,896	38,424	-	490,352	902,383
Disposal	-	(7,774)	(10,103)	(8,396)	(1,816)	-	(20,414)	(48,503)
Reclassification	418,032	5,055	119,199	4,453	33,430	-	40,670	620,839
Net Exchange Difference	(5,119)	(69,656)	(75,895)	(1,395)	(11,747)	-	(7,521)	(171,333)
Balance, Dec. 31 st , 2015	<u>\$ 533,005</u>	<u>\$ 3,092,713</u>	<u>\$ 3,434,044</u>	<u>\$ 65,841</u>	<u>\$ 509,051</u>	<u>\$ -</u>	<u>\$ 777,909</u>	<u>\$ 8,412,563</u>

Accumulated Depreciation and

Impairment

Balance, Jan. 1 st , 2016	\$ -	\$ 972,684	\$ 1,818,599	\$ 39,947	\$ 329,510	\$ -	\$ -	\$ 3,160,740
Disposal	-	(11,270)	(16,623)	(3,592)	(7,982)	-	-	(39,467)
Depreciation Expense	-	148,843	261,015	6,973	49,998	166	-	466,995
Acquisition from Business Merge	-	39,632	64,818	6,171	2,514	-	-	113,135
Reclassification	-	(1,493)	(3,224)	-	3,224	-	-	(1,493)
Net Exchange Difference	-	(85,142)	(163,030)	(3,438)	(28,200)	(7)	-	(279,817)
Balance, Dec. 31 st , 2016	<u>\$ -</u>	<u>\$ 1,063,254</u>	<u>\$ 1,961,555</u>	<u>\$ 46,061</u>	<u>\$ 349,064</u>	<u>\$ 159</u>	<u>\$ -</u>	<u>\$ 3,420,093</u>

Balance, Jan. 1 st , 2015	\$ -	\$ 854,179	\$ 1,615,001	\$ 41,992	\$ 287,854	\$ -	\$ -	\$ 2,799,026
Disposal	-	(7,774)	(7,938)	(7,380)	(1,634)	-	-	(24,726)
Depreciation Expense	-	147,009	260,484	6,220	51,209	-	-	464,922
Reclassification	-	821	(6,654)	-	(840)	-	-	(6,673)
Net Exchange Difference	-	(21,551)	(42,294)	(885)	(7,079)	-	-	(71,809)
Balance, Dec. 31 st , 2015	<u>\$ -</u>	<u>\$ 972,684</u>	<u>\$ 1,818,599</u>	<u>\$ 39,947</u>	<u>\$ 329,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,160,740</u>

Depreciation for consolidated company's property, factory and equipment is recognized under linear basis:

Building	5 to 20 years
Machine Equipment	3 to 10 years
Transportation Equipment	5 to 20 years
Other Equipment	3 to 10 years
Leased Asset	5 years

Major components for consolidated company's building include factory main building and power generating equipment. Depreciation for them is recognized based on service life of 20 years and 5 years respectively.

Please refer to note 29 for property, factory and equipment amounts serve as loan collaterals during the consolidated company's creation of pledge.

12. Investment Property

	<u>Total</u>
<u>Cost</u>	
Balance, Jan. 1 st , 2016	\$ 13,385
Transfer-in for the current period	22,463
Transfer to Property, Factory, Equipment	(1,113)
Net Exchange Difference	(<u>961</u>)
Balance, Dec. 31 st , 2016	<u>\$ 33,774</u>
Balance, Jan. 1 st , 2015	\$ 18,236
Transfer to Property, Factory, Equipment	(4,489)
Net Exchange Difference	<u>362</u>)
Balance, Dec. 31 st , 2015	<u>\$ 13,385</u>
<u>Accumulated Depreciation</u>	
Balance, Jan. 1 st , 2016	\$ 4,392
Depreciation Expense	852
Transfer-in for the current period	1,731
Transfer to Property, Factory, Equipment	(238)

Net Exchange Difference	(<u>368</u>)
Balance, Dec. 31 st , 2016	<u>\$ 6,369</u>
Balance, Jan. 1 st , 2015	\$ 4,678
Depreciation Expense	642
Transfer to Property, Factory, Equipment	(821)
Net Exchange Difference	(<u>107</u>)
Balance, Dec. 31 st , 2015	<u>\$ 4,392</u>

Depreciation for consolidated company's investment property is recognized under linear basis and 20-year service life.

Consolidated company's investment properties for end of 2016 are buildings and lands located in No. 95, Huang Hai Rd., Ningbo City and No. 575, Sec. 1, Cheng Gong Rd., Cao Ta Village, Guan Yin District, Taoyuang City and No. 9, Minquan Road, Dayuan District, Taoyuan City; Consolidated company's investment properties for end of 2015 are buildings and lands located in No. 95, Huang Hai Rd., Ningbo City, No 18, Central Avenue, Tianmu Lake Industrial Park, Liyang City and No. 575, Sec. 1, Cheng Gong Rd., Cao Ta Village, Guan Yin District, Taoyuang City. Such areas are located within industrial zone. There are no active market transactions or reliable alternative fair value available for assessment. Therefore, fair values cannot be determined in a reliable way.

All of consolidated company's investment properties are equity capitals. Please refer to note 29 for investment property amounts pledged by consolidated company as loan collaterals.

13. Goodwill

	<u>2016</u>	<u>2015</u>
<u>Cost</u>		
Balance, Beginning	\$ 133,214	\$ 134,386
Goodwill Incurred from		
Acquisition (Note 24)	17,491	-
Net Exchange Difference	(<u>5,497</u>)	(<u>1,172</u>)
Balance, Ending	<u>\$ 145,208</u>	<u>\$ 133,214</u>

Determination of goodwill recoverable amount is based on utilization value. Utilization value is estimated based on cash flow

for future 5-year financial budget approved by consolidated company's management, and has been calculated based on annual discount rates of 8.69% and 9.3% in 2016 and 2015 respectively.

Management of the consolidated company does not think any reasonable possible changes of critical assumptions which are used as recoverable amount basis may lead to goodwill book value total amount's exceeding of recoverable amounts.

14. Lease Prepayment

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
Current (included in other current assets)	\$ 9,696	\$ 8,064
Non-Current	<u>380,547</u>	<u>341,295</u>
	<u>\$ 390,243</u>	<u>\$ 349,359</u>

As of Dec. 31st for 2016 and 2015, prepaid lease is for land utilization rights in China. Please refer to note 29 for prepaid lease amounts pledged by consolidated company as loan collaterals.

15. Loans

(1) Short Term Loans

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
<u>Secured Loans</u> (Note 29)		
— Bank Loan	<u>\$ 521,950</u>	<u>\$ 401,885</u>

Bank revolving loan interest rates on Dec. 31, 2016 and 2015 are 1.10%-2.69% and 1.70%-2.32% respectively.

(2) Long Term Loan

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
<u>Secure Loan</u> (Note 29)		
Bank Loan	\$ 96,780	\$ 98,490
Less: Recognized Portion of Loan Due within One Year.	<u>(96,780)</u>	<u>-</u>
Long Term Loan	<u>\$ -</u>	<u>\$ 98,490</u>

As of Dec. 31st, 2016 and 2015, annual interest rates for long term loans are 2.61% and 2.32% respectively.

16. Corporate Bond Payable

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
Domestic First Un-Secured Convertible Corporate Bond	\$ 145,360	\$ 264,581
Domestic Second Un-Secured Convertible Corporate Bond	<u>2,392,775</u>	<u>2,347,777</u>
	2,538,135	2,612,358
Minus: One-year Putable Bond	<u>145,360</u>	<u>264,581</u>
	<u>\$ 2,392,775</u>	<u>\$ 2,347,777</u>

- (1) On June 3rd, 2014, the Company issued 15,000 units NTD denominated un-secured convertible corporate bond with 0% coupon rate and total principal amount of NTD1.5 billion.

Each unit corporate bond holder is entitled to convert the bond into the Company's common shares under the price of NTD158/share. After determination of conversion price, adjustments shall be made in accordance with conversion price adjustment formula in the event of ex-right or ex-dividend. As of Dec. 31st, 2016, conversion price has been adjusted to NTD142.3 and conversion period starts from September 4th, 2014 to May 24th, 2019. In the event of unconverted corporate bond upon expiration of aforementioned period, onetime cash repayment of bond face value plus interest compensation will be made on June 3rd, 2019. Interest compensation upon maturity is 5.01% of face value for creditor's rights. In the event that conditions are met, the Company shall be entitled to request to redeem this convertible corporate bond from creditors based on agreed prices.

During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event the Company's common share closing prices in Taiwan Stock Exchange exceed this bond's conversion price at that time over 30% (included) for 30 consecutive business days, the Company will be entitled to send out a 30-day-expiration "Bond Redemption Notice" within subsequent 30 business days, and redeem all bonds in cash calculated based on face value upon expiration of aforementioned period. During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event that

this bond's outstanding balance is lower than 10% of original total issue amount, the Company will therefore be entitled to send out a 30-day-expiration "Bond Redemption Notice" based on names recorded on bondholder's name list 5 business days prior to the mailing day, and redeem outstanding bond in cash calculated based on face value upon expiration of aforementioned period.

Respective expiration dates of 2-year and 3-year periods after issuance are pre-mature sell back record dates for bondholders of this bond. Bondholders are entitled to send out notice in writing to the Company's share agent within 30 days prior to aforementioned sell back record dates requesting the Company to redeem bond held by them in cash and in 102.015% and 103.03% of face value.

This convertible corporate bond include liability and equity components. Equity components are presented as Additional Paid-In Capital - Share Subscription Right under equities. Liability components, on the other hand, are cognized as liabilities of embedded derivative financial instruments and non-derivative products. Such embedded derivative financial instrument has been assessed at fair value of NTD(44) thousands and NTD(1,024) thousands respectively on Dec. 31st, 2016 and 2015. Non-derivative product liability has been measured on Dec. 31st, 2016 and 2015 as NTD145,360 thousands and NTD264,581 thousands based on amortized cost and its effective interest rate originally recognized is 1.0715%.

Issuance Proceeds (less transaction cost of NTD3,714 thousands)	\$1,496,286
Equity Components	(<u>68,829</u>)
Net Liability Components on Issue Day (including NTD1,427,607 thousands of corporate bond payable and NTD150 thousands of financial assets at fair value – noncurrent)	1,427,457
Interest Calculated in Effective Interest Rate	35,759
Corporate bond payable converted to common stock	(1,318,006)
Loss on Valuation of Financial Instrument	<u>106</u>
Liability Components on Dec. 31st, 2016	<u>\$ 145,316</u>

As of Dec. 31st, 2016, unsecured convertible corporate bonds with face value of NTD1,354,900,000 have already been converted into the Company's shares of 8,929,000 shares.

(2) On August 18th, 2015, the Company issued 25,000 units NTD denominated un-secured convertible corporate bond with 0% coupon rate and total principal amount of NTD2.5 billion.

Each unit corporate bond holder is entitled to convert the bond into the Company's common shares under the price of NTD217/share. After determination of conversion price, adjustments shall be made in accordance with conversion price adjustment formula in the event of ex-right or ex-dividend. As of Dec. 31st, 2016, conversion price has been adjusted to NTD207.3 and conversion period starts from November 18th, 2015 to August 18th, 2020. In the event of unconverted corporate bond upon expiration of aforementioned period, onetime cash repayment of bond face value plus interest compensation will be made on August 18th, 2020. Interest compensation upon maturity is 2.53% of face value for creditor's rights. In the event that conditions are met, the Company shall be entitled to request to redeem this convertible corporate bond from creditors based on agreed prices.

During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event the Company's common share closing prices in Taiwan Stock Exchange exceed this bond's conversion price at that time over 30% (included) for 30 consecutive business days, the Company will be entitled to send out a 30-day-expiration "Bond Redemption Notice" within subsequent 30 business days, and redeem all bonds in cash calculated based on face value upon expiration of aforementioned period. During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event that this bond's outstanding balance is lower than 10% of original total issue amount, the Company will therefore be entitled to send out a 30-day-expiration "Bond Redemption Notice" based on names recorded on bondholder's name list 5 business days prior to the mailing day, and redeem outstanding bond in cash calculated based on face value upon expiration of aforementioned period.

Respective expiration dates of 3-year and 4-year periods after issuance are pre-mature sell back record dates for bondholders of this bond.

Bondholders are entitled to send out notice in writing to the Company's share agent within 30 days prior to aforementioned sell back record dates requesting the Company to redeem bond held by them in cash and in 101.51% and 102.02% of face value.

This convertible corporate bond include liability and equity components. Equity components are presented as Additional Paid-In Capital - Share Subscription Right under equities. Liability components, on the other hand, are cognized as liabilities of embedded derivative financial instruments and non-derivative products. Such embedded derivative financial instrument have been assessed at fair value of NT\$20,500 and NTD3,000 thousands respectively on Dec. 31st, 2016 and 2015. Non-derivative product liability have been measured on Dec. 31st, 2016 and 2015 and NTD2,392,775 thousands NTD2,347,777 thousands respectively based on amortized cost and its effective interest rate originally recognized is 0.8351%

Issuance Proceeds (less transaction cost of NTD6,546 thousands)	\$ 2,493,454
Equity Components	(<u>150,355</u>)
Net Liability Components on Issue Day (including NTD2,331,130 thousands of corporate bond payable and NTD11,969 thousands of financial assets at fair value – noncurrent)	2,343,099
Interest Calculated in Effective Interest Rate	61,645
Gain on Valuation of Financial Instrument	<u>8,531</u>
Liability Components on Dec. 31, 2016	<u>\$ 2,413,275</u>

All of the second unsecured convertible corporate bonds have not yet been converted as of Dec. 31st, 2016.

17. **Lease Payable**

	<u>Dec. 31st, 2016</u>
<u>Minimum Lease Payment</u>	
Less Than 1 Year	\$ 528
1~5 Years	<u>865</u>
	1,393
Less: Future Finance Expense	<u>297</u>

Minimum Lease Payment Present Value	\$ <u>1,096</u>
-------------------------------------	-----------------

Minimum Lease Payment Present Value

Less Than 1 Year (included in other current liabilities)	\$ 361
1 ~ 5 Years	<u>735</u>
	<u>\$ 1,096</u>

The consolidated company leased transportation equipment via finance leasing in June 2016, with a lease period of 3 years. Ownership of such transportation equipment will be transferred to the consolidated company without consideration upon expiration of the lease period. Interest rate for the lease is 20.13%.

18. Other Account Payables

	<u>Dec. 31,, 2016</u>	<u>Dec. 31, 2015</u>
Salary Payable	\$ 243,928	\$ 279,410
Freight Payable	48,511	61,951
Payables on Equipment	44,888	28,264
Tax Payable	21,722	19,376
Interest Payable	1,003	1,416
Others	<u>168,125</u>	<u>111,093</u>
	<u>\$ 528,177</u>	<u>\$ 501,510</u>

19. Post-Employment Benefit Plan

Pension system of “Labor Pension Act” applied by consolidated company’s Yeong Chen Asia Pacific Co., Ltd. is a defined contribution pension plan managed by government. 6% of employee’s monthly salary will be contributed to personal account in Bureau of Labor Insurance.

Consolidated company’s subsidiaries in China apply defined contribution pension regulation. A certain percentage of contribution from pension contributed in accordance with employee salary will be contributed, together with the pension, into pension fund accounts managed by local insurance institution designated by law. Upon employee’s retirement, deposits from employee him/herself and deposits from company’s contribution together interests incurred can be withdrawn from such pension fund account.

20. Equities

(1) Share Capital

	Dec. 31, 2016	Dec. 31, 2015
Number of Shares Authorized (in thousands)	<u>300,000</u>	<u>150,000</u>
Amount of Capital Authorized	<u>\$ 3,000,000</u>	<u>\$ 1,500,000</u>
Number of Outstanding Shares with Share Payment Fully Collected (in thousands)	<u>\$ 118,818</u>	<u>117,980</u>
Outstanding Share Capital	<u>\$ 1,188,175</u>	<u>\$ 1,179,796</u>

Par value for each outstanding common share is NTD10 and each share enjoys one voting rights as well as rights to collect dividend.

The Company's Board of Directors Meeting made a resolution on August 21, 2015 on cash capital increase by issuing 5,000 new shares with par value of NTD 10 for each share. New shares will be issued at a premium of NTD168 per share. Board of Directors Meeting also set October 20, 2015 as record date for capital increase. Application of aforementioned capital increase project has already been submitted and Financial Supervisory Commission of the Executive Yuan has already approved accordingly.

(2) Additional Paid-In Capital

Proceeds form share premium issuance, which exceeds par value, of Additional paid-in capital can be used to compensate losses. They can also be used to distribute cash dividend, or to be contributed as share capital, when there is no loss incurred to the Company. However, contribution of share capital is limited to certain percentages of paid-in capital each year.

Paid-in capital incurred from share subscription rights of convertible corporate bond shall not be utilized for any purpose.

(3) Policy for Retained Earnings and Dividends

Based on modifications of the Company Act in May, 2015, distribution of dividend and bonus shall be limited to shareholders, and employees are not the subject for dividend distribution. The Company has already passed modifications on the Articles of Incorporation and Dividend Distribution Policy via shareholders' Meeting Resolution on June 7th, 2016, and has drafted a separate employee compensation distribution policy in the Articles of Incorporation.

As per surplus distribution policy requirements of the modified Articles of Incorporation, in the event that the Company enjoys surplus after annual final account settlement, surplus shall first be used to pay for tax as required by laws and make up for accumulated losses before appropriating 10% as legal reserve. Special reserve shall then be recognized or reversed from the balance as required by laws. In the event that there is still surplus, the Board of Directors Meeting shall then stipulate surplus distribution proposal over such surplus and accumulated retained earnings and submit the proposal to the Shareholder's Meeting for resolution over distribution of dividend and bonus to shareholders. Please refer to Note 21 Employee Benefit Expense on the compensation policy for employees and directors/supervisors before and after modification of Articles of Incorporation.

Distribution of shareholder dividend and employee bonus can be distributed, pursuant to Board of Director's Meeting determination, to employees or shareholders in cash, proceeds from fully paid shares not yet issued, or both cash and aforementioned proceeds. For shareholder dividend, however, cash dividend distributed shall not be less than 10% of all dividends. The Company will not pay for interest on undistributed dividend or bonus.

The Company appropriates and reverses special reserve in accordance with letters of Gin-Guan-Zheng-Fa-Tze No. 1010012865 and Gin-Guan-Zheng-Fa-Tze No. 1010047490 as well as "Application Q and A on Special Reserve Appropriation after Adoption of IFRSs" guideline. In the event of subsequent reversal on other shareholder equity deduction balance, the reversal portion can be used to distribute earnings.

Legal reserve shall be appropriated until its balance equals the Company's paid-in capital total amount. Legal reserve can be used to compensate losses. In the event of no losses incurred to the Company, except that legal reserve exceeding 25% of paid-in capital total amount shall be appropriated as share capital, legal reserve can be distributed in cash.

The Company held shareholder meetings on June 7, 2016 and June 2, 2015 respectively, and approved, through resolutions, earnings distribution, employee bonus and director/supervisor remuneration for 2015 and 2014 as follows:

Earnings Distribution		Earnings Per Share (dollar)	
2015	2014	2015	2014

Legal Reserve	\$ 135,072	\$ 100,216		
Cash Dividend	1,004,188	667,094	\$ 8.5	\$ 6.36

2016 Earnings Distribution Proposed by the the Company's Board of Directors' Meeting on March 9th, 2017 is as follows:

	Earnings Distribution Proposal	Earnings Per Share (dollar)
Legal Reserve	\$ 100,830	
Special Reserve	612,634	
Cash Dividend	386,187	\$ 3.25

2016 Earnings Distribution proposal is pending for resolution from the shareholders' meeting which is expected to be held on June 13th, 2017.

(4) Special Reserve

Upon the Company's first adoption of IFRSs, accumulated conversion adjustment amount transferred into retained earnings was NTD8, 214 thousand dollars. The same amount of special reserve has already been appropriated accordingly. Upon earnings distribution, other shareholder's equity deduction as of the ending day of reporting period as well as special reserve appropriated during first adoption of IFRSs shall also be recognized. In the event that there is a subsequent reversal on other shareholder's equity reduction balance, distribution of earnings can then be conducted on the reserval portion.

(5) Non-Controlling Interest

	2016	2015
Balance, Beginning of Year Portion for Non-Controlling Interest	\$ 111,775	\$ 120,018
Current Net Loss	(10,879)	(1,594)
Exchange Difference on Translation of Foreign Financial Statements	(5,485)	(6,649)
Non-Controlling Interest Increased by Acquisition	204,000	-

of New Power Team Technology Inc. Non-Controlling Interest Increased by Acquisition of Shanghai No. 1 Machine Tool Co., Ltd.	4,747	-
Balance, End of Year	<u>\$ 304,158</u>	<u>\$ 111,775</u>

20. Net Profit

(1) Depreciation, Amortization and Employee Benefit Expense

	2016			2015		
	Business	Business	Total	Business	Business	Total
	Cost	Expense		Cost	Expense	
Employment Benefit Expense	\$ 43,441	\$ 15,327	\$ 58,768	\$ 41,183	\$ 9,049	\$ 50,232
Post-Employment Benefit	<u>830,467</u>	<u>406,274</u>	<u>1,236,741</u>	<u>846,470</u>	<u>292,751</u>	<u>1,139,221</u>
Other Employment Benefit	<u>\$ 873,908</u>	<u>\$ 421,601</u>	<u>\$ 1,295,509</u>	<u>\$ 887,653</u>	<u>\$ 301,800</u>	<u>\$ 1,189,453</u>
Depreciation	<u>\$ 406,958</u>	<u>\$ 60,037</u>	<u>\$ 466,995</u>	<u>\$ 412,025</u>	<u>\$ 52,897</u>	<u>\$ 464,922</u>
Amortization	<u>\$ -</u>	<u>\$ 5,617</u>	<u>\$ 5,617</u>	<u>\$ 25</u>	<u>\$ 2,900</u>	<u>\$ 2,925</u>

Aforementioned depreciation expense does not include depreciation expenses of NTD852,000 and NTD642,000 for investment real property for 2016 and 2015 (included under non-operating revenue and expense – other benefits and losses).

Based on Company Act which was modified in May, 2015 and Articles of Incorporation modified under shareholder's meeting resolution in June 2016, the Company shall appropriate employee compensation and director/supervisor compensation in accordance with respective distribution zones of 2%~15% and no higher than 3% after current year pre-tax benefits prior to the distribution of employee and director/supervisor compensation are deducted. Employee compensation and director/supervisor compensation for 2016 are recognized in accordance with aforementioned respective pretax benefits of 2% and 0%.

As per Articles of Incorporation prior to modification, current year after tax distributable earnings are used to distribute employee bonus and director/supervisor compensation in accordance with respective distribution zones of 2%~15% and no higher than 3%. The Company's recognized employee bonus and director/supervisor compensation in 2015 were calculated

in accordance with Articles of Incorporation prior to modification and based on 2% and 0% of after-tax net profits (with employee bonus and director/supervisor compensation amount already deducted).

This Company held regular shareholder's meeting on March 9, 2017 and June 7, 2016 respectively. Resolutions for 2016 and 2015 employee bonus/compensation and director/supervisor compensation were passed during the meetings as follows:

	2016		2015	
	Cash Bonus	Share Bonus	Cash Bonus	Share Bonus
Employee Bonus/Compensation	\$ 21,000	\$ -	\$ 27,700	\$ -
Director/Supervisor Compensation	-	-	-	-

Changes in amounts after annual consolidated financial Statements approval and release date shall be processed in accordance with changes in accounting estimates and adjustment entry shall be made accordingly in the next year.

There are no differences between employee bonus and director/supervisor compensation to be distributed through resolutions from shareholder's meetings in 2015 and employee bonus and director/supervisor compensation recognized on 2015 consolidated Statements.

For information regarding the Company's employee and director/supervisor compensation approved by Board of Director meeting in 2017 and the Company's employee bonus and director/supervisor compensation approved by shareholder's meeting resolution in 2016, please refer to "Market Observation Post System" of Taiwan Stock Exchange.

- (2) This Company held regular shareholder's meeting on June 2, 2015. Resolution for 2014 employee bonus and director/supervisor compensation was passed during the meetings as follows:

	2014	
	Cash Bonus	Share Bonus
Employee Bonus	\$ 18,200	\$ -
Director/Supervisor Compensation	-	-

There are no differences between employee bonus and director/supervisor compensation to be distributed through resolution from shareholder's meetings on June 2, 2015 and employee bonus and director/supervisor compensation recognized on 2014 consolidated Statements.

For information regarding the Company's employee bonus and director/supervisor compensation approved by shareholder's meeting resolution in 2015, please refer to "Market Observation Post System" of Taiwan Stock Exchange.

(3) Foreign Currency Exchange Profit/Loss

	<u>2016</u>	<u>2015</u>
Foreign Currency Exchange Profit Total Amount	\$ 612,511	\$ 500,459
Foreign Currency Exchange Loss Total Amount	(<u>462,212</u>)	(<u>337,717</u>)
Net Loss	<u>\$ 150,299</u>	<u>\$ 162,742</u>

22. Income Tax

(1) Income Tax Recognized As Profit/Loss

Major items for income tax expense are as follows:

	<u>2016</u>	<u>2015</u>
Current Income Tax		
Income tax incurred in current year	\$ 369,146	\$ 414,343
Undistributed Earnings Taxed	13,106	16,457
Previous Adjustments	<u>3,569</u>	<u>5,444</u>
	385,821	436,244
Deferred Income Tax		
Income tax incurred in current year	(<u>58,582</u>)	<u>3,146</u>
Income Tax Expense Recognized in Profit/Loss	<u>\$ 327,239</u>	<u>\$ 439,390</u>

Adjustments of accounting income and income tax expenses are as follows:

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	
Pre-tax net profit	<u>1,324,658</u>	<u>\$ 1,788,513</u>

Income tax expense calculated from pre-tax net profit under mandatory tax rate	\$337,800	\$ 427,013
Undeductible expense of tax	(3,189)	(889)
Unrecognized deductible temporary difference	4,644	1,275
R&D tax credit	(3,627)	(10,527)
Loss carry-forward	(24,662)	-
Undistributed earnings taxed	13,106	16,457
Current adjustment using previous year's current income tax expense	3,569	5,444
Others	(402)	617
Income Tax Expense Recognized in Profit / Loss	<u>\$327,239</u>	<u>\$ 439,390</u>

Consolidated company's entities under Republic of China Income Tax Law apply 17% tax rate, while subsidiaries in China apply 25% tax rate.

Given the uncertainty over 2017 shareholder meeting's determination on earnings distribution, it is impossible to determine, in a reliable way, potential income tax consequences if 10% income tax is imposed on 2016 undistributed earnings.

(2) Current Income Tax Liability

	Dec. 31 st , 2016	Dec. 31 st , 2015
Current Income Tax Liability (included in other Current Assets)		
Income Tax Refund Receivable	<u>\$ 268</u>	<u>\$ 17</u>
Income Tax Liabilities in Current Period		
Income Tax Payable	<u>\$ 93,153</u>	<u>\$ 132,756</u>

(3) Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities are as follows:

2016

<u>Deferred Income Tax Assets</u>	<u>Beginning Balance</u>	<u>Recognized in P/L</u>	<u>Exchange Difference</u>	<u>Other</u>	<u>Ending Balance</u>

Temporary Difference					
Allowance for Inventory Valuation and Obsolescence Loss	\$ 6,790	\$ 8,548	(\$ 814)	\$ 1,658	\$ 16,182
Bad Loan Allowances	2,107	2,259	(266)	23	4,123
Loss Carryforward	777	47,089	(2,042)	(777)	45,047
Others	<u>3,205</u>	<u>3,551</u>	(<u>129</u>)	<u>87</u>	<u>6,714</u>
	<u>\$ 12,879</u>	<u>\$ 61,447</u>	(<u>\$ 3,251</u>)	<u>\$ 991</u>	<u>\$ 72,066</u>

<u>Deferred Income Tax Liability</u>					
Temporary Difference					
Adjustments of Unrealized Financial Instrument Evaluation Gain or Loss	\$ -	\$ 1,418	(\$ 3)	\$ -	\$ 1,415
Unrealized Exchange Net Profit	980	(414)	19	-	585
Capitalized Interest	10,485	1,230	(894)	-	10,821
Others	<u>675</u>	<u>631</u>	(<u>81</u>)	<u>-</u>	<u>1,225</u>
	<u>\$ 12,140</u>	<u>\$ 2,865</u>	(<u>\$ 959</u>)	<u>\$ -</u>	<u>\$ 14,046</u>

2015

	<u>Beginning Balance</u>	<u>Recognized in P/L</u>	<u>Exchange Difference</u>	<u>Other</u>	<u>Ending Balance</u>
<u>Deferred Income Tax Assets</u>					
Temporary Difference					
Allowance for Inventory Valuation and Obsolescence Loss	\$ 10,114	(\$ 3,122)	(\$ 202)	\$ -	\$ 6,790
Bad Loan Allowances	2,467	(306)	(54)	-	2,107
Loss Carryforward	-	777	-	-	777
Others	<u>4,705</u>	(<u>1,537</u>)	<u>37</u>	<u>-</u>	<u>3,205</u>
	<u>\$ 17,286</u>	(<u>\$ 4,188</u>)	(<u>\$ 219</u>)	<u>\$ -</u>	<u>\$ 12,879</u>
<u>Deferred Income Tax Liability</u>					
Temporary Difference					
Adjustments of Unrealized Financial Instrument Evaluation Gain or Loss	\$ 331	(\$ 326)	(\$ 5)	\$ -	\$ -
Unrealized Exchange Net Profit	-	1,010	(30)	-	980
Capitalized Interest	11,663	(916)	(262)	-	10,485
Others	<u>1,513</u>	(<u>810</u>)	(<u>28</u>)	<u>-</u>	<u>675</u>
	<u>\$ 13,507</u>	(<u>\$ 1,042</u>)	(<u>\$ 325</u>)	<u>\$ -</u>	<u>\$ 12,140</u>

(4) Items not recognized as Deferred Income Tax Asset

Dec. 31st, 2016

Dec. 31st, 2015

Loss Carry-Forward	\$	9,529	\$	-
Due in 2017		22,655		-
Due in 2018		5,091		270
Due in 2019		3,279		1,275
Due in 2020		<u>4,644</u>		<u>-</u>
Due in 2021	\$	<u>45,198</u>	\$	<u>1,545</u>

(5) Related Information of Unused Loss Carry-Forwards and Tax Exemption

As of December 31st, 2016, related information on loss carry-forward is as follows:

<u>Last Carry-Forward Year</u>	<u>Balance yet to be credited against</u>
2017	\$ 36,463
2018	86,689
2019	81,880
2010	47,661
2011	<u>112,666</u>
	<u>\$ 365,359</u>

(6) Related Integrated Income Tax Information on Subsidiary Yeong Chen Asia Pacific Co., Ltd.

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
Undistributed Earnings		
Undistributed Earnings Before 1997	\$ -	\$ -
Undistributed Earnings Before 1998	<u>678,041</u>	<u>544,797</u>
	<u>\$ 678,041</u>	<u>\$ 544,797</u>
Shareholder Deductible Tax Account	<u>\$ 162,030</u>	<u>\$ 128,676</u>
Earnings Distribution Tax Deduction Rate	<u>2016 (estimated)</u> 23.90%	<u>2015 (actual)</u> 27.87%

(7) Income Tax Approval

Yeong Chen Asia Pacific Co., Ltd.'s filings prior to 2014 have all been approved by tax bureau.

23. Earnings per Share

Earnings and common share weighted average shares used in earnings per share calculation are as follows:

Current Net Profit

	<u>2016</u>	<u>2015</u>
Potential common share influence which has dilution effect and is used to calculate net profit for basic earnings per share:	\$1,008,298	\$ 1,350,717
Convertible corporate bond	<u>34,414</u>	<u>15,789</u>
Net profit used to calculate diluted earnings per share	<u>\$1,042,712</u>	<u>\$ 1,366,506</u>

Number of Shares

	<u>2016</u>	<u>2015</u>
Weighted average common shares used to calculate basic earnings per share	118,673	110,323
Potential common share influence with dilution effect :		
Employee Bonus or Compensation		
Convertible Corporate Bond	<u>13,224</u>	<u>6,861</u>
Weighted average common shares used to calculate diluted earnings per share	<u>132,208</u>	<u>117,534</u>

When calculating diluted earnings per share, if the consolidated company is entitled to choose to distribute employee bonus in stock or cash and if stocks will be distributed as employee bonus, then weighted average outstanding shares will be added when such potential common shares come with dilution effect for the purpose of calculating diluted earnings per share. When calculating diluted earnings per share prior to next year shareholder meeting's resolution over the number of shares to be distributed as employee

bonus, such potential common share dilution will continue to be considered.

24. Business Merger and Acquisitions

(1) Acquisition of Subsidiary

	Major Operation Activities	Acquisition Date	Voting Rights Interest /Acquisition Percentage (%)	Transfer Consideration
New Power Team Technology Inc.	Processing, Manufacturing and Transaction of Various Machinery Hardware	January 7 th , 2016	52%	<u>\$ 221,000</u>
Shanghai No. 1 Machine Tool Co., Ltd.	Manufacturing and Selling of High Quality Casting Products of Spherical Graphite Cast Iron and Grey Cast Iron	January 25 th , 2016	90%	<u>\$ 56,502</u>

The consolidated company acquired New Power Team Technology Incorporation and Shanghai No. 1 Machine Tool Co., Ltd. Limited respectively in 2016 for the purpose of continuous expansion of the consolidated company's production capacity.

(2) Considerations of Transfer

	New Power Team Technology Inc.	Shanghai No. 1 Machine Tool Co., Ltd.
Cash	<u>\$ 221,000</u>	<u>\$ 56,502</u>

(3) Assets Obtained and Liabilities Assumed on Acquisition Day

	<u>New Power Team</u>	<u>Shanghai No. 1</u>
--	-----------------------	-----------------------

Goodwill incurred from acquisition of New Power Team Technology Inc. and Shanghai No. 1 Machine Tool Co., Ltd. mainly comes from control premium. Additionally, consideration paid for the merger includes consolidated synergy, revenue growth, future market development expected to be incurred, New Power Team Technology Inc. and Shanghai No. 1 Machine Tool Co., Ltd. Limited employees' value. Nevertheless, such benefits do not fit with recognition terms for identifiable intangible assets. As such, there is no need for a separate recognition.

Goodwill incurred from merger is not expected to serve as a tax deductible item.

(5) Net Cash Outflow from Acquisition of Subsidiary

	New Power Team Technology Inc.	Shanghai No. 1 Machine Tool Co., Ltd.
Cash Payment Consideration	\$ 221,000	\$ 56,502
Minus: Balance of Cash and Cash Equivalent Obtained	(<u>257,857</u>)	(<u>20,580</u>)
	(\$ <u>36,857</u>)	\$ <u>35,922</u>

(6) Business Merger's Impact on Operation Result

Operating result from the acquisitioned company starting from the day of acquisition is as follows:

	New Power Team Technology Inc.	Shanghai No. 1 Machine Tool Co., Ltd.
Business Revenue	\$ <u>67,800</u>	\$ <u>-</u>
Current Net Loss	(\$ <u>7,961</u>)	(\$ <u>28,308</u>)

In the event that business merger occurred on the beginning day of accounting year for the acquisition day, the consolidated company's constructive operating revenues from 2016 shall therefore be NTD67,800,000

and NTD0, and constructive losses of NTD7,961,000 and NTD31,453,000 respectively. Such amounts cannot reflect the consolidated company's revenue and operating result which can actually be generated if business merger completes on the beginning day of the year of acquisition. Neither shall they be used to forecast future operating results.

25. Business Lease Agreement

(1) Consolidated Company as Lessee

Business lease shall mean and refer to leasing of land building with lease term from 1 to 5 years. Consolidated company does not enjoy favorable purchase rights over leased land/building when lease term expires.

Irrevocable Business Lease Future Minimum Lease Payment
Total Amount:

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
Less than 1 year	\$ 3,513	\$ 4,074
1~5 years	<u>1,810</u>	<u>140</u>
	<u>\$ 5,323</u>	<u>\$ 4,214</u>

(2) Consolidated Company as Lessor

Business lease shall mean and refer to consolidated company's renting out of its investment property with lease term from 1 to 5 years. Lessee does not enjoy favorable purchase rights over such property when lease term expires.

Irrevocable Business Lease Future Minimum Lease Payment
Total Amount:

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
Less than 1 year	\$ 477	\$ 181
1~5 years	<u>60</u>	<u>84</u>
	<u>\$ 537</u>	<u>\$ 265</u>

26. Capital Risk Management

Consolidated company engages itself in capital management to ensure necessary finance resources and operation plan for the purpose of meeting the needs for future 12-month operation capital, capital expenditure, debt repayment as well as dividend payment. Under the premise that respective enterprise of the Group will be able to operate continuously, shareholder's compensation will be maximized through optimization of debt and equity balances.

Consolidated company's major management regularly review the Group's capital structure. Contents of review include consideration of various capital costs as well as their related risks. With major management's suggestions, the consolidated company balances its overall capital structure through dividend payment, new share issuance, new debt issuance or repayment of existing debt.

27. Financial Instruments

(I) Fair Value Information — Financial Instruments not Measured at Fair Value

With respect to financial liabilities not measured at fair value, material differences between book value and fair value are as follows:

	<u>Dec. 31, 2016</u>		<u>Dec. 31, 2015</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial Liability</u>				
Liability Measured in Amortized Costs:				
-Convertible Corporate Bond	<u>\$ 2,538,135</u>	<u>\$ 2,684,265</u>	<u>\$ 2,612,358</u>	<u>\$ 2,854,421</u>

Levels for aforementioned fair values are as follows:

Dec. 31st, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Liability</u>				
Liability Measured in Amortized Costs:				

-Convertible Corporate Bond	<u>\$ 2,684,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,684,265</u>
-----------------------------	---------------------	-------------	-------------	---------------------

Dec. 31st, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Liability</u>				
Liability Measured in Amortized Costs:				
-Convertible Corporate Bond	<u>\$ 2,854,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,854,421</u>

(II) Fair Value Information — Financial Instruments Measured at Fair Value

1. Fair Value Levels

Dec. 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets Held for Trading with Profit/Loss Measured at Fair Value	<u>\$ -</u>	<u>\$ 8,386</u>	<u>\$ -</u>	<u>\$ 8,386</u>
Financial Liabilities Held for Trading with Profit/Loss Measured at Fair Value	<u>\$ -</u>	<u>\$ 22,690</u>	<u>\$ -</u>	<u>\$ 22,690</u>

Dec. 31st, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets Held for Trading with Profit/Loss Measured at Fair Value	<u>\$ -</u>	<u>\$ 1,024</u>	<u>\$ -</u>	<u>\$ 1,024</u>
Financial Liabilities Held for Trading with Profit/Loss Measured at Fair Value	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>

There are no cases of transfer of fair value measurements between Level 1 and Level 2 for 2016 and 2015.

2. Assessment Techniques and Input Values for Level 2 Fair Value Measurement

Types of Financial

Instruments

Assessment Techniques and Input Values

Forward Exchange Contract

This is measured by forward exchange contract quotation and yield rate curve which is inferred from quotation interest rate matching contract expiring period.

Domestic First Unsecured
Convertible Corporate
Bond

Under the assumption that corporate bond will be redeemed on April 24th, 2019, discount rate adopted is calculated via interpolation method using government bond yield rates from public offer 2-year and 5-year period.

Domestic Second Unsecured
Convertible Corporate
Bond

Under the assumption that corporate bond will be redeemed on August 18th, 2020, discount rate adopted is calculated via interpolation method using government bond yield rates from public offer 5-year and 10-year period.

(II) Types of Financial Instruments

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
<u>Financial Asset</u>		
Loans and account receivables (note 1)	\$ 6,485,758	\$ 7,945,597
Financial assets at fair value through profit and loss	8,386	1,024
 <u>Financial Liability</u>		
Measured in amortized costs (note 2)	4,783,145	4,748,413
Financial liabilities at fair value through profit and loss	22,690	3,000

Note. 1: Balance includes loans and account receivables of cash and cash equivalents, bond investments without active market, note receivables, account receivables, other account receivables and refundable deposits, all of which are measured in amortized costs.

Note. 2: Balance includes financial liabilities of short term loan, notes payable, account payable, corporate bond payable, other account payable, and refundable deposit, all of which are measured in amortized costs.

(IV) Purpose and Policy of Finance Risk Management

Consolidated company's major financial instruments include cash and cash equivalents, account receivable, account payable, corporate bond payable, and loan. Consolidated company's finance management department provides services to respective business units, and coordinates practices to enter domestic and international financial markets, and supervise and manage financial risks related to consolidated company's operation through internal risk reports which are based on exposure analysis over risk levels and scope. Such risks include market risks (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

Consolidated company avoids risk exposure through derivative financial instruments in order to mitigate influences from such risks. Utilization of

derivative financial instruments is regulated by policies approved by the Company's Board of Directors Meeting. Such policies are principles in writing for exchange rate risk, interest rate risk, credit risk, utilization of derivative financial instruments and non-derivative financial instruments as well as investments of residual current capital. Internal audit staff shall continuously conduct audits over policy compliance and exposure amounts. Consolidated company is not engaged in financial instrument (including derivative financial instruments) transactions out of speculation purpose. After completion of derivative financial instrument transaction, finance department will file report to the Board of Directors Meeting accordingly.

1. Market Risk

Consolidated company's operation activities result in the Company's assuming of major financial risks of foreign currency exchange rate change risk (please refer to note 1 below) and interest rate change risk (please refer to note 2 below).

There are no changes as to consolidated company's exposure related to financial instrument market as well as its methodologies to manage and measure such exposure.

(1) Exchange Rate Risk

Several of the Company's subsidiaries are engaged in foreign currency denominated purchase and sales transactions. This has exposed the consolidated company to exchange rate change risks. The consolidated company's exchange rate exposure management is to utilize forward exchange contract to manage risks within the scope permitted by policies.

Please refer to notes 7 and 29 for the consolidated company's non-functional currency denominated currency assets and currency liabilities (including non-functional currency denominated currency items already offset on consolidated financial Statements) book values as well as book values for derivative financial instruments with exchange rate risk exposure on the balance sheet day.

Sensitivity Analysis

Consolidated company is mainly affected by fluctuations in USD and EUR exchange rates.

The table below offers a detail explanation on consolidated company's sensitivity analysis when NTD (functional currency) appreciates or depreciates 1% against respective relevant foreign currency exchange rates. 1% is the sensitivity percentage utilized by group internal units to report exchange rate risks to major managements. It also represents management's estimate over the scope of possible changes for foreign currency exchange rates. Sensitivity analysis only includes outstanding foreign currency items and forward exchange contracts designated for cash flow hedge. Adjustments over year-end exchange will be made accordingly based on changes in exchange rates. Positive numbers in the table below refer to increases of pre-tax net profit amounts when NTD appreciates 1% against respective relevant currencies. When NTD depreciates 1% against respective relevant foreign currencies, influences over pre-tax net profit are shown as negative numbers of the same amounts.

	USD Influence		EUR Influence	
	2016	2015	2016	2015
Profit or Loss	(\$ 26,030)	(\$ 43,005)	(\$ 6,854)	(\$ 5,401)

Aforementioned foreign currency's influence over profit or loss mainly comes from fair value changes, on the balance sheet day, of consolidated company's outstanding USD and EUR denominated account receivables/payables without cash flow hedge as well as total amount investment hedge derivatives.

Management doesn't think sensitivity analysis will be able to represent exchange rate inherent risks because foreign currency exposure on balance sheet day cannot reflect exposure during mid-year.

(2) Interest Rate Risk

Interest rate exposure results from an entity's, which is within consolidated company, borrowing of funds in fixed and floating interest rates at the same time.

Book values for consolidated company's financial assets and financial liabilities affected by interest rate exposure on balance sheet day are as follows:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Fair Value Interest Rate Risks		
-Financial Assets	\$ 616,152	\$ 552,693
-Financial Liabilities	2,925,100	2,769,400
Cash Flow Interest Rate Risks		
-Financial Assets	3,754,478	5,014,312
-Financial Liabilities	338,730	500,375

Sensitivity Analysis

Sensitivity analysis below is determined based on derivatives and non-derivatives' interest rate exposures on balance sheet day. As for liabilities with floating interest rates, analysis assumes that

outstanding liability amounts on balance sheet day all remain outstanding during report period. Variable rates utilized by Group internal units when reporting interest rates to management will be plus or minus 100 basis points over interest rates. This also represents management's assessment of reasonable and possible range for interest rate changes.

In the event of plus/minus 100 basis points over interest rate while other variables remain unchanged, consolidated company's pre-tax net profit for 2016 and 2015 will decrease/increase NTD34,157,000 and NTD45,139,000 respectively. This mainly comes from consolidated company's variable interest rate loans.

2. Credit Risk

Credit risk means the risk of group's financial loss from transaction counterparty's default of contract obligation. As of balance sheet day, consolidated company's biggest credit risk exposure from transaction counterparty's possible failure of obligation performance which leads to financial loss mainly comes from financial asset book values recognized on consolidated financial Statements.

To mitigate credit risk, management of consolidated company assigns a specific team responsible for credit extension amount determination, credit extension approval as well as other monitoring processes to ensure that appropriate actions have been taken to recover overdue account receivables. Additionally, consolidated company will, on balance sheet day, re-verify each account receivable recoverable amount to ensure unrecoverable account receivables have already been recognized as appropriate impairment losses. With this, the Company's management considers that consolidated company's credit risks have been reduced dramatically.

Account receivable entity encompasses numerous clients scattered in different industries and geographical areas. Consolidated company

continues to conduct assessment over account receivable client's financial status.

Current capital transaction counterparties are financial institutions and company organizations with good credit ratings, and therefore their credit risks are limited.

Consolidated company has a big clientele without inter-relations to one another. Therefore, degree of credit risk aggregation is not high.

3. Liquidity Risk

Through management and maintenance of sufficient positions of cash and cash equivalents, consolidated company is able to pay for the Group's operations and mitigate impact from cash flow fluctuation. Management of consolidated company monitors utilization of bank financial facility and ensures compliance with loan agreement terms.

For consolidated company, bank loan is an important source of liquidity. As of Dec. 31, 2016 and 2015 respectively, consolidated company's short term bank financing amounts are listed below, please see (3) Credit Line.

Liability (I) Liquidity and Interest Rate Risk Table for Non-Derivative Financial

Non-derivative financial liability residual contract maturity analysis is prepared based on the earliest possible repayment date the consolidated company will be requested as well as financial liability's undiscounted cash flow (including principal and estimated interest). Therefore, bank loans which consolidated company may be requested to repay immediately are listed in the earliest periods of the following table, with the possibility of bank's immediate execution of such rights not considered. Maturity analysis for other non-derivative financial liabilities is prepared in accordance with agreed repayment dates.

For interest cash flow paid in floating interest rates, its undiscounted interest amounts are derived from yield rate curve on the balance sheet day.

Dec. 31st, 2016

Immediate payment Payment in 1 Payment in 3 Payment Payment in

	or payment in less than 1 month	to 3 months	months to 1 year	in 1 to 5 years	more than 5 years
<u>Non-derivative financial liability</u>					
Interest-free liability	\$ 610,662	\$ 486,550	\$ 285,140	\$ -	\$ -
Floating interest rate instrument	64,520	96,780	177,430	-	-
Fixed interest rate instrument	<u>280,000</u>	<u>-</u>	<u>145,100</u>	<u>2,500,000</u>	<u>-</u>
	<u>\$ 955,182</u>	<u>\$ 583,330</u>	<u>\$ 607,670</u>	<u>\$2,500,000</u>	<u>\$ -</u>

Dec. 31st, 2015

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year	Payment in 1 to 5 years	Payment in more than 5 years
<u>Non-derivative financial liability</u>					
Interest-free liability	\$ 620,593	\$ 451,879	\$ 283,798	\$ -	\$ -
Floating interest rate instrument	30,000	109,245	262,640	98,490	-
Fixed interest rate instrument	<u>-</u>	<u>-</u>	<u>392,000</u>	<u>2,500,000</u>	<u>-</u>
	<u>\$ 650,593</u>	<u>\$ 561,124</u>	<u>\$ 938,438</u>	<u>\$2,598,490</u>	<u>\$ -</u>

Differences between floating interest rate and interest rate estimated on balance sheet day will lead to changes in floating interest rate instrument amounts for aforementioned non-derivative financial liability.

(2) Liquidity and Interest Rate Risk Table for Derivative Financial Liability

Liquidity analysis on derivative financial instrument is, as far as derivative instrument adopting net amount settlement is concerned, prepared based on undiscounted contract net cash inflow and outflow. As for derivative instrument adopting gross amount settlement, it is prepared based on undiscounted total cash inflow and outflow. When payable or receivable amounts are not fixed, amounts disclosed are determined based on estimated interest rate derived from balance sheet day yield rate curve.

Dec. 31st, 2016

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year
<u>Gross Amount Settlement</u>			
Forward Exchange Contract			
- Inflow	\$ 132,961	\$ 90,975	\$ 49,516
- Outflow	<u>129,762</u>	<u>90,015</u>	<u>47,523</u>
	<u>\$ 3,199</u>	<u>\$ 960</u>	<u>\$ 1,993</u>

(3) Credit Line

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
Secured Bank Credit Line		
(Extendable If Agreed by the Parties)		
– Amount Drawn	\$ 618,730	\$ 500,375
– Amount Not Drawn	<u>4,405,856</u>	<u>605,280</u>
	<u>\$ 5,024,586</u>	<u>\$ 1,105,655</u>

28. Related Party Transaction

Transaction, account balance, profit and expense impairment between the Company and its subsidiaries (the Company's related party) have all been cancelled during consolidation. That is why they are not disclosed in this note. Transactions between consolidated company and other related parties are as follows:

(1) Operating Income

<u>Item Recognized</u>	<u>Type of Related Party</u>	<u>2016</u>	<u>2015</u>
Sales Revenue	Associate	<u>\$ 469</u>	<u>\$ 410</u>

Sales prices for transactions between consolidated company and related party are not obviously different from the ones for transactions between consolidated company and non-related party.

(2) Purchase

Type of Related Party	2016	2015
Associate	<u>\$ 2,870</u>	<u>\$ 541</u>

Purchase prices for transactions between consolidated company and related party are not obviously different from the ones for transactions between consolidated company and non-related party.

(3) Account Receivable – Related Party (excluding loans extended to related party)

Item Recognized	Type of Related Party	Dec. 31 st , 2016	Dec. 31 st , 2015
Notes Receivable	Associate	\$ 325	\$ 113
Account Receivable	Associate	79	73
Other Account Payable	Associate	<u>5</u>	<u>-</u>
		<u>\$ 409</u>	<u>\$ 186</u>

Payment collection terms between consolidated company and related party are not obviously different from the ones between consolidated company and non-related party. No guarantees have been obtained on outstanding account receivable – related party. Bad debt expenses have not been appropriated for account receivable-related party for periods from January 1st to December 31st of 2016 and 2015.

(4) Account Payable – Related Party (excluding loans extended to related party)

Item Recognized	Type of Related Party	Dec. 31 st , 2016	Dec. 31 st , 2015
-----------------	-----------------------	------------------------------	------------------------------

Notes Payable	Associate	\$	1,139	\$	562
Account Payable	Associate		44		19
Other Account Payable	Associate		<u>284</u>		<u>67</u>
		\$	<u>1,467</u>	\$	<u>648</u>

Payment delivery terms between consolidated company and related party are not obviously different from the ones between consolidated company and non-related party. No guarantees have been obtained on balances of outstanding account payable – related party.

(5) Others

<u>Item Recognized</u>	<u>Type of Related Party</u>	<u>2016</u>	<u>2015</u>
Manufacturing Expense	Associate	\$ 888	\$ 1,076
	Major Management Levels	<u>240</u>	<u>240</u>
		<u>\$ 1,128</u>	<u>\$ 1,316</u>
Rent Income	Associate	<u>\$ 516</u>	<u>\$ 60</u>

For lease contract with related party, rent is determined under reference of market prices and payment is processed in line with average terms.

<u>Item Recognized</u>	<u>Type of Related Party</u>	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
Refundable Deposits	Major Management	<u>\$ 20</u>	<u>\$ 20</u>
(included in other non-current assets)	Levels		

(6) Major Management Remuneration

	<u>2016</u>	<u>2015</u>
Short-term Employee Benefit	\$ 18,541	\$ 17,982
Post-Employment Benefit	<u>458</u>	<u>437</u>
	<u>\$ 18,999</u>	<u>\$ 18,419</u>

Remuneration for director and other major management levels is determined by Remuneration Committee based on individual performance as well as market trend.

29. **Assets Pledged**

Consolidated company's following assets have been pledged as collaterals for bank loans:

	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
Property, Factory and Equipment Net Amount	\$ 1,106,831	\$ 1,067,445
Prepaid Lease Payment	101,546	169,324
Investment Property Net Amount	17,319	8,083
Other Financial Assets – Current (included in other current assets)	<u>135,844</u>	<u>161,419</u>
	<u>\$ 1,361,540</u>	<u>\$ 1,406,271</u>

30. **Information of Foreign Currency Assets and Liabilities with significant Impact**

Information of consolidated company's financial asset and liability with significant impact is as follows:

Dec. 31st, 2016

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Book Value</u>
<u>Financial Assets</u>			
<u>Currency Item</u>			
USD	\$ 100,820	6.937 (USD: RMB)	\$ 3,252,453
USD	42,337	32.26 (USD: NTD)	1,365,792
EUR	7,348	7.3068 (EUR: RMB)	249,024
EUR	2,820	1.051 (EUR: USD)	95,570
EUR	16,243	33.89 (EUR: NTD)	550,475
<u>Financial Liability</u>			

Currency Item

USD	36,873	6.937 (USD: RMB)	1,189,523
USD	25,528	32.26 (USD: NTD)	823,533
EUR	366	1.051 (EUR: USD)	12,404
EUR	6,065	33.89 (EUR: USD)	205,543

Dec. 31st, 2015

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Book Value</u>
<u>Financial Assets</u>			
<u>Currency Item</u>			
USD	\$ 147,101	6.4936 (USD: RMB)	\$ 4,829,326
USD	76,247	32.83 (USD: NTD)	2,503,189
EUR	1,993	7.0952 (EUR: RMB)	71,489
EUR	2,505	1.093 (EUR: USD)	89,854
EUR	10,730	35.87 (EUR: NTD)	384,885
<u>Financial Liability</u>			
<u>Currency Item</u>			
USD	54,395	6.4936 (USD: RMB)	1,785,788
USD	37,960	32.83 (USD: NTD)	1,246,227
EUR	172	1.093 (EUR: USD)	6,170

The consolidated company's realized and un-realized foreign currency exchange net profits (losses) for 2016 and 2015 are NTD150,299,000 and NTD162,742,000 respectively. Given the fact that there are numerous kinds of foreign currency transactions and Group individual entities' functional currencies, it is therefore impossible to disclose exchange profit/loss based on respective foreign currencies of material impact.

31. Note Disclosure

(I) Major transactions and (II) reinvestment business related information is as follows:

1. Capital lending to others: Appendix 1.
2. Endorsement/Guarantee for Others: Appendix 2.
3. Securities on Hand (excluding investments in subsidiary, affiliate enterprise and controlling portion in a joint venture), Ending: None.
4. Purchase or selling of the same securities with accumulated amount exceeding NTD300 million or 20% of paid-in capital: None.
5. Property acquisition amount exceeding NTD300 million or 20% of paid-in capital: None
6. Property disposal amount exceeding NTD300 million or 20% of paid-in capital: None.
7. Purchase/sales amount with related party exceeding NTD100 million or 20% of paid-in capital: Appendix 3.
8. Account receivable – related party exceeding NTD100 million or 20% of paid-in capital: Appendix 4.
9. Derivatives Transaction: Note 7 “Financial Instruments at Fair Value through Profit and Loss.”
10. Others: Business relationship and critical transaction/amount between parent company and subsidiaries and among subsidiaries: Appendix 7.
11. Information of invested company: Appendix 5.

(III) Information of investment in China:

1. Name, major business item, paid-in capital, investment method, capital remittance, ownership percentage, investment profit/loss, investment book value-ending and investment profit/loss already remitted for invested companies in China as well as investment limits for investing in China: Appendix 6.

2. Major transactions, prices, payment terms and unrealized profit/loss from direct or indirect transactions with invested companies in China, or transaction through third region: Appendix 1 through 7.
 - (1) Purchase amount and percentage, and related account payable ending balance and percentage;
 - (2) Sales amount and percentage, and related account receivable ending balance and percentage;
 - (3) Property transaction amount and profit/loss amount incurred accordingly;
 - (4) Ending balance and purpose for notes endorsement/guarantee or provision of collateral;
 - (5) Maximum balance, ending balance, interest rate range and current interest total amount for capital financing;
 - (6) Other transactions with major impact on current profit/loss or financial status, such as provision or accepting labor.

32. **SEGMENT INFORMATION**

Consolidated company provides information to major operating decision makers for them to distribute resources and assess department performance. Such information is focused on product and service types provided. Departments shall be reported by consolidated company are casting processing and other.

(1) Department Income and Operating Result

Income and operating results for consolidated company's continuous operating units are analyzed based on departments to be reported as follows:

	Department Income		Department Profit	
	2016	2015	2016	2015
Casting Processing Dept.	\$ 7,304,920	\$ 8,033,397	\$ 1,749,104	\$ 2,076,007
Other	68,968	89,073	(14,535)	(33,669)
Continuous Operating				
Unit Net Amount	<u>\$ 7,373,888</u>	<u>\$ 8,122,470</u>	1,734,569	2,042,338
Interest Income			150,299	162,742

Rent Income	66,047	70,026
Other Profit or Loss	39,682	56,784
Financial Product Net Profit(Loss) at Fair Value through Profit and Loss	1,344	1,232
Foreign Currency Exchange Net Loss	(18,004)	25,781
Interest Expense	(58,591)	(43,960)
Management and Administration Expense	(_____ 590,688)	(_____ 526,430)
Pre-tax Net Profit	<u>\$ 1,324,658</u>	<u>\$ 1,788,513</u>

Income for aforementioned departments reported are all generated from transactions with exterior clients. There were no inter-department sales for 2016 and 2015.

Department profit means profits made by respective departments, excluding amortized management and administration expense, interest income, financial product net profit (loss) at fair value through profit and loss, rent income, other profits or loss, interest expense, foreign currency exchange net loss as well as income tax expense. This measurement amount is mainly provided to operating decision makers for the purpose of distributing resources to departments as well as assessing department performance.

(2) Department Asset

Measurement of consolidated company's assets is not provided to operating decision makers, and therefore measurement amount for assets is zero.

(3) Other Department Information

	Depreciation and Amortization	
	2016	2015
Casting Processing Dept.	\$ 456,751	\$ 435,964
Other	<u>15,861</u>	<u>31,883</u>
	<u>\$ 472,612</u>	<u>\$ 467,847</u>

(4) Major Product Income

Major products for consolidated company's continuous operating units are analyzed as follows:

	<u>2016</u>	<u>2015</u>
Energy Castings	\$ 3,893,540	\$ 4,757,759
Injection Molding Machine Castings	1,863,685	1,784,435
Industry Machine Castings	1,419,404	1,221,393
Medical Devices Castings	<u>197,259</u>	<u>358,883</u>
	<u>\$ 7,373,888</u>	<u>\$ 8,122,470</u>

(5) Information of Regions

Two major business regions for consolidated company – China and Taiwan
Information of consolidated company's operating unit income from exterior clients is classified as follows based on operating regions as well as asset locations for non-current assets:

	<u>Income from Exterior</u>	<u>Clients</u>	<u>Non-Current Assets</u>	
	<u>2016</u>	<u>2015</u>	<u>Dec. 31st, 2016</u>	<u>Dec. 31st, 2015</u>
China	\$ 3,077,524	\$ 3,763,633	\$ 5,458,935	\$ 4,999,449
Taiwan	3,862,981	4,011,047	631,538	195,084
Other	<u>433,383</u>	<u>347,790</u>	<u>762,084</u>	<u>825,054</u>
	<u>\$ 7,373,888</u>	<u>\$ 8,122,470</u>	<u>\$ 6,852,557</u>	<u>\$ 6,019,587</u>

Non-current assets do not include assets classified as financial instrument or deferred income tax asset.

(6) Information of Major Clients

Information of income from a single client exceeding 10% of consolidated company's total income is as follows:

	<u>2016</u>	<u>2015</u>
Client A	\$ 1,270,743	\$ 1,400,788
Client B	1,065,662	1,143,188

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES

Capital Lending to Others

Year 2016

Appendix 1

Unit: NTD in thousands unless otherwise prescribed

Serial No	Financing Company	Borrower	Financial Statements Account	Related Party	Maximum Balance for the Year	Ending Balance	Balance Used	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Bad Debt Allowance	Collateral		Financing limit for each borrowing company	Financing Amount Limits	Note
													Item	Value			
0	Yeong Guan Energy Technology Group Co., Ltd	Yeong Guan Energy Holding Company	Other Account Receivable— Related Party	Yes	\$ 54,195 (USD 1,680 thousands)	\$ -	\$ -	-	Short Term Financing Capital	\$	Business Turnover	\$	—	—	\$ 2,932,245	\$ 4,887,075	
		Yeong Guan Energy Holding Company	Other Account Receivable— Related Party	Yes	806,469 (USD 25,000 thousands)	-	-	-	Short Term Financing Capital		Business Turnover		—	—	2,932,245	4,887,075	
1	Yeong Guan Energy Holding Company	Yeong Chen Asia Pacific Co., Ltd.	Other Account Receivable— Related Party	Yes	441,300 (USD 13,680 thousands)	-	-	-	Short Term Financing Capital		Business Turnover		—	—	11,912,588	11,912,588	
		Yeong Guan International Company	Other Account Receivable— Related Party	Yes	451,622 (USD 14,000 thousands)	-	-	-	Short Term Financing Capital		Business Turnover		—	—	11,912,588	11,912,588	
		Yeong Chen Asia Pacific Co., Ltd.	Other Account Receivable— Related Party	Yes	161,294 (USD 5,000 thousands)	161,294 (USD 5,000 thousands)	161,294 (USD 5,000 thousands)	-	Short Term Financing Capital		Business Turnover		—	—	11,912,588	11,912,588	
		Yeong Guan International Company	Other Account Receivable— Related Party	Yes	774,210 (USD 24,000 thousands)	774,210 (USD 24,000 thousands)	774,210 (USD 24,000 thousands)	-	Short Term Financing Capital		Business Turnover		—	—	11,912,588	11,912,588	
2	Yeong Guan International Company	Shanghai No. 1 Machine Tool Co., Ltd.	Other Account Receivable— Related Party	Yes	186,010 (RMB 40,000 thousands)	186,010 (RMB 40,000 thousands)	186,010 (RMB 40,000 thousands)	1	Short Term Financing Capital		Business Turnover		—	—	2,564,100	17,093,988	
		Shanghai No. 1 Machine Tool Co., Ltd.	Other Account Receivable— Related Party	Yes	186,010 (RMB 40,000 thousands)	186,010 (RMB 40,000 thousands)	186,010 (RMB 40,000 thousands)	1	Short Term Financing Capital		Business Turnover		—	—	2,564,100	17,093,988	
3	Dongguan Yeong Guan	Shanghai No. 1 Machine	Other Account	Yes	158,108	158,108	158,108	4	Short Term Financing		Business		—	—	189,060	1,260,402	

	Mould Factory Co., Ltd.	Tool Co., Ltd.	Receivable— Related Party		(RMB 34,000 thousands)	(RMB 34,000 thousands)	(RMB 34,000 thousands)		Capital		Turnover						
4	Ningbo Yeong Shang Casting Iron Co., Ltd.	Shanghai No. 1 Machine Tool Co., Ltd.	Other Account	Yes	186,010	186,010	116,256	4	Short Term Financing		Business	—	—	913,761	6,091,742		
			Receivable— Related Party		(RMB 40,000 thousands)	(RMB 40,000 thousands)	(RMB 40,000 thousands)		Capital		Turnover						
5	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Other Account	Yes	93,005	-	-	4.2	Short Term Financing		Business	—	—	3,859,830	3,859,830		
			Receivable— Related Party		(RMB 20,000 thousands)				Capital		Turnover						
		Jiangsu Bright Steel Fine Machinery Co., Ltd.	Other Account	Yes	93,005	93,005	93,005	4.2	Short Term Financing		Business	—	—	3,859,830	3,859,830		
			Receivable— Related Party		(RMB 20,000 thousands)	(RMB 20,000 thousands)	(RMB 20,000 thousands)		Capital		Turnover						
		Shanghai No. 1 Machine Tool Co., Ltd.	Other Account	Yes	372,020	186,010	186,010	4	Short Term Financing		Business	—	—	578,975	3,859,830		
			Receivable— Related Party		(RMB 80,000 thousands)	(RMB 40,000 thousands)	(RMB 40,000 thousands)		Capital		Turnover						

Note 1: Maximum balance and ending balance for this year are calculated based on exchange rate on Dec. 31, 2016.

Note 2: Aforementioned transactions have all been cancelled during preparation of consolidated financial Statements.

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES

Endorsement/Guarantee for Others

Year 2016

Appendix 2

Unit: NTD in thousands unless otherwise prescribed

Serial No.	Endorsement / Guarantee Provider	Guaranteed Party		Endorsement /guarantee amount limit to each company	Maximum endorsement /guarantee balance for this year	Ending Endorsement /guarantee balance	Balance Used	Endorsement /guarantee amount collateralized by property	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Endorsement /guarantee amount limit	Parent company's endorsement /guarantee for subsidiary	Subsidiary's endorsement /guarantee for Parent company	endorsement /guarantee for China region	Note
		Name	Relationship											
0	Ningbo Yeong Shang Casting Iron Co., Ltd.	Ningbo Yeong Chia Mei Trade Co., Ltd.	Same parent company	\$ 30,458,710	\$ 225,964	\$ 225,964	\$ -	\$-	2.31%	\$ 30,458,710	No	No	Yes	
1	Yeong Guan Energy Technology Group Co., Ltd	Shin Shang Trade Co., Ltd.	Sub-subsiary	4,887,075	(RMB 48,590 thousands) 64,520	(RMB 48,590 thousands) -	-	-	-	7,819,320	Yes	No	No	
		Shin Shang Trade Co., Ltd.	Sub-subsiary	4,887,075	(USD 2,000 thousands) 137,750	16,530	16,530	-	0.17%	7,819,320	Yes	No	No	
		Shin Shang Trade Co., Ltd.	Sub-subsiary	4,887,075	(JPY 500,000 thousands) 22,371	(JPY 60,000 thousands) 22,371	3,196	-	0.23%	7,819,320	Yes	No	No	
		Shin Shang Trade Co., Ltd.	Sub-subsiary	4,887,075	(JPY 81,200 thousands) 87,102	(JPY 81,200 thousands) 87,102	-	-	0.89%	7,819,320	Yes	No	No	
		Yeong Chen Asia Pacific Co., Ltd.	Sub-subsiary	4,887,075	(USD 2,700 thousands) 62,260	(USD 2,700 thousands) -	-	-	-	7,819,320	Yes	No	No	
		Yeong Chen Asia Pacific Co., Ltd.	Sub-subsiary	4,887,075	(USD 1,000 thousands) 200,000	-	-	-	-	7,819,320	Yes	No	No	
		Yeong Chen Asia Pacific Co., Ltd.	Sub-subsiary	4,887,075	(NTD 30,000 thousands) 258,080	-	-	-	-	7,819,320	Yes	No	No	
		Yeong Chen Asia Pacific Co., Ltd.	Sub-subsiary	4,887,075	(USD 8,000 thousands) 50,000	50,000	-	-	0.51%	7,819,320	Yes	No	No	
		Yeong Chen Asia Pacific Co., Ltd.	Sub-subsiary	4,887,075	161,300	161,300	-	-	1.65%	7,819,320	Yes	No	No	
		Yeong Chen Asia Pacific Co., Ltd.	Sub-subsiary	4,887,075	(USD 5,000 thousands) 161,300	(USD 5,000 thousands) 161,300	-	-	1.65%	7,819,320	Yes	No	No	
		Yeong Chen Asia Pacific Co., Ltd.	Sub-subsiary	4,887,075	(USD 5,000 thousands) 200,000	(USD 5,000 thousands) 200,000	-	-	2.05%	7,819,320	Yes	No	No	
		Yeong Chen Asia Pacific Co., Ltd.	Sub-subsiary	4,887,075	258,080	258,080	-	-	2.64%	7,819,320	Yes	No	No	
		Yeong Guan Energy Holding Company	Subsidiary	4,887,075	(USD 8,000 thousands) 135,000	(USD 8,000 thousands) 135,000	-	-	1.38%	7,819,320	Yes	No	No	
		Yeong Guan Energy Holding Company	Subsidiary	4,887,075	300,000	-	-	-	-	7,819,320	Yes	No	No	
		Yeong Guan Energy Holding Company	Subsidiary	4,887,075	845,000	845,000	-	-	8.65%	7,819,320	Yes	No	No	
		Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsiary	4,887,075	48,390	-	-	-	-	7,819,320	Yes	No	Yes	
		Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsiary	4,887,075	(USD 1,500 thousands) 48,390	-	-	-	-	7,819,320	Yes	No	Yes	

	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 1,500 thousands) 64,520	-	-	-	-	-	7,819,320	Yes	No	Yes
	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 2,000 thousands) 80,650	-	-	-	-	-	7,819,320	Yes	No	Yes
	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsidiary	\$ 4,887,075	(USD 2,500 thousands) \$ 129,040	\$ -	\$ -	\$-	-	-	\$ 7,819,320	Yes	No	Yes
	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 4,000 thousands) 64,520	64,520	64,520	-	0.66%	-	7,819,320	Yes	No	Yes
	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 2,000 thousands) 96,780	(USD 2,000 thousands) 96,780	(USD 2,000 thousands) 96,780	-	0.99%	-	7,819,320	Yes	No	Yes
	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 3,000 thousands) 129,040	(USD 3,000 thousands) 129,040	(USD 3,000 thousands) -	-	1.32%	-	7,819,320	Yes	No	Yes
	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 4,000 thousands) 145,170	(USD 4,000 thousands) 145,170	(USD 2,500 thousands) 80,650	-	1.49%	-	7,819,320	Yes	No	Yes
	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 4,500 thousands) 161,300	(USD 4,500 thousands) 161,300	(USD 2,500 thousands) -	-	1.65%	-	7,819,320	Yes	No	Yes
	Ningbo Yeong Shang Casting Iron Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 5,000 thousands) 96,780	(USD 5,000 thousands) 96,780	(USD 3,000 thousands) -	-	0.99%	-	7,819,320	Yes	No	Yes
	Ningbo Yeong Shang Casting Iron Co., Ltd.	Subsidiary of Sub-subsidiary	4,887,075	(USD 3,000 thousands) 96,780	(USD 3,000 thousands) 96,780	(USD 3,000 thousands) 96,780	-	0.99%	-	7,819,320	Yes	No	Yes

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES

Purchase/Sales Amount with Related Party exceeding NTD100 Million or 20% of Paid-In Capital

Year 2016

Appendix 3

Unit: NTD thousands

Purchase (Sales) Company	Transaction Counterpart	Relationship	Transaction Details				Cases and Reasons for Transaction Terms Different Those of Average Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amounts	Percentage of Total Purchase (Sales)	Credit Extension Period	Unit Price	Credit Extension Period	Balance	Percentage of Total Notes/Accounts Receivables (Payables)	
Ningbo Yeong Shang Casting Iron Co., Ltd.	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Same parent company	Purchase	\$ 137,479	8%	(Note 1)	\$	\$	(\$ 70,069)	17%	
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	Same parent company	Purchase	143,483	11%	(Note 1)			(11,937)	9%	
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Same parent company	Purchase	147,200	11%	(Note 1)			(2,064)	2%	
				(Note 2)							
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Same parent company	Purchase	138,754	6%	(Note 1)			(102,499)	18%	
Shin Shang Trade Co., Ltd.	Dongguan Yeong Guan Mould Factory Co., Ltd.	Same parent company	Purchase	293,367	71%	(Note 1)			(87,812)	59%	
Yeong Chen Asia Pacific Co., Ltd.	Dongguan Yeong Guan Mould Factory Co., Ltd.	Same parent company	Purchase	129,504	4%	(Note 1)			(28,501)	3%	
Yeong Chen Asia Pacific Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	Same parent company	Purchase	756,192	21%	(Note 1)			(233,588)	25%	
Yeong Chen Asia Pacific Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Same parent company	Purchase	2,010,081	57%	(Note 1)			(536,602)	58%	
				(Note 3)							
Yeong Chen Asia Pacific Co., Ltd.	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Same parent company	Purchase	189,737	5%	(Note 1)			(63,311)	7%	
Ningbo Yeong Shang Casting Iron Co., Ltd.	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Same parent company	(Sales)	(143,483)	7%	(Note 1)			11,937	2%	
Ningbo Yeong Shang Casting Iron Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	Same parent company	(Sales)	(756,192)	38%	(Note 1)			233,588	34%	
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	Same parent company	(Sales)	(137,479)	8%	(Note 1)			70,069	21%	
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Same parent company	(Sales)	(138,754)	8%	(Note 1)			102,499	31%	
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	Same parent company	(Sales)	(189,737)	11%	(Note 1)			63,311	19%	
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Same parent company	(Sales)	(147,200)	5%	(Note 1)			2,064	-	
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	Same parent company	(Sales)	(2,010,081)	65%	(Note 1)			536,602	54%	
Dongguan Yeong Guan Mould Factory Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	Same parent company	(Sales)	(129,504)	23%	(Note 1)			28,501	17%	
Dongguan Yeong Guan Mould Factory Co., Ltd.	Shin Shang Trade Co., Ltd.	Same parent company	(Sales)	(293,367)	51%	(Note 1)			87,812	52%	

Note 1: Price and payment terms for transactions with related party are determined in accordance with the parties' agreement.

Note 2: This includes operating cost NTD 142,399 (thousands) and purchase of fixed assets NTD 4,801 (thousands).

Note 3: This includes operating cost NTD 2,009,850 (thousands) and purchase of fixed assets NTD 231 (thousands).

Note 4: Aforementioned transactions have all been cancelled during preparation of consolidated financial Statements.

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES

Account receivable – Related Party Exceeding NTD100 Million or 20% of Paid-In Capital

December 31, 2016

Appendix 4

Unit: NTD thousands

Account Receivable Recognizing Company	Transaction Counterparty	Relationship	Account Receivable – Related Party Balance	Turnover Rate	Overdue Account Receivable – Related Party		Account Receivable – Related Party Subsequent Recovered Amount	Bad Debt Allowance
					Amount	Processing Method		
Ningbo Yeong Shang Casting Iron Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	Same ultimate parent company	\$233,588	-	\$ -	-	\$ -	\$ -
Ningbo Yeong Shang Casting Iron Co., Ltd.	Shanghai No. 1 Machine Tool Co., Ltd.	Same ultimate parent company	117,550 Note 1	-	-	-	-	-
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Same ultimate parent company	196,107 Note 2	-	-	-	-	-
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Shanghai No. 1 Machine Tool Co., Ltd.	Same ultimate parent company	192,944 Note 3	-	-	-	-	-
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	Same ultimate parent company	536,602	-	-	-	-	-
Dongguan Yeong Guan Mould Factory Co., Ltd.	Shanghai No. 1 Machine Tool Co., Ltd.	Same ultimate parent company	163,896 Note 4	-	-	-	-	-
Yeong Guan International Company	Shanghai No. 1 Machine Tool Co., Ltd.	Subsidiary	373,615 Note 5	-	-	-	-	-
Shin Shang Trade Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Same ultimate parent company	103,700 Note 6	-	-	-	-	-
Yeong Guan Energy Holding Company	Yeong Guan International Company	Subsidiary	774,240 Note 7	-	-	-	-	-
Yeong Guan Energy Holding Company	Yeong Chen Asia Pacific Co., Ltd.	Subsidiary	161,300 Note 7	-	-	-	-	-

Note 1: This includes financing amount NTD 116,261(thousands) and interest receivable of NTD1,289 (thousands).

Note 2: This includes Account Receivable –Related Party NTD 102,499 (thousands), financing amount of NTD 93,009 (thousands) and interest receivable of NTD599 (thousands).

Note 3: This includes financing amount NTD 186,017(thousands) and interest receivable of NTD 6,927 (thousands).

Note 4: This includes financing amount NTD 158,114(thousands) and interest receivable of NTD 5,782 (thousands).

Note 5: This includes financing amount NTD 372,034(thousands) and interest receivable of NTD 1,581 (thousands).

Note 6: Purshcase of Machine Equipment on behalf of others.

Note 7: This is financing amount.

Note 8: Aforementioned transactions have all been cancelled during preparation of consolidated financial Statements.

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES

Related Information of Invested Company Information and Location

Year 2016

Appendix 5

Unit: NTD thousands

Name of Investing Company	Name of Invested Company	Location	Major Business Items	Original Investment Amount		Year End Ownership			Current (Loss) Profit for Invested Company	Recognized Current Investment (Loss) Profit	Note
				Dec. 31 st , 2016	Dec. 31 st , 2015	Number of Shares	Percentage (%)	Book Value			
Yeong Guan Energy Technology Group Co., Ltd	Yeong Guan Holding Co., Ltd.	British Virgin Islands	Investment Holding Business	\$ 4,525,878	\$ 4,525,878	146,000,000	100.00	\$ 11,912,588	\$ 1,192,301	\$ 1,192,301	Note 1
	Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Thailand	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	348,375	348,375	37,500,000	75.00	330,830	(1,542)	(1,157)	Note 1
Yeong Guan Holding Co., Ltd.	Yeong Guan International Co., Ltd.	Hong Kong	Investment Holding Business	4,137,489	4,137,489	506,000,000	100.00	8,546,232	893,517	893,507	Note 1
	Shin Shang Trade Co., Ltd.	British Virgin Islands	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	226,069	226,069	50,000	100.00	117,463	146	2,291	Note 1
New Power Team Technology Inc.	Yeong Chen Asia Pacific Co., Ltd.	Taiwan	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	95,000	95,000	-	100.00	830,874	150,692	149,648	Note 1
	New Power Team Technology Inc.	Taiwan	Processing, manufacturing and selling of various of machinery and hardware	221,000	-	13,000,000	52.00	208,613	(15,641)	(7,961)	Note 1
	Lizhan Limited	Samoa	Investment Holding Business	32,237	-	-	100.00	27,825	(3,422)	(3,416)	Note 1

Note 1: Calculation is based on invested company's CPA certified financial Statements in the same period and the Company's ownership percentage.

Note 2: Investment profit/loss among invested companies, investment company's long term equity investment and equity net value among invested companies have all been cancelled during preparation of consolidated financial Statements.

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES
China Investment Information
Year 2016

Appendix 6 Unit: NTD thousands

Names of Invested Companies in China	Main Business Items	Paid-In Capital	Investment Methods (Note 1)	Accumulated Investment Amounts Remitted from Taiwan, Beginning of This Year	Current Year Investment Amounts Remitted Out or Retrieved Back		Current Year End Accumulated Investment Amount Remitted from Taiwan	Invested Company's Profit/Loss for Current Year	The Company's Direct or Indirect Ownership Percentage	Current Investment Profit (Loss) Recognized (note 2)	Year End Investment Book Value	Investment Yield Remitted Back as of Year End	Note
					Remitted Out	Retrieved Back							
Ningbo Yeong Shang Casting Iron Co., Ltd.	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	\$ 1,390,406	(5)	\$ -	\$ -	\$ -	\$ -	\$ 189,047	100%	\$ 193,559	\$ 3,076,084	\$ -	
Dongguan Yeong Guan Casting Iron Factory Co., Ltd.	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	128,955	(5)	-	-	-	-	84,404	100%	83,694	624,574	-	
Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Casting Co., Ltd.	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	442,123	(5)	-	-	-	-	307,648	100%	304,732	1,915,272	-	
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	2,580,800	(5)	-	-	-	-	453,439	100%	451,071	3,994,782	-	
Ningbo Yeong Chia Mei Trade Co., Ltd.	Transaction of various steel castings and casting molds as well as related import/export businesses	32,260	(5)	-	-	-	-	1,100	100%	855	34,739	-	
Shanghai No. 1 Machine Tool (Suzhou) Co., Ltd.	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	759,400	(5)	-	-	-	-	(43,602)	90%	(28,308)	24,400	-	
Shanghai No. 1 Machine Tool and Marketing Co., Ltd.	Trading, importing and exporting of various steel and iron castings and casting mold	162,765	(5)	-	-	-	-	(4,279)	90%	(4,279)	12,465	-	
Ningbo New Power Team Technology Co., Ltd.	Manufacturing and selling of medial equipment, wind turbine hub and semiconductor equipment products	32,260		-	32,260	32,260	(3,424)		52%	(3,424)	27,817	-	

Year End Accumulated Investment Amount Remitted from Taiwan to China	Investment Amount Approved by Investment Commission of the Ministry of Economic Affairs	Limits for Investment in China Stipulated by Investment Commission of the Ministry of Economic Affairs
NT\$32,260 (US\$1,000)	NT\$32,260 (US\$1,000)	NT\$5,864,490

Note 1: Methods of investments are classified into the following 5 types. A simple mark on type will do:
(1) Investment in company in China through remittance from third party region;
(2) Investing companies in China through setting up a company in third party region first;
(3) Investing companies in China through investments in an existing company in the third party region;

(4) Direct investment in companies in China;

(5) Others

Note 2: Calculation is based on Taiwan parent company CPA certified financial Statements and the Company's ownership percentage.

Note 3: Investment profit/loss among invested companies, investment company's long term equity investment and equity net value among invested companies have all been cancelled during preparation of consolidated financial Statements.

YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD. AND SUBSIDIARIES
Business Relationship and Critical Transaction/Amount between Parent Company and Subsidiaries and Among Subsidiaries
Year 2016

Appendix 7

Unit: NTD thousands

Serial No. (Note 1)	Name of Transaction Entity	Transaction Counterparty	Relationship with Transaction Counterparty (Note 2)	Details of Transactions			
				Items	Amounts	Transaction Terms	Percentage of Consolidated Total Revenue or Total Assets (Note 3)
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	3	Account Receivable – Related Party	\$ 11,937	Based on the parties' agreement	-
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	3	Account Receivable – Related Party	21,690	Based on the parties' agreement	-
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Account Receivable – Related Party	233,588	Based on the parties' agreement	2%
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Shin Shang Trade Co., Ltd.	3	Account Receivable – Related Party	31,400	Based on the parties' agreement	-
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Shanghai No. 1 Machine Tool Co., Ltd.	3	Other Account Receivable – Related Party	117,550	Based on the parties' agreement	1%
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	3	Operating Revenue	143,483	Based on the parties' agreement	2%
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	3	Operating Revenue	38,921	Based on the parties' agreement	1%
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Operating Revenue	756,192	Based on the parties' agreement	10%
1	Ningbo Yeong Shang Casting Iron Co., Ltd.	Shin Shang Trade Co., Ltd.	3	Operating Revenue	98,546	Based on the parties' agreement	1%
2	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	3	Account Receivable – Related Party	70,069	Based on the parties' agreement	-
2	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	3	Account Receivable – Related Party	102,499	Based on the parties' agreement	1%
2	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Account Receivable – Related Party	63,311	Based on the parties' agreement	-
2	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	3	Other Account Receivable – Related Party	93,608	Based on the parties' agreement	1%
2	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Shanghai No. 1 Machine Tool Co., Ltd.	3	Other Account Receivable – Related Party	192,944	Based on the parties' agreement	1%
2	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	3	Operating Revenue	137,479	Based on the parties' agreement	2%
2	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Operating Revenue	189,737	Based on the parties' agreement	3%
2	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	3	Operating Revenue	138,754	Based on the parties' agreement	2%
3	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	3	Account Receivable – Related Party	11,700	Based on the parties' agreement	-
3	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Account Receivable – Related Party	536,602	Based on the parties' agreement	4%
3	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Shin Shang Trade Co., Ltd.	3	Other Account Receivable – Related Party	19,356	Based on the parties' agreement	-
3	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Equipment prepayments	111,586	Based on the parties' agreement	1%
3	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	3	Operating Revenue	78,509	Based on the parties' agreement	1%
3	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	3	Operating Revenue	142,399	Based on the parties' agreement	2%
3	Jiangsu Bright Steel Fine Machinery Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Operating Revenue	2,009,850	Based on the parties' agreement	27%
4	Dongguan Yeong Guan Mould Factory Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	3	Account Receivable – Related Party	11,082	Based on the parties' agreement	-
4	Dongguan Yeong Guan Mould Factory Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Account Receivable – Related Party	28,501	Based on the parties' agreement	-
4	Dongguan Yeong Guan Mould Factory Co., Ltd.	Shin Shang Trade Co., Ltd.	3	Account Receivable – Related Party	87,812	Based on the parties' agreement	1%
4	Dongguan Yeong Guan Mould Factory Co., Ltd.	Shanghai No. 1 Machine Tool Co., Ltd.	3	Other Account Receivable – Related Party	163,896	Based on the parties' agreement	1%
4	Dongguan Yeong Guan Mould Factory Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	3	Operating Revenue	37,873	Based on the parties' agreement	1%
4	Dongguan Yeong Guan Mould Factory Co., Ltd.	Yeong Chen Asia Pacific Co., Ltd.	3	Operating Revenue	\$ 129,504	Based on the parties' agreement	2%
4	Dongguan Yeong Guan Mould Factory Co., Ltd.	Shin Shang Trade Co., Ltd.	3	Operating Revenue	293,367	Based on the parties' agreement	4%
5	Yeong Guan International Company	Shanghai No. 1 Machine Tool Co., Ltd.	3	Other Account Receivable – Related Party	373,615	Based on the parties' agreement	2%
6	Shin Shang Trade Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	3	Other Account Receivable – Related Party	103,700	Based on the parties' agreement	1%

7	Yeong Chen Asia Pacific Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	3	Account Receivable — Related Party	11,883	Based on the parties' agreement	-
7	Yeong Chen Asia Pacific Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd.	3	Account Receivable — Related Party	18,098	Based on the parties' agreement	-
7	Yeong Chen Asia Pacific Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd.	3	Operating Revenue	24,287	Based on the parties' agreement	-
8	Yeong Guan Energy Holding Company	Yeong Guan International Company	3	Other Account Receivable — Related Party	774,240	Based on the parties' agreement	5%
8	Yeong Guan Energy Holding Company	Yeong Chen Asia Pacific Co., Ltd.	3	Other Account Receivable — Related Party	161,300	Based on the parties' agreement	1%

Note 1: 0 represents parent company, while serial numbers for subsidiaries start from 1 based on respective company categories.

Note 2: 1 represents transaction entered by parent company with subsidiary; 2 represents transaction entered by subsidiary with parent company; 3 represents transactions between subsidiaries.

Note 3: With respect to calculation for transaction amount's percentage of consolidated total revenue or total assets, asset/liability items are based on ending balance's percentage of consolidated total assets and liabilities, while income items are based on ending accumulated amount's percentage over consolidated total revenue.

Note 4: All transactions on aforementioned appendix have already been written-off when consolidated financial Statements are prepared.

Stock Code: 1589

Yeong Guan Energy Technology Group Co., Ltd.

Chairman of the Board: Chang, Hsien-Ming