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Stock Code: 1589

# Yeong Guan Energy Technology Group Co., Ltd.

# 2015

# 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 May10, 2016**

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## I. Spokesperson and Deputy Spokesperson:

| Spokesperson | Deputy Spokesperson |
|---|---|
| Name: Tsai Shu-Ken | Name: Chang, Wen-Lung |
| Title: Vice Chairman | Title: Director and Executive Vice President |
| Tel: (86)574-8622-8866 | Tel: (886)3-483-9216 |
| E-mail address: andy@nbys.com.cn | 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, Grand Cayman, KY1-1111, Cayman Islands
Tel: (86)574-8622-8866

(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 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, Xinhu 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, Xinhu 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: New Power Team Technology Co., Ltd. Tel: (886)3-386-7671
Address: No.9, Minquan Rd., Dayuan Dist., Taoyuan City 337, Taiwan (R.O.C.)

3.Hong Kong Subsidiary

Name: Yeong Guan 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

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:**

May 10, 2016

| Title | Name | Nationality | Professional Background |
|---|---|---|---|
| Chairman of the board | Chang, Hsien-Ming | ROC | Chairman of Yeong Guan Energy Technology Group Co., Ltd. |
| Vice Chairman of 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 | Wu, Ting-Tsai | ROC | Chairman of Taiwan Qirui Machinery Co., Ltd. |
| Board director | Hsu, Yu-Yue | ROC | Supervisor of San Ho Electric Machinery Industry Co., Ltd. |
| Board director | Chang, Chih-Kai | ROC | Special Assistant to the Chairman of Jiangsu Bright Steel Fine Machinery Co., Ltd. |
| Independent director | Chen, Ching-Hung | ROC | President, Sinyi Development Inc. |
| Independent director | Chang, Cheng-Lung | ROC | Financial advisor to Taipei Rapid Transit Corporation |
| Independent director | Wei, Chia-Min | ROC | Vice President of Metal Industries Research & Development Center |

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## Table of Contents

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# I. Letter to Shareholders

Allow me to take this opportunity to welcome you to the 2016 Annual Shareholders Meeting and express my deep gratitude for your continued support and engagement. Our business operations in 2015 may be summarized as follows:

1. Operating performance in 2015

   (a) Business plan implementation results:

   The total consolidated revenue of Yeong Guan Group for 2015 amounted to 8.122 billion NT dollars, an increase by 12.71% compared to the same period of the previous year. The output volume reached 152,362 tons, marking a growth by 13.3% compared to the same period of the preceding year. The revenue ratios of energy, injection molding machinery, industrial machinery, and medical equipment were 58.6%, 22.0%, 15.0%, and 4.4%, respectively. As far as profits are concerned, the gross profit rate rose from 31.3% to 32.9% (an increase by 1.6%) as a result of lower raw material prices, economies of scale, and exchange rate developments. Earnings per share reached a record high of 12.24 NT dollars, marking a 25% increase over the figure for the same period of the preceding year (9.78 NT dollars). To sum up, the company was able to meet growth target of 10+ percent in the field of annual output volume which exceeded 150,000 tons in 2015, while the revenues and profits reached a new peak.

   (b) Budget implementation:

   The projected net income after tax for 2015 was 1,127,435,000 NT dollars and the actual net income amounted to 1,350,717,000 NT dollars, which represents a budget achievement rate of 119.8%.

   (c) Analysis of revenues and expenditures and profitability: Please refer to the Consolidated Comprehensive Income Statement

   (d) Research and development status:

   R&D investments in 2015 accounted for 1.1% 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 2016 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.

Looking ahead to 2016, the company will benefit from the continued growth in demand for offshore wind turbines. In response to the projected growth in order volume, Yeong Guan acquired Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. in January. This plant is expected to contribute an annual output volume of over 10,000 tons upon adjustment of facilities and production lines. In 2016, the company aims to achieve its production goal of 175,000 tons through an enhanced production efficiency and newly added production capacity of the group itself. Castings and energy are expected to account for 70% of the total output volume. The company continues its commitment to the expansion project of Taichung Harbor and the production base in Thailand with a view to achieving the target of a 100% increase of its output volume within the next five years.

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:

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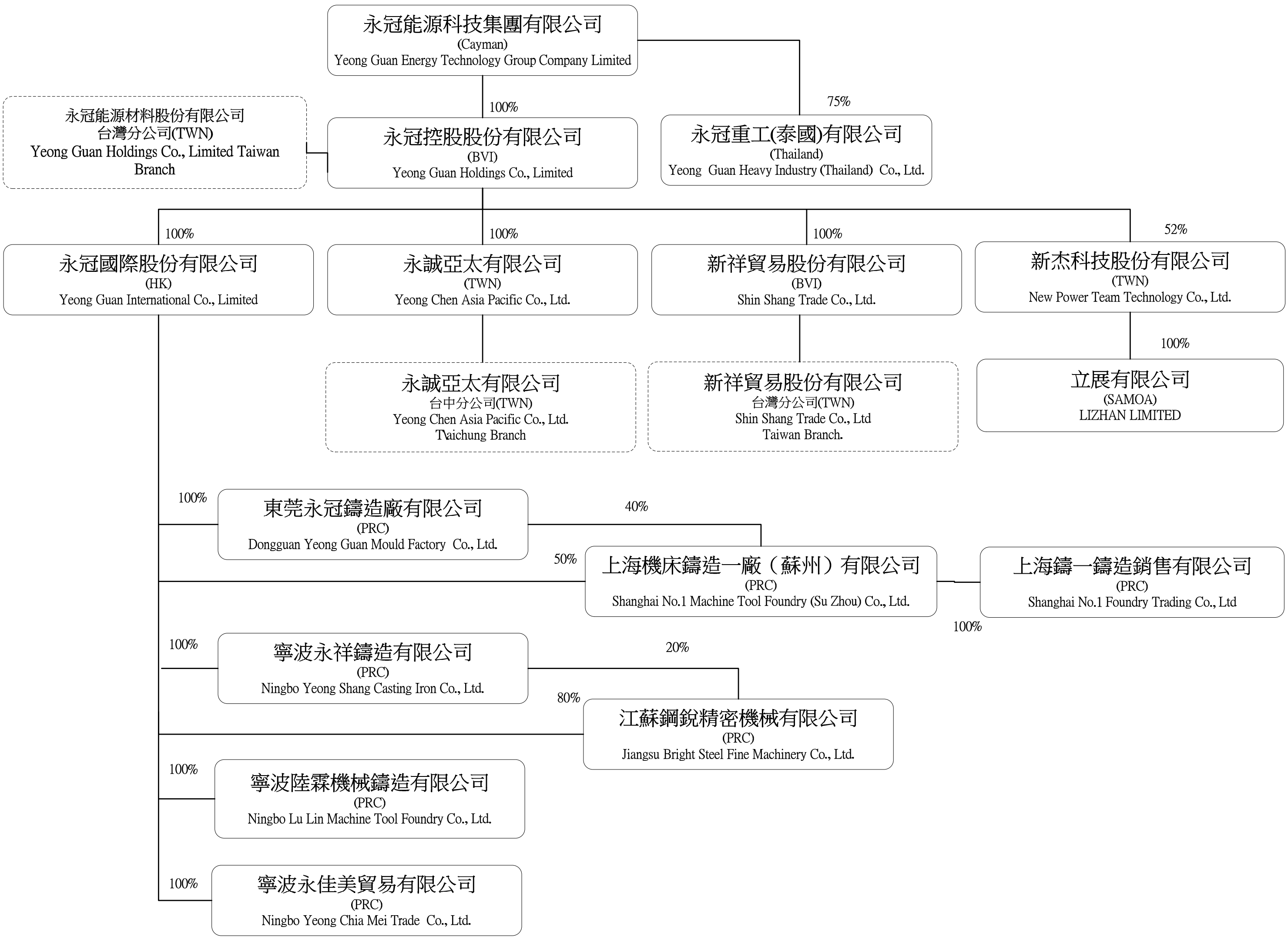
# II. Company Profile

## 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 10, 2016)



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**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. |
| Juny 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.1 Machine Tool Foundry Co., Ltd. |
| | Investment in New Power Team Technology Inc. |

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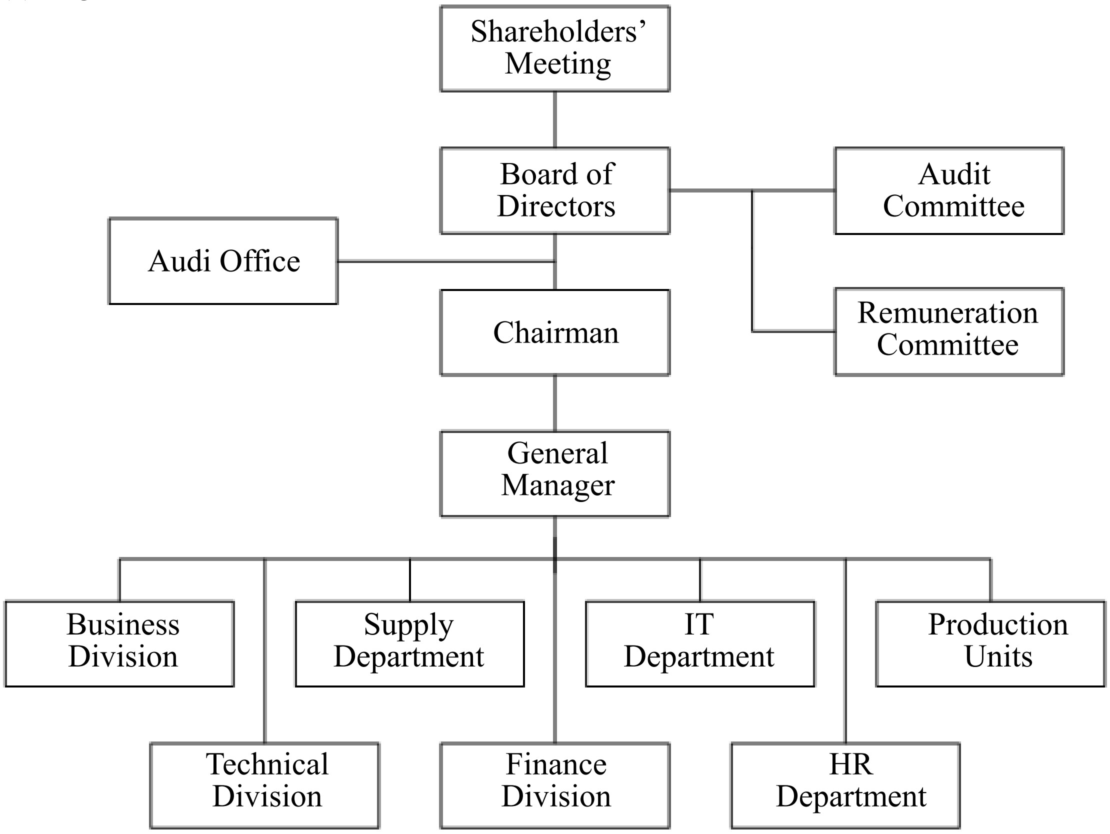
# III. Corporate Governance Report

## 1. Organization

(a) Organization Chart




(b) Major Corporate Functions

| Department | Functions |
|---|---|
| President's Office | Comprehensive strategic planning and supervision and authorization of operations |
| Production units | 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 |
| Business 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 |
| Finance Division | Overall management of accounting and tax affairs, financial budgets, capital movements, and cashier related matters |
| Supply 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 Office | Overall management and establishment of internal audit, control, and other management systems, execution of internal audits and tracking of improvements for the whole group |

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## 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 9, 2016; 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 | June 17, 2013 | 3 | January 22, 2008 | 19,152,540 | 18.98% | 17,487,540 | 14.72% | 3,120 | 0.00% | - | - | Graduation from Xihu High School of Industry and Commerce, Electronics Department<br>Chairman, Yeong Guan Mould Factory Co., Ltd.<br>President, Yeong Guan Mould Factory Co., Ltd.<br>Chairman, Shin Shang Special Industry Co., Ltd.<br>President, Shin Shang Special Industry Co., Ltd.<br>Sales Manager, Shin Shang Special Industry Co., Ltd. | Director, Yeong Guan Holdings Co., Ltd.<br>Director, Yeong Guan International Co., Ltd.<br>Director, Shin Shang Trade Co., Ltd.<br>Director, Yeong Chen Asia Pacific Co., Ltd.<br>Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd.<br>Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd.<br>Supervisor, Taipin Corporation Limited<br>Chairman, Yeong Guan Heavy Industry (Thailand) Co., Ltd.<br>Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. | Director<br>Director | Chang, Wen-Lung<br>Chang, Chih-Kai | Brother<br>Son |
| Director | ROC | Chang, Cheng-Chung | June 17, 2013 | 3 | May 29, 2009 | 4,497,067 | 4.46% | 4.844,408 | 4.08% | 3,462,261 | 2.92% | - | - | Oriental Institute of Technology, Electrical Engineering Department<br>Chairman, San Ho Electric Machinery Industry Co., Ltd.<br>Manager, Five Powers Electric Machinery MFG Co., Ltd. | Chairman, San Ho Electric Machinery Industry Co., Ltd.<br>Director, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Director, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Supervisor, Jiangsu Bright Steel Fine Machinery Co., Ltd.<br>Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. | Director | Hsu, Yu-Yue | Wife |

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| 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 | June 17, 2013 | 3 | January 22, 2008 | 12,951,313 | 12.84% | 8,0009,313 | 6.74% | 2,127,832 | 1.79% | - | - | NTU Department of Law<br>President, Yeong Guan Mould Factory Co., Ltd. | Director, Yeong Guan Holdings Co., Ltd.<br>Director, Yeong Guan International Co., Ltd.<br>Director, Shin Shang Trade Co., Ltd.<br>Chairman and President, Yeong Chen Asia Pacific Co., Ltd.<br>Director, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Director, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Vice Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd.<br>Executive Director, Ningbo Yeong Chia Mei Trade Co., Ltd.<br>Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.<br>Supervisor, New Power Team Technology Co., Ltd. | Director | Chang, Hsien-Ming | Brother |
| Vice Chairman | ROC | Tsai, Shu-Ken | June 17, 2013 | 3 | May 29, 2009 | 1,362,956 | 1.35% | 840,156 | 0.71% | - | - | - | - | EMBA, National Taiwan University of Science and Technology<br>Senior Engineer and Director, Metal Industries R&D Center<br>President, Shieh Yih Machinery Industry Co., Ltd. | Director, Ningbo Yeong He Xing Machinery Industry Co., Ltd.<br>Director, Jiangsu Bright Steel Fine Machinery Co., Ltd.<br>Director, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.<br>Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.<br>Director, New Power Team Technology Co., Ltd. | - | - | - |
| Director | ROC | Chen, Wu-Chi | June 17, 2013 | 3 | May 29, 2009 | 2,754,076 | 2.73% | 1,814,263 | 1.53% | 1,045,944 | 0.88% | - | - | Vice President, Yeong Guan Mould Factory Co., Ltd. | Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Director, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.<br>Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.<br>Director, New Power Team Technology Co., Ltd. | - | - | - |
| Director | ROC | Wu, Ting-Tsai | June 17, 2013 | 3 | May 29, 2009 | 4,181,263 | 4.14% | 2,183,701 | 1.84% | - | - | - | - | Chairman, Taiwan Qirui Machinery Co., Ltd.<br>Chairman, Ningbo General Machinery Co., Ltd. | Director, Grand Mountain International Trading Limited<br>Chairman, Ningbo General Machinery Co., Ltd.<br>Chairman, Guangzhou General Machinery Co., Ltd.<br>Director, Qirui Machinery Co., Ltd. (Guangzhou)<br>Chairman, Qirui Machinery 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 | Hsu, Yu-Yue | June 17, 2013 | 3 | March 19, 2010 | 3,214,018 | 3.19% | 3,462,261 | 2.92% | 4.844,408 | 4.08% | - | - | National Keelung Commercial & Industrial Vocational Senior High School, General Commerce Department<br>Supervisor, San Ho Electric Machinery Industry Co., Ltd. | Supervisor, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Supervisor, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Supervisor, San Ho Electric Machinery Industry Co., Ltd. | Director | Chang, Cheng-Chung | Husband |
| Director | ROC | Chang, Chih-Kai | June 17, 2013 | 3 | June 17, 2013 | - | - | 104,115 | 0.09% | 771 | 0.00% | - | - | 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 | June 17, 2013 | 3 | March 19, 2010 | - | - | - | - | - | - | - | - | NTU Department of Law<br>EMBA, NCCU<br>President, Radium Life Tech Co., Ltd.<br>President, Sinyi Development Inc.<br>President, Dajia Construction Co., Ltd.<br>President, Shanghai Shangtou Investment Management Co., Ltd.<br>President, Shanghai Sinyi Real Estate Litmed | President, Sinyi Development Inc.<br>Representative of juridical person director, Sinyi Real Estate (Shanghai) Limited | - | - | - |
| Independent director | ROC | Chang, Cheng-Lung | June 17, 2013 | 3 | March 19, 2010 | - | - | - | - | - | - | - | - | BA in Commerce, Tamkang University<br>Mini MBA, Stanford University | - | - | - | - |
| Independent director | ROC | Wei, Chia-Min | June 17, 2013 | 3 | June 17, 2013 | - | - | - | - | - | - | - | - | PhD, Graduate Institute of Resource Engineering, National Cheng Kung University<br>Standing director, Taiwan Wind Turbine Industry Association<br>Director, SAE International Taipei Section<br>Vice Chairman, Taiwan Foundry Society<br>Vice Director, Technology & Standards Committee, Taiwan Steel & Iron Industries Association<br>Director, Taiwan Wind Energy Association<br>Vice President, Metal Industries R&D Center | Vice President, Metal Industries R&D Center<br>Director, Edeex Enterprise Co., Ltd.<br>Representative of juridical person director, Everstrong Iron&Steel Foundry&MFG. Corp.<br>Supervisor, Honley Auto Parts Co., Ltd. | - | - | - |

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.

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## 4. Professional qualifications and independence analysis of directors:

| Criteria / Name | 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 |
| Wu, Ting-Tsai | | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | ✓ | ✓ | ✓ | 0 |
| Hsu, Yu-Yue | | | ✓ | ✓ | | | | ✓ | | | | ✓ | ✓ | 0 |
| Chang, Chih-Kai | | | ✓ | | ✓ | ✓ | | ✓ | | | | ✓ | ✓ | 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.

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

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

April 9, 2015; 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 | 2008.1.22 | 17,487,540 | 14.72% | 3,120 | 0.00% | 17,487,540 | 14.72% | Graduation from Xihu High School of Industry and Commerce, Electronics Department<br>Chairman, Yeong Guan Mould Factory Co., Ltd.<br>President, Yeong Guan Mould Factory Co., Ltd.<br>Chairman, Shin Shang Special Industry Co., Ltd.<br>President, Shin Shang Special Industry Co., Ltd.<br>Sales Manager, Shin Shang Special Industry Co., Ltd. | Director, Yeong Guan Holdings Co., Ltd.<br>Director, Yeong Guan International Co., Ltd.<br>Director, Shin Shang Trade Co., Ltd.<br>Director, Yeong Chen Asia Pacific Co., Ltd.<br>Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd.<br>Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd.<br>Supervisor, Taipin Corporation Limited<br>Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.<br>Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. | Director and Executive Vice President | Chang, Wen-Lung | Brother |
| Vice Chairman and Spokesperson | ROC | Tsai, Shu-Ken | 2008.1.1 | 840,156 | 0.71% | - | - | - | - | EMBA, National Taiwan University of Science and Technology<br>Senior Engineer and Director, Metal Industries R&D Center<br>President, Shieh Yih Machinery Industry Co., Ltd. | Director, Jiangsu Bright Steel Fine Machinery Co., Ltd.<br>Director, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.<br>Chairman, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.<br>Director, New Power Team Technology Co., Ltd. | - | - | - |
| Director and Executive Vice President | ROC | Chang, Wen-Lung | 2005.6.29 | 8,0009,313 | 6.74% | 2,127,832 | 1.79% | 8,0009,313 | 6.74% | NTU Department of Law<br>President, Yeong Guan Mould Factory Co., Ltd. | Director, Yeong Guan Holdings Co., Ltd.<br>Director, Yeong Guan International Co., Ltd.<br>Director, Shin Shang Trade Co., Ltd.<br>Chairman and President, Yeong Chen Asia Pacific Co., Ltd.<br>Director, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Supervisor, New Power Team | Chairman | Chang, Hsien-Ming | Brother |

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

| 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 |
| | | | | | | | | | | | Technology Co., Ltd.<br>Director, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Vice Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd.<br>Executive Director, Ningbo Yeong Chia Mei Trade Co., Ltd.<br>Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. | | | |
| Director and Executive Vice President | ROC | Chen, Wu-Chi | 2006.6.1 | 1,814,263 | 1.53% | 1,045,944 | 0.88% | 1,814,263 | 1.53% | Vice President, Yeong Guan Mould Factory Co., Ltd. | Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd.<br>Director, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.<br>Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.<br>Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.<br>Director, New Power Team Technology Co., Ltd. | - | - | - |
| Executive Vice President | R.O.C. | Huang, Wen-Hung | 2015.5.11 | 9,000 | 0.01% | - | - | - | - | EMBA, Royal Roads University<br>Master, Department of Industrial and Commercial Research , China Industrial & Commercial Research Institute<br>COO, Taiwan Express<br>President, Chimei Logistics Corp<br>Vice Director of Marketing Department and Director of Global Business Support Service, Chi Mei Optoelectronics Corporation | President, Jiangsu Bright Steel Fine Machinery Co., Ltd.<br>Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. | | | |
| Executive Vice President | ROC | Kung, Hsing-Yuan | 2006.9.15 | - | - | - | - | - | - | NTU Department of Agricultural Machinery Engineering<br>President, Suzhou Liang Chi Industry Co., Ltd.<br>Vice President, Suzhou Teco Co., Ltd. | | - | - | - |
| Vice President | ROC | Hsu, Ching-Hsiung | 2008.1.1 | - | - | - | - | - | - | Yu Da High School Of Commerce and Home Economics, Commercial Accounting Department<br>Vice President, Chen Hsing Industrial Co., Ltd.<br>President, Weimao Company | President, Ningbo Yeong Shang Casting Iron Co., Ltd.<br>Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. | - | - | - |
| Vice President | ROC | Lin, Tai-Feng | 2010.12.1 | - | - | - | - | - | - | Tamkang University, Department of Marine Engineering<br>President, Great Sun Machinery Co., Ltd. | President, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. | - | - | - |

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

| 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 |
| Vice President | ROC | Huang, Ching-Chung | 2010.12.1 | - | - | - | - | - | - | Chien Hsin Junior College of Technology, Mechanical Engineering Department<br>Lio Ho Machine Works Ltd. | Vice President, Dongguan Yeong Guan Mould Factory Co., Ltd. | - | - | - |
| Vice President | PRC | Kuo, Jui | 2010.12.1 | - | - | - | - | - | - | Sichuan Institute of Technology, Department of Metallic Materials Engineering<br>Engineer, Sichuan Jiangdong Machinery Co., Ltd. | - | - | - | - |
| Vice President | ROC | Lin, Yu-I | 2013.01.7 | - | - | - | - | - | - | MA, Department of Accounting, Soochow University<br>Deloitte&Touche | - | - | - | - |
| Audit Office Director | ROC | Tsai, Ching-Wu | 2012.7.1 | - | - | - | - | - | - | NCCU Department of Accounting<br>Finance Manager, Chen Hsin Co., Ltd.<br>Ernst & Young | - | - | - | - |

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## (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 | | | | | | | | Ratio of total remuneration (A+B+C+D) to net income(%)(note 3) | | 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) | | | | 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 | | 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 | Chang, Hsien-Ming | 1,199 | 1,199 | 0 | 0 | 0 | 0 | 36 | 36 | 0.09% | 0.09% | 0 | 24,466 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.09% | 1.90% | 0 |
| Vice Chairman | Tsai, Shu-Ken | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Chang, Wen-Lung | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Chang, Cheng-Chung | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Chen, Wu-Chi | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Wu, Ting-Tsai | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Hsu, Yu-Yue | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Chang, Chih-Kai | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chen, Ching-Hung | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chang, Cheng-Lung | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Wei, Chia-Min | | | | | | | | | | | | | | | | | | | | | | | | | |

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, Cheng-Chung |
| NT$ 2,000,000 or more but less than NT$ 5,000,000 | — | — | — | Chang, Wen-Lung; Chang, Chih-Kai |
| 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 | 9 directors |

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

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

## 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 | 16,783 | 0 | 0 | 0 | 28,937 | 0 | 0 | 0 | 0 | 0% | 3.39% | 0 | 0 | 0 | 0 | 0 |
| Vice Chairman and Spokesperson | Tsai, Shu-Ken | | | | | | | | | | | | | | | | | |
| Chairman and Executive Vice President | Chang, Wen-Lung | | | | | | | | | | | | | | | | | |
| Chairman and Executive Vice President | Chen, Wu-Chi | | | | | | | | | | | | | | | | | |
| Executive Vice President | Kung, Hsing-Yuan | | | | | | | | | | | | | | | | | |
| Executive Vice President | Hung, 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 | | | | | | | | | | | | | | | | | |

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

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 person | 10 persons |

4. Managers and their allotted employee bonuses:

Unit: 1000 NTD; December 31, 2015

| | 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 | 2014 | | 2015 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Director | 24,625 | 2.46% | 25,701 | 1.90% |
| Presidents and Vice Presidents | 40,383 | 4.03% | 45,720 | 3.39% |
| Consolidated net income | 1,001,817 | 100% | 1,349,123 | 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

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## 3. Implementation of Corporate Governance

(a)Operations of the board of directors

A total of 6 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 | 6 | 0 | 100.00% | |
| Director | Chang, Cheng-Chung | 6 | 0 | 100.00% | |
| Director | Chang, Wen-Lung | 6 | 0 | 100.00% | |
| Director | Tsai, Shu-Ken | 6 | 0 | 100.00% | |
| Director | Chen, Wu-Chi | 5 | 1 | 83.33% | |
| Director | Wu, Ting-Tsai | 2 | 4 | 33.33% | |
| Director | Hsu, Yu-Yue | 6 | 0 | 100.00% | |
| Director | Chang, Chih-Kai | 4 | 2 | 66.67% | |
| Independent Director | Chen, Ching-Hung | 3 | 3 | 50% | |
| Independent Director | Chang, Cheng-Lung | 5 | 1 | 83.33% | |
| Independent Director | Wei, Chia-Min | 6 | 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 13, 2015, the board of directors discussed the award of the 2014 year-end bonus to the managers of the company. Due to the fact that the directors Chang, Hsien-Ming, Tsai Shu-ken, 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 May 7, 2015, 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, 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.
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 6 committee meetings (A) were convened in the most recent fiscal year (2015). Independent director attendance was follows:

| Title | Name | Attendance in person (B) | By proxy (C) | Attendance rate (%) 【B/A】 | Remarks |
|---|---|---|---|---|---|
| Independent director | Chen, Ching-Hung | 4 | 2 | 66.67% | |
| Independent director | Chang, Cheng-Lung | 5 | 1 | 83.33% | |
| Independent director | Wei, Chia-Min | 6 | 0 | 100% | |

Other items to be recorded:

1. If any of the circumstances referred to in Article 14-5 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.

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

(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" | ˇ | | 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<br>(a) Have internal operating procedures for the handling of shareholder suggestions, uncertainties, disputes, or grievances been formulated and implemented?<br>(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?<br>(c) Has the company established and implemented a risk management and firewall mechanism with its affiliates?<br>(d) Has the company formulated internal norms and regulations that prohibit insiders from using non-public information on the market to conduct security transactions? | ˇ<br>ˇ<br>ˇ<br>ˇ | | 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.<br>2. Actual information is provided through service agencies and the company discloses lists of major shareholders and their ultimate controllers ona regular basis in accordance with the Article 25 of Securities and Exchange Act.<br>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<br>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<br>(a) Has the board formulated and implemented diversified policies with regard to membership composition? | ˇ | ˇ | 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 | No major deviations |

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

| Assessment items | Implementation Status | | | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” |
|---|---|---|---|---|
| | Y | N | Brief description | |
| (b) Has the company established other functional committees in addition to the remuneration and audit committees on a voluntary basis?<br>(c) Has the company determined board performance assessment regulations and assessment methods? Are performance assessments carried out every year on a regular basis?<br>(d) Does the company assess the independence of CPAs on a regular basis? | ˇ | ˇ | background. The expertise of the three independent directors spans the fields of finance, law, and industry.<br>2. The company has not established other functional committees. The board will authorize the establishment of other committees in accordance with actual needs.<br>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.<br>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? | ˇ | | The company maintains open communciation channels with banks it has dealings with as well as employees, consumers, and suppliers and respects and protects their lawful rights and interests.<br>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? | ˇ | | The company has commissioned Capital Securities Corp., Registrar Agency Department to handle shareholders meeting affairs | No major deviations |
| 6. Information disclosure<br>(a) Has the company established a corporate website to disclose information regarding the Company’s financials, business, and corporate governance status?<br>(b) Has the company adopted other information disclosure methods (e.g., maintenance of an English-language website, appointment of | ˇ<br>ˇ | | 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.<br>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 | No major deviations |

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| Assessment items | Implementation Status | | | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" |
|---|---|---|---|---|
| | Y | N | Brief description | |
| dedicated personnel in charge of handling information collection and disclosure, implementation of a spokesperson system, webcasting of investor conferences)? | | | accordance with regulations prescribed by the Taiwan Stock Exchange. | |
| 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): | ˇ | | 1. Advanced training for directors and supervisors: The company has scheduled advanced training courses for all directors | No major deviations |

| Title | Name | Training course date | Hours | Organizer | Course title |
|---|---|---|---|---|---|
| Independent Director | Chen, Ching-Hung | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Enterprise Merger and Acquisition Practices and Case Studies |
| | | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act |
| Independent Director | Chang, Cheng-Lung | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Enterprise Merger and Acquisition Practices and Case Studies |
| | | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act |
| Independent Director | Wei, Chia-Min | 12/24/2015 | 3 | Taiwan Corporate Governance Association | Enterprise Merger and Acquisition Practices and Case Studies |
| | | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act |
| | | 2015/4/21 | 3 | Securities & Futures Institute | How to Maximize the Benefits Generated by Functional Committees Subordinate to the Board of Directors? |
| Director | Chang, Wen-Lung | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Enterprise Merger and Acquisition Practices and Case Studies |

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| Assessment items | Implementation Status: Y | Implementation Status: N | Implementation Status: Brief description | | | | | | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act | |
| | | | Director | Chang, Chih-Kai | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Enterprise Merger and Acquisition Practices and Case Studies | |
| | | | | | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act | |
| | | | Director | Tsai, Shu-Ken | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Enterprise Merger and Acquisition Practices and Case Studies | |
| | | | | | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act | |
| | | | | | 2015/05/22 | 3 | Securities&Futures Institute | How to Prevent Insider Trading by Directors and Supervisors> | |
| | | | Director | Chen, Wu-Chi | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Enterprise Merger and Acquisition Practices and Case Studies | |
| | | | | | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act | |
| | | | | | 2015/09/04 | 6 | Accounting Research and Development Foundation | Risks Generated by Earnings Management and Alertness and Response Measures of Internal Auditors | |
| | | | Director | Chang, Hsien-Ming | 2015/12/24 | 3 | Taiwan Corporate Governance Association | Enterprise Merger and Acquisition Practices and Case Studies | |

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<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”</th></tr>
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<tr><td rowspan="2"></td><td rowspan="2"></td><td>2015/12/24</td><td>3</td><td>Taiwan Corporate Governance Association</td><td>Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act</td></tr>
<tr><td>2015/07/02</td><td>3</td><td>Taiwan Academy of Banking and Finance</td><td>Corporate Governance Discussion Forum- Perfection of Corporate Governance and Succession Planning</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Hsu, Yu-Yue</td><td>2015/12/24</td><td>3</td><td>Taiwan Corporate Governance Association</td><td>Enterprise Merger and Acquisition Practices and Case Studies</td></tr>
<tr><td>2015/12/24</td><td>3</td><td>Taiwan Corporate Governance Association</td><td>Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Chang, Cheng-Chung</td><td>2015/12/24</td><td>3</td><td>Taiwan Corporate Governance Association</td><td>Enterprise Merger and Acquisition Practices and Case Studies</td></tr>
<tr><td>2015/12/24</td><td>3</td><td>Taiwan Corporate Governance Association</td><td>Obligations and Responsibilities of Companies, Directors, and Supervisors as Prescribed in the Securities and Exchange Act</td></tr>
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<br>
2. Recusal of directors from discussion and voting on motions that involve conflicts of interest: Restrictions and recusal of directors with regard to motions that involve conflicts of interest are clearly stated in the provisions prescribing methods of exercise of rights by shareholders in the articles of incorporation.<br>
3. Purchase of liability insurance for directors and supervisors: The company has purchased liability insurance for all directors<br>
4. Investor relations, supplier relations, rights of stakeholders: The company has established a spokesperson system to facilitate inquiries on business conditions and consultation with regard to right and interest related issues by investors, suppliers, and stakeholders. The company maintains positive communication channels with banks, suppliers, and
</td><td></td></tr>
</table>

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| Assessment items | Implementation Status | | | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” |
|---|---|---|---|---|
| | Y | N | Brief description | |
| | | | stakeholders. | |
| 8. Has the Company implemented a self-evaluation of corporate governance or has it commissioned any other professional organization to conduct such an evaluation (please specify the opinions of the board, results of such evaluations, major deficiencies or suggestions, and improvements) | | ˇ | The company has not commissioned other professional organizations to conduct evaluations. Board operations, internal controls and audits, and information disclosure are implemented in the spirit of the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”. | Handled in accordance with actual business conditions |

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(d) Remuneration Committee Operations

1. Remuneration committee member data

| Status | Criteria / Name | 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 | 8 | | |
| 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 28, 2013 and will end on June 16, 2016 (on the same day as the 4th board of directors)
   A total of 3 committee meetings (A) were convened in the most recent fiscal year (2015). 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 | 1 | 66.67% | |
| Committee member | Chen, Ching-Hung | 2 | 1 | 66.67% | |
| Committee member | Wei, Chia-Min | 3 | 0 | 100% | |
| Other items to be recorded:<br>1. 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 shoud be specified (if remunerations and compensations approved by the board are higher than those suggested by the committee, the actual discrepancies and reasons shoud be stated clearly): None<br>2. 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 | | | | | |

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## (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? | ˇ | | (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? | ˇ | | (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 handle CSR-related matters and report the progress to the board? | ˇ | | (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 |
| (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? | | ˇ | (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 |
| **2. Fostering a sustainable environment** | | | | |
| (a) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment? | ˇ | | (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 |
| (b) Has the company established a proper environmental management system based on the characteristics of its industry? | ˇ | | (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 | No major deviations |
| | ˇ | | | |

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| Assessment items | Implementation status | | | Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Y | N | Brief description | |
| (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 greenhouse gas reduction strategies? | | | and relevant legal requirements.<br>(c)The company has already implemented energy 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. | No major deviations |
| 3. Preserving public welfare<br>(a) Has the company formulated relevant management policies and procedures pursuant to corresponding laws and regulations and the International Covenant on Human Rights? | ˇ<br>ˇ | | (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<br>No major deviations |
| (b) Has the company established mechanisms and channels for employee grievances and are they handled in a proper manner? | ˇ | | (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? | ˇ | | (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? | ˇ<br>ˇ | | (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 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. | No major deviations<br>No major deviations |
| (e) Has the company established an effective career skill development program for its employees? | ˇ | | (e)The company has established an effective career skill development program for its employees. | No major deviations |
| (f) Has the company formulated relevant policies and grievance | ˇ | | (f)The company doesn't sell its products to end consumers. | No major deviations |

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| Assessment items | Implementation status | | | Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Y | N | Brief description | |
| procedures for the protection of consumer rights and interests with regard to its R&D, procurement, production, operation, and services processes?<br>(g) Does the company comply with relevant laws and international standards in the marketing and labeling of its products and services?<br>(h) Does the company evaluate past records of suppliers with regard to environmental and social impacts before initiating dealings with them?<br>(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? | | ˇ | (g)The company fully complies with relevant laws and regulations in Mainland China and international standards in the marketing and labeling of its products.<br>(h)The company conducts assessments of different supplier conditions including environmental and social impacts before initiating dealings with them.<br>(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 | The company will 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<br>(a) Does the company disclose relevant and reliable CSR-related information on its corporate website and the Market Observation Post System? | ˇ | | (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 |
| 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:<br>(a) The company implements and reinforces environmental management in accordance with relevant environmental laws.<br>(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 CharityFederation.<br>(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 explicitely 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. | ˇ | | (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? | ˇ | | (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 | ˇ | | (c) The company has included clearly formulated provisions prohibiting the offering and acceptance of improper benefits and the offering of illegal poitical contributions with clearly stated handling procedures in its "Ethical Corporate Management Operating Procedures and | 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 | |
| unethical behavior? | | | Code of Conduct". | |
| 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? | ˇ<br>ˇ | | (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? | ˇ | | (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? | ˇ | | (c) The board directors upholds 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 | No major deviations |

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| Assessment items | Implementation Status | | | Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Y | N | Brief description | |
| | ˇ | | respond to inquiries, but may not participate 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.<br>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. | |
| (d) Has the company established an effective accounting and internal control system to implement ethical corporate management and | | | (d) The company has established an accounting system and effective internal control system. Audit departments regularly review | 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 | |
| are regular reviews carried out by internal audit units or commissioned accountants?<br><br>(e) Does the company organize regular internal and external training on ethical corporate management? | | | compliance with this accounting and internal control system and submit reports to the board of directors.<br>(e) 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. | <br><br><br>No major deviations |
| 3. Implementation of the whistle-blowing system<br>(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.<br>(b) Has the company formulated standard operating procedures for the investigation and processing of received reports and relevant confidentiality mechanisms?<br>(c) Has the company adopted measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing? | ˇ<br><br><br>ˇ<br><br>ˇ | | (a) The company has set up reporting mailboxes to encourage employees to submit reports on detected malconduct that prejudices the interests of the company. The audit office is in charge of processing such reports.<br>(b) The audit office carries out investigations of reported contents and reports the final results to the chairman in accordance with confidentiality principles.<br>(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<br><br><br><br><br>No major deviations<br><br><br><br>No major deviations |
| Enhancing information disclosure | | | | |

| Assessment items | Implementation Status | | | Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Y | N | Brief description | |
| (a) Does the company disclose its Ethical Corporate Management Best Practice Principles and effects of their promotion on its corporate website and the Market Observation Post System? | ˇ | | (a) The company has already disclosed the 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. | No major deviations |
| 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)<br>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

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

(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 11, 2016

Based on the results of a self inspection, the company hereby makes the following declaration regarding the internal control system in 2015:

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, 2015 (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 11, 2016. 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 2015 and implementation status:

| Date | Major resolutions | Implementation status |
|---|---|---|
| 2015.6.2 | 1. Ratification of the 2014 Business Report and Consolidated Financial Statement | Approved by resolution |
| | 2. Ratification of the company's 2014 Earnings distribution proposal | Approved by resolution and fully implemented in accordance with shareholders' meeting resolutions |
| | 3. Deliberation of the modification of the authorized capital amount | Approved by resolution and fully implemented in accordance with shareholders' meeting resolutions |
| | 3. Deliberation of the amendment of the company's Memorandum and Articles of Incorporation | Approved by resolution and fully implemented in accordance with shareholders' meeting resolutions |

2. Major resolutions of board meetings in 2015 up to the printing date of the annual report:

| Meeting name | Date | Major resolutions |
|---|---|---|
| Board meeting | 2015.3.13 | 1. Approval of the 2014 Business Report<br>2. Approval of the 2014 Consolidated Financial Statement<br>3. Approval of the 2014 Earnings distribution proposal<br>4. Approval of the 2014 Internal Control System Statement issued by the company<br>5. Approval of the amendment of the company's Memorandum and Articles of Incorporation<br>6. Approval of the amendment of the company's Corporate Social Responsibility Best Practice Principles<br>7. Approval of the amendment of the company's Ethical Corporate Management Best Practice Principles and Ethical Corporate Management Operating Procedures and Code of Conduct<br>8. Approval of the convening of the 2015 General Shareholders' Meeting |
| Board meeting | 2015.5.7 | 1. Approval of the endorsement/guarantee for the company's subsidiary Jiangsu Bright Steel Fine Machinery Co., Ltd. (ANZ |

| Meeting name | Date | Major resolutions |
|---|---|---|
| | | Bank (Taiwan) Limited – US$ 4 million through foreign debt financing) |
| Board meeting | 2015.6.2 | 1. Approval of the 2nd Issue of Domestic (ROC) Unsecured Convertible Bonds and the Issuance of New Shares for Capital Increase<br>2. Approval of the determination of matters pertaining to allocation of cash dividends in 2014 |
| Board meeting | 2015.7.31 | 1. Approval of the determination of matters pertaining to the subscription price for shares issued for cash capital increase in 2015 |
| Board meeting | 2015.8.24 | 1. Approval of the capital increase for the company's subsidiary Yeong Guan Holdings Co., Ltd.<br>2. Approval of the endorsement/guarantee for the company's subsidiary Shin Shang Trade Co., Ltd. |
| Board meeting | 2016.3.11 | 1. Approval of the 2015 Consolidated Financial Statement<br>2. Approval of the 2015 Business Report<br>3. Approval of the 2015 Earnings distribution proposal<br>4. Approval of the 2015 Internal Control System Statement issued by the company<br>5. Approval of the complete reelection of the board of directors (including independent directors)<br>6. Approval of the lifting of the ban on competition between newly appointed directors。<br>7. Approval of the modification of the authorized capital amount<br>8. Approval of the amendment of the company's Memorandum and Articles of Incorporation<br>9. Approval of participation in the issue of overseas depositary receipts and the invitation for subscription or issue of overseas convertible bonds through issue of common shares for cash capital increase<br>10. Approval of the convening of the 2016 General Shareholders' Meeting |
| Board meeting | 2016.4.11 | 1. Review of the proposals submitted by shareholders during the 2016 General Shareholders' Meetings<br>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%.;<br>2. Review of the list of independent director candidates nominated during the 2016 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, AccountingSupervisor, 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, 2015-Dec 31, 2015 | |

Unit: 1000NTD

| Fee ranges \ Fee items | | Audit fees | Non-audit fees | Total |
|---|---|---|---|---|
| 1 | Below NT$ 2,000,000 | | | |
| 2 | NT$ 2,000,000 or more but less than NT$ 4,000,000 | | | |
| 3 | NT$ 4,000,000 or more but less than NT$ 6,000,000 | | | |
| 4 | 6,000,000 or more but less than NT$ 8,000,000 | | | |
| 5 | NT$ 8,000,000 or more but less than NT$ 10,000,000 | 8,000 | 890 | 8,890 |
| 6 | NT$ 10,000,000 or more | | | |

(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**

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail.

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

| Title | Name | 2015 | | 2016 up to April 9 | |
|---|---|---|---|---|---|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman and major shareholder | Chang, Hsien-Ming | (2,337,000) | (2,510,000) | – | 500,000 |
| Chairman and major shareholder | Chang, Wen-Lung | (3,703,000) | – | (31,000) | – |
| Director | Chang, Cheng-Chung | 186,487 | 1,000,000 | – | – |
| Director | Tsai, Shu-Ken | 33,566 | – | (30,000) | – |
| Director | Chen, Wu-Chi | (1,008,086) | 350,000 | (30,000) | – |
| Director | Wu, Ting-Tsai | (533,763) | (1,000,000) | – | – |
| Director | Hsu, Yu-Yue | 133,558 | – | – | – |
| Director | Chang, Chih-Kai | (64,984) | – | – | – |
| Independent Director | Chen, Ching-Hung | – | – | – | – |
| Independent Director | Chang, Cheng-Lung | – | – | – | – |
| Independent Director | Wei, Chia-Min | – | – | – | – |
| Executive Vice President | Kung, Hsing-Yuan | – | – | – | – |
| 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 |
|---|---|---|---|---|---|---|
| Chen, Wu-Chi | Stock grant | 2015/1/20 | Chen-Lin, Chin-Yu | Spouse of the director and executive vice president of the company | 1,000,000 | 0 |
| Chang, Wen-Lung | Stock grant | 2015/6/3 | Tsao, Chien-Li | Spouse of the director and executive vice president of the company | 2,000,000 | 0 |
| Chang, Wen-Lung | Stock grant | 2016/4/19 | Chang, Yue-Ching | Collateral blood relative within the third degree of the director and executive vice president of the company | 950,000 | 0 |

(c) Shares pledged to related parties: NA

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## 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 9, 2016 /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 share holders (name/title) | | REMARKS |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Name /title | Relationship | |
| Chang, Hsien-Ming | 17,487,540 | 14.72% | 3,120 | 0.00% | - | - | Chang, Wen-Lung | Brother | |
| Labor Pension Fund (New Scheme) | 8,562,527 | 7.21% | | | | | | | |
| Chang, Wen-Lung | 8,009,313 | 6.74% | 2,127,832 | 1.79% | - | - | Chang, Hsien-Ming<br>Tsao, Chien-LI | Brother<br>Spouse | |
| Chang, Cheng-Chung | 4,844,408 | 4.08% | 3,462,261 | 2.92% | - | - | Hsu, Yu-Yue | Spouse | |
| Labor Pension Fund (Old Scheme) | 4,546,687 | 3.83% | | | | | | | |
| Hsu, Yu-Yue | 3,462,261 | 2.92% | 4,844,408 | 4.08% | - | - | Chang, Cheng-Chung | Spouse | |
| Wu, Ting-Tsai | 2,183,701 | 1.84% | - | - | - | - | - | - | |
| Tsao, Chien-Li | 2,127,832 | 1.79% | 8,009,313 | 6.74% | | | Chang, Wen-Lung | Spouse | |
| Fubon Life Insurance Co., Ltd. | 1,934,981 | 1.63% | - | - | - | - | - | - | |
| Chen, Wu-Chi | 1,814,263 | 1.53% | 1,045,944 | 0.88% | - | - | - | - | |

**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**

As of December 31, 2015; Unit: 1000 shares; %

| 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 |
| 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 |

Note: Limited liability company that has not issued any shares

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# 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 | - | 1,000 Common shares | 100 HKD | 1,000 | 100 HKD | Company establishment | NA | |
| 2008.9 | - | 985,000C ommon shares 15,000 Preferred shares | 100,000 HKD | 50,000 | 5,000 HKD | Organizational restructuring | NA | |
| 2009.5 | USD 2.08 | 1,000,000 Common shares | 100,000 HKD | 57,822 | 5,782 HKD | Cash capital increase | NA | |
| 2009.8 | USD 1.51 | 1,000,000 Common shares | 100,000 HKD | 77,683 | 7,768 HKD | Cash capital increase | NA | |
| 2010.3 | - | 120,000 Common shares | NTD 1,200,000 | 80,000 | 800,000 NTD | Conversion of capital into NTdollars | NA | |
| 2012.4 | 53 | 120,000 Common shares | NTD 1,200,000 | 88,889 | 888,890 NTD | Cash capital increase | NA | |
| 2012.9 | - | 120,000 Common shares | NTD 1,200,000 | 100,889 | 1,008,890 NTD | Capitalization of earnings | NA | |
| 2014.8 | NTD 118 | 120,000 Common shares | NTD 1,200,000 | 104,889 | 1,04,8890 NTD | Cash capital increase | NA | |
| 2015.3 | NTD 153 | 120,000 Common shares | NTD 1,200,000 | 105,793 | 1,057,930 NTD | Convertible bond conversion | NA | |
| 2015.4 | NTD 153 | 120,000 Common shares | NTD 1,200,000 | 105,862 | NTD 1,058,622 | Convertible bond conversion | NA | |
| 2015.6 | NTD 149 | 150,000 Common shares | NTD 1,500,000 | 111,212 | NTD 1,112,118 | Convertible bond conversion | NA | |
| 2015.7 | NTD 149 | 150,000 Common shares | NTD 1,500,000 | 112,151 | NTD 1,121,507 | Convertible bond conversion | NA | |
| 2015.8 | NTD 149 | 150,000 Common shares | NTD 1,500,000 | 112,155 | NTD 1,121,545 | Convertible bond conversion | NA | |
| 2015.10 | NTD 168 | 150,000 Common shares | NTD 1,500,000 | 117,155 | NTD 1,171,545 | Cash capital increase | NA | |
| 2015.10 | NTD 148.6 | 150,000 Common shares | NTD 1,500,000 | 117,830 | NTD 1,178,303 | Convertible bond conversion | NA | |
| 2015.11 | NTD 148.6 | 150,000 Common shares | NTD 1,500,000 | 117,845 | NTD 1,178,451 | Convertible bond conversion | NA | |
| 2015.12 | NTD 148.6 | 150,000 Common shares | NTD 1,500,000 | 117,980 | NTD 1,179,796 | Convertible bond conversion | NA | |
| 2016.1 | NTD 148.6 | 150,000 Common shares | NTD 1,500,000 | 118,126 | NTD 1,181,263 | Convertible bond conversion | NA | |
| 2016.2 | NTD 148.6 | 150,000 Common shares | NTD 1,500,000 | 118,299 | NTD 1,182,986 | Convertible bond conversion | NA | |
| 2016.3 | NTD 148.6 | 150,000 Common shares | NTD 1,500,000 | 118,702 | NTD 1,187,023 | Convertible bond conversion | NA | |
| 2016.4 | NTD 148.6 | 150,000 Common shares | NTD 1,500,000 | 118,771 | NTD 1,187,709 | Convertible bond conversion | NA | |

2. Type of stock

April 9, 2016

| Share type | Authorized capital | | | Remarks |
|---|---|---|---|---|
| | Issued shares | Unissued shares | Total shares | |
| Common | 118,770,946 | 31,229,054 | 150,000,000 | |

3. Information for the shelf registration system: NA

(b) Shareholder Structure

As of April 9, 2016; Unit: Persons; Shares; %

| Shareholder structure / Number | Government agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions& Natural Persons | Total |
|---|---|---|---|---|---|---|
| Number of shareholders | 4 | 122 | 41 | 2,772 | 147 | 3,086 |
| Number of shares | 14,138,476 | 23,744,454 | 4,234,640 | 59,698,575 | 16,954,801 | 118,770,946 |
| Shareholding ratio (%) | 11.9% | 19.99% | 3.57% | 50.26% | 14.28% | 100.00% |

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

(c) Shareholding distribution status:

As of April 8, 2016; Unit: Persons; Shares; %

| Shareholding classes | Number of shareholders | Number of shares | Shareholding ratio (%) |
|---|---|---|---|
| 1 ~ 999 | 671 | 89,491 | 0.08% |
| 1,000 ~ 5,000 | 1,761 | 3,112,779 | 2.62% |
| 5,001 ~ 10,000 | 164 | 1,214,019 | 1.03% |
| 10,001 ~ 15,000 | 83 | 1,044,119 | 0.88% |
| 15,001 ~ 20,000 | 56 | 1,005,190 | 0.85% |
| 20,001 ~ 30,000 | 70 | 1,735,772 | 1.46% |
| 30,001 ~ 40,000 | 28 | 950,103 | 0.80% |
| 40,001 ~ 50,000 | 28 | 1,286,577 | 1.08% |
| 50,001 ~ 100,000 | 77 | 5,653,920 | 4.76% |
| 100,001 ~ 200,000 | 61 | 8,232,643 | 6.93% |
| 200,001 ~ 400,000 | 41 | 11,244,955 | 9.47% |
| 400,001 ~ 600,000 | 15 | 7,035,390 | 5.92% |
| 600,001 ~ 800,000 | 5 | 3,364,157 | 2.83% |
| 800,001 ~ 1,000,000 | 8 | 7,094,081 | 5.97% |
| 1,000,001 or more | 18 | 65,707,750 | 55.32% |
| Total | 3,086 | 118,770,946 | 100.00% |

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### (d) List of Major Shareholders

As of April 8, 2016; Unit: Shares; %

| Number of shares and shareholding ratio / Name of major shareholder | Number of shares | Shareholding ratio(%) |
|---|---|---|
| Chang, Hsien-Ming | 17,487,540 | 14.72% |
| Labor Pension Fund (New System) | 8,562,527 | 7.21% |
| Chang, Wen-Lung | 8,009,313 | 6.74% |
| Chang, Cheng-Chung | 4,844,408 | 4.08% |
| Labor Pension Fund (Old System) | 4,546,687 | 3.83% |
| Hsu, Yu-Yue | 3,462,261 | 2.92% |
| Wu, Ting-Tsai | 2,183,701 | 1.84% |
| Tsai, Chien-Li | 2,127,832 | 1.79% |
| Fubon Life Insurance Co., Ltd. | 1,934,981 | 1.63% |
| Chen, Wu-Chi | 1,814,263 | 1.53% |

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

Unit: NTD; 1000 shares

| Year / Item | | | 2014 | 2015 | Up to March 31, 2016 |
|---|---|---|---|---|---|
| Market price per share | Highest | | 166.50 | 244 | 247 |
| | Lowest | | 85.00 | 130 | 176.5 |
| | Average | | 132.61 | 186.98 | 217.93 |
| Net worth per share | Before distribution | | 75.67 | 89.36 | — |
| | After distribution | | 69.31 | Not yet distributed | — |
| Earnings per share | Weighted average shares | | 102,500 | 110,323 | — |
| | EPS | | 9.78 | 12.24 | — |
| Dividends per share | Cash dividends | | 6.36 | 8.5(Note 4) | — |
| | Stock dividends | — | — | — | |
| | | None | None | — | |
| | Accumulated undistributed dividends | | None | None | — |
| Return on investment | Price-Earnings Ratio(Note 1) | | 13.50 | 15.28 | — |
| | Price-Dividend Ratio(Note 2) | | 20.75 | 22.00 | — |
| | Cash dividend yield rate(Note 3) | | 4.82% | 4.55% | — |

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 2015 Earnings Distribution Proposal was approved by board resolution on March 11, 2016 and will be submitted to the shareholders' meeting for ratification on June 7, 2016

### (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.

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.

Upon allocation of an amount deemed suitable by the board of directors in accordance with relevant laws and dividend distribution policies as prescribed in Article 13.4 of the Articles of Incorporation, dividends or other distributions shall be approved by the shareholders by request of the board in the following way and order in each fiscal year:

(a) 2% to 15% of distributable amounts shall be paid out as bonuses for employees (hereinafter referred to as "employee bonus" including those of associated companies.

(b) A maximum of 3% of distributable amounts may be paid out as compensations for directors (hereinafter referred to as "director compensation")

(c) A minimum of 50% of distributable amounts shall be paid out as shareholder dividends

In accordance with the principles set forth in the preceding three paragraphs, the board of directors shall determine the portions of the distributable amount to be allocated as employee bonuses, director compensations, and dividends and request ratification by the shareholders. 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 2015 Earnings distribution proposal on March 11, 2016 with a planned distribution of cash dividends amounting to NT$ 8.5 per share. The proposal will be submitted to the shareholders' meeting on June 7, 2016 for ratification. Earnings are to be distributed as follows:

Unit: NTD

| Item | Amount |
|---|---|
| Undistributed earnings at the beginning of the quarter | $1,415,357,113 |
| plus: Net income after taxes for this quarter | 1,350,717,044 |
| minus: Legal reserves | (135,071,704) |
| Distributable earnings in this fiscal year | 2,631,002,453 |
| Distribution items: | |
| Shareholder bonus | |
| Cash dividend (provisionally set at NT$ 8.5 per share) | 1,004,188,198 |
| | |
| Undistributed earnings at the end of the quarter | $1,626,814,255 |

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

The board of directors approved the 2015 Earnings distribution proposal on March 11, 2016 with a planned distribution of cash dividends amounting to NT$ 8.5 per share. The proposal will be submitted to the shareholders' meeting on June 7, 2016 for ratification. Since only cash dividends are distributed, the overall business performance of the company will not be affected.

(h) Employee bonus and compensation of directors and supervisors

1. Quotas or range of employee bonuses and compensations of 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 2014 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 Proposed distribution of employee bonuses approved by the board of directors:
(1) Employee cash bonus of NT$ 27,700,000
(2) Proposed employee stock bonus and proportion of stock bonus to net income after tax as indicated in individual financial statements for this quarter and the total amount of employee bonuses: NA
(3) Imputed EPS upon consideration of proposed employee bonuses and compensations of directors and supervisors: The 2014 financial statement of the company already lists the employee bonus as an expense. The imputed EPS is therefore identical to the financial statement.

4. Earnings distributed as employee bonuses and compensations of directors and supervisors in the previous fiscal year: 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;<br>Maturity date: June 3, 2019 | 5 years;<br>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$ 151.8 million | NT$ 2.5 billion |
| 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 9, 2016, a total of NT$ 1.3482 billion have been converted into 8,881,931 ordinary shares of a face value of NT$10 each. | Conversion started on November 19; no bonds have been converted yet |
| | Issuance and conversion (exchange or subscription) procedures | Please refer to the credit section of the market observation post system for bond issuance information | 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$148.6, 1,021,534 shares need to be issued if all shares are to be converted to common shares. The impact on shareholders' equity is limited so far. | According to the current conversion price of NT$ 216.5, 11,547,344 shares need to be issued if all shares are to be converted to common shares. The impact on shareholders' equity is limited so far. |
| Commissioned agency for exchanged object | | Not applicable | Not applicable |

2.Convertible bond data

| Corporate bond type | | 1st Issue of Domestic (ROC) Unsecured Convertible Bonds | |
|---|---|---|---|
| Item / Year | | 2015 | Current year until April 30, 2016 |
| Market price of convertible bonds | Highest | 154.00 | 165.00 |
| | Lowest | 105.00 | 120.45 |
| | Average | 129.41 | 150.67 |
| Conversion price | | 153 | 148.6 |
| Issue (offer) date and conversion price on issue date | | Issue date: June 3, 2014<br>Conversion price on issue date: 158 | Issue date: June 3, 2014<br>Conversion price on issue date: 158 |
| Conversion method | | Issuance of new shares | Issuance of new shares |

| Corporate bond type | | 2nd Issue of Domestic (ROC) Unsecured Convertible Bonds | |
|---|---|---|---|
| Item / Year | | 2015 | Current year until April 30, 2016 |
| Market price of convertible bonds | Highest | 111.00 | 114.00 |
| | Lowest | 97.50 | 100.00 |
| | Average | 102.11 | 106.89 |
| Conversion price | | 217 | 216.5 |
| Issue (offer) date and conversion price on issue date | | Issue date: August 18, 2015<br>Conversion price on issue date: 217 | Issue date: August 18, 2015<br>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 2017. The company plans to use NT$ 1.5 billion and NT$1.386 billion 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, casings for gas/steam turbines, injection molding machine components, and castings for machine tools and other industrial machinery

2. Revenue distribution

| Main product categories | 2014 | | 2015 | |
|---|---|---|---|---|
| | Net sales | % of total sales | Net sales | % of total sales |
| Energy castings | 3,452,064 | 47.90% | 4,757,759 | 58.58% |
| Injection molding machine castings | 1,791,830 | 24.87% | 1,784,435 | 21.97% |
| Other castings | 1,962,400 | 27.23% | 1,580,276 | 19.45% |
| Total | 7,206,294 | 100.00% | 8,122,470 | 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)<br>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<br>Air compressor<br>Very large-scale rapid color printing machine<br>Medical equipment (cancer therapeutic apparatus, gamma knife therapeutic apparatus) |

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

(b) Industry overview

1. Current status and development

***Wind power industry***

Statistics released by the Global Wind Energy Council (GWEC) indicate excellent achievements in the global wind power market in 2015: 63.013GW newly installed wind power capacity again proved the huge development potential of the wind power capacity. This record-breaking number indicates an actual annual growth rate of 22% of the wind power market. It also tells industry observers, that the industry is on a stable recovery path. By the end of 2015, global wind energy installations had reached a total capacity of 432.419 GW, marking a growth rate of 17%.

Mainland China is currently the largest wind power market with a huge impact on the global market. In 2015, newly added wind power installations in China reached a total capacity of 30.5GW, representing an increase by 47% compared to the same period of the previous year and accounting for 48.8% of newly added installations worldwide. This enabled China to maintain its position as the largest wind power market in the world. By the end of 2015, Mainland China's accumulated wind power and net capacity had reached 145.1GW (for the first time exceeding the total energy generation capacity 141.6GW of all installations in the EU), turning the country into the largest generator of wind power worldwide. The Chinese government will continue to provide momentum for the development of the clean energy industry in the context of the 13th five-year plan. Through the constant adoption of policy improvements, the country continues to reduce its reliance on coal. Traditional thermal power generation is the main source of suffocating smoke in large Chinese cities. On the eve of the adoption of the second stage of on-grid tariff reduction policies by the Chinese authorities in the fourth quarter of 2015, a large number of developers vied to invest in wind power. This also led to the worsening of wind power abandonment amounting to a total of 14.8GW. The Chinese authorities adopted policies to deal with the problem of wind power abandonment in 2016. For instance, the National Energy Administration promulgated the Wind Power Development Plan on March 21 of this year (as shown below). This plan clearly delineates and controls the targets for wind power development and installations to reach a total capacity of 30.8GW, which represents an actual growth by 1.6% compared to 2015.

**2016 Wind Power Development Plan**

Unit: 10,000 kw

| No. | Area | Capacity | Note |
|---|---|---|---|
| 1 | Tianjin City | 15 | Excluded Zhangjiakou and Chengde area projects |
| 2 | Hebei Province | 100 | Excluded Jinbei wind power base projects |
| 3 | Shanxi Province | 160 | |
| 4 | Liaoning Province | 100 | |
| 5 | Shanghai City | 20 | |
| 6 | Jiangsu Province | 80 | |
| 7 | Zhejiang Province | 120 | |

| | | | |
|---|---|---|---|
| 8 | Anhui Province | 150 | |
| 9 | Fujian Province | 70 | |
| 10 | Jiangxi Province | 160 | |
| 11 | Shandong Province | 330 | |
| 12 | Henan Province | 350 | |
| 13 | Hubei Province | 155 | |
| 14 | Hunan Province | 260 | |
| 15 | Guangdong Province | 150 | |
| 16 | Guangxi Province | 100 | |
| 17 | Zhongqing Province | 10 | |
| 18 | Sichuan Province | 43 | Excluded Liangshan wind power base projects |
| 19 | Guizhou Province | 210 | |
| 20 | Yunnan Province | 200 | |
| 21 | Shanxi Province | 200 | |
| 22 | Qinghai Province | 100 | |
| Total | | 3083 | |

Other regions in Asia have also added new capacities. India's newly added wind power capacity amounted to 2.6 GW in 2015, exceeding Spain and turning the country into the fourth largest generator of wind power in the world (after China, the USA, and Germany).

In 2015, the capacity of newly added wind turbines in Germany reached 6.013 GW, setting a new record and assuming a leadership role in the stronger than expected European market. Germany was followed by Poland (1.266 GW), France (1.073 GW), UK (0.975GW), and Turkey (956 MW).16 countries in the EU currently have a wind power capacity in excess of 1 GW. 9 of these 16 countries are capable of generating over 5GW of wind power.

The US also achieved outstanding results in the fourth quarter of 2015. The country's newly installed wind power capacity exceeded 5GW, raising the newly added annual capacity to 8.6GW and the accumulated power generation capacity to 74.5GW. Due to the efforts of the US Congress and Senate at the end of last year, the future for the wind power industry is clearly defined. Clearly formulated PTC plans until 2020 facilitate forecasts of the US market. Canada added 1.506 GW in wind power capacity, making further progress toward the threshold of 10GW. Mexico, on the other hand, added 0.714 GW, reaching a total wind power capacity of 3.073 GW.

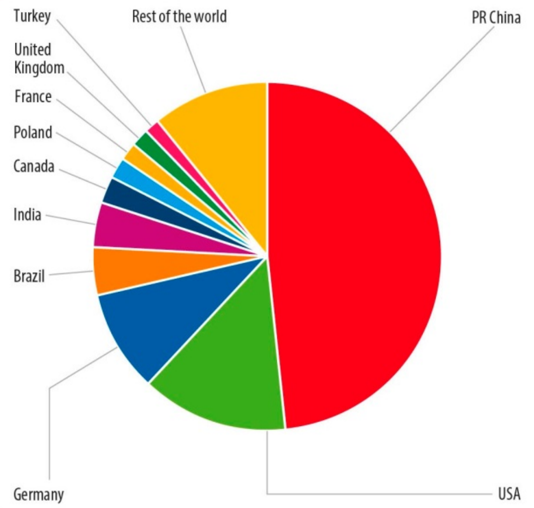
Despite the fact that Brazil is mired in a recession and is facing a political crisis, the country added new installations with a total capacity of 2.754GW in 2015, setting a new annual record and reaching a total wind power capacity in excess of 8.7GW. Uruguay took a huge step toward achieving its goal of 100% renewable energy by adding a wind power capacity of 0.316 GW in 2015, generating a total capacity of 0.845 GW. Panama, Chile, Costa Rica, Honduras, and Guatemala also added new wind power installations in 2015. The wind power market in the Middle East and Africa was centered around South Africa which added new installations of a capacity of 0.483 GW, raising the total capacity to over 1GW. Jordan built the first large-scale commercial wind farm in 2015. Ethiopia also added a wind farm, bringing its total wind power capacity to 3.289 GW. Growth potential in Australia and the Pacific region is limited despite the fact that

Australia added new installations with a total capacity of 0.380 GW raising the country's wind power capacity to 4GW.

To sum up, new records were set in the traditional wind power markets (China, USA, Germany) and Brazil in 2015.

The Global Wind Energy Council predicts a more equally distributed growth pattern for the global market in 2016.

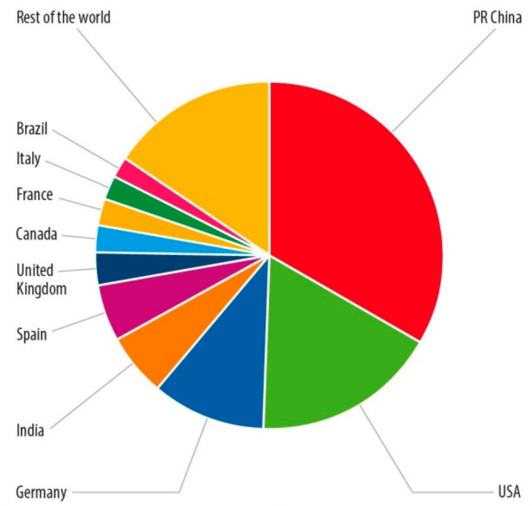
**TOP 10 NEW INSTALLED CAPACITY JAN-DEC 2015**




| Country | MW | % Share |
|---|---|---|
| PR China | 30,753 | 48.5 |
| USA | 8,598 | 13.5 |
| Germany | 6,013 | 9.5 |
| Brazil | 2,754 | 4.3 |
| India | 2,623 | 4.1 |
| Canada | 1,506 | 2.4 |
| Poland | 1,266 | 2.0 |
| France | 1,073 | 1.7 |
| United Kingdom | 975 | 1.5 |
| Turkey | 956 | 1.5 |
| Rest of the world | 6,950 | 11.0 |
| **Total TOP 10** | **56,517** | **89** |
| **World Total** | **63,467** | **100** |

*Source: GWEC*

**TOP 10 CUMULATIVE CAPACITY DEC 2015**




| Country | MW | % Share |
|---|---|---|
| PR China | 145,362 | 33.6 |
| USA | 74,471 | 17.2 |
| Germany | 44,947 | 10.4 |
| India | 25,088 | 5.8 |
| Spain | 23,025 | 5.3 |
| United Kingdom | 13,603 | 3.1 |
| Canada | 11,205 | 2.6 |
| France | 10,358 | 2.4 |
| Italy | 8,958 | 2.1 |
| Brazil | 8,715 | 2.0 |
| Rest of the world | 67,151 | 15.5 |
| **Total TOP 10** | **365,731** | **84.5** |
| **World Total** | **432,883** | **100** |

*Source: GWEC*

Data source: GWEC, February 2016

***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, petrochemical, 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.

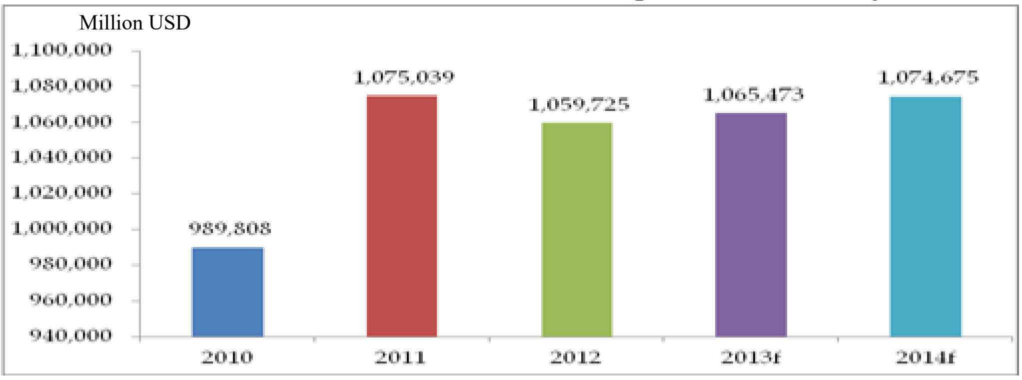
Statistics released by the Committee on Equipment Statistics (CES) which is affiliated to the Society of the Plastics Industry (SPI) reveal that the demand for plastics machinery has seen constant growth since 2014. The total value of new orders in the third quarter reached a new peak of 108.2 million USD. The CES report points out that economic activity will be most brisk in the North American region in the upcoming months judging from the global market situation.

***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.

According to data published by the Industrial Economics and Knowledge Center (IEK), the global sales volume of machinery in 2011 amounted to 1.75 trillion USD, which represents an increase by 8.61%. In view of the impact of the European debt crisis, the US budget deficit, and the cooling down of the Chinese economy, it is expected that market demand will contract by 1.42% in 2012 driving the sales volume down to around 1.597 trillion USD. The global machinery market is expected to exhibit a stable growth pattern between 2013 and 2014 with a sales volume/growth rate of 1.654 trillion USD/0.54% and 1.746 trillion USD/0.86%, respectively

**Forecast of the size of the global machinery market**




Source: Industrial Economics and Knowledge Center (IEK),
2012 Machinery Industry Yearbook, May 2012

The customers of Yeong Guan Energy Technology Group are distributed in four main categories: Energy, injection molding machines, medical equipments, 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.

**Source: The VDW and the British economic research institute Oxford Economics**

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:

-Decrease of constantly declining sales figures and orders placed by related industries by an average of 10%-30%

-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%.;

-The loss ratio of Chinese machine tools hit a record high in 2015 (56.9%)

Source: China Machine Tool & Tool Builders' Association (CMTBA)

**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 filer 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.

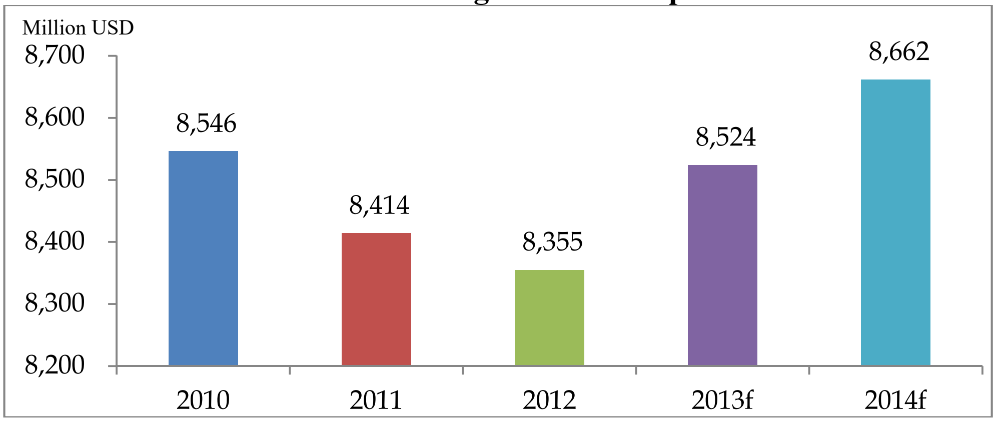
According to IEK estimates, the global sales volume of air compressors in 2012 amounted to 8.355 billion USD, which represents a slight decrease by 0.7% compared to the sales volume in 2011 (8.414 billion USD). The main momentum driving the growth in sales in the air compressor market is the slowing demand in the air-conditioning market. It is expected that the size of the global air compressor market will continue to expand in 2013 and 2014. The projected sales volume/growth rate for 2013 and 2014 is 8.524 billion USD/2.02% and 8.662 billion USD/1.62%, respectively.

The continued cooling down of the economy in 2015 has led to insufficient demand of downstream markets. As far as the supply situation is concerned, excess production capacities have caused an overall price decline.

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.

**Forecast of the size of the global air compressor market**




Source: Industrial Economics and Knowledge Center (IEK), 2012 Machinery Industry Yearbook, May 2012

Medical equipment

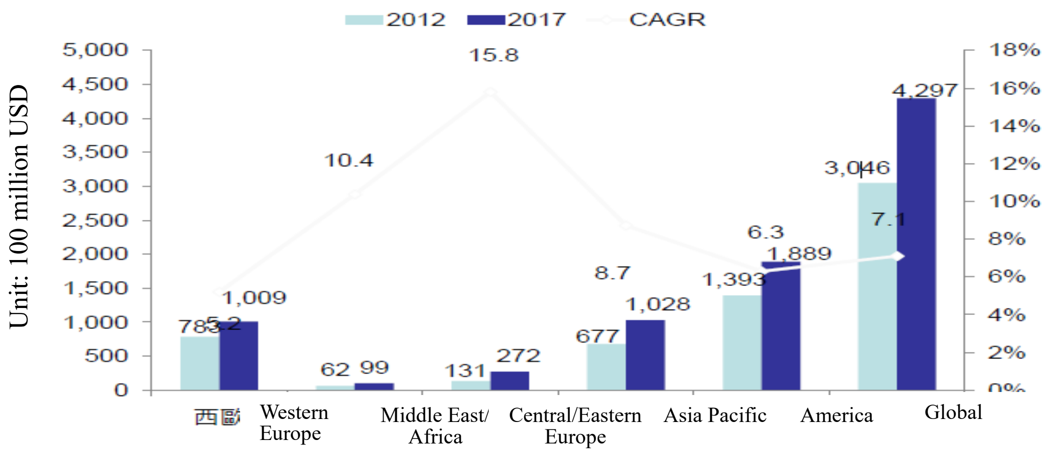
Since the 1970s, electronic instruments have been adopted for medical purposes. Large-scale high-precision medical equipment such as CT, MRI, medical linear accelerators, ultrasonic positioning extracorporeal shock wave lithotripsy devices, PET, and ultrasonic diagnostic devices have wide application 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.

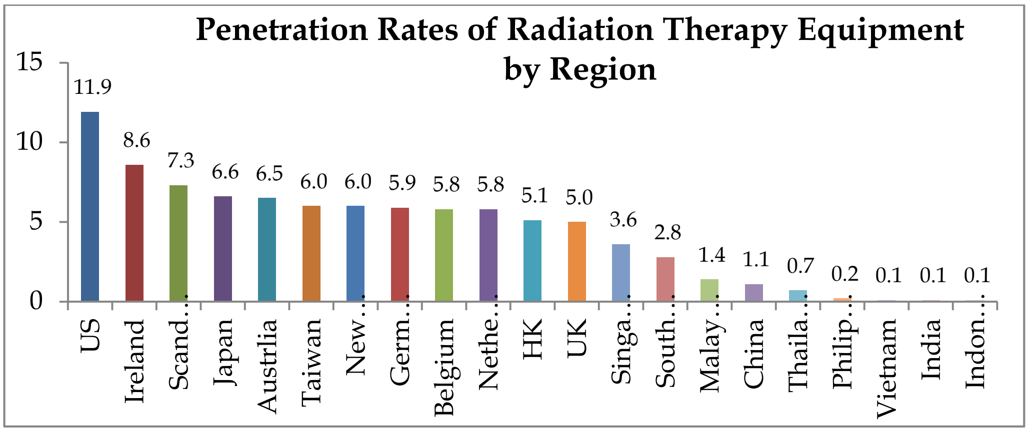
**Forecast of the size of the global medical instrument market**




Source: BTM, IEK, November 2013

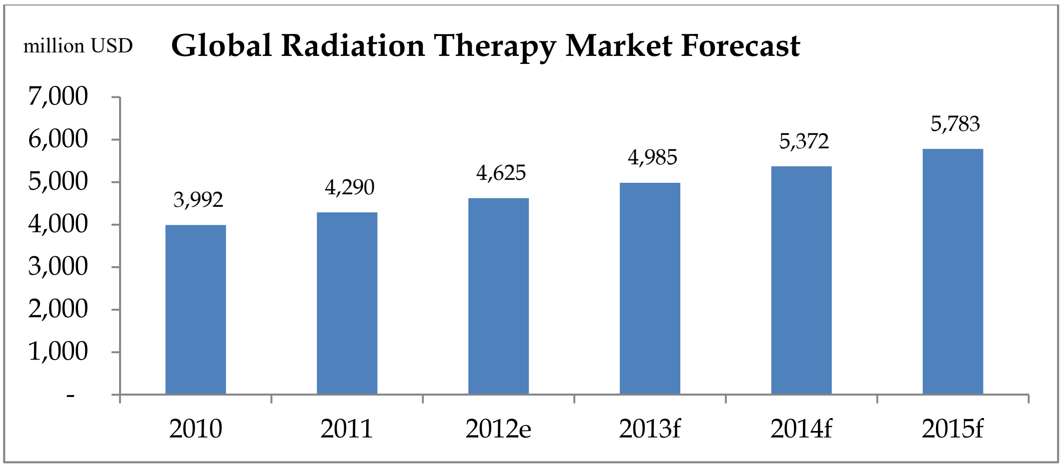
According to data released by CA Cheuvreux, most sales of radiation therapy equipment was concentrated in America and Europe in 2010. America is the largest market with a penetration rate of radio therapy accelerator equipment around 11.9 devices per one million people on average, while Ireland and Northern 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 tom 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 currently Elektra, one of the leading manufacturers of radiation therapy equipment in the world. The company's product range encompasses neuroscience, oncology, and 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: Koncept 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"*

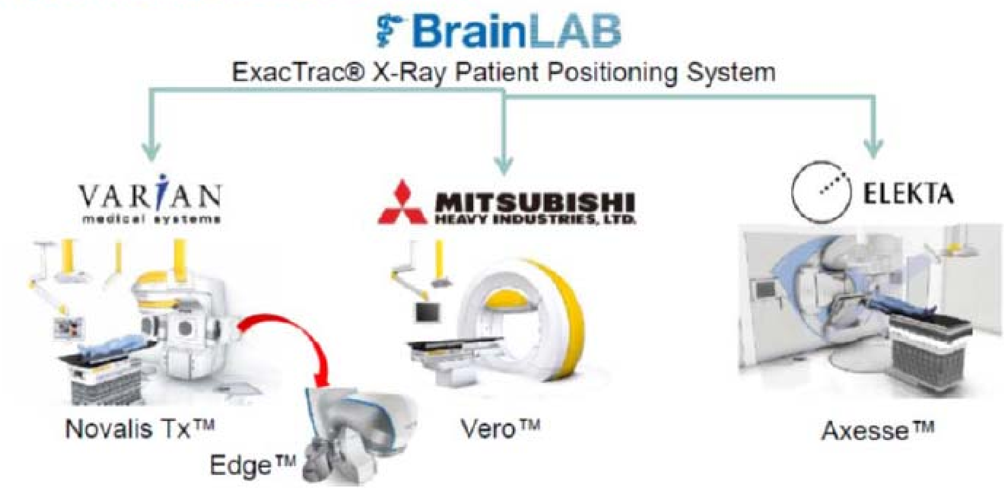
The main manufacturers of radiation therapy equipment are listed below:

Figure 9: Varian and Elekta Versatile Linac offer


Source: Pr. Hannoun-Levy

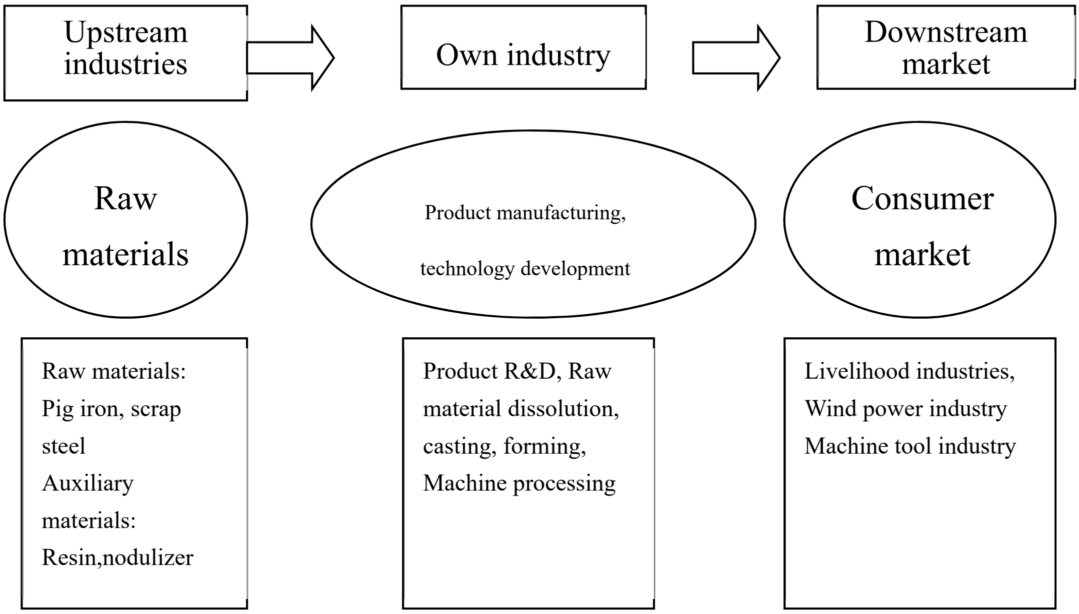
SBRT(Stereotactic Body Radiation Therapy)

Figure 19: Dedicated SBRT solutions




Source: Pr. Hannoun-Levy

2. Relationship between up- mid- and downstream industries

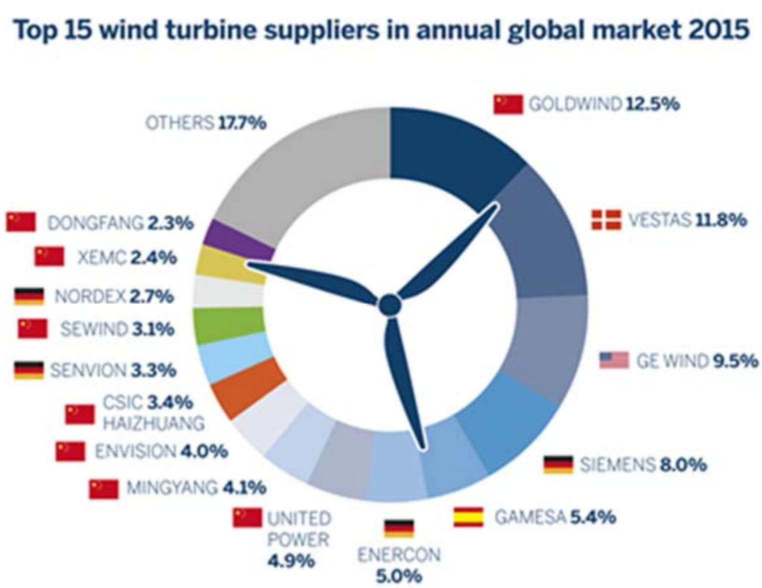



Castings have a very wide application range which currently includes the hardware, machinery, and electronics industry with a constantly expanding range of uses. Castings are used in construction, hardware, equipment, engineering machinery, and other large-scale machinery as well as the machine tool,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

3. Product development and competitiveness trends

A. Analysis of wind power market shares in 2015

The statistics released by the industry analysis firm FTI Intelligence in early 2016 reveal that Goldwind Science & Technology in Mainland China was the largest manufacturer of



wind turbines in 2015 with a 12.5% share of the wind turbine market.

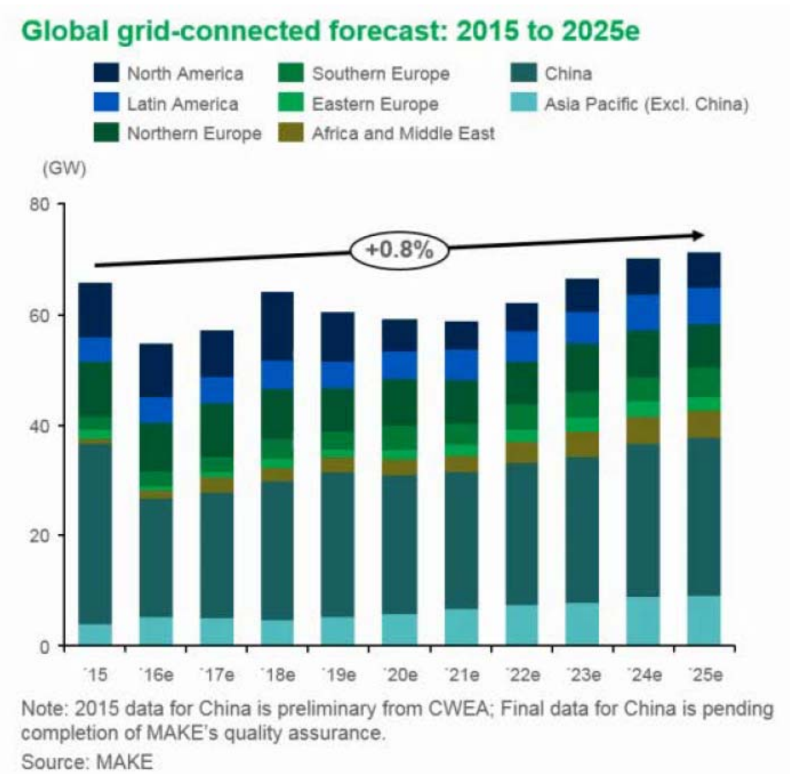
Source: FTI Intelligence

Goldwind Science & Technology replaced the Danish company Vestas as the market leader with a wind turbine output volume of 7.87GW in 2015. Vestas had a market share of 11.8% followed by GE and Siemens with 9% and 8%, respectively. 8 of the 15 top wind turbine manufacturers listed by FTI are Chinese enterprises. This is not surprising since almost 50% of the newly added wind power capacity came from China in 2015. We expect that Chinese wind turbine enterprises will start to target other non-local markets spurred by favorable government policies on the foundation of projected stable growth of the Chinese wind power market during the period of the 13th Five-Year Plan (2016-2020). If the Chinese market is not taken into account, the top five wind turbine manufacturers control 76% of the global market.

In 2015, Siemens was still the global leader in the offshore wind turbine market with a newly installed offshore wind power capacity of 1.816 GW, which is equivalent to 60% of the European market. Adwen, a joint venture of the Spanish company Gamesa and the French company Areva. was ranked 2nd with a market share of 18.2% (0.55 GW) followed by MHI Vestas with 12.9% (0.3915 GW) and the German company Senvion with 8.9% (0.2706 GW)

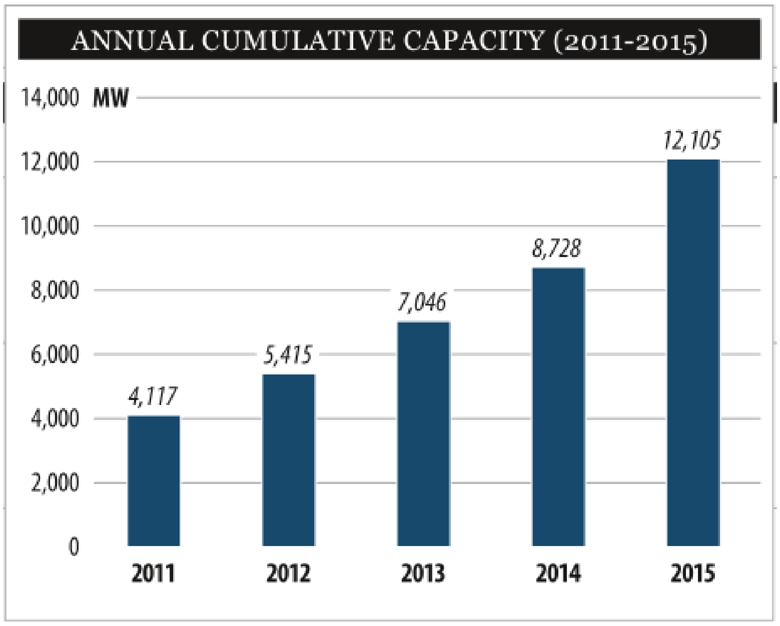
**B. Market forecasts**

The industry analysis firm MAKE points out in its 2016 Wind Power Outlook which was issued on March 15 that it is expected that the annual growth rate of the global wind power market will amount to 0.8% in the next ten years. The growth rates in Latin America, India, the Middle East will by far exceed those of traditional wind power markets



| | 2016e to 2025e | |
|---|---|---|
| **Sub-region** | **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** |

According to the latest statistics released by the Global Wind Energy Council(GWEC) reveal that that the global offshore wind power capacity had reached 12.1GW in 2015, which represents an increase by 39% compared to the cumulative capacity in 2014 (8.7GW).




Source: GWEC

In the European Union, newly added offshore wind power and grid capacity amounted to 3GW in 2015, which marks an increase by 108% over the same period of the previous year. 15 new wind farms consisting of a total of 754 offshore wind turbine generator sets were added in 2015. As of February 2016, a total of six offshore wind power installations were under construction in the EU region. Upon completion of these installations the total wind power and grid capacity will be increased by 1.9GW resulting in a cumulative offshore wind power capacity of 12.9GW in the EU.

As far as the development of offshore wind power in Mainland China is concerned, statistical data provided by the Chinese wind power grid reveal that the 44 offshore wind power development and installation projects in China at the end of 2014 had a total capacity of 1.053 GW. By the end of July 2015, only two of these projects with a total capacity of 6.1 MW had been completed and commissioned. 9 projects with a capacity of 170.2 MW had been approved and were under construction. If previously completed installations are added, China currently has a cumulative offshore wind power capacity of only 44MW.

The "Renewable Energy Development Plan" in the context of the 12$^{th}$ FYP mentions that the cumulative offshore wind power capacity had reached 500 MW by 2015 and a complete wind power equipment manufacturing industry with international competitiveness had been formed. However, according to statistics released by the National Energy Administration, offshore wind power installations completed and commissioned by the end of July 2015 had a combined capacity of only 176.3 MW, which falls short of the projected target in this area by a wide margin.

Following the conclusion of the 12$^{th}$ FYP, the 13$^{th}$ FYP is about to be initiated. Breaking through the development bottleneck in the field of offshore wind power still poses a huge challenge. It is a well-known fact that the high costs of offshore wind power hinder the development of the industry. Due to special environmental conditions, the requirements for wind turbine generators, power transmission and distribution facilities, operations and maintenance are also unique, which in turn leads to higher equipment, operation, and maintenance costs compared to land-based facilities. The costs of offshore wind power installations are usually twice as high as those of land-based installations. In view of the fixed service life of wind turbine generators, higher investments result in higher power generation costs.

On the other hand, low electricity tariffs are also one of the key factors restricting the development of the industry. Prior to 2014, China didn't have a unified offshore wind power price and subsidy policy. Development was only possible through the adoption of concession tariffs. Unclear power price policies pose a serious obstacle to offshore wind power development. In June 2014, the National Development and Reform Commission published the Communique Regarding the Offshore Wind Power Tariff Policy clarifying policy contents. Tariffs for intertidal zone and coastal area wind power generated in the context of non-tender offshore wind power projects were set at NT$ 0.75/KW and NT$ 0.85 KW, respectively. Despite the fact that the tariff policy was launched one year ago, offshore wind power development is still sluggish.

A developer of a state-owned enterprise who wishes to stay anonymous states that the main reason for lackluster investments and sluggish development of the industry is the tariff of NT$ 0.85.

It is worth noting that the current tariff policy only covers projects prior to 2017. However, wind power development proceeds in cycles. It often takes several years to progress from the testing to the commissioning stage. Price policy fluctuations have a huge impact on this process. Price changes after 2017 also generate decision conflicts for offshore wind power development enterprises, which affects project progress. Said developer also reveals that another reason for the sluggish progress of offshore wind power lies in the difficult approval process. While land-based wind power installations are usually located in sparsely populated hilly country, offshore installations are situated in intertidal zones and coastal areas which fall in the jurisdiction of numerous marine, maritime, or environmental departments.

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

<u>Injection molding machines</u>

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.

**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.

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.

**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.

(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 2014

Unit: 1000 NTD; %

| Year / Item | 2014 | 2015 | First Quarter of 2016 |
|---|---|---|---|
| R&D expenses(Note) | 90,027 | 88,597 | 19,927 |
| Revenue | 7,206,294 | 8,122,470 | 1,912,870 |
| Share of revenue (%) | 1.25% | 1.09% | 1.04% |

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 |
| EN-GJS-400-18U-LT | |

| Technology or product type | Properties and functions |
|---|---|
| | impact properties, and high fatigue resistance |
| 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 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 |
| Un-pluggable 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 ca vity, 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 |

| Technology or product type | Properties and functions |
| --- | --- |
| | 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 turbines)MT, UT Special inspection code | Refined inspection process to guarantee product inspection quality |
| 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 |

(d) Long- and short-term development plans

1. Short-term development plans

(1) Marketing strategy:

A. 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.

B. 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 2016 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)

C. 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.

D. 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.

(2) Research and development:
Development and improvement of new techniques and production technologies to reduce reject ratios and achieve increased competitiveness and more stable quality. In addition, the research and development of new materials serves the purpose of achieving a breakthrough in existing casting technologies. New alloy materials have also been developed, while welding capabilities have been upgraded and professional system certifications have been acquired to gain the ability to provide more professional services to meet future customer demands.

(3)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.

(4) Scope of operations:
Integration of up- and downstream industries and pursuit of a competitive advantage in the acquisition of raw materials and production costs to secure a stable supply of raw materials. In addition, expansion of sales industry types to increase product width and depth and expand the scope of operations in order to maintain a favorable position in the industry.

(5) Financial planning:

Acceleration of the working capital turnover ratio, enhanced production efficiency of operations, improved regulation and application of short-term capital in the field of foreign exchange, and constant forecasting of mid- and short-term export revenues to ensure a more flexible use of forward exchange transactions by finance departments.

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.

(4) Scope of operations:

Active planning of new overseas production bases to generate a global layout; global thinking and management must be promoted in the group in the field of management and customer services to strengthen the response capabilities and optimize the operational performance of the group.

(5) Financial planning:

Active long-term financial planning and pursuit of the utilization of multi-channel capital market instruments to enhance the capital movement capability and usage efficiency of working capital

## 2. Market and sales overview

(a) Market analysis

1. Main products and sales regions

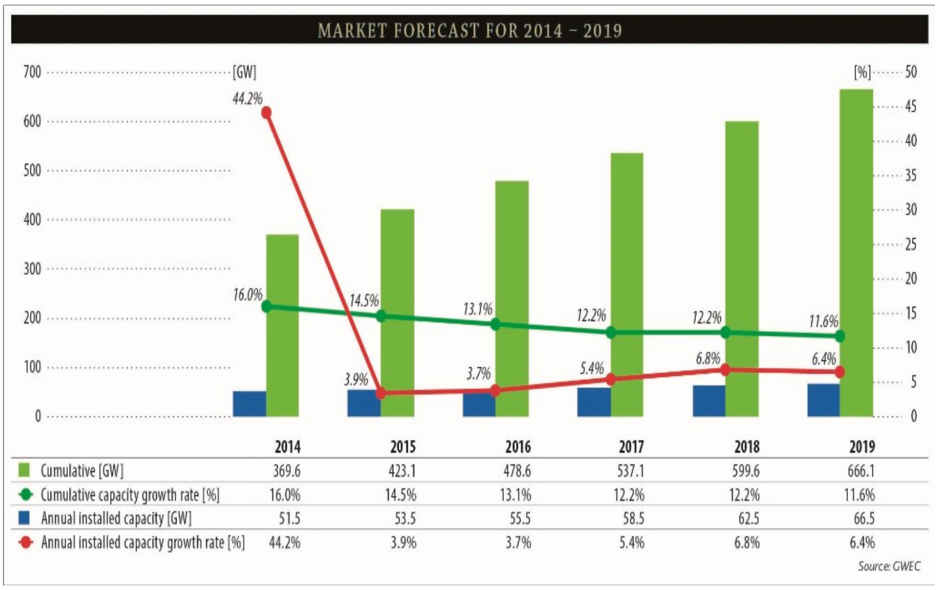
Unit: 1000NTD; %

| Region \ Year | 2014 | | 2015 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Europe | 2,458,094 | 34.11% | 2,595,647 | 31.95% |
| China | 2,408,673 | 33.42% | 2,859,938 | 35.21% |
| USA | 1,470,383 | 20.40% | 1,850,843 | 22.79% |
| Asia | 869,144 | 12.07% | 816,042 | 10.05% |
| Total | 7,206,294 | 100.00% | 8,122,470 | 100.00% |

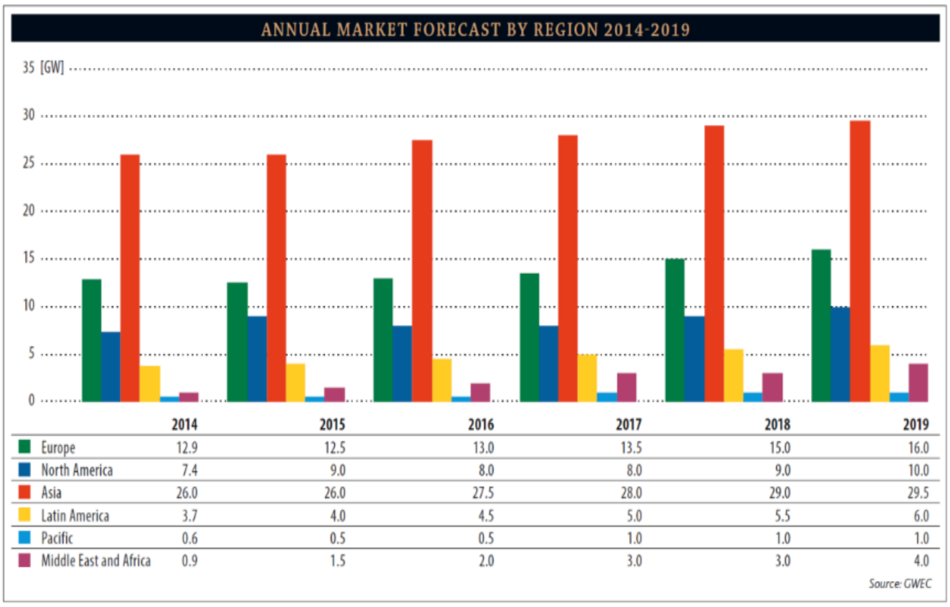
2. Future supply conditions and growth potential of the market

<u>Wind power industry</u>

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.**



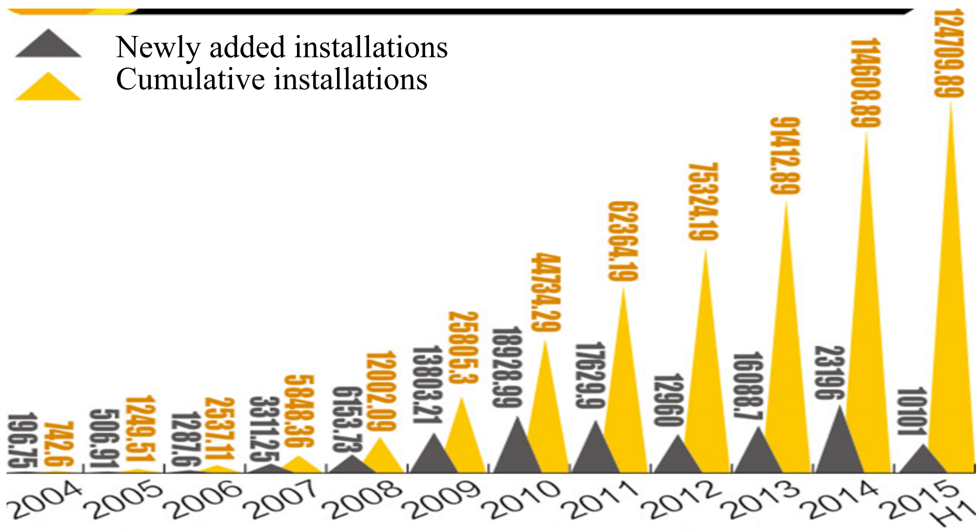

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Europe | 12.9 | 12.5 | 13.0 | 13.5 | 15.0 | 16.0 |
| North America | 7.4 | 9.0 | 8.0 | 8.0 | 9.0 | 10.0 |
| Asia | 26.0 | 26.0 | 27.5 | 28.0 | 29.0 | 29.5 |
| Latin America | 3.7 | 4.0 | 4.5 | 5.0 | 5.5 | 6.0 |
| Pacific | 0.6 | 0.5 | 0.5 | 1.0 | 1.0 | 1.0 |
| Middle East and Africa | 0.9 | 1.5 | 2.0 | 3.0 | 3.0 | 4.0 |

**COP21 UN Climate Summit**

Mission Innovation: In the wake of the Kyoto Protocol a brand-new global climate treaty emerged. 20 countries worldwide account for 75% of all carbon emissions and 80% of all investments in clean energy. 195 countries agreed to keep the rise in global temperatures to less than 1.5 degrees Celsius by 2050. Projected business volume: 15 trillion USD for the clean energy industry (GWEC estimates).

China and Europe represent the main markets of this company. However, due to the rapid growth of the Chinese wind turbine manufacturing industry and the comparatively low manpower costs in China, European and US manufacturers tend to relocate to China. This section therefore focuses on an analysis of the Chinese market. Prior to 2000, China had to rely on imports of wind power equipment, the wind power equipment casting industry had not yet emerged, output volumes were small, and technical standards were low. Following the development of the wind power industry, foundries constantly started to engage in the manufacture of castings for wind power equipment spurred by procurement demands of international and domestic wind turbine manufacturers. The number of wind power generator manufacturers in China rapidly increased from 6 in 2004 to 70 in 2008. By that time, the industry had already reached a considerable scale.

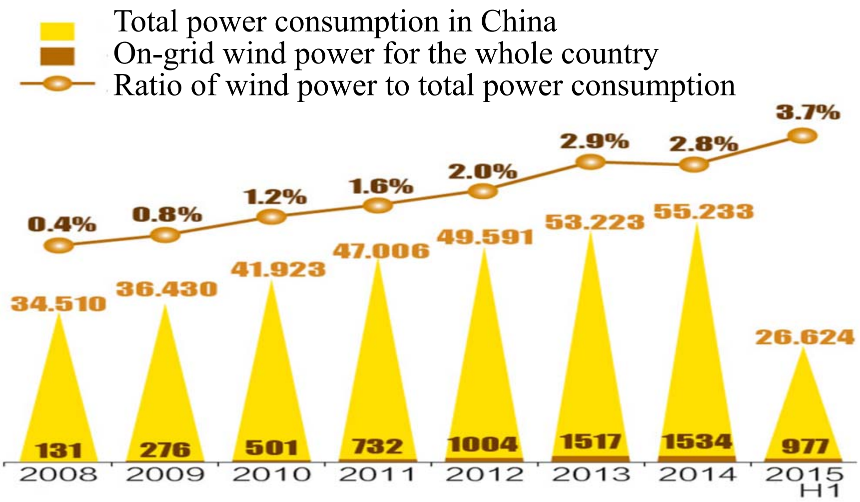
The "China Wind Energy Development Roadmap 2050" was officially released on October 19, 2011. This document predicts that by 2050, wind power installations in China will have reached a capacity of 1000 GW, which will satisfy 17% of the domestic power demand. After 2020, the tariffs for wind power will be lower than those for coal power. Current subsidy policies for wind power in China will be gradually phased out. The future outlook in the field of wind power development is as follows: Prior to 2020, the focus will be on land-based wind power and the development of offshore wind power pilot projects. 2021-2030, equal emphasis will be placed on the development of and near offshore wind power and the development of far offshore wind power pilot projects. 2031-2050, the full-scale development of land-based wind power and near and far offshore wind power will be implemented. Based on current estimates, the power consumption in China will reach 13,000 TWh by 2050. The current state of wind technology indicates that Chinese wind energy resources can sustain an installed capacity of over 1000GW.



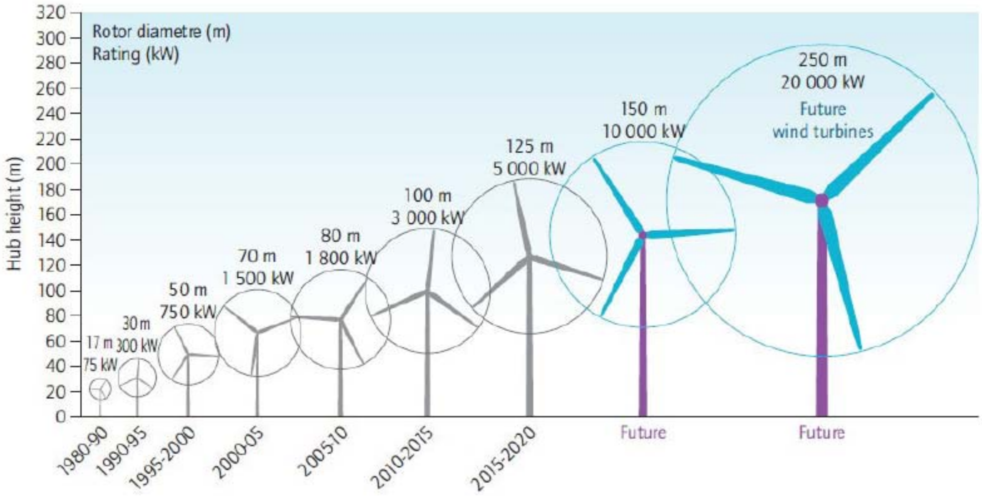

(Source: GWEC)

The chart above shows that the newly added wind power capacity in China in 2015 accounted for 45% of the globally added capacity. The 13 major policies emphasize continued progress and maintenance of stability. It is also evident from the chart that wind power accounts for a relatively low portion of power generation in China. In the future, there will be considerable room for growth.

Source:**GWEC**



There is currently a trend of increasing capacities in the field of wind power generators Increasing size of wind turbines (turbines of a rating of **1.5~3.6MW** currently represent the mainstream)




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

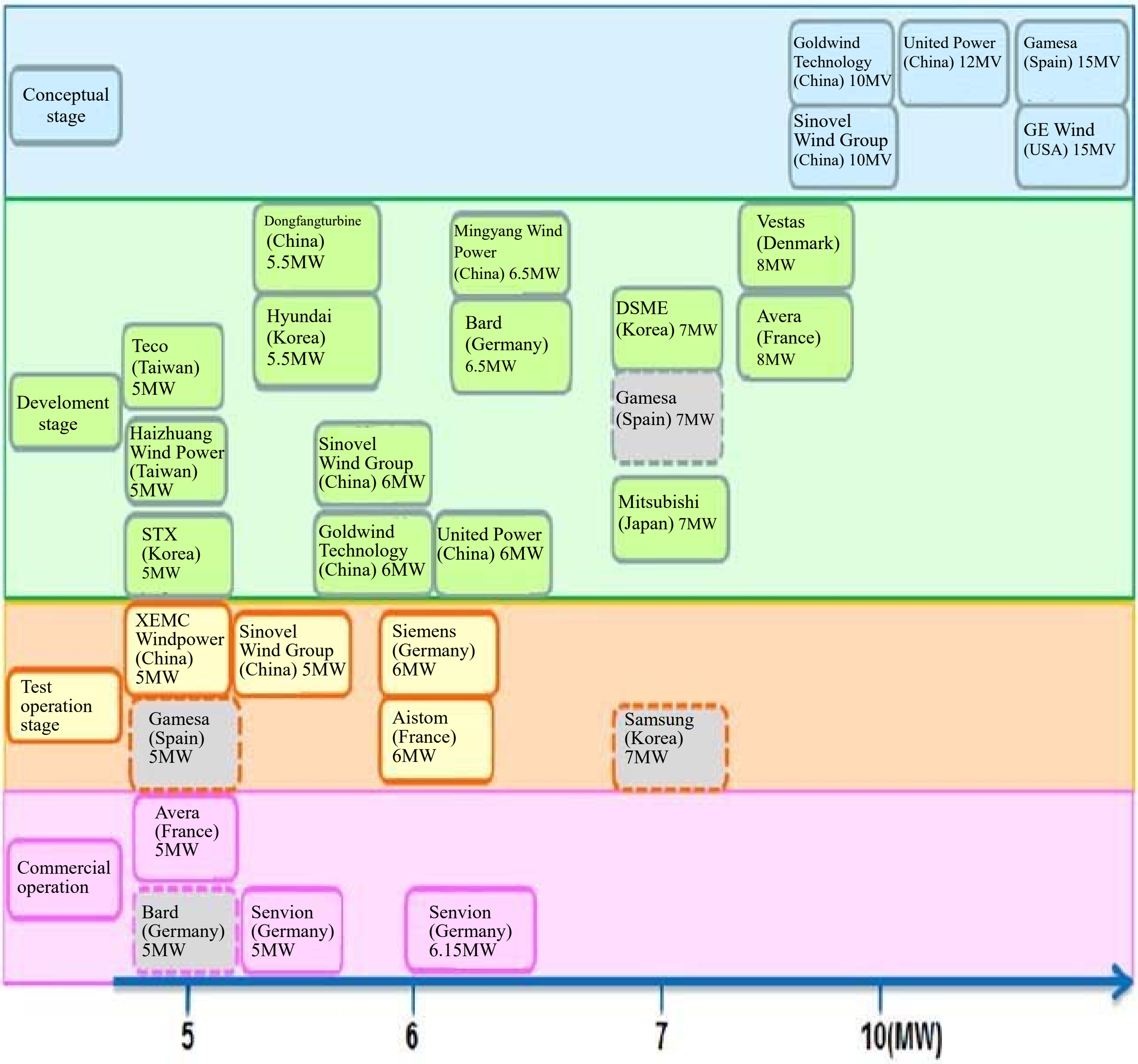
**India**

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.

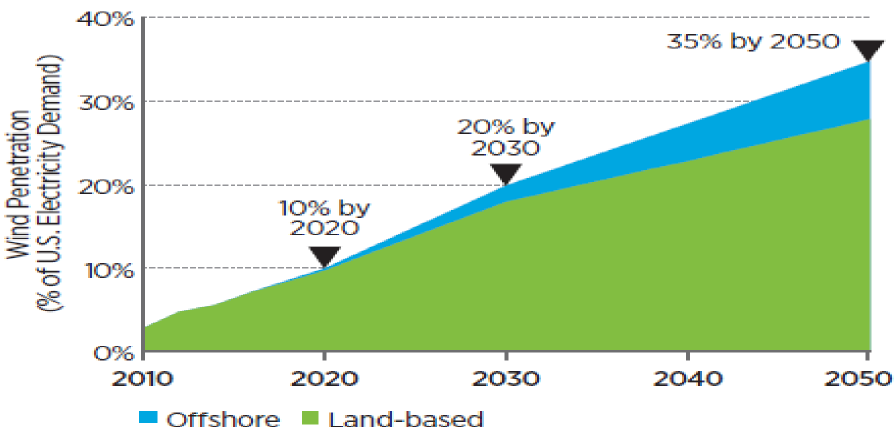
In 2008, the US Department of Energy assumed that 20% of the total annual power consumption could be provided by wind-generated power in 2030 and assessed the technical feasibility of this scenario. The main conclusion of this report is that the US electricity system can sustain a market share of 20% 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 modelling 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**

It is generally expected that the economic growth rate will fall below 7% in 2015.

In December 2015, IMF decided to add the RMB as the fifth currency which is conducive to the export of Chinese injection molding machinery and generated a more optimistic outlook for the Chinese economy in 2016. The US has been the leading manufacturer of plastic for many years. Mexico is expected to be the one of the regions with the highest demand for injection molding machinery due to the low cost advantage. The projected annual growth rate in the upcoming years is 9%-10%.

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

Due to the powerful stimulus provided by the rapidly increasing demand of emerging economies, the global plastics market will grow at an average annual rate of over 4% before 2015, which exceeds the growth rate of the global GDP. The demand of the Chinese market will continue to rise at a fast pace and provide the main impetus for the rapid increase of the global demand for plastic. During the period of the 12th Five Year Plan, the global demand for Polyethylene will grow at an annual rate of around 5% and is expected to reach 85 million tons by 2015. During the same period, the demand for Polypropylene will also grow at a rate of around 5% annually and is anticipated to reach 60 million tons by 2015. The Northern American market is currently showing a bullish performance and it is therefore expected that the North American market for Polyethylene will grow at an annual rate of 4%~5% during this period which is close to the GDP growth rate.

On a global scale, Asia will be the region with the most rapidly growing demand for Polyethylene and Polypropylene due to the continued advancement of the industrialization process in this area. At the same time, the production capacity for Polyolefin in the Middle East and Asia will continue to expand. The addition of new production capacities for Polyolefin and Polypropylene in China is currently spurred by a strongly growing demand of the automobile market, while newly added production capacities in the Middle East rely on a competitive advantage generated by low-cost raw materials. It is expected that the Middle East and China will account for 1/3 of the global production capacity for Polyethylene by 2016.

The average plastic consumption per person in developed nations currently amounts to over 120 kg (Belgians consume 200kg, which represents the highest amount, followed by

America with 170kg). In 2010, the total output and gross output value of plastic goods in China amounted to 58.3 million tons and 1.25 trillion dollars, respectively, which is 2.7 and 2.4 times as much as five years ago). This clearly indicates that the rapid development of this industry mainly relies on domestic demand. The average plastic consumption per person in China was 22kg in 2005 and reached 46kg in 2010, exceeding the global average of 40kg. As far as exports are concerned, the export quantity of Chinese plastic goods has been dropping, while the export value has remained relatively constant. In 2010, the export quantity and export value of plastic goods in 2010 amounted to over 7 million tons and 20 billion USD, respectively (12.28 millon tons and 16.6 billion USD in 2005).

**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.

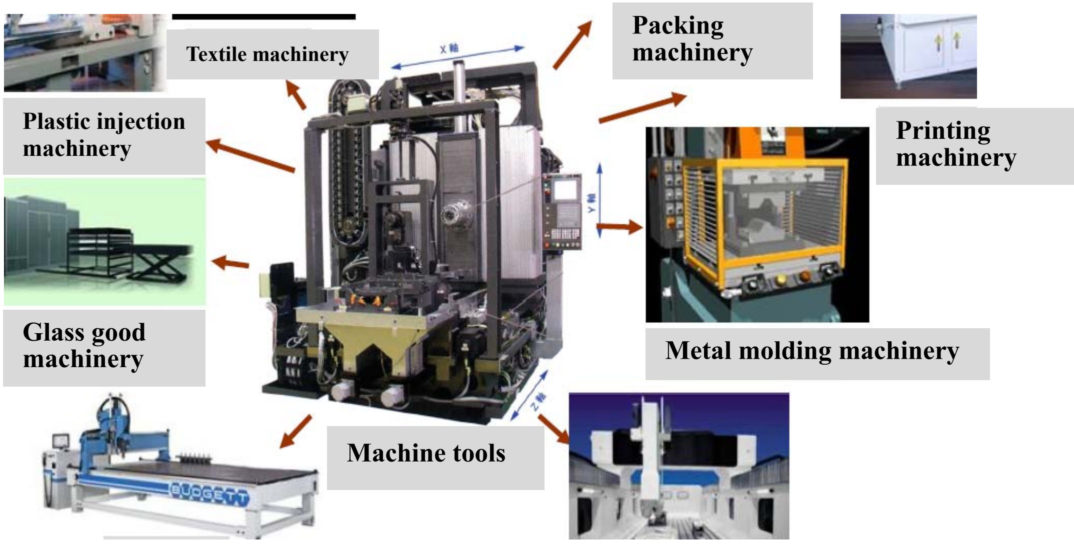
In addition, the favored weapon of Chinese manufacturers to control prices through volume has also lost its past effectiveness. The added impact of the strong depreciation of the Euro at the beginning of the year and the weak Japanese Yen has led to a situation in which more markets turn to high-end/highly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

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 fact that the manufacturing sector was mired in a slump in 2015, the statistical figures for all industries showed a downward trend:

- ✧ The added value of the universal equipment manufacturing industry increased by 3.5% year-on-year, while the growth rate dropped by 6.4% compared to the same period of the previous year.
- ✧ The added value of special equipment manufacturing industry increased by 2.7% year-on-year, while the growth rate dropped by 5.9% compared to the same period of the previous year.
- ✧ The added value of the automobile manufacturing industry increased by 6.7% year-on-year, while the growth rate dropped by 6.7% compared to the same period of the previous year.
- ✧ The added value of the railroad, ship, aerospace, and transportation equipment manufacturing industry increased by 9.8% year-on-year, while the growth rate dropped by 1.4% compared to the same period of the previous year.
- ✧ The added value of the electrical machinery and equipment manufacturing industry increased by 7.2% year-on-year, while the growth rate dropped by 3.6% compared to the same period of the previous year.
- ✧ The added value of the instrument manufacturing industry increased by 6.6% year-on-year, while the growth rate dropped by 3.8% compared to the same period of the previous year.
- ✧ The added value of the computer, telecommunications, and electronic equipment manufacturing industry increased by 10.8% year-on-year, while the growth rate dropped by 0.85% compared to the same period of the previous year.

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 forecasts for 2016 clearly indicate that the economic outlook remains weak in the short term. Selection, development, and retention of key clients will therefore represent the key tasks in 2016.

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.

<u>Medical equipment</u>

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 Gamm 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 Nuclean Therapy Commission prior to official launch.

3. Creation of a niche
   (1) The group possesses exclusive metallurgy technologies and provides stable quality occupying a leadership position in the casting 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 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.

<u>Response strategies</u>

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. Multicurrency 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.

<u>Response strategy</u>

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

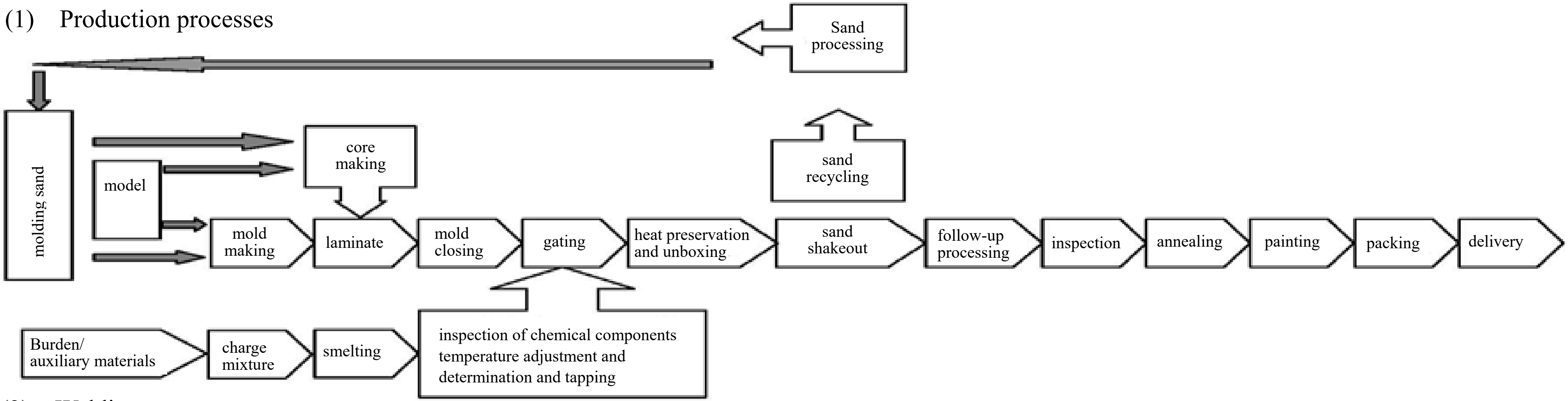
In view of the harsh marine environment which causes serious corrosion, it is necessary to strengthen the corrosion resistance and enhance the quality of products to make them more resistant against corrosion caused by the sea wind. Based on the abovementioned considerations, Yeong Guan Energy Technology 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

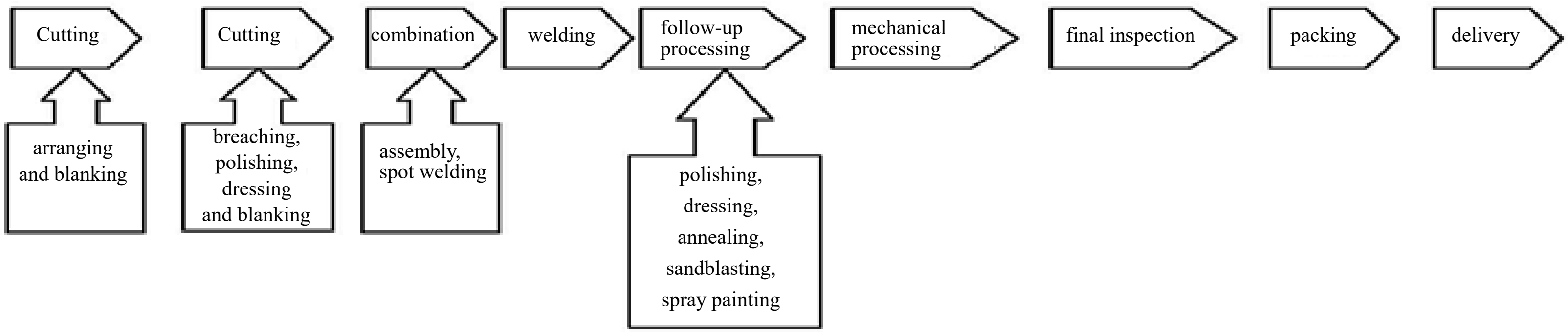
1. Main uses of major products

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

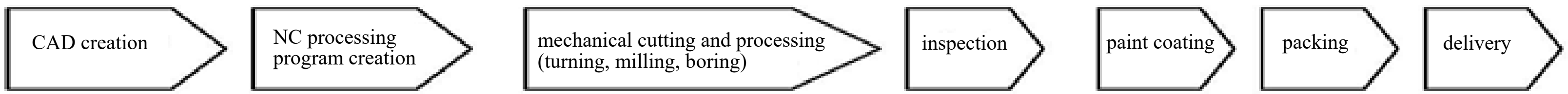
(1) Production processes




(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”), Benxi Huasheng Foundry, Rong Mei Jin Industry&Trade, Benxi Shen Iron (Group) Ltd and Benxi Ju Xin Da Machine Manufacturing 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., Shenzhen Xinlan Renewable Resources Co., Ltd., Changzhou Hengguan Metal, Nantong Peng Ding Machine Manufacturing Co., Ltd., Wenling City Hua Tai Waste and Old Material Recycling Co., Ltd., Ningbo City Yinzhou Jinhao Renewable Resources Co., Ltd., and Dongguan City You Xin Renewable Resources Co., Ltd. | 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; %

| | 2014 | | | | 2015 | | | | 1st Quarter of 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | 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 | Ningbo Mingyuan | 513,080 | 14.73% | none | Kao Shanghai | 341,239 | 10.23% | none | Benxi Shen Iron | 74,433 | 10.99% | none |
| 2 | Fushun Hanwang | 367,381 | 10.54% | none | Benxi Shen Iron | 333,518 | 10.00% | none | Kao Shanghai | 69,596 | 10.28% | none |
| 3 | Other | 2,603,584 | 74.73% | | Other | 2,661,093 | 79.77% | | Other | 533,167 | 78.73% | |
| | Net purchases | 3,484,045 | 100.00% | | Net purchases | 3,335,860 | 100.00% | | Net purchases | 677,196 | 100.00% | |

Specification of reasons for increase/decrease:

The company chose a different supplier of pig iron in 2014 due to high prices and late delivery by the previous supplier Fushun

Hanking. Another two pig iron suppliers (Benxi Shen Iron (Group) Ltd. and Benxi Ju Xin Da Machine Manufacturing Co., Ltd.) were added in 2015. These two pig iron suppliers accounted for over 14% of net purchases, while Benxi Shen Iron (Group) supplied over 10% of all purchases. The latter company is cooperating well with this company and the quality of its products is excellent. Delivery times meet the demands of this company. Procurement amounts from said company have therefore been increased.

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; %

| | 2014 | | | | 2015 | | | | 1st Quarter of 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | 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 1st quarter (%) | Relation with issuer |
| 1 | IO | 1,139,871 | 15.82% | None | IO | 1,400,788 | 17.25% | None | IO | 385,316 | 20.14% | None |
| 2 | EA | 794,018 | 11.02% | None | EA | 1,143,188 | 14.07% | None | EA | 405,515 | 21.20% | None |
| | Other | 5,272,405 | 73.16% | | Other | 5,578,494 | 68.68% | | Other | 1,122,039 | 58.66% | |
| | Net sales | 7,206,294 | 100.00% | | Net sales | 8,122,470 | 100% | | Net sales | 1,912,870 | 100.00% | |

Specification of reasons for increase/decrease:

(1) Item 1: IO mainly mass produced one model and manufactured another model in small quantities. In addition to the original model, the product which had only been manufactured in small quantities also went into mass production in 2015. Another model was also produced in small quantities in the mainland branch. The sales volume therefore showed an increase compared to 2014.

(2) Item 2: Two mass produced items which were newly developed by this company in 2015 are flagship products of EA, accounting for 46% of the annual sales volume in 2015. The order volume of the EA branch in Mainland China rose by around 34% compared to 2014. In addition, the EA overseas branch and another Mainland China branch also have new demands for products. The overall sales volume therefore increased considerably compared to 2014

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

Unit: tons; 1000 NTD

| Year / Production volume/value / Production categories | 2014 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Production capacity | Production volume | Production value | Production capacity | Production volume | Production value |
| Casting products | 174,400 | 145,883 | 4,061,218 | 174,400 | 157,014 | 4,744,725 |
| Precisely processed products(Note1) | 248,131 (hours) | 209,813 (hours) | 94,7104 | 336,421 (hours) | 284,315 (hours) | 1,160,592 |
| Pressed scrap steel blocks | 42,000 | 34,529 | 353,713 | 42,000 | 29,618 | 213,431 |
| Other | Note 2 | Note 2 | 495,235 | Note 2 | Note 2 | 451,083 |

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‘t be indicated.

Main reasons for increases/decreases:

(1) The production volume and value of casting products and precision processed products increased in 2015 mainly due to the expansion of production capacities to meet customer demands.

(2) The production value of scrap steel block products decreased mainly due to the fact that certain foundries purchased scrap steel blocks externally and due to lower scrap steel procurement costs.

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

Unit: tons; 1000 NTD

| Year / Sales volume/value / Main products | 2014 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic sales | | Foreign sales | | Domestic sales | | Foreign sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Energy product castings | 17,735 | 909,370 | 38,229 | 2,542,694 | 29,010 | 1,555,079 | 49,871 | 3,202,680 |
| Injection molding machine castings | 15,508 | 615,432 | 29,456 | 1,176,398 | 18,558 | 727,678 | 29,567 | 1,056,757 |
| Other castings | 27,391 | 1,328,232 | 6,152 | 634,168 | 19,337 | 970,822 | 6,019 | 609,454 |
| Total | 60,634 | 2,853,034 | 73,837 | 4,353,260 | 66,906 | 3,253,579 | 85,457 | 4,868,891 |

**3. Number, everage 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 | | 2014 | 2015 | As of March 31, 2016 |
|---|---|---|---|---|
| Number | Executives | 64 | 75 | 75 |
| | Production line staff | 1,544 | 1,696 | 1,741 |
| | General staff | 354 | 405 | 400 |
| | R&D personnel | 53 | 52 | 52 |
| | Total | 2,015 | 2,228 | 2,268 |
| Average age | | 35.52 | 36.20 | 36.55 |
| Average years of service | | 5.41 | 5.77 | 5.87 |
| Distribution of level of education(%) | PhD/MA | 0.60% | 0.54% | 0.53% |
| | BA | 12.16% | 8.12% | 7.63% |
| | Junior college or below | 87.25% | 91.34% | 91.84% |

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 260,150.76 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

## VI. Main contracts

| Contract type | Parties | Contract commencement /termination date | Main contents | Restrictive clauses |
|---|---|---|---|---|
| Purchase contract | Supplier: Benxi Ju Xin Da<br>Purchaser: Jiangsu Bright Steel | Mar 17, 2015 | Pig iron | None |
| Purchase contract | Supplier: Benxi Ju Xin Da<br>Purchaser: Jiangsu Bright Steel | Nov 28, 2015 | Pig iron | None |
| Purchase contract | Supplier: Benxi Shen Iron<br>Purchaser: Jiangsu Bright Steel | Nov 28, 2015 | Pig iron | None |
| Purchase contract | Supplier: Benxi Shen Iron<br>Purchaser: Jiangsu Bright Steel | Feb 24, 2016 | Pig iron | None |
| Purchase contract | Supplier: Benxi Ju Xin Da<br>Purchaser: Jiangsu Bright Steel | Feb 24, 2016 | Pig iron | None |
| Purchase contract | Supplier: Benxi Shen Iron<br>Purchaser: Dongguan Yeong Guan | Feb 24, 2016 | Pig iron | None |
| Purchase contract | Supplier: Shanghai Fei Zhou<br>Purchaser: Jiangsu Bright Steel | May 19, 2015 | Post-processing equipment for artificial quartz plates | None |
| Maintenance | Party A: Changzhou Du Sheng Machinery<br>Party B: Jiangsu Bright Steel | Mar 2015<br>to Mar 2018 | Air compressor maintenance | None |
| Purchase contract | Party A: Dewei Digital Control<br>Party B: Jiangsu Bright Steel | Nov 2, 2015 | Digital control rotary table | None |
| Purchase contract | Party A: Shanghai Ji Ti<br>Party B: Jiangsu Bright Steel | May 27, 2015 | GT | None |
| Purchase contract | Supplier: Benxi Ju Xin Da<br>Purchaser: Ningbo Lu Lin | Nov 25, 2015 | Pig iron | None |
| Purchase contract | Supplier: Benxi Jujinda<br>Purchaser: Ningbo Lu Lin | Feb 29, 2016 | Pig iron | None |
| Purchase contract | Supplier: Benxi Shen Iron<br>Purchaser: Ningbo Lu Lin | Nov 25, 2015 | Pig iron | None |
| Purchase contract | Supplier: Benxi Shen Iron<br>Purchaser: Ningbo Lu Lin | Feb 28, 2016 | Pig iron | None |
| Purchase and Sale Contract | Party A: Wenling Huatai<br>Party B: Ningbo Lu Lin | Jan 2, 2015<br>to Long-term | Scrap steel purchase and sale contract | None |
| Purchase and Sale Contract | Party A: Ningbo Zhong Lie<br>Party B: Ningbo Lu Lin | Jan 2, 2015<br>to Long-term | Scrap steel purchase and sale contract | None |
| Purchase and Sale Contract | Party A: Shanghai Ding En<br>Pary B: Ningbo Lu Lin | Jan 2, 2015<br>to Dec 31, 2017 | Scrap steel purchase and sale contract | None |
| Purchase and Sale Contract | Party A: Yinzhou Jinhao<br>Party B: Ningbo Lu Lin | Jan 2, 2015<br>to Long-term | Scrap steel purchase and sale contract | None |
| Purchase contract | Supplier: Benxi Ju Xin Da<br>Purchaser: Ningbo Yeong Shang | Mar 17, 2015 | Pig iron | None |
| Purchase contract | Supplier: Benxi Ju Xin Da<br>Purchaser: Ningbo Yeong Shang | Nov 25, 2015 | Pig iron | None |
| Purchase contract | Supplier: Benxi Shen Iron<br>Purchaser: Ningbo Yeong Shang | Nov 25, 2015 | Pig iron | None |
| Purchase contract | Supplier: Benxi Shen Iron<br>Purchaser: Ningbo Yeong Shang | Feb 24, 2016 | Pig iron | None |
| Purchase contract | Supplier: Benxi Ju Xin Da<br>Purchaser: Ningbo Yeong Shang | Feb 24, 2016 | Pig iron | None |

| Contract type | Parties | Contract commencement /termination date | Main contents | Restrictive clauses |
|---|---|---|---|---|
| Lease contract | Lessor: Ningbo Yeong Shang<br>Lessee: Ningbo Ya Si Te | Jul 1, 2015<br>to Jun 30, 2016 | Factory building rental | None |
| | | | | |
| Lease contract | Lessor: Ningbo Yeong Shang<br>Lessee: Ningbo Yeong Chia Mei | Jan 1, 2014<br>to Dec 30, 2018 | Factory building rental | None |
| Lease contract | Lessor: New Power Team Technology<br>Lessee: Xin Qun Technology | Feb 1, 2016<br>to Jan 31, 2017 | Factory building rental | None |
| Lease contract | Lessor: New Power Team Technology<br>Lessee: Ya Ma Shi | Jul 1, 2014<br>to Jun 30, 2016 | Factory building rental | None |
| Insurance | Insured: Ningbo Yeong Shang<br>Insurance company: Ancheng Property & Casualty Insurance | Jun 28, 2015<br>to Jun 27, 2016 | Employer liability insurance | None |
| Property insurance | Party A: Fubon Property & Casualty Insurance<br>Party B: Ningbo Yeong Shang | Nov 12, 2014<br>to Jun 30, 2016 | Property insurance | None |
| Insurance | Insured: Ningbo Lu Lin<br>Insurance company: Ancheng Property & Casualty Insurance | Jun 28, 2015<br>to Jun 27, 2016 | Employer liability insurance | None |
| Property insurance | Party A: Fubon Property & Casualty Insurance<br>Party B: Ningbo Lu Lin | Nov 12, 2014<br>to Jun 30, 2016 | Property insurance | None |
| Insurance | Insured: Jiangsu Bright Steel<br>Insurance company: Ancheng Property & Casualty Insurance | Jun 28, 2015<br>to Jun 27, 2016 | Employer liability insurance | None |
| Property insurance | Party A: Fubon Property & Casualty Insurance<br>Party B: Jiangsu Bright Steel | Nov 12, 2014<br>to Jun 30, 2016 | Property insurance | None |
| Insurance | Insured: Dongguan Yeong Guan<br>Insurance company: Ancheng Property & Casualty Insurance | Jun 28, 2015<br>to Jun 27, 2016 | Employer liability insurance | None |
| Property insurance | Party A: Fubon Property & Casualty Insurance<br>Party B: Dongguan Yeong Guan | Nov 12, 2014<br>to Jun 30, 2016 | Property insurance | None |
| Cooperation agreement | Party A: Shenyang Research Institute of Foundry<br>Party B: Dongguan Yeong Guan | Jan 2016<br>to Nov 2016 | Technical services | None |
| Cooperation agreement | Party A: Shenyang Research Institute of Foundry<br>Party B: Jiangsu Bright Steel | Jan 2016<br>to Nov 2016 | Technical services | None |
| Cooperation agreement | Party A: Shenyang Research Institute of Foundry<br>Party B: Ningbo Yeong Shang | Jan 2016<br>to Nov 2016 | Technical services | None |
| Cooperation agreement | Party A: Shenyang Research Institute of Foundry<br>Party B: Ningbo Lu Lin | Jan 2016<br>to Nov 2016 | Technical services | None |
| Engineering contract | Party A: Suzhou Caivi<br>Party B: Shanghai No.1 | 2016.3.4 | Equipment foundation and casting pit foundation contracted project | None |
| Purchase contract | Party A: Wuxi Xinan<br>Party B: Shanghai No.1 | 2016.2.29 | Host device fees, non-standard structural part fees, installation and testing fees, shipping charges | None |
| Purchase contract | Party A: Suzhou Caivi<br>Party B: Shanghai No.1 | 2016.2.29 | Cleaning machine for hook-type shot blast machine | None |
| Collateral contract | Guarantor: Ningbo Lu Lin<br>Debtor: Ningbo Lu Lin<br>Creditor: Bank of China | Jul 13, 2015<br>to Jul 13, 2020 | 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 | None |

| Contract type | Parties | Contract commencement /termination date | Main contents | Restrictive clauses |
|---|---|---|---|---|
| | | | million. | |
| Collateral contract | Guarantor: Ningbo Lu Lin<br>Debtor: Ningbo Lu Lin<br>Creditor: Bank of China | Sep 22, 2015 to Sep 22, 2020 | 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. | None |
| Collateral contract | Guarantor: Ningbo Yeong Shang<br>Debtor: Ningbo Yeong Chia Mei<br>Creditor: Bank of China | Dec 15, 2015 to Dec 15, 2017 | 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 15, 2015 to Dec 15, 2017 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 48.59 million. | None |
| | | | | |
| Collateral contract | Pledger: Ningbo Yeong Shang<br>Debtor: Ningbo Yeong Shang<br>Creditor: Bank of China | Sep 9, 2014 to Sep 8, 2019 | 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 million. | None |
| Collateral contract | Pledger: Ningbo Yeong Shang<br>Debtor: Ningbo Yeong Shang<br>Creditor: Bank of China | Sep 9, 2014 to Sep 8, 2019 | 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. | None |
| Collateral contract | Pledger: Ningbo Yeong Shang<br>Debtor: Ningbo Yeong Shang<br>Creditor: Bank of China | Sep 9, 2014 to Sep 8, 2019 | 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. | None |
| Collateral contract | Pledger: Jiangsu Bright Steel<br>Debtor: Jiangsu Bright Steel<br>Creditor: Bank of China | Aug 28, 2013 to Aug 27, 2018 | 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. | None |
| Collateral contract | Pledger: Jiangsu Bright Steel<br>Debtor: Jiangsu Bright Steel<br>Creditor: Bank of China | Jan 22, 2015 to Jan 22, 2020 | 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 | None |

| Contract type | Parties | Contract commencement /termination date | Main contents | Restrictive clauses |
|---|---|---|---|---|
| | | | 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. | |
| Collateral contract | Pledger: Dongguan Yeong Guan<br>Debtor: Dongguan Yeong Guan<br>Creditor: Industrial and Commercial Bank of China | Oct 17, 2014<br>to Oct 5, 2019 | 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 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. | None |
| Foreign Exchange Loan Contract | Borrower: Ningbo Yeong Shang<br>Lender: Shanghai Commercial & Savings Bank | Feb 10, 2014<br>to Feb 9, 2017 | 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. | None |
| Foreign Exchange Loan Contract | Borrower: Jiangsu Bright Steel<br>Lender: Shanghai Commercial & Savings Bank | Dec 17, 2015<br>to Dec 16, 2016 | Shanghai Commercial & Savings Bank provides Jiangsu Bright Steel with a working capital of US$ 2.5 million. Interest shall be payable once every three months. | None |
| | | | | |
| Foreign Exchange Loan Contract | Borrower: Jiangsu Bright Steel<br>Lender: Citibank | Jan 14, 2016<br>to Jan 13, 2017 | Citibank provides Jiangsu Bright Steel with a working capital of US$ 2 million. Interest shall be payable once every three months. | None |
| Foreign Exchange Loan Contract | Borrower: Jiangsu Bright Steel<br>Lender: Citibank | Mar 11, 2015<br>to Mar 10, 2016 | Citibank provides Jiangsu Bright Steel with a working capital of US$ 1.5 million. Interest shall be payable once every six months. | None |
| Foreign Exchange Loan Contract | Borrower: Jiangsu Bright Steel<br>Lender: Citibank | 2015-10-14<br>to 2016-10-13 | Citibank provides Jiangsu Bright Steel with a working capital of US$ 1.5 million. Interest shall be payable once every three months. | None |
| Foreign Exchange Loan Contract | Borrower: Jiangsu Bright Steel<br>Lender: ANZ Bank | Oct 14, 2015<br>to Oct 13, 2016 | ANZ Bank provides Jiangsu Bright Steel with a working capital of US$ 4 million. Interest shall be payable once every three months. | None |
| Credit agreement | Borrower: Yeong Guan Energy Tech.<br>Lender: KGI Bank<br>Joint guarantor: Chang, Hsien-Ming | Jul 3, 2014<br>to Jul 2, 2016 | KGI Bank provides Yeong Guan Energy Technology with a revolving line of credit of US$ 10 million. Interest shall be payable once every month. | None |
| Credit agreement | Borrower: Yeong Guan Energy Tech.<br>Lender: Bank SinoPac Hong Kong Branch<br>Joint guarantor: Chang, Hsien-Ming | Aug 29, 2014<br>to Aug 28, 2016 | 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. | None |
| | | | | |

| Contract type | Parties | Contract commencement /termination date | Main contents | Restrictive clauses |
|---|---|---|---|---|
| Credit agreement | Borrower: Yeong Guan Energy Tech.<br>Lender: CTBC Bank<br>Joint guarantor: Chang, Hsien-Ming | Sep 10, 2015 to Sep 9, 2016 | CTBC Bank provides Yeong Guan Energy Technology with a revolving line of credit of US$ 5 million. Interest shall be payable once every month. | None |
| | | | | |
| Credit agreement | Borrower: Yeong Guan Energy Hold.<br>Lender: Land Bank of Taiwan<br>Joint guarantor: Yeong Guan Energy Tech. | Dec 1, 2015 to Nov 30, 2016 | Land Bank of Taiwan issues a domestic letter of credit for an amount of NT$ 845 million for the purchase and installation of casting equipment by Yeong Guan Holdings Co., Ltd. Taiwan Branch on the British Virgin Islands. | None |
| Credit agreement | Borrower: Yeong Guan Energy Hold.<br>Lender: CTBC Bank<br>Joint guarantor: Yeong Guan Energy Tech. | Nov 3, 2015 to Nov 2, 2016 | CTBC Bank provides a revolving line of credit of NT$ 300 million for Yeong Guan Holdings Co., Ltd. Taiwan Branch on the British Virgin Islands. Interest shall be payable once every month. | None |
| | | | | |
| | | | | |
| Credit agreement | Borrower: Shin Shang Trade<br>Lender: Shanghai Commercial & Savings Bank<br>Joint guarantor: Yeong Guan Energy Tech. | Oct 8, 2015 to Oct 7, 2016 | Shanghai Commercial & Savings Bank provides a revolving line of credit of US$ 2 million for Shin Shang Trade. Interest shall be payable once every month. | None |
| Credit agreement | Borrower: Shin Shang Trade<br>Lender: Land Bank of Taiwan<br>Joint guarantor: Yeong Guan Energy Tech. | Aug 24, 2015 to Aug 23, 2016 | Land Bank of Taiwan issues a letter of credit for an amount of JY$ 500 million for proxy purchase by Shin Shang Trade of Japanese processing equipment | None |
| Credit agreement | Borrower: . Shin Shang Trade<br>Lender: Shanghai Commercial & Savings Bank<br>Joint guarantor: Yeong Guan Energy Tech. | Sep 18, 2015 to Sep 17, 2016 | Shanghai Commercial & Savings Bank issues a letter of credit for an amount of JY$ 81.2 million for proxy purchase by Shin Shang Tradeof Japanese processing equipment | None |
| Credit agreement | Borrower: Yeong Chen Asia Pacific<br>Lender: Land Bank of Taiwan<br>Joint guarantor: Chang, Wen-Lung | Oct 29, 2015 to Oct 28, 2016 | 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. | None |
| Credit agreement | Borrower: Yeong Chen Asia Pacific<br>Lender: KGI Bank<br>Joint guarantor: Yeong Guan Energy Tech. | July 3, 2015 to Jul 2, 2016 | 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. | None |
| | | | | |
| Credit agreement | Borrower: Yeong Chen Asia Pacific<br>Lender: DBS Bank (Taiwan)<br>Joint guarantor: Yeong Guan Energy Tech. | 2015-10-02 to 2016-10-01 | 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. | None |
| Credit agreement | Borrower: New Power Team Technology.<br>Lender: Taiwan Business Bank<br>Joint guarantor: Chiang, Shao-Chieh | 2016-4-18 to 2017-4-18 | Taiwan Business Bank provides a revolving line of credit of NT$ 30 million for New Power Team Technology. Interest shall be payable once every month. The latter company provides land | None |

| Contract type | Parties | Contract commencement /termination date | Main contents | Restrictive clauses |
|---|---|---|---|---|
| | | | and factory buildings for a maximum lien of NT$ 200 million. | |
| Credit agreement | Borrower: New Power Team Technology.<br>Lender: Bank SinoPac Hong Kong Branch<br>Joint guarantor: Chiang, Shao-Chieh | 2015-12-28 to 2016-9-30 | Bank SinoPac provides New Power Team Technology with US$ 300,000 for spot exchange transactions and foreign exchange hedging.. | None |

# 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

| Items \ Year | | Financial data for the last five years: 2011 | 2012 | 2013 (Note 1) | 2014 (Note 1) | 2015 (Note 1) | Current Financial Data as of March 31st, 2016 (Note 1) |
|---|---|---|---|---|---|---|---|
| Current Asset | | | | 4,971,886 | 6,726,616 | 9,557,290 | 8,736,348 |
| Property, Plant and Equipment | | | | 4,021,240 | 4,310,151 | 5,251,823 | 5,976,132 |
| Intangible Asset | | | | 131,652 | 134,386 | 133,214 | 145,947 |
| Other Asset | | | | 381,580 | 507,107 | 647,429 | 779,473 |
| Total Asset | | | | 9,506,358 | 11,678,643 | 15,589,756 | 15,637,900 |
| Current Liability | Un-allocated | | | 2,466,894 | 2,067,496 | 2,473,907 | 2,245,103 |
| | Allocated | | | 2,820,006 | 2,734,973 | Note 3 | Note 3 |
| Non-current Liability | | | | 740,034 | 1,553,712 | 2,461,407 | 2,370,735 |
| Total Liability | Un-allocated | | | 3,206,928 | 3,621,591 | 4,935,314 | 4,615,838 |
| | Allocated | | | 3,560,040 | 4,288,685 | Note 3 | Note 3 |
| Current Liability | | | | 6,299,430 | 7,937,034 | 10,542,667 | 10,745,420 |
| Owner's Equities Attributed to Parent Company | | Note 2 | | 1,008,890 | 1,048,890 | 1,179,796 | 1,187,023 |
| Share Capital | | | | 3,548,276 | 4,045,959 | 6,091,651 | 6,189,295 |
| Additional Paid-in Capital | Additional Paid-in Capital | | | 1,665,736 | 2,314,788 | 2,998,411 | 3,246,252 |
| Retained Earnings | Retained Earnings | | | 1,312,624 | 1,647,694 | Note 3 | Note 3 |
| | | | | 76,528 | 527,397 | 272,809 | 122,850 |
| Other Equities | | | | 0 | 0 | 0 | 0 |
| Treasury Share | | | | 0 | 120,018 | 111,775 | 276,642 |
| Non-controlling Equities | Non-controlling Equities | | | 6,299,430 | 8,057,052 | 10,654,442 | 11,022,062 |
| Total Equities | Total Equities | | | 5,946,318 | 7,389,958 | Note 3 | Note 3 |

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

Note 2: With respect to financial data for summarized consolidated balance sheet from 2011 to 2012, please refer to 1-2 Summarized Balance Sheet – Financial Accounting Guidelines in the Republic of China hereunder.

Note 3: As of May 10th, 2016, 2015 earnings distribution has yet to be approved by shareholder meeting resolution.

1-2 Summarized Balance Sheet – ROC GAAP

| Items / Year | | Financial data for the last two years (Note 1) 2011 | 2012 |
|---|---|---|---|
| Current Asset | | 3,765,188 | 3,869,454 |
| Fund & Investment | | 0 | 0 |
| Fixed Asset | | 4,338,264 | 3,996,823 |
| Intangible Asset | | 380,084 | 372,637 |
| Other Asset | | 143,262 | 126,475 |
| Total Asset | | 8,626,798 | 8,365,389 |
| Current Liability | Un-allocated | 3,435,859 | 1,865,364 |
| | Allocated | 3,449,193 | 2,127,675 |
| Long Term Liability | | 101,464 | 788,545 |
| Other Liability | | 6,226 | 9,763 |
| Total Liability | Un-allocated | 3,543,549 | 2,663,672 |
| | Allocated | 3,556,883 | 2,925,983 |
| Share Capital | | 800,000 | 1,008,890 |
| Additional Paid-in Capital | | 3,166,049 | 3,548,276 |
| Retained Earnings | Un-allocated | 1,108,986 | 1,346,037 |
| | Allocated | 1,095,652 | 1,083,726 |
| Financial Product Unrealized Income | | 0 | 0 |
| Cumulative Translation Adjustment | | 8,214 | (201,486) |
| Unrecognized Pension Cost Net Loss | | 0 | 0 |
| Minority Interest | | 0 | 0 |
| Shareholder's Equity Total | Un-allocated | 5,083,249 | 5,701,717 |
| | Allocated | 5,069,915 | 5,439,406 |

Note 1: Financial data for 2011and 2012 are 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 2011 | 2012 | 2013 | 2014 (Note 2) | 2015 | Current Financial Data as of March 31st, 2016 (Note 3) |
|---|---|---|---|---|---|---|
| Operation Revenue | (Note 1) | | 5,899,431 | 7,206,294 | 8,122,470 | 1,912,870 |
| Operation Profit Margin | | | 1,687,389 | 2,257,711 | 2,668,103 | 654,034 |
| Operation Income | | | 861,908 | 1,348,859 | 1,515,908 | 389,966 |
| Non-operation Revenue & Expenses | | | (132,332) | (27,782) | 272,605 | 14,293 |
| Pre-tax Net Profit | | | 729,576 | 1,321,077 | 1,788,513 | 404,259 |

| | | | | | |
|---|---|---|---|---|---|
| Current Net Profit for Continuing Operations | | 541,119 | 1,001,817 | 1,349,123 | 298,737 |
| Discontinued Operations Loss | | 0 | 0 | 0 | 0 |
| Current Net Profit | | 541,119 | 1,001,817 | 1,349,123 | 298,737 |
| Current Other Consolidated Income (after tax net amount) | | 286,228 | 455,109 | (261,237) | (149,531) |
| Current Consolidated Income Total Amount | | 827,347 | 1,456,926 | 1,087,886 | 149,206 |
| Net Profit Attributed to Parent Company Owner | | 541,119 | 1,002,164 | 1,350,717 | 297,347 |
| Net Profit Attributed to Non-controlling Equities | | 0 | (347) | (1,594) | 1,390 |
| Consolidated Income Total Attributed to Parent Company Owner | | 827,347 | 1,453,033 | 1,096,129 | 147,388 |
| Consolidated Income Total Attributed to Non-controlling Equities | | 0 | 3,893 | (8,243) | 1,818 |
| Earnings Per Share | | 5.36 | 9.78 | 12.24 | 2.51 |

Note 1: The Company did not present consolidated financial statements prepared based on International Financial Reporting Standard (IFRS) in 2011 and 2012.

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

Note 3: Current financial data as of March 31st, 2016 have already been audited by accountants.

I. 2-2 Summarized Consolidated Income Statement - ROC GAAP

Unit: NTD in thousands except for EPS

| Year / Item | Financial data for the last two years (note) | |
|---|---|---|
| | 2011 | 2012 |
| Operation Revenue | 5,261,149 | 5,261,316 |
| Operation Profit Margin | 1,051,948 | 1,215,451 |
| Operation Income | 401,804 | 546,722 |
| Non-operation Revenue & Expenses | (34,010) | (82,616) |
| Pre-tax Income for Continuing Operations | 367,794 | 464,106 |
| After Tax Income for Continuing Operations | 297,514 | 370,385 |
| Discontinued Operations Loss | 0 | 0 |
| Extraordinary Gain or Loss | 0 | 0 |
| Cumulative Effects from Accounting Principle Changes | 0 | 0 |
| Current Income | 297,514 | 370,385 |
| Earnings Per Share | 3.28 | 3.79 |

Note: Financial data for 2011 and 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 |
|---|---|---|---|
| 2011 | Deloitte Touche Tohmatsu Limited., | Li, Tung-Feng, | No Reservation |

| | | | |
|---|---|---|---|
| | Taiwan | Kuo, Cheng-Hung | |
| 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 |

**2. Financial analysis for the last five years**

I. Financial Analysis

| Items Analyzed (note4) / Year | | Financial analysis for the last five years | | | | | Current Financial Data as of March 31st, 2016 |
|---|---|---|---|---|---|---|---|
| | | 2011 | 2012 (note 2) | 2013 | 2014 | 2015 | |
| Finance Structure | Debt Ratio (%) | (note 1) | 31.86 | 33.73 | 31.01 | 31.66 | 29.52 |
| | Long Term Fund to Fixed Asset Ratio (%) | | 161.09 | 175.06 | 220.20 | 247.61 | 219.48 |
| Repayment Capability | Current Ratio (%) | | 207.00 | 201.54 | 325.35 | 386.32 | 389.13 |
| | Quick Ratios (%) | | 153.25 | 151.29 | 250.55 | 327.24 | 326.45 |
| | Times Interest Earned | | 5.80 | 11.24 | 25.09 | 41.69 | 27.34 |
| Operating Performance | Account Receivables Turnover Rate (Times) | | 3.41 | 3.44 | 3.59 | 3.61 | 3.21 |
| | Average Collection Days | | 107 | 106 | 102 | 101 | 114 |
| | Inventory Turnover Rate (Times) | | 3.99 | 3.96 | 3.82 | 3.92 | 3.90 |
| | Account Payable Turnover Rate (Times) | | 7.84 | 5.79 | 4.55 | 4.67 | 4.80 |
| | Average Inventory Turnover Days | | 91 | 92 | 96 | 93 | 94 |
| | Fixed Asset Turnover Rate (Times) | | 1.27 | 1.46 | 1.73 | 1.70 | 1.36 |
| | Total Asset Turnover Rate (Times) | | 0.62 | 0.66 | 0.68 | 0.60 | 0.49 |
| Profitability | Return on Asset (%) | | 5.38 | 6.77 | 9.93 | 10.19 | 2.00 |
| | Return on Equity (%) | | 6.87 | 9.02 | 14.07 | 14.60 | 2.81 |
| | Pre-tax Net Profit to Paid-in Capital (%) | | 10.18 | 16.01 | 25.93 | 24.6 | 5.48 |
| | Net Margin Rate (%) | | 7.04 | 9.17 | 13.90 | 16.61 | 15.62 |
| | Earnings Per Share (NTD) | | 3.79 | 5.36 | 9.78 | 12.24 | 2.52 |
| Cash Flow | Cash Flow Ratio (%) | | 59.93 | 27.47 | 72.32 | 60.22 | 10.87 |
| | Cash Flow Adequacy Ratio (%) | | Note 3 | Note 3 | Note 3 | Note 3 | Note 3 |
| | Cash Re-investment Ratio (%) | | 14.23 | 4.73 | 9.69 | 5.30 | 1.54 |
| Leverage | Operating Leverage | | 3.21 | 2.79 | 2.29 | 2.40 | 2.33 |
| | Financial Leverage | | 1.21 | 1.09 | 1.04 | 1.03 | 1.04 |

Reasons for changes of various financial ratios within the last two years (analysis is exempted for changes of increase/decrease less than 20%)

1. Quick Ratio: This is mainly because of increased operation capital through seasoned equity offering and issuance of convertible corporate bond as well as the company's lowering short term loan level this year.
2. Times Interest Earned: This is mainly because of increased profits and dramatic decrease of

| | |
|---|---|
| | interest expenses this year.<br>3. Pre-tax net profit to paid-in capital ratio: This is mainly because of increases in operating income and net profit from increased revenue and reduced costs.<br>4. Earnings Per Share: This is mainly because of increases in operating income and net profit from increased revenue and reduced costs.<br>5. Cash Re-investment Ratio: Operating cash flow increases steadily because revenue for 2015 increased steadily. |

Note 1: The Company did not present consolidated financial statements prepared based on International Financial Reporting Standard (IFRS) in 2010 and 2011.

Note 2: Data for 2012 are derived from the calculation of 2013 current numbers on consolidated financial statements which are prepared using IFRS.

Note 3: No calculation conducted because application of IFRS is less than five years.

Note 4: 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) | | | Financial Analysis for Last Two Years 2011 | 2012 |
|---|---|---|---|---|
| Financial Structure | Debt Ratio (%) | | 41.08 | 31.84 |
| | Long Term Fund to Fixed Asset Ratio (%) | | 119.51 | 162.39 |
| Liquidity | Current Ratio (%) | | 109.59 | 207.44 |
| | Quick Ratios (%) | | 76.69 | 151.17 |
| | Times Interest Earned | | 5.06 | 5.80 |
| Operating Performance | Account Receivables Turnover Rate (Times) | | 3.57 | 3.41 |
| | Average Collection Days | | 102 | 107 |
| | Inventory Turnover Rate (Times) | | 4.88 | 3.99 |
| | Account Payable Turnover Rate (Times) | | 8.81 | 7.84 |
| | Average Inventory Turnover Days | | 75 | 91 |
| | Fixed Asset Turnover Rate (Times) | | 1.29 | 1.26 |
| | Total Asset Turnover Rate (Times) | | 0.67 | 0.62 |
| Profitability | Return on Asset (%) | | 4.75 | 5.39 |
| | Return on Equity (%) | | 6.24 | 6.87 |
| | Percentage to Paid-in Capital (%) | Operating Income | 10.13 | 12.00 |
| | | Pre-Tax Income | 9.27 | 10.18 |
| | Net Margin Rate (%) | | 5.65 | 7.04 |
| | Earnings Per Share (NTD) | | 3.72 | 3.79 |
| Cash Flow | Cash Flow Ratio (%) | | 5.95 | 58.83 |
| | Cash Flow Adequacy Ratio (%) | | (note 1) | 76.14 |
| | Cash Re-investment Ratio (%) | | 3.46 | 13.88 |
| Leverage | Operating Leverage | | 3.47 | 3.21 |
| | Financial Leverage | | 1.29 | 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 ＝ 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 Fixed Asset

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

4. Profitability

(1) Return on Asset ＝〔Income After Tax＋Interest Expense × (1－ Tax Rate)〕／ Average Total Asset

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

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

(4) Earnings Per Share ＝ (Net Income After Tax－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 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)

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 2016

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 11, 2016

4. **The Latest Year CPA Audited Financial Statement: Not Applicable**

5. **The Latest Year CPA Audited Parent Company/Subsidiary Consolidated Financial Statement: Please refer to Appendix 1.**

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 | 2014 | 2015 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current Asset | 6,726,999 | 9,557,290 | 2,830,291 | 42.07% |
| Real Estate, Factory Buildings and Equipment | 4,310,151 | 5,251,823 | 941,672 | 21.85% |
| Intangible Asset | 134,386 | 133,214 | (1,172) | (0.87%) |
| Other Asset | 507,107 | 647,429 | 140,322 | 27.67% |
| Total Asset | 11,678,643 | 15,589,756 | 3,911,113 | 33.49% |
| Current Liability | 2,067,879 | 2,473,907 | 406,028 | 19.63% |
| Non-Current Liability | 1,553,712 | 2,461,407 | 907,695 | 58.42% |
| Total Liability | 3,621,591 | 4,935,314 | 1,313,723 | 36.27% |
| Share Capital | 1,048,890 | 1,179,796 | 130,906 | 12.48% |
| Additional Paid-in Capital | 4,045,959 | 6,091,651 | 2,045,692 | 50.56% |
| Retained Earnings | 2,314,788 | 2,998,411 | 683,623 | 29.53% |
| Other Interest | 527,397 | 272,809 | (254,588) | (48.27%) |
| Non-controlling Interest | 120,018 | 111,775 | (8,243) | (6.87%) |
| Total Interest | 8,057,052 | 10,654,442 | 2,597,390 | 32.24% |

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):

1. Current assets: Mainly caused by replenishment of working capital through cash capital increase and issuance of convertible corporate bonds
2. Real estate, factory buildings and equipment: Mainly caused by active expansion of the production capacity of the company through purchase of machinery and equipment in the current year.
3. Total asset: Mainly caused by stable profit growth in the current year and replenishment of working capital through cash capital increase and issuance of convertible corporate bonds
4. Current liability: Mainly caused by puttable convertible corporate bonds exercised within one year and listing of non-current liabilities as current liabilities in the current year
5. Non-current liability: Mainly caused by replenishment of working capital through issuance of convertible corporate bonds
6. Retained earnings: Mainly caused by stable profit growth in 2014
7. Additional Paid-in Capital: Mainly caused by the premium generated by the conversion into shares by creditors in the context of cash capital increase and issuance of convertible corporate bonds in the current year
8. Retained earnings: Mainly caused by stable profit growth in 2015
9. Other interest: Depreciation of RMB compared to the previous year led to a decrease of cumulative translation adjustment of long-term investments
10. Total interest: Mainly caused by stable profit growth, cash capital increase, and issuance of convertible corporate bonds in the current year.

**2. Financial Performance**

(1). Operating Performance Analysis Table

Unit: NTD in thousands

| Item \ Year | 2014 | 2015 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Operating Income | 7,206,294 | 8,122,470 | 916,176 | 12.71% |
| Operating Cost | 4,948,583 | 5,454,367 | 505,784 | 10.22% |
| Operating Gross Margin | 2,257,711 | 2,668,103 | 410,392 | 18.18% |
| Operating Expense | 908,852 | 1,152,195 | 243,343 | 26.77% |
| Operating Net Income | 1,348,859 | 1,515,908 | 167,049 | 12.38% |
| Non-Business Income & Expense | (27,782) | 272,605 | 300,387 | (1,081.23%) |
| Pre-Tax Net Income | 1,321,077 | 1,788,513 | 467,436 | 35.38% |
| Income Tax Expense | 319,260 | 439,390 | 120,130 | 37.63% |
| Current Net Income | 1,001,817 | 1,349,123 | 347,306 | 34.67% |

Explanations on items with significant changes (items with changes exceeding 10% and with change amount reaching 1% of current year total asset amount)

1. Operating Income, Operating Cost and Operating Expense: Increases in operating income, operating cost and opeating expense are mainly because of strong market demand in 2015.
2. Operating Gross Margin: This is mainly because of operating income increase as well as adequate cost control for this year.
3. Operating Net Income: This is mainly because of increase in gross margin which leads to increase in operating net income.
4. Non-Business Income & Expense: The appreciation of the US dollar in 2015 led to increased exchange earnings
5. Pre-Tax Net Income and Current Net Income: This is mainly because of increase in this year's gross margin which leads to increased income as compared with the previous year.

(2) Expected Sales and Reasons

The Company expects overall sales income for 2016 will maintain steady growth. 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 | 2014 | 2015 | Increased (Decreased) Amount % | Increased (Decreased) Percentage % |
|---|---|---|---|---|
| Operating Activity | 1,495,816 | 1,489,816 | (6,000) | (0.40%) |
| Investment Activity | (548,018) | (1,676,846) | (1,128,828) | 205.98% |
| Financing Activity | 319,104 | 2,756,380 | 2,437,276 | 763.79% |
| Analysis of Changes:<br>1. Investment Activity: Increase of this year's investment activity net cash outflow is mainly because of increase in capital expenditure.<br>2. Financing Activity: Increase of this year's financing activity net cash outflow is mainly because of the new seasoned equity offering and issuance of convertible corporate bond. | | | | |

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

The Company still has fixed asset capital expenditure in 2016. It is expected that there will be non-financing net cash outflow in 2016 because of increased orders. However, assessment over the Company's current capital condition indicates that there will be sufficient capital needed and there shouldn't be any concern over insufficient liquidity.

4. **Influence on finance business from major capital expenditure in the latest year:**
The Company continues to expand plant and purchase equipment and land in China and Thailand in 2016 in order to expand operating scale. Currently the Company's own capital is sufficient and there is no obvious influence to finance business.

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 (2015)

Unit: NTD in thousands

| Invested Enterprises | Recognized Investment Gain/Loss Amount | Reason for Gain or Loss | Improvement Plan |
|---|---|---|---|
| Yeong Guan Holding Co., Ltd. | 1,426,597 | This is mainly because investment income is assessed using equity method. | — |
| Yeong Guan Heavy Industry (Thailand) Co., Ltd. | (4,783) | This is mainly because invested enterprise is still in its opening phase and business has not yet started. | Nil |
| Yeong Guan International Co., Limited | 1,186,072 | This is mainly because investment income is assessed using equity method. | — |
| Shin Shang Trade Co., Ltd. | 36,242 | This is main because of order transfer benefits from shipments to Europe/US customers. | — |
| Yeong Chen Asia Pacific Co., Ltd. | 145,105 | This is main because of order transfer benefits from shipments to Europe/US customers. | — |
| Ningbo Yeong Shang Casting Iron Co., Ltd. | 324,342 | Profit for main business remains steady. | — |
| Dongguan Yeong Guan Mould Factory Co., Ltd. | 59,336 | Profit for main business remains steady. | — |
| Ningbo Lu Lin Machine Tool Foundry Co., Ltd. | 328,242 | Profit for main business remains steady. | — |
| Jiangsu Bright Steel Fine Machinery Co., Ltd. | 604,467 | Profit for main business remains steady. | — |
| Ningbo Yong Jia Mei Trade Company | 1,130 | Profit for main business remains steady. | — |

(3) Investment plan for the upcoming year
The Company continues its investments to establish Thailand plant and Taichung plant.

## 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 2014 and 2015 are NTD11,299 thousands and NTD39,299 thousands with percentages of 0.16% and 0.48% 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 increase 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 2014 and 2015 are (NTD28,638) thousands and NTD162,742 thousands respectively accounting for 0.40% and 2.00% 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

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.

The Company's R&D expenses account for 1.25% and 1.09% of sales amount for 2014 and 2015 respectively. Future R&D expenditure is mainly for collaboration with customers in developing new products and production process, enhancement of molds, increase of material conversion rate, energy saving and reduction of energy consumption. As such, related R&D expenditure will be invested in accordance with actual needs.

(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. At current phase, the Company focuses its development on energy products of large wind generator (wheel hub and base) and steam turbine for large power plant. This is a world-wide emerging industry. With the popularity of environmental protection consciousness, need for such products increases every day and this allows the Company's energy product business to enjoy continued growth. There is no replacing technology or product in a short time going forward. Therefore, changes in technology and industry are not expected to pose significant influence on the Company's finance business.

(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

Yeong Guan Holdings Co., Ltd., a subsidiary of this company, acquired 52% of the equity of New Power Team Technology, Inc. on January 7, 2016 to enhance the economic value and competitiveness of some of its products. Yeong Guan International Co., Ltd. and Dongguan Yeong Guan Mould Factory

Co., Ltd. two subsidiaries of this company, acquired 90% of the equity of Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd. on January 25, 2016 to alleviate the current shortage of production capacity. The goal was to enhance the production capacity of the whole group.
Customer orders have exhibited stable growth in recent years. Added production capacity through mergers and acquisitions ensures continued profitability. Investment returns and potential risks were taken into consideration for mergers and acquisitions.

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

All of the Company's plant expansions have gone through complete, careful and assessment processes by responsible units, and have already taken comprehensive considerations of investment benefits 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. This ratio has been reduced by 20% compared to the previous year due to the very low prices for these two materials in 2015. 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. However, the company chose a different supplier of pig iron in 2014 due to high prices and late delivery by the previous supplier Fushun Hanking. Another two pig iron suppliers (Benxi Shen Iron (Group) Ltd. and Benxi Ju Xin Da Machine Manufacturing Co., Ltd.) and four scrap steel suppliers (Nantong Peng Ding Machine Manufacturing Co., Ltd., Wenling City Hua Tai Waste and Old Material Recycling Co., Ltd., Ningbo City Yinzhou Jinhao Renewable Resources Co., Ltd., and Dongguan City You Xin Renewable Resources Co., Ltd.) were added in 2015 to meet market demands. A stable supply of raw materials is ensured through the selection of several suppliers for each raw material. The ten largest suppliers of this company account for 55% and 49% of the net purchases in the most recent two years, respectively. The ratio lies between 49 and 55 percent. Only Benxi Shen Iron (Group) Ltd. and Kao Chemicals, Shanghai accounted for over 10% of the total net purchases between 2014 and 2015. All other suppliers accounted for less than 10%. The risk of a high concentration of raw material purchases is therefore not present.

2. Sales of Goods

In 2015, percentages of the Company's sales to its biggest an second biggest clients all exceeded 10% while sales percentages to other individual clients are all under 6%. Sales to the Company's top ten client accounts for roughly 60% of total sales in latest fiscal year of 2015. 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 fifteen (15), while total compensation amount paid by the Company is only RMB260,150.76. Such result does not have significant influence over the Company's shareholder equity or securities price.

(13) Other critical risks and responding measures

1. 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.

2. 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 RMB1,346,068 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.

3. 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.

4. 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 Two. Company Introduction

(2) Subsidiary Basic Information

March 31st, 2015, 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, Guandong 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 TechnologyCo., 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 |

(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<br>Chang, Wen-Lung |
| Yeong Guan Heavy Industries (Thailand) Co., Ltd. | Director | Chang, Hsien-Ming<br>Chang, Wen-Lung<br>Chang, Cheng-Chung<br>Tsai, Shu-Ken<br>Chen, Wu-Chi<br>Sutep Jatupornpakdi<br>Niyom Jatupornpakdi |
| Yeong Guan International Co., Limited | Director | Chang, Hsien-Ming<br>Chang, Wen-Lung |
| Shin Shang Trade Co., Ltd. | Director | Chang, Hsien-Ming<br>Chang, Wen-Lung |
| Yeong Chen Asia Pacific Co., Ltd. | Director | Chang, Hsien-Ming<br>Chang, Wen-Lung |
| Dongguan Yeong Guan Mould Factory Co., Ltd. | Director | Chang, Hsien-Ming<br>Chang, Wen-Lung<br>Chang, Cheng-Chung<br>Tsai, Shu-Ken<br>Chen, Wu-Chi |
| | General Manager | Chen, Wu-Chi |
| Ningbo Yeong Shang Casting Iron Co., Ltd. | Director | Chang, Hsien-Ming<br>Chang, Wen-Lung<br>Chang, Cheng-Chung<br>Chen, Wu-Chi |
| | Supervisor | Hsu, Yu-Yue |
| | General Manager | Hsu, Ching-Hsiung |
| Ningbo Lu Lin Machine Tool Foundry Co., Ltd. | Director | Chang, Hsien-Ming<br>Chang, Wen-Lung<br>Chang, Cheng-Chung<br>Tsai, Shu-Ken<br>Chen, Wu-Chi |
| | Supervisor | Hsu, Yu-Yeeh |
| | General Manager | Lin, Tai-Feng |
| Jiangsu Bright Steel Fine Machinery Co., Ltd. | Director | Chang, Hsien-Ming<br>Chang, Wen-Lung<br>Tsai, Shu-Geng<br>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 |
| Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd. | Director | Chang, Hsien-Ming<br>Tsai, Shu-Ken<br>Chen, Wu-Chi<br>Huang, Wen-Hung<br>Yu, Hsiao-Bin |
| | Supervisor | Chang, Chih-Kai |

| Name of Enterprise | Job Title | Name |
|---|---|---|
| New Power Team Technology Co., Ltd. | Director | Chiang, Hsiao-Chieh<br>Tsai, Shu-Ken<br>Chen, Wu-Chi |
| | Supervisor | Chiang, Yung-Chien<br>Chang, Wen-Lung |
| LIZHAN LIMITED | Director | Chiang, Hsiao-Chieh |
| Shanghai No. 1 Foundry Trading Co., Ltd. | Director | Lu, Hai-Feng |

(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 | 12,488,168 | 877,562 | 11,610,606 | - | (1,370) | 1,426,597 | 9.77 |
| Yeong Guan Heavy Industry (Thailand) Co., Ltd. | 454,750 | 447,304 | 204 | 447,100 | - | (6,710) | - 6,377 | (0.13) |
| Yeong Guan International Co., Limited | 2,142,910 | 8,822,299 | 459,620 | 8,362,679 | - | (682) | 1,185,783 | 2.34 |
| Shin Shang Trade Co., Ltd. | 1,642 | 396,145 | 265,852 | 130,293 | 347,790 | (49,447) | 33,990 | 679.80 |
| Yeong Chen Asia Pacific Co., Ltd. | 95,000 | 2,334,350 | 1,650,284 | 684,066 | 4,048,553 | 200,431 | 145,035 | Note |
| Dongguan Yeong Guan Mould Factory Co., Ltd. | 131,304 | 741,322 | 143,973 | 597,349 | 524,277 | 52,689 | 56,742 | Note |
| Ningbo Yeong Shang Casting Iron Co., Ltd. | 1,414,973 | 3,862,933 | 748,198 | 3,114,735 | 2,730,565 | 249,397 | 330,473 | Note |
| Ningbo Lu Lin Machine Tool Foundry Co., Ltd. | 449,935 | 2,217,138 | 438,970 | 1,778,168 | 1,913,323 | 369,855 | 326,759 | Note |
| Jiangsu Bright Steel Fine Machinery Co., Ltd. | 2,626,400 | 5,276,150 | 1,408,471 | 3,867,679 | 3,763,847 | 734,125 | 598,412 | Note |
| Ningbo Yong Jia Mei Trading Co., Ltd. | 32,830 | 37,503 | 612 | 36,891 | 6,858 | 153 | 1,121 | 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.<br>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 | 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:<br><br>(a) request, in writing, BOD meeting to authorize 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<br>(b) request, in writing, audit committee independent director to raise litigation against director for the Company after | 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 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 |

| Shareholder Equity Protection Critical Issues | Contents of The Company's Modified Articles of Incorporation | Reasons for Differences |
|---|---|---|
| court. | being approved by BOD meeting resolution and are entitled to utilize Taiwan Taipei District Court as the first instance court;<br>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 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 | 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 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 |

| Shareholder Equity Protection Critical Issues | Contents of The Company's Modified Articles of Incorporation | Reasons for Differences |
|---|---|---|
| | entitled to utilize Taiwan Taipei District Court as the first instance court. | 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.)<br>According to the laws of British Cayman Islands, BOD meeting shall make decisions on behalf of the Company based on expression of intention form 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.<br>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 prohibit companies from drafting BOD meeting agenda related requirements (including requirements on convening BOD meeting) |

| Shareholder Equity Protection Critical Issues | Contents of The Company's Modified Articles of Incorporation | Reasons for Differences |
|---|---|---|
| | | 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 14$^{th}$, 2014 under reference of Tai-Zheng-Shang-Er-Tze No. 1031701439 and November 10$^{th}$, 2014 under reference of Tai-Zheng-Shang-Er-Tze No. 1031706311, the Company intended modification of "Summary of Company Articles of Incorporation" and "Company Articles of Incorporation" had already been approved by BOD meetings on November 5$^{th}$, 2014 and March 13$^{th}$, 2015 respectively and are expected to be submitted to shareholder's meeting on June 2$^{nd}$, 2015 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.

# Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

# Consolidated Financial Statements & Independent Auditors' Report for 2014 & 2015

Address: Cricket Square, Hutchins Drive, Po Box 2681, Grand
Cayman, KY1-1111, Cayman Islands
Telephone: 002-86-574-86228866

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## INDEPENDENT AUDITORS' REPORT

Yeong Guan Energy Technology Group Co., Ltd.

We have audited the accompanying consolidated balance sheets of Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries as of December 31st of 2015 and 2014, and the related consolidated income statements, consolidated statements for changes in equities and consolidated statements for cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yeong Guan Energy Technology Group Co., Ltd. and subsidiaries as of December 31, 2015 and 2014, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and 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 .

CPA Gong, Ze-Li

Deloitte & Touche
CPA Lee, Dong-Fong

Securities & 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 16th, 2015

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

Consolidated Balance Sheets

2015 and December 31st, 2014

Unit: in thousands of NTD

| Codes | Assets | December 31st, 2015 Amounts | % | December 31st, 2014 Amounts | % |
|---|---|---|---|---|---|
| | CURRENT ASSETS | | | | |
| 1100 | Cash & cash equivalent(Notes 4 and 6) | $ 5,407,809 | 35 | $ 2,942,384 | 25 |
| 1110 | Financial assets at fair value through profit and loss – net (Notes 4, 5 and 7) | 1,024 | - | 1,762 | - |
| 1150 | Notes receivable(Notes 4 and 26) | 282,319 | 2 | 183,066 | 2 |
| 1170 | Account receivables, net(Notes 4, 5, 8 and 26) | 2,200,256 | 14 | 1,810,772 | 16 |
| 130X | Inventories, net(Notes 4, 5 and 9) | 1,304,494 | 8 | 1,411,235 | 12 |
| 1419 | Prepayments | 157,219 | 1 | 135,208 | 1 |
| 1479 | Other current assets(Notes 4, 14, 21 and 27) | 204,169 | 1 | 242,572 | 2 |
| 11XX | Total Current Assets | 9,557,290 | 61 | 6,726,999 | 58 |
| | NON-CURRENT ASSETS | | | | |
| 1600 | Property, plant & equipment(Notes 4, 5, 11 and 27) | 5,251,823 | 34 | 4,310,151 | 37 |
| 1760 | Investment property, net(Notes 4, 12, 23 and 27) | 8,993 | - | 13,558 | - |
| 1805 | Goodwill(Notes 4, 5 and 13) | 133,214 | 1 | 134,386 | 1 |
| 1840 | Deferred income tax assets(Notes 4, 5 and 21) | 12,879 | - | 17,286 | - |
| 1915 | Equipment prepayments | 252,360 | 2 | 168,006 | 1 |
| 1985 | Long-term prepaid rents(Notes 4, 14 and 27) | 341,295 | 2 | 290,510 | 3 |
| 1990 | Other non-current assets(Notes 4, 26 and 27) | 31,902 | - | 17,747 | - |
| 15XX | Total Non-Current Assets | 6,032,466 | 39 | 4,951,644 | 42 |
| 1XXX | TOTAL ASSETS | $ 15,589,756 | 100 | $ 11,678,643 | 100 |
| Codes | LIABILITIES & SHAREHOLDER'S EQUITY | | | | |
| | CURRENT LIABILITIES | | | | |
| 2100 | Short-term debts(Notes 15 and 27) | $ 401,885 | 3 | $ 316,700 | 3 |
| 2120 | Financial liabilities at fair value through profit and loss – net (Notes 4, 5 and 7) | - | - | 383 | - |
| 2150 | Notes payable(Note 26) | 394,530 | 2 | 493,503 | 4 |
| 2170 | Accounts payable (Note 26) | 739,640 | 5 | 706,663 | 6 |
| 2219 | Other accounts payable(Notes 17 and 26) | 501,510 | 3 | 405,439 | 3 |
| 2230 | Current income tax liabilities(Notes 4, 5 and 21) | 132,756 | 1 | 88,647 | 1 |
| 2320 | Bonds payable that mature within one year (Notes 4 and 16) | 264,581 | 2 | - | - |
| 2399 | Other current liabilities | 39,005 | - | 56,544 | 1 |
| 21XX | Total Current Liabilities | 2,473,907 | 16 | 2,067,879 | 18 |
| | NON-CURRENT LIABILITIES | | | | |
| 2500 | Financial debts at fair value through profit and loss – non-current(Notes 4, 5 , 7 and 16) | 3,000 | - | 900 | - |
| 2530 | Bonds payable (Notes 4 and 16) | 2,347,777 | 15 | 1,444,295 | 12 |
| 2540 | Long-term debts payable (Notes 15 and 27) | 98,490 | 1 | 95,010 | 1 |
| 2570 | Deferred income tax debts(Notes 4, 5 and 21) | 12,140 | - | 13,507 | - |
| 25XX | Total Non-Current Liabilities | 2,461,407 | 16 | 1,553,712 | 13 |
| 2XXX | TOTAL LIABILITIES | 4,935,314 | 32 | 3,621,591 | 31 |
| | TOTAL SHAREHOLDER'S EQUITY | | | | |
| | Shareholder's Equity | | | | |
| 3110 | Common stock capital | 1,179,796 | 7 | 1,048,890 | 9 |
| 3200 | Additional paid-in capital | 6,091,651 | 39 | 4,045,959 | 35 |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 224,123 | 1 | 123,907 | 1 |
| 3320 | Special reserve | 8,214 | - | 8,214 | - |
| 3350 | Unappropriated retained earnings | 2,766,074 | 18 | 2,182,667 | 19 |
| 3300 | Total Retained Earnings | 2,998,411 | 19 | 2,314,788 | 20 |
| | Other Shareholder's Equity | | | | |
| 3410 | Exchange difference on translation of foreign financial statements | 272,809 | 2 | 527,397 | 4 |
| 31XX | The Company's Total Shareholder's Equity | 10,542,667 | 67 | 7,937,034 | 68 |
| 36XX | Non-controlling interest | 111,775 | 1 | 120,018 | 1 |
| 3XXX | TOTAL SHAREHOLDER'S EQUITY | 10,654,442 | 68 | 8,057,052 | 69 |
| | TOTAL LIABILITIS & SHAREHOLDER'S EQUITY | $ 15,589,756 | 100 | $ 11,678,643 | 100 |

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

Chairman: Chang, Hsien-Ming　　General Manager: Chang, Hsien-Ming　　Chief Accountant: Lin, Yu-Yi

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries

Consolidated Income Statement

2015 and December 31st, 2014

Unit: in thousands of NTD, except revenue per share

| Codes | | 2015 Amount | 2015 % | 2014 Amount | 2014 % |
|---|---|---|---|---|---|
| 4000 | OPEARTING REVENUE(Notes 4 and 26) | $ 8,122,470 | 100 | $ 7,206,294 | 100 |
| 5000 | OPERATING COSTS(Notes 4, 9, 20 and 26) | 5,454,367 | 67 | 4,948,583 | 69 |
| 5900 | OPERATING GROSS PROFIT | 2,668,103 | 33 | 2,257,711 | 31 |
| | OPERATING EXPENSES(Note 20) | | | | |
| 6100 | Marketing expenses | 537,168 | 7 | 389,526 | 5 |
| 6200 | General & administrative expenses | 526,430 | 6 | 429,299 | 6 |
| 6300 | Research & development expenses | 88,597 | 1 | 90,027 | 1 |
| 6000 | Total Operating Expenses | 1,152,195 | 14 | 908,852 | 12 |
| 6900 | OPERATING NET PROFIT | 1,515,908 | 19 | 1,348,859 | 19 |
| | NON-OPEARTING INCOME & EXPENSES | | | | |
| 7100 | Interest income | 56,784 | 1 | 45,441 | 1 |
| 7110 | Rent income(Note 26) | 1,232 | - | 4,579 | - |
| 7190 | Other income & losses(Note 20) | 70,026 | 1 | 8,170 | - |
| 7235 | Financial product net profit (loss) at fair value through profit & loss(Notes 4, 5, 7 and 16) | 25,781 | - | ( 2,486 ) | - |
| 7630 | Foreign currency exchange net loss (Note 20 and 29) | 162,742 | 2 | ( 28,638 ) | ( 1 ) |
| 7510 | Interest expenses(Note 16) | ( 43,960 ) | ( 1 ) | ( 54,848 ) | ( 1 ) |
| 7000 | Totoal Non-Operating Income & Expenses | 272,605 | 3 | ( 27,782 ) | ( 1 ) |

(to be continued)

(brought forward)

| Codes | | 2015 Amount | 2015 % | 2014 Amount | 2014 % |
|---|---|---|---|---|---|
| 7900 | Pretax net profit | $ 1,788,513 | 22 | $ 1,321,077 | 18 |
| 7950 | Income tax(Notes 4 and 21) | 439,390 | 6 | 319,260 | 4 |
| 8200 | Current net profit | 1,349,123 | 16 | 1,001,817 | 14 |
| | Other Comprehensive Income | | | | |
| 8361 | Exchange Differences on Translation of Foreign Financial Statements | ( 261,237 ) | ( 3 ) | 455,109 | 6 |
| 8500 | Current Total ComprehensiveIncome | $ 1,087,886 | 13 | $ 1,456,926 | 20 |
| | Net Profit Attributed to: | | | | |
| 8610 | Shareholders | $ 1,350,717 | 16 | $ 1,002,164 | 14 |
| 8620 | Non-Controlling Interest | ( 1,594 ) | - | ( 347 ) | - |
| 8600 | | $ 1,349,123 | 16 | $ 1,001,817 | 14 |
| | Comprehensive Income Attributed to: | | | | |
| 8710 | Shareholders | $ 1,096,129 | 13 | $ 1,453,033 | 20 |
| 8720 | Non-Controlling Interest | ( 8,243 ) | - | 3,893 | - |
| 8700 | | $ 1,087,886 | 13 | $ 1,456,926 | 20 |
| | Earnings Per Share(Note 22) | | | | |
| 9750 | Basic | $ 12.24 | | $ 9.78 | |
| 9850 | Diluted | $ 11.63 | | $ 9.62 | |

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

Chairman: Chang, Hsien-Ming

General Manager: Chang, Hsien-Ming

Chief Accountant: Lin, Yu-Yi

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
From January 1st to December 31st for 2015 & 2014

Unit: in thousands of NTD

| Codes | | EQUITY ATTRIBUTED TO SHAREHOLDERS(Notes 4, 16 and 19) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Surplus | | | Retained Earnins | | | | | | | |
| | | Common Share | Additional Paid-In Capital | Stock Option | TOTAL | Legal Reserve | Special Reserve | Retained Earnings | TOTAL | Exchange Differences on Translation of Foreign Financial Statements | The Company's Total Shareholder's Equity | Non-ControllingInterests (Notes 4 & 19) | Total Shareholder's Equity |
| A1 | BALANCE, JANUARY 1ST , 2014 | $ 1,008,890 | $ 3,548,276 | $ - | $ 3,548,276 | $ 69,795 | $ 92,616 | $ 1,503,325 | $ 1,665,736 | $ 76,528 | $ 6,299,430 | $ - | $ 6,299,430 |
| | Appropriation & Distribution of 2012 Earnings: | | | | | | | | | | | | |
| B1 | Legal Reserve | - | - | - | - | 54,112 | - | ( 54,112 ) | - | - | - | - | - |
| B3 | Special Reserve | - | - | - | - | - | ( 84,402 ) | 84,402 | - | - | - | - | - |
| B5 | Cash Dividend | - | - | - | - | - | - | ( 353,112 ) | ( 353,112 ) | - | ( 353,112 ) | - | ( 353,112 ) |
| | Sub-Total | - | - | - | - | 54,112 | ( 84,402 ) | ( 322,822 ) | ( 353,112 ) | - | ( 353,112 ) | - | ( 353,112 ) |
| D1 | 2014 Net profit | - | - | - | - | - | - | 1,002,164 | 1,002,164 | - | 1,002,164 | ( 347 ) | 1,001,817 |
| D3 | 2014 Other consolidated income | - | - | - | - | - | - | - | - | 450,869 | 450,869 | 4,240 | 455,109 |
| D5 | 2014 Total consolidated income | - | - | - | - | - | - | 1,002,164 | 1,002,164 | 450,869 | 1,453,033 | 3,893 | 1,456,926 |
| E1 | Cash capital increase | 40,000 | 428,854 | - | 428,854 | - | - | - | - | - | 468,854 | - | 468,854 |
| I1 | Amount incurred from issuance of convertible corporate bond recognized equity component – recognized equity | - | - | 68,829 | 68,829 | - | - | - | - | - | 68,829 | - | 68,829 |
| O1 | Changes in non-controlling interest | - | - | - | - | - | - | - | - | - | - | 116,125 | 116,125 |
| Z1 | BALANCE, DECEMBER 31ST, 2014 | 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 |
| | 2014 Earnings appropriation and distribution: | | | | | | | | | | | | |
| 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 | 2014 Other consolidated income | - | - | - | - | - | - | - | - | ( 254,588 ) | ( 254,588 ) | ( 6,649 ) | ( 261,237 ) |
| D5 | 2014 Total consolidated income | - | - | - | - | - | - | 1,350,717 | 1,350,717 | ( 254,588 ) | 1,096,129 | ( 8,243 ) | 1,087,886 |
| E1 | Cash capital increase | 50,000 | 786,494 | - | 786,494 | - | - | - | - | - | 836,494 | - | 836,494 |
| I1 | Convertible bonds conversion | 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 on December 31st, 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 |

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

Chairman: Chang, Hsien-Ming General Manager: Chang, Hsien-Ming Chief Accountant: Lin, Yu-Yi

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

Consolidated Statement of Cash Flows

From January 1st to December 31st for 2015 & 2014

Unit: in thousands of NTD

| Codes | | 2015 | 2014 |
|---|---|---|---|
| | Cash Flows from Operating Acivities | | |
| A10000 | Pre-tax net profit | $ 1,788,513 | $ 1,321,077 |
| A20010 | Income/Expense item not affecting cash flows | | |
| A20100 | Depreciation expense | 465,564 | 428,078 |
| A20200 | Amortization expense | 2,925 | 2,298 |
| A20300 | Gain on reversal of bad debts | ( 949 ) | ( 66,501 ) |
| A20400 | Financial instrument net profit at fair value through profit and loss | ( 15,752 ) | ( 329 ) |
| A20900 | Interest expense | 43,960 | 54,848 |
| A21200 | Interest income | ( 56,784 ) | ( 45,441 ) |
| A22500 | Net loss from disposal & abolishment of property, factory and equipment | 22,690 | 261 |
| A23800 | Inventory devaluation & obsolescence loss (price recovery gain) | ( 12,478 ) | 5,717 |
| A24100 | Unrealized foreign currecny exchange net profit | ( 26,020 ) | ( 16,670 ) |
| A29900 | Amortization of prepaid lease payment | 8,103 | 6,869 |
| A30000 | Net change on operating assets and liabilities | | |
| A31130 | Notes receivable | ( 104,671 ) | ( 25,630 ) |
| A31150 | Account receivable | ( 404,756 ) | 160,156 |
| A31200 | Inventory | 95,696 | ( 235,836 ) |
| A31230 | Advance payments | ( 25,571 ) | 5,684 |
| A31240 | Other current assets | 32,086 | ( 16,743 ) |
| A32110 | Financial instrument at fair value through profit and loss | 479 | 1,943 |
| A32130 | Notes payable | ( 87,523 ) | 72,680 |
| A32150 | Account payable | 50,736 | 86,667 |
| A32180 | Other payables | 130,866 | 99,293 |
| A32230 | Other Current Liabilities | ( 16,280 ) | ( 5,050 ) |
| A33000 | Operating net cash inflows | 1,890,834 | 1,833,371 |
| A33300 | Interest paid | ( 11,299 ) | ( 39,299 ) |
| A33500 | Income tax paid | ( 389,719 ) | ( 298,759 ) |
| AAAA | Operating Activity Net Cash Inflows | 1,489,816 | 1,495,313 |

(to be continued)

(brought forward)

| Codes | | 2015 | 2014 |
|---|---|---|---|
| | Investment Activity Cash Flows | | |
| B00700 | Proceeds from disposal of bond investment without active market | $ - | $ 24,671 |
| B02700 | Payment for property, factory and equipment | ( 895,353 ) | ( 268,270 ) |
| B02800 | Proceeds from disposal of property, factory and equipment | 1,087 | 868 |
| B04500 | Payment for intangible assets | ( 2,758 ) | ( 1,009 ) |
| B06700 | Increase in other non-current assets | ( 12,175 ) | ( 6,601 ) |
| B07100 | Increase in equipment prepayments | ( 757,871 ) | ( 341,440 ) |
| B07300 | Long term lease prepayments | ( 67,161 ) | - |
| B07500 | Interests collected | 57,385 | 43,763 |
| BBBB | Investment Activity Net Cash Outflow | ( 1,676,846 ) | ( 548,018 ) |
| | Financing Activity Cash Flows | | |
| C00200 | Increase (Decrease) in short term loan | 89,144 | ( 689,836 ) |
| C01200 | Issuance of corporate bond | 2,493,454 | 1,496,286 |
| C01600 | Long-term borrowing | 4,382 | - |
| C01700 | Long term loan repayment | - | ( 719,190 ) |
| C04400 | Decrease in other non-current liabilities | - | ( 23 ) |
| C04500 | Cash dividend disbursement | ( 667,094 ) | ( 353,112 ) |
| C04600 | Capital increase by cash | 836,494 | 468,854 |
| C05800 | Non-controlling interest changes | - | 116,125 |
| CCCC | Financing Activity Net Cash Inflow | 2,756,380 | 319,104 |
| DDDD | Exchange rate change effects on cash & cash equivalents | ( 103,925 ) | 119,274 |
| EEEE | Cash & cash equivalents increase | 2,465,425 | 1,385,673 |
| E00100 | Cash & cash equivalents, beginning of the period | 2,942,384 | 1,556,711 |
| E00200 | Cash & cash equivalents, end of the period | $ 5,407,809 | $ 2,942,384 |

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

Chairman: Chang, Hsien-Ming
General Manager: Chang, Hsien-Ming
Chief Accountant: Lin, Yu-Yi

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries
Notes to Consolidated Financial Statements
From January 1st to December 31st for 2015 & 2014
(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. Date & Process for Financial Statement Approval

The consolidated statements were approved by the Board of Directors on March 11, 2016.

## 3. Application of Newly Promulgated & Modified Guidelines and Explanation

(1) Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of Chin, which is not yet effective, and 2013 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. 1030029342 and Gin-Guan-Zheng-Shen-Tze No. 1030010325 issued by the Financial Supervisory Commission (hereinafter referred to as "FSC"), the consolidated company shall apply 2013 IFRS, IAS, IFRIC and SIC (hereinafter referred to as "IFRSs"), which are issued by International Accounting Standards Board ("IASB") and approved by FSC, as well as related modified Regulations

Governing the Preparation of Financial Reports by Securities Issuers of the Republic of Chin starting 2015.

With the exception of explanation hereunder, application of aforementioned 2013 IFRSs and related modified Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of Chin is not expected to lead to material changes in the consolidated company's accounting policy:

1. FRS 10 (Consolidated Financial Statement)

    This guidance will replace "Consolidated & Separate Financial Statements" of IAS 27 and "Consolidation: Special Purpose Entities" of SIC 12. Consolidated company's determination to include consolidated entities is based on the consideration of whether or not it has control over other entities. In the event that consolidated company (i) possess power over investee; (ii) has variable return exposure or rights generated from participating in investee; and (iii) possess the capability to utilize its power over the investee to influence the amount for such return, the consolidated company shall therefore be deemed and regards to possess control over the investee. Furthermore, the new guidance offers more instructions in judging if an investor possesses control in a more complicated situation.

2. FRS 12 (Disclosure of Rights to Other Individual)

    IFRS 12 prescribes contents to be disclosed with regards to rights of subsidiary, joint agreement, associate and structured entity not integrated into consolidated statements. Please refer to Note 10 for IFRS 12 that shall be applied by the consolidated company

3. FRS 13 (At Fair Value)

    IFRS 13 provides guidance on fair value measurement. This guideline defines fair value, establishes structure for fair value measurement and prescribes disclosure for fair value measurement. In addition, disclosure contents prescribed in this guidance is wider than the one for the existing guidance. For instance, existing guidance only requests that fair value measured financial instruments should be disclosed in accordance with three levels of Fair Value Measurement Hierarchy. However, IFRS 13 prescribes that all assets and liabilities applying this guidance shall provide aforementioned disclosure.

IFRS 13's measurement guidance shall be applied starting 2015. For more information, please see Note 25.

4. IAS 1's Modification of "Presentation of Other Consolidated Profit & Loss Items"

According to the modified guidance, other consolidated profit & loss items can be classified as follows based on their nature: (1). items which will not be re-classified as profit & loss; and (2). items which may be re-categorized as profit & loss in the future. Relevant income taxes shall also be categorized under the same basis. Prior to the application of the modified guidance, there is no mandatory requirement for aforementioned categorization.

The consolidated company retrospectively applied the aforementioned modified guidelines in 2015. Going forward, item which will possibly be re-categorized as profit or loss is exchange difference from the conversion of offshore operation institute's financial statement. However, application of aforementioned modification does not affet total amounts for current period net profit, current period after tax other comprehensive income and current period comprehensive income

5. IFRS 7's Modification of "Disclosure – Offsetting Financial Assets & Financial Liabilities"

This modified guidance requires that information of financial instrument offsetting rights governed by enforceable net amount settlement general agreement or similar agreement as well as information of related agreements (for instance, collateral provision agreements) shall be disclosed. Please refer to Note 25 for related disclosure.

6. "Annual Improvement for 2009 -2011 Period"

Annual improvement for 2009-2011 period modified guidance of IFRS 1's "First Adoption of IFRSs", IAS 1's " Presentation of Financial Statements", IAS 16's "Property, Factory and Equipment", IAS 32's "Financial Instruments: Presentation" and IAS 34's "Interim Financial Reporting".

(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 bee published by IASB but yet to be recognized by Financial Supervisory Commission. On March 10th, 2016, Financial Supervisory Commission published scope of recognized IFRSs which will be applied starting from the year of 2017. IFRSs to be applied is the one which was published by IASB before January 1st, 2016 and which took effet on January 1st, 2017 (excluding IFRSs of IFRS 9"financial instrument"and IFRS 15"Revenue from contract with customer"which have not become effective yet or which do not have definite effective dates）.

Furthermore, Financial Supervisory Commission also announced that public listed companies in our country shall start to apply IFRS 15 starting 2018. Up until the date when this consolidated financial statement is passed and published, Financial Supervisory Commission has yet to publish effective dates for guidelines other than aforementioned newly published/rectified/modified guidelines and explanations.

| Newly Published / Rectified / Modified Guidelines & Explanations | Effective Dates Published by IASB（Note1） |
|---|---|
| "Annual Improvmen for 2010-2012 Period" | July 1st, 2014（note 2） |
| "Annual Improvement for 2011-2013 Period" | July 1st, 2014 |
| "Annual Improvement for 2012-2014 Period" | January 1st, 2016（note 3） |
| IFRS 9 "Financial Instrument" | January 1st, 2018 |
| IFRS 9 and IFRS 7's modification of "Mandatory Effective Date & Transition Disclosure" | January 1st, 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 10, IFRS 12 and IAS 28's modification of "Investment Entities: Applying the Consolidation Exception" | January 1st, 2016 |
| IFRS 11's modification of"Accounting for Acquisitions of Interests in Joint Operations" | January 1st, 2016 |
| IFRS 15 "Revenue from contract with customer" | January 1st, 2018 |
| IFRS 16 "Lease" | January 1st, 2019 |
| Modification of IAS 1 "Disclosure Initiative" | January 1st, 2016 |

| | |
|---|---|
| Modification of IAS 7 “Disclosure Initiative” | January 1st, 2017 |
| IAS 12’s modification of “Recognition of Unrealized Loss related to Deferred Income Tax Asset” | January 1st, 2017 |
| IAS 16 and IAS 38’s modification of “Interpretation for Acceptable Methods of Depreciation and Amortization” | January 1st, 2016 |
| IAS 16 and IAS 41’s modification of “Agriculture: Bearer Plants” | January 1st, 2016 |
| IAS 19’s modification of”Defined Benefit Plan: Empoyee Contribution” | July 1st, 2014 |
| IAS 36’s modification of “Recoverable Amount Disclosures for Non-Financial Assets” | January 1st, 2014 |
| IAS 39’s modification of “Novation of Derivatives and Continuation of Hedge Accounting” | January 1st, 2014 |
| IFRIC 21 “Common Levy” | January 1st, 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 IRFS 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 newly published/rectified/modified guidelines or explanantions shall not lead to major changes to the consolidated company’s accounting policy

1. IFRS 9 “Financial Instruments”

Recognition & 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 & 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 & 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 & 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 & loss. Financial assets of this kind will later be recognized as interest income on profit & 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 & loss statements, while changes in other fair values will be recognized in other consolidated profit & 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 & loss statements shall be re-categorized to profit & 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 & 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 & loss. For this type of financial assets, with the exception of recognition of stock dividend income on profit & loss statements, other related profit and loss will be recognized in other consolidated profit & loss statements. There is no need for subsequent impairment assessment, and fair value changes accumulated in other consolidated profit & loss statements will not re-categorized to profit & loss statements.

Impairment of Financial Assets

IFRS 9 adopts “Expected Credit Loss Model” to recognize financial asset impairment. It uses amortized costs to measure financial assets and, through mandatory other consolidated profit & loss statements and in fair value, measure financial assets and rents receivables. Contract assets or loan commitment and financial guarantee contracts generated from IFRS 15’s “Income from Customer’s Contract” 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. IAS 36’s Modification of “Disclosure of Non-Financial Assets Recoverable Amounts”

During IASB’s publication of IFRS 13 “Fair Value Measurement,” it also modified disclosure guidance on IAS 36 “Asset Impairment.” As a result, the consolidated company must increase its disclosure on recoverable amounts for asset or cash generating units during each reporting period. This IAS 36 modification clarifies that consolidated company only needs to disclose aforementioned recoverable amounts during its recognition or reversal of current impairment losses. Additionally, in the event that recoverable amounts are measured using fair value to deduct disposal costs from present value technique, consolidated company shall additionally disclose discount rates utilized.

3. 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.

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 & loss statements.

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.

IFRS 13 modification clarifies that, after applying IFRS 13, short term account receivables and account payables without defined interest rates shall still be measured in original invoice amounts if discount influence is not significant.

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.

4. 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 3 modification clarifies that IFRS 3 does not apply to establishment accounting processing on joint agreement's financial statements.

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.

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. IFRS 5 modification prescribes that re-categorization among non-current asset (or disposal group) between "held for sale" and "held for distribution to owner" is not a change of sales plan or distribution to owner plan. As a result, there is no need to reverse accounting processing under original categorization. Furthermore, in the event that non-current assets for "held for distribution to owner" no longer qualify for conditions of held for distribution (i.e., no longer qualify for held for sale conditions), handling shall be the same as the one for assets ceased to be categorized as held for sale.

IFRS 7 modification provides additional guidance to illustrate if service contracts are continuous participation to financial assets already transferred.

6. 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 retrival amounts to be considered when assessing future taxable income will therefore not be limited to their book values, and estimate on future taxabl 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 statement. Related effects will be disclosed upon completion of assessment.

## 4. Explanation of Summarized Significant Accounting Policy

(1) Compliance Announcement

This consolidated financial statement is prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China and IFRSs which is recognized by the Financial Supervisory Commission.

(2) Preparation Basis

In addition to financial assets measured at fair value, this consolidated financial statement is prepared in accordance with historical cost basis.

Fair value measurements are categorized into 3 levels (1 through 3) based on observability and importance of related input values:

1. Level 1 Input Value: This refers to active market quotation (unadjusted) for same asset or liability which can be obtained on the measurement day;
2. Level 2 Input Value: In addition to Level 1 quotation, this refers to asset or liability's direct (i.e., price) or indirect (i.e., the one inferred from price) observable input value;
3. Level 3 Input Value: This refers to asset or liability's unobservable input value.

(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 statement includes financial statements from this Company and entities controlled by this Company (subsidiary). Consolidated comprehensive income statement has already been integrated into purchased or disposed subsidiary's current operation income which starts from the purchase date or as of disposal date. Subsidiary's financial statemet has been adjusted to ensure that its accounting policy is in line with the consolidated company's accounting policy. Upon the compilation of this consolidated financial statement, transactions, account balances, income and expenses among individual entities have all been written off. Subsidiary's comprehensive income is attributed to the Company owner's and non-controlled equities, even if non-controlled equities have become loss balance as a result of this.

In the event that change in consolidated company's ownership equity does not lead to loss of control, this will then be treated as a equity transaction. Book values for consolidated company and non-controlled equity have been adjusted to reflect changes in subsidiary's relative equity. Differences between non-controlled equity adjustment amount and fair value of consideration paid or collected are directly recognized as equity and are attributed to the Company's owner.

(5) 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.

Originally, the Company's functional currency was "Renminbi" but consolidated financial statements have been reported using "New Taiwan Dollar" as the presentation currency because of financial reporting requirements for listed companies in Taiwan. Nevertheless, under the consideration of this year's changes in the Group's economic environment, the Board of Directors Meeting of the Company made a resolution on September 25th, 2014 to designate October 1st, 2014 as the reference date to change functional currency from "New Taiwan Dollar" to "Renminbi" and prospective application has been applied in accordance with guidance of IAS 21 "Effects of Changes in Foreign Exchange Rates."

(6) 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.

(7) 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).

(8) 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).

(9) 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.

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.

(10) 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).

(11) 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.

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.

(12) 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.

B. Loans Extended & Account Receivables

Loans extended and account receivables (including cash and cash equivalents and account receivables) 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. For fair value measurement, please see Note 25.

(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 inconvertible 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 contact 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.

(13) 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.

(14) 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

Business lease payments are recognized as expenses in accordance with linear basis and during lease periods. 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.

(15) 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.

(16) 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.

(17) 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 statement 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 & 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 2015 and 2014, deferred income tax related to tax loss are NTD12,879,000 and NTD17,286,000 respectively. Given the unforseeability of future profit, consolidated company still has tax losses of NTD12,221,000 and NTD1,389,000 respectively not recognized as deferred income tax assets as of Dec. 31, 2015 and Dec. 31, 2014. Up until Dec. 31, 2014, the consolidated company does not have any tax losses which are not recognized as deferred income tax assets. 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 sings 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 & Assessment Process

In the event that there are no active market quotations for assets or liabilities adopting fair value measurement, the consolidated company will then decide, following related laws or its judgement, if outsource appraisal will be conducted and determinine appropriate technique for fair value measurement.

In the event that Level 1 input value is unavailable from fair value estimate, the consolidated company or commissioned appraiser will determine input value under references from market price or interest rate and derivative characteristics. In the event that future input value actual changes are different from the ones expected, it is possible that changes in fair values will be generated accordingly. Each quarter, the consolidated company updates various input values following market conditions in order to monitor if fair value measurement is appropriate.

Please refer to Note 7 and 25 for explanations on fair value appraisal techniques and input values.

(5) Service Life for Property, Factory and Equipment

With reference of aforementioned note 4(7), 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 & Cash Equivalents

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Cash On Hand | $ 2,179 | $ 1,837 |
| Bank Check & Demand Deposit | 4,516,931 | 1,887,451 |
| Cash Equivalents | | |
| Time Deposit with Original Maturity within 3 months | 888,699 | 1,053,096 |
| | $ 5,407,809 | $ 2,942,384 |

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

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Bank Deposit | 0.01%-5.4% | 0.01%-4.6% |

## 7. Financial Instruments at Fair Value through Profit & Loss

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Financial Assets Held for Transaction-Current | | |
| Derivatives | | |
| Forward Exchange Contract | $ - | $ 1,762 |
| Domestic First Convertible Corporate Bond (Note 16) | 1,024 | - |
| | $ 1,024 | $ 1,762 |
| Financial Liability Held for Transaction - Current | | |
| Derivatives | | |
| Forward Exchange Contract | $ - | $ 383 |
| Financial Liability Held for Transaction - Non-Current | | |
| Derivatives | | |
| Domestic First Convertible Corporate Bond (Note 16) | $ - | $ 900 |
| Domestic Second Convertible Corporate Bond (Note 16) | 3,000 | - |
| | $ 3,000 | $ 900 |

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

| | Currency | Periods of Maturity | Contract Amounts (in thousands) |
|---|---|---|---|
| Dec. 31st, 2014 | | | |
| Forward Exchange Sold | USD CNY | 105.01.15-105.07.15 | USD11,400/RMB70,881 |

Purpose of consolidated company's forward exchange transactions in 2015 and 2014 is mainly for avoiding exchange rate fluctuation risks incurred from foreign currency assets and liabilities.

## 8. Account Receivables

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Account Receivables | $ 2,210,134 | $ 1,821,810 |
| Less: Bad Debt Reserves | ( 9,878 ) | ( 11,038 ) |
| | $ 2,200,256 | $ 1,810,772 |

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. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Non-Overdue | $ 2,114,427 | $ 1,758,239 |
| Below 90 | 84,288 | 53,316 |
| 90 ~ 180 Days | 6,574 | 4,088 |
| Over 180 Days | 4,845 | 6,167 |
| Total | $ 2,210,134 | $ 1,821,810 |

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 1st, 2014 | $ 76,543 |
| Less: Current Bad Debt Reversal Expense | ( 66,501 ) |
| Foreign Exchange Difference | 996 |
| Balance, Dec. 31st, 2014 | 11,038 |
| Less: Current Bad Debt Reversal Expense | ( 949 ) |
| Foreign Exchange Difference | ( 211 ) |
| Balance, Dec. 31st, 2015 | $ 9,878 |

## 9. Net Inventory

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Finished Goods | $ 586,270 | $ 523,289 |
| Work-In-Progress | 332,395 | 389,971 |
| Raw Materials | 385,829 | 497,975 |
| | $ 1,304,494 | $ 1,411,235 |

Operating costs related to inventory for 2015 and 2014 are NTD 5,454,367,000 and NTD 4,948,583,000 respectively.

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), while 2014 operating cost includes inventory price drop loss of NTD 5,717,000.

## 10. Subsidiaries

**Subsidiaries included in this consolidated financial statement**

Subjects for this consolidated financial statement are as follows:

| | | | Percentage of Ownership | |
|---|---|---|---|---|
| Investor Company | Subsidiary | Nature of Business | 2015 Dec. 31st | 2014 Dec. 31st |
| Yeong Guan Energy Technology Group Co., Ltd. | Yeong Guan Energy Holding Co. , Ltd. (Yeong Guan Energy 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 Energy 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 |
| 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 |
| | Ningbo Yong He Xing Machinery Industry Co., Ltd. (Yong He Xing Machinery Company) | Various steel castings processing businesses | - | - ( Note 1 ) |
| | | | 100 | 100 |

| Investor Company | Subsidiary | Nature of Business | Percentage of Ownership 2015 Dec. 31st | 2014 Dec. 31st |
|---|---|---|---|---|
| | 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 | | |
| | 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 ( Note 3 ) |
| | Ningbo You Tian Recycling Resource Co., Ltd. (You Tian Recycling Company) | Scrap recycling and utilizing businesses | - | - ( Note 2 ) |
| | 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 |
| Yeong Shang Casting Iron Company | Ningbo Yong He Xing Machinery Industry Co., Ltd. | Various steel castings processing businesses | - | - ( Note 1 ) |
| | 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 | 20 ( Note 3 ) |

Note 1: Yeong Guan International Company made a resolution on April 24th, 2014 that its subsidiary Yeong Shang Casting Iron Company (surviving company) merged with Yong He Xing Machinery Company (disappearing company), and designated June 30th, 2014 as merger reference date.

Note 2: Yeong Guan International Company made a resolution on September 15th, 2014 that its subsidiary Lu Lin Machine Tool Foundry Company (surviving company) merged with You Tian Recycling Company (disappearing company) and designated December 1st, 2014 as merger reference date.

Note 3: Yeong Guan International Company made a capital increase by cash to Bright Steel Fine Machinery Company. Capital increase amount was USD20,000,000 dollars and ownership has been increased from 73% to 80%.

## 11. Property, Factory and Equipment

| | Self-Owned Land | Building | Machine Equipment | Transportation Equipment | Other Equipment | Work-in-Progress Property | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance, January 1st, 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. 31st, 2015 | $ 533,005 | $ 3,092,713 | $ 3,434,044 | $ 65,841 | $ 509,051 | $ 777,909 | $ 8,412,563 |
| Balance, January 1st, 2014 | $ 120,092 | $ 2,778,151 | $ 2,809,040 | $ 53,929 | $ 383,838 | $ 111,955 | $ 6,257,005 |
| Addition | - | 18,830 | 59,604 | 10,299 | 31,570 | 160,726 | 281,029 |
| Disposal | - | - | (3,492) | (4,536) | (1,763) | - | (9,791) |
| Reclassification | - | 4,487 | 198,794 | 2,446 | 13,244 | (11,713) | 207,258 |
| Net Exchange Difference | - | 159,685 | 173,121 | 3,145 | 23,871 | 13,854 | 373,676 |
| Balance, Dec. 31st, 2014 | $ 120,092 | $ 2,961,153 | $ 3,237,067 | $ 65,283 | $ 450,760 | $ 274,822 | $ 7,109,177 |
| Accumulated Depreciation and Impairment | | | | | | | |
| Balance, January 1st, 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. 31st, 2015 | $ - | $ 972,684 | $ 1,818,599 | $ 39,947 | $ 329,510 | $ - | $ 3,160,740 |
| Balance, January 1st, 2014 | $ - | $ 669,917 | $ 1,301,822 | $ 38,976 | $ 225,050 | $ - | $ 2,235,765 |
| Disposal | - | - | (3,049) | (4,032) | (1,214) | - | (8,295) |
| Depreciation Expense | - | 138,154 | 235,714 | 4,972 | 48,484 | - | 427,324 |
| Reclassification | - | 580 | (683) | - | 427 | - | 324 |
| Net Exchange Difference | - | 45,528 | 81,197 | 2,076 | 15,107 | - | 143,908 |
| Balance, Dec. 31st, 2014 | $ - | $ 854,179 | $ 1,615,001 | $ 41,992 | $ 287,854 | $ - | $ 2,799,026 |

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 10 years |
| Other Equipment | 3 to 10 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 27 for property, factory and equipment amounts serve as loan collaterals during the consolidated company's creation of pledge.

## 12. Investment Property

| | Total |
|---|---|
| Cost | |
| Balance, January 1st, 2015 | $ 18,236 |
| Transfer to Property, Factory, Equipment | ( 4,489 ) |
| Net Exchange Difference | ( 362 ) |
| Balance, Dec. 31st, 2015 | $ 13,385 |
| | |
| Balance, January 1st, 2014 | $ 21,746 |
| Transfer to Property, Factory, Equipment | ( 4,487 ) |
| Net Exchange Difference | 977 |
| Balance, Dec. 31st, 2014 | $ 18,236 |
| | |
| Accumulated Depreciation | |
| Balance, January 1st, 2015 | $ 4,678 |
| Depreciation Expense | 642 |
| Transfer to Property, Factory, Equipment | ( 821 ) |
| Net Exchange Difference | ( 107 ) |
| Balance, Dec. 31st, 2015 | $ 4,392 |
| | |
| Balance, January 1st, 2014 | $ 4,255 |
| Depreciation Expense | 754 |
| Transfer to Property, Factory, Equipment | ( 580 ) |
| Net Exchange Difference | 249 |
| Balance, Dec. 31st, 2014 | $ 4,678 |

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

Consolidated company's investment properties for 2015 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 Township, Taoyuang County; Consolidated company's investment properties for end of 2014 are buildings and lands located No. 95, Huang Hai Rd., Ningbo City; No. 18, Central Avenue, Tian Mu Lake Industrial Zone, Liyang City and No. 575, Sec. 1, Cheng Gong Rd., Cao Ta Village, Guan Yin Township, Taoyuang County. 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 27 for investment property amounts pledged by consolidated company as loan collaterals.

## 13. Goodwill

| | 2015 | 2014 |
|---|---|---|
| Cost | | |
| Balance, Beginning | $ 134,386 | $ 131,652 |
| Net Exchange Difference | ( 1,172 ) | 2,734 |
| Balance, Ending | $ 133,214 | $ 134,386 |

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 9.30% and 8.25% in 2015 and 2014 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

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Current (included in other current assets) | $ 8,064 | $ 7,244 |
| Non-Current | 341,295 | 290,510 |
| | $349,359 | $297,754 |

As of Dec. 31st for 2015 and 2014, prepaid lease is for land utilization rights in China. Please refer to note 27 for prepaid lease amounts pledged by consolidated company as loan collaterals.

## 15. Loans

(1) Short Term Loans

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Secured Loans (Note 27) | | |
| -Bank Loan | $401,885 | $205,855 |
| Unsecured Loans | | |
| - Credit Loan | - | 110,845 |
| | $401,885 | $316,700 |

Bank revolving loan interest rates on Dec. 31, 2015 and 2014 are 1.70%-2.33% and 1.70%-2.33% respectively.

(2) Long Term Loan

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Secure Loan (Note 27) | | |
| Bank Loan | $ 98,490 | $ 95,010 |

As of Dec. 31st, 2015 and 2014, annual interest rates for long term loans are 2.32% and 2.08% respectively.

## 16. Corporate Bond Payable

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Domestic First Un-Secured Convertible Corporate Bond | $ 264,581 | $ 1,444,295 |
| Domestic Second Un-Secured Convertible Corporate Bond | 2,347,777 | - |
| | 2,612,358 | 1,444,295 |
| - One-year Putable Bond | 264,581 | - |
| | $ 2,347,777 | $ 1,444,295 |

(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. 31, 2015, conversion price has been adjusted to NTD148.6 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(1,024) thousands and NTD900 thousands respectively on December 31st, 2015 and December 31st, 2015. Non-derivative product liability has been measured on December 31, 2015 and December 31, 2014 as NTD264,581 thousands and NTD1,444,295 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 | ( 68,829 ) |
| 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 | 32,482 |
| Corporate bond payable converted to common stock | ( 1,189,749 ) |
| Gain on Valuation of Financial Instrument | ( 6,633 ) |
| Liability Components on Dec. 31st, 2015 | $ 263,557 |

As of Dec. 31st, 2015, NTD1,230,600 thousands of face value of the first unsecured convertible corporate bonds have been converted to 8,091,000 shares.

(1) 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. 31, 2015, conversion price has been adjusted to NTD216.5 and conversion period starts from November 18th, 2015 to August 18th, 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 August 18th, 2019. 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 has been assessed at fair value of NTD3,000,000 on December 31st, 2015. Non-derivative product liability has been measured on December 31, 2015 and NTD2,347,777,000 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 | ( 150,355 ) |
| 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 | 16,647 |
| Gain on Valuation of Financial Instrument | ( 8,969 ) |
| Liability Components on Dec. 31st, 2015 | $ 2,350,777 |

All of the first unsecured convertible corporate bonds have not yet been converted as of Dec. 31st, 2015.

## 17. Other Account Payables

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Salary Payable | $279,410 | $204,369 |
| Freight Payable | 61,951 | 53,126 |
| Payables on Equipment | 28,264 | 21,804 |
| Tax Payable | 19,376 | 17,239 |
| Interest Payable | 1,416 | 1,228 |
| Others | 111,093 | 107,673 |
| | $501,510 | $405,439 |

## 18. 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 form employee him/herself and deposits from company's contribution together interests incurred can be withdrawn from such pension fund account.

## 19. Equities

(1) Share Capital

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Number of Shares Authorized (in thousands) | 150,000 | 120,000 |
| Amount of Capital Authorized | $ 1,500,000 | $ 1,200,000 |
| Number of Outstanding Shares with Share Payment Fully Collected (in thousands) | 117,980 | 104,889 |
| Outstanding Share Capital | $ 1,179,796 | $ 1,048,890 |

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 April 3rd, 2014 on cash capital increase by issuing 4,000 new shares with par value of NTD 10 for each share. New shares will be issued at a premium of NTD118 per share. Board of Directors Meeting also set August 7th, 2014 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.

The Company's Board of Directors Meeting made a resolution on August 20th, 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 20th, 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) Retained Earnings & Dividend Policy

Pursuant to the Company's Articles of Incorporation, in the event of earrings from the Company's general final accounts, tax payment shall first be made and previous losses shall be compensated. This shall be followed by a 10% contribution for legal reserve as well as a contribution for special reserve. In event of any remaining balance (distributable earnings) left from aforementioned contribution, it can be distributed under shareholder meeting's resolution and in compliance with the following priorities or utilization:

1. Use 2% to 15% of distributable earnings as employee bonus with affiliated company's employees included;
2. Use no more than 3% of distributable earnings as director's remuneration;
3. Use no less than 50% of distributable earnings for shareholder dividend.

Board of Director's Meeting shall determine amounts distributed for employee bonus, director's remuneration and dividend, and request for shareholders' approval. 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.

According to modification of Company Act in May 2015, distribution of dividend and bonus is limited to shareholders and employees are not the target for profit distribution. In order to comply with the aforementioned law, the Company's Board of Director meeting dated March 11th, 2016 proposed to modify Articles of Incorporation which is to be resolved by regular shareholder's meeting held on June 7th, 2016. With respect to estimate basis and actual distribution of compensation for employee, director and supervisor, please refer to note 20-2 of employee benefit expense.

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 & 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 2nd, 2015 and June 6th, 2014 respectively, and approved, through resolutions, earnings distribution, employee bonus and director/supervisor remuneration for 2014 and 2013 as follows:

| | Earnings Distribution | | Earnings Per Share (dollar) | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Legal Reserve | $ 100,216 | $ 54,112 | | |
| Reversal of Special Reserve | - | ( 84,402 ) | | |
| Cash Dividend | 667,094 | 353,112 | $ 6.36 | $ 3.50 |

The Company’s 2015 earnings distribution proposal for March 11th, 2016 Board of Director meeting is as follows:

| | Earnings Distribution Proposal | Earnings Per Share ( dollar ) |
|---|---|---|
| Legal Reserve | $ 135,072 | |
| Cash Dividend | 1,004,188 | $ 8.50 |

2015 earnings distribution proposal is still pending for resolution from regular shareholder’s meeting which is expected to be held on June 7th, 2016.

(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

| | 2105 | 2014 |
| --- | --- | --- |
| Balance, Beginning of Year | $120,018 | $ - |
| Portion for Non-Controlling Interest | | |
| Current Net Loss | ( 1,594) | ( 347) |
| Exchange Difference on Translation of Foreign Financial Statement | ($ 6,649) | $ 4,240 |
| Non-Controlling Interest Increased By Acquisition of Yeong Guan Heavy Industry Company | - | 116,125 |
| Balance, End of Year | $111,775 | $120,018 |

## 20. Net Profit

(1) Depreciation, Amortization & Employee Benefit Expense

| | 2015 | | | 2014 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Business Cost | Business Expense | Total | Business Cost | Business Expense | Total |
| Employment Benefit Expense | | | | | | |
| Post-Employment Benefit | $ 41,183 | $ 9,049 | $ 50,232 | $ 22,466 | $ 6,248 | $ 28,714 |
| Other Employment Benefit | 846,470 | 292,751 | 1,139,221 | 703,836 | 274,499 | 978,335 |
| | $ 887,653 | $ 301,800 | $1,189,453 | $ 726,302 | $ 280,747 | $1,007,049 |
| Depreciation | $ 412,025 | $ 52,897 | $ 464,922 | $ 379,079 | $ 48,245 | $ 427,324 |
| Amortization | $ 25 | $ 2,900 | $ 2,925 | $ 43 | $ 2,255 | $ 2,298 |

Aforementioned depreciation expenses do not include investment property depreciation costs of NTD642,000 and NTD754,000 for 2015 and 2014 respectively (which are included in other profit & loss of non-operating income and expense).

(2) Employee Benefit Expense

Estimated amounts for 2015 and 2014 employee bonus payable are NTD27,700 thousand dollars and NTD18,200 thousand dollrs respectively, and director compensation payable amount is estimated to be zero dollar. With respect to aforementioned employee bonus payable and director compensation payable, 10% of legal reserve and special reserve have already been appropriated from after tax profit (from which employee bonus and director compensation amounts have already been deducted). By measuring possible distribution ratio basis, calculation is then conducted respectively following 2%-15% and within 3% of the distribution zone.

After the end on accounting year and in the event that there are major changes to amounts distributed through Board of Director Meeting resolution prior to this consolidated financial statement's approval and publish date, such changes shall therefore be adjusted and recognized as annual expense. In the event that there are changes to amounts distributed after this consolidated financial statement's approval and publish date, such changes will then be processed in accordance with changes of accounting estimate and adjusting entry will be made accordingly in the next accounting year. In the event that shareholder's meeting resolution adopts share distribution for employee bonus, the number of share for share bonus shall be determined through dividing resolution bonus amount with share fair value. Share fair value is the closing price (after considering ex-rights/ex-dividend effects) one day prior to the day of shareholder's meeting resolution.

This Company held regular shareholder's meeting on June 2nd, 2015 and June 6th, 2014 respectively. Resolutions for 2014 and 2013 employee bonus and director/supervisor compensation were passed during the meetings as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Cash Bonus | Share Bonus | Cash Bonus | Share Bonus |
| Employee Bonus | $ 18,200 | $ - | $ 11,500 | $ - |
| Director/Supervisor Compensation | - | - | - | - |

There are no differences between employee bonus and director/supervisor compensation to be distributed through resolutions from shareholder's meetings dated June 2nd, 2015 and June 6th, 2014 and employee bonus and director/supervisor compensation recognized on 2014 and 2013 consolidated statements.

For information regarding the Company's employee bonus and director/supervisor compensation approved by Board of Director meeting and shareholder's meeting resolution, please refer to "Market Observation Post System" of Taiwan Stock Exchange.

(3) Foreign Currency Exchange Loss

| | 2015 | 2014 |
|---|---|---|
| Foreign Currency Exchange Profit Total Amount | $500,459 | $132,095 |
| Foreign Currency Exchange Loss Total Amount | ( 337,717 ) | ( 160,733 ) |

| | | |
|---|---|---|
| Net Loss | $162,742 | ($ 28,638) |

## 21. Income Tax

(1) Income Tax Recognized As Profit/Loss

Major items for income tax expense are as follows:

| | 2015 | 2014 |
|---|---|---|
| Current Income Tax | | |
| Income tax incurred in current year | $414,343 | $280,022 |
| Undistributed Earnings Taxed | 16,457 | 11,258 |
| Previous Adjustments | 5,444 | (3,983) |
| | 436,244 | 287,297 |
| Deferred Income Tax | | |
| Income tax incurred in current year | 3,146 | 31,963 |
| Income Tax Expense Recognized in Profit/Loss | $439,390 | $319,260 |

Adjustments of accounting income and income tax expenses are as follows:

| | 2015 | 2014 |
|---|---|---|
| Pre-tax net profit | $ 1,788,513 | $ 1,321,077 |
| Income tax expense calculated from pre-tax net profit under mandatory tax rate | $ 427,013 | $ 321,357 |
| Undeductible expense of tax | ($ 889) | ($ 3,939) |
| Unrecognized deductible temporary difference | 1,275 | 278 |
| R&D tax credit | ( 10,527) | ( 6,316) |
| Undistributed earnings taxed | 16,457 | 11,258 |
| Current adjustment using previous year's current income tax expense | 5,444 | ( 3,983) |
| Others | 617 | 605 |
| Income Tax Expense Recognized in Profit / Loss | $ 439,390 | $ 319,260 |

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 2016 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 2015 undistributed earnings.

(2) Current Income Tax Assets & Liabilities

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Current Income Tax Assets (included in other current assets) | | |
| Income tax refund receivable. | $ 17 | $ - |
| Current Income Tax Liability | | |
| Income Tax Payable | $132,756 | $ 88,647 |

(3) Deferred Income Tax Assets & Liabilities

Changes in deferred income tax assets and liabilities are as follows:

2015

| | Beginning Balance | Recognized in P/L | Exchange Difference | Ending Balance |
|---|---|---|---|---|
| Deferred Income Tax Assets | | | | |
| 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 carry-forward | - | 777 | - | 777 |
| Others | 4,705 | ( 1,537) | 37 | 3,205 |
| | $ 17,286 | ($ 4,188) | ($ 219) | $ 12,879 |
| Deferred Income Tax Liability | | | | |
| 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 | 1,513 | ( 810) | ( 28) | 675 |
| | $ 13,507 | ($ 1,042) | ($ 325) | $ 12,140 |

2014

| | Beginning Balance | Recognized in P/L | Exchange Difference | Ending Balance |
|---|---|---|---|---|
| Deferred Income Tax Assets | | | | |
| Temporary Difference | | | | |
| Allowance for Inventory Valuation and Obsolescence Loss | $ 8,175 | $ 1,410 | $ 529 | $ 10,114 |
| Bad Loan Allowances | 17,857 | ( 15,644) | 254 | 2,467 |
| Other Losses | 19,512 | ( 19,646) | 134 | - |
| Others | 3,677 | 860 | 168 | 4,705 |
| | $ 49,221 | ($ 33,020) | $ 1,085 | $ 17,286 |

| | Beginning Balance | Recognized in P/L | Exchange Difference | Ending Balance |
|---|---|---|---|---|
| Deferred Income Tax Liability | | | | |
| Temporary Difference | | | | |
| Adjustments of Unrealized Financial Instrument Evaluation Gain or Loss | $ 439 | ($ 127) | $ 19 | $ 331 |
| Unrealized Exchange Net Profit | 890 | ( 877) | ( 13) | - |
| Capitalized Interest | 11,912 | ( 886) | 637 | 11,663 |
| Others | 604 | 833 | 76 | 1,513 |
| | $ 13,845 | ($ 1,057) | $ 719 | $ 13,507 |

(4) Items not Recognized as Deferred Income Tax Asset

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Loss Carry-Forward | | |
| Due in 2019 | $ 270 | $ 278 |
| Due in 2020 | 1,275 | - |
| | $ 1,545 | $ 278 |

(5) Related Information of Unused Loss Carry-Forwards

As of December 31st, 2015, related information on loss carry-forward is as follows:

| Last Carry-Forward Year | Balance yet to be credited against |
|---|---|
| 2019 | $ 1,349 |
| 2020 | 10,872 |
| | $ 12,221 |

(6) Related Integrated Income Tax Information on Subsidiary Yeong Chen Asia Pacific Co., Ltd.

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Undistributed Earnings | | |
| Undistributed Earnings Before 1997 | $ - | $ - |
| Undistributed Earnings Before 1998 | 544,797 | 417,465 |
| | $544,797 | $417,465 |
| Shareholder Deductible Tax Account | $128,676 | $ 71,649 |

| | 2015 (estimated) | 2014 (actual) |
|---|---|---|
| Earnings Distribution Tax Deduction Rate | 23.62% | 26.88% |

(7) Income Tax Approval

Yeong Chen Asia Pacific Co., Ltd.'s filings prior to 2012 have all been approved by tax bureau.

## 22. Earnings per Share

Earnings and common share weighted average shares used in earnings per share calculation are as follows:

Current Net Profit

| | 2015 | 2014 |
|---|---|---|
| Potential common share influence which has dilution effect and is used to calculate net profit for basic earnings per share: | $ 1,350,717 | $ 1,002,164 |
| Convertible corporate bond | 15,789 | 17,738 |
| Net profit used to calculate diluted earnings per share | $ 1,366,506 | $ 1,019,902 |

Number of Shares

Unit: in thousands

| | 2015 | 2014 |
|---|---|---|
| Weighted average common shares used to calculate basic earnings per share | 110,323 | 102,500 |
| Potential common share influence with dilution effect: | | |
| Employee Bonus | 350 | 289 |
| Convertible Corporate Bond | 6,861 | 3,196 |

| | | |
|---|---|---|
| Weighted average common shares used to calculate diluted earnings per share | 117,534 | 105,985 |

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.

## 23. 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:

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Less than 1 year | $ 4,074 | $ 6,923 |
| 1 ~ 5 years | 140 | 6,768 |
| | $ 4,214 | $ 13,691 |

(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:

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Less than 1 year | $ 181 | $ 625 |
| 1 ~ 5 years | 84 | 37 |
| | $ 265 | $ 662 |

## 24. 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.

## 25. Financial Instruments

(I) Fair Value Information ─ Financial Instruments not Measured at Fair Value

| | Dec. 31st, 2015 | | Dec. 31st, 2014 | |
|---|---|---|---|---|
| | Book Value | Fair Value | Book Value | Fair Value |
| Financial Liability | | | | |
| Liability Measured in Amortized Costs: | | | | |
| -Convertible Corporate Bond | $2,612,358 | $2,854,421 | $1,444,295 | $1,584,550 |

Levels for aforementioned fair values are as follows:

Dec. 31st, 2015

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Liability | | | | |
| Liability Measured in Amortized Costs: | | | | |
| -Convertible Corporate Bond | $ 2,854,421 | $ - | $ - | $ 2,854,421 |

Dec. 31st, 2014

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Liability | | | | |
| Liability Measured in Amortized Costs: | | | | |
| -Convertible Corporate Bond | $ 1,584,550 | $ - | $ - | $ 1,584,550 |

(II) Fair Value Information ─ Financial Instruments Measured at Fair Value

1. Fair Value Levels

Dec. 31st, 2015

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Assets Held for Trading with Profit/Loss Measured at Fair Value | $ - | $ 1,024 | $ - | $ 1,024 |
| Financial Liabilities Held for Trading with Profit/Loss Measured at Fair Value | $ - | $ 3,000 | $ - | $ 3,000 |

Dec. 31st, 2014

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial Assets Held for Trading with Profit/Loss Measured at Fair Value | $ - | $ 1,762 | $ - | $ 1,762 |
| Financial Liabilities Held for Trading with Profit/Loss Measured at Fair Value | $ - | $ 1,283 | $ - | $ 1,283 |

There are no cases of transfer of fair value measurements beween Level 1 and Level 2 for 2015 or 2014.

2. Assessment Techniques and Input Values for Level 2 Fair Value Measurement

| Types of Financial Instruments | Assement Techniques & 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. |

(III) Types of Financial Instruments

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Financial Asset | | |
| Loans & account receivables (note 1) | $ 7,945,597 | $ 4,991,687 |
| Financial assets at fair value through profit and loss | 1,024 | 1,762 |
| Financial Liability | | |
| Measured in amortized costs (note 2) | 4,748,413 | 3,517,315 |
| Financial liabilities at fair value through profit and loss | 3,000 | 1,283 |

Note. 1: Balance includes loans and account receivables of cash & 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 & 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 statement) book values as well as book values for derivative financial instruments with exchange rate risk exposure on the balance sheet day.

<u>Sensitivity Analysis</u>

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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Profit or Loss | ($ 43,005) ) | ($ 5,266) | ($ 5,401) ) | ($ 3,749) |

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:

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Fair Value Interest Rate Risks | | |
| -Financial Assets | $ 552,693 | $ 817,335 |
| -Financial Liabilities | 2,612,358 | 1,444,295 |
| Cash Flow Interest Rate Risks | | |
| -Financial Assets | 5,014,312 | 2,303,762 |
| -Financial Liabilities | 500,375 | 411,710 |

**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 2015 and 2014 will decrease/increase NTD45,139,000 and NTD18,921,000 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 statement.

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 & 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. 31st for 2015 and 2014 respectively, consolidated company's short term bank financing amounts not yet utilized are NTD605,280,000 and NTD573,360,000 respectively.

(I) Liquidity and Interest Rate Risk Table for Non-Derivative Financial Liability

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, 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 |
|---|---|---|---|---|---|
| Non-derivative financial liability | | | | | |
| 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 | - | - | - | 2,612,358 | - |
| | $ 650,593 | $ 561,124 | $ 546,438 | $2,710,848 | $ - |

Dec. 31st, 2014

| | 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 |
|---|---|---|---|---|---|
| Non-derivative financial liability | | | | | |
| Interest-free liability | $ 450,553 | $ 571,214 | $ 348,471 | $ 30,998 | $ - |
| Floating interest rate instrument | - | 253,360 | 63,340 | 95,010 | - |
| Fixed interest rate instrument | - | - | - | 1,444,295 | - |
| | $ 450,553 | $ 824,574 | $ 411,811 | $1,570,303 | $ - |

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, 2014

| | Immediate payment or payment in less than 1 month | Payment in 1 to 3 months | Payment in 3 months to 1 year |
|---|---|---|---|
| Gross Amount Settlement | | | |
| Forward Exchange Contract | | | |
| - Inflow | $ 48,791 | $ 177,323 | $ 141,319 |
| - Outflow | 48,165 | 176,605 | 141,284 |
| | $ 626 | $ 718 | $ 35 |

## 26. 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

| Item Recognized | Type of Related Party | 2015 | 2014 |
|---|---|---|---|
| Sales Revenue | Affiliate enterprise | $ 410 | $ 560 |

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 | 2015 | 2014 |
|---|---|---|
| Affiliate enterprise | $ 541 | $ 2,086 |

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. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|---|
| Notes Receivable | Affiliate enterprise | $ 113 | $ 41 |
| Account Receivable | Affiliate enterprise | 73 | 9 |
| | | $ 186 | $ 50 |

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 2015 and 2014.

(4) Account Payable – Related Party (excluding loans extended to related party)

| Item Recognized | Type of Related Party | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|---|
| Notes Payable | Affiliate enterprise | $ 562 | $ 440 |
| Account Payable | Affiliate enterprise | 19 | 169 |
| Other Account Payable | Affiliate enterprise | 67 | 210 |
| | | $ 648 | $ 819 |

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

| Item Recognized | Type of Related Party | 2015 | 2014 |
|---|---|---|---|
| Manufacturing Expense | Affiliate enterprise | $ 1,076 | $ 1,188 |
| | Major Management Levels | 240 | 240 |
| | | $ 1,316 | $ 1,428 |
| Rent Income | Affiliate enterprise | $ 60 | $ 60 |

For lease contract with related party, rent is determined under reference of market prices and payment is processed in line with average terms.

| Item Recognized | Type of Related Party | 2015 | 2014 |
|---|---|---|---|
| Refundable Deposits (included in other non-current assets) | Major Management Levels | $ 20 | $ 20 |

(6) Major Management Remuneration

| | 2015 | 2014 |
|---|---|---|
| Short-term Employee Benefit | $ 17,982 | $ 15,261 |
| Post-Employment Benefit | 437 | 397 |
| | $ 18,419 | $ 15,658 |

Remuneration for director and other major management levels is determined by Remuneration Committee based on individual performance as well as market trend.

## 27. Assets Pledged

Consolidated company's following assets have been pledged as collaterals for bank loans:

| | Dec. 31st, 2015 | Dec. 31st, 2014 |
|---|---|---|
| Property, Factory and Equipment Net Amount | $ 1,067,445 | $ 1,178,807 |
| Prepaid Lease Payment | 169,324 | 177,614 |
| Investment Property Net Amount | 8,083 | 8,789 |
| Other Financial Assets – Current (included in other current assets) | 161,419 | 187,890 |
| Other Financial Assets – None Current (included in other none current assets) | - | 1,605 |
| | $ 1,406,271 | $ 1,554,705 |

## 28. Major Subsequent Event

On January 25th, 2016, the consolidated company entered a RMB11,070,000 agreement with Hong Kong Splendor Industrial Co., Ltd., Ho Sheng Industry Co., Ltd, Shanghai Hong Da Ductile Iron Casting Co., Ltd. and Shanghai Shang Xi Hang Trading Co.., Ltd. for the acquisition of 90% of shares of their jointly owned Shanghai No. 1 Machine tool (Suzhou) Co., Ltd., with Yeong Guan International Company holding 50% and Dongguan Yeong Guan Casting Iron Factory Company holding 40%.

## 29. Exchange Rate Information for Financial Assets and Liability

Information of consolidated company's financial asset and liability with significant impact is as follows:

Dec. 31st, 2015

| | Foreign Currency | Exchange Rate | | Book Value |
|---|---|---|---|---|
| Financial Assets | | | | |
| Currency Item | | | | |
| 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 |
| Financial Liability | | | | |
| Currency Item | | | | |
| 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 |

Dec. 31st, 2014

| | Foreign Currency | Exchange Rate | | Book Value |
|---|---|---|---|---|
| Financial Assets | | | | |
| Currency Item | | | | |
| USD | $ 51,021 | 6.119 | (USD: RMB) | $ 1,615,835 |
| USD | 33,213 | 31.67 | (USD: NTD) | 1,051,856 |
| EUR | 2,271 | 7.4556 | (EUR: RMB) | 87,411 |
| EUR | 1,053 | 1.2105 | (EUR: USD) | 40,530 |
| EUR | 6,599 | 38.49 | (EUR: NTD) | 253,996 |
| Financial Liability | | | | |
| Currency Item | | | | |
| USD | 28,736 | 6.119 | (USD: RMB) | 910,069 |
| USD | 38,915 | 31.67 | (USD: NTD) | 1,232,438 |
| EUR | 154 | 1.215 | (EUR: RMB) | 5,927 |
| EUR | 30 | 38.49 | (EUR: USD) | 1,155 |

The consolidated company's realized and unrealized foreign currency exchange net gain (loss) for 2015 and 2014 are NTD162, 742,000 and (NTD28,638,000) respectively. Given the fact that there are numerous types of functional currencies for foreign currency transactions and group entities, therefore exchange gain/loss cannot be disclosed in accordance with foreign currency types which come with major impact.

## 30. Note Disclosure

(I) Major transactions and (II) reinvestment business related information is as follows:

1. Captial 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: Appendix 3
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 4.
8. Account receivable – related party exceeding NTD100 million or 20% of paid-in capital: Appendix 5.
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 8.
11. Information of invested company: Appendix 6.

(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 7.
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 8.
   (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.

## 31. 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 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Casting Processing Dept. | $ 8,033,397 | $ 7,095,155 | $ 2,076,007 | $ 1,802,884 |
| Other | 89,073 | 111,139 | ( 33,669 ) | ( 24,726 ) |
| Continuous Operating Unit Net Amount | $ 8,122,470 | $ 7,206,294 | 2,042,338 | 1,778,158 |
| Foreign Currency Exchange Net Profit(Loss) | | | 162,742 | ( 28,638 ) |
| Other Profit or Loss | | | 70,026 | 8,170 |
| Interest Income | | | 56,784 | 45,441 |
| Rent Income | | | | |
| Financial Product Net Profit(Loss) at Fair Value through Profit and Loss | | | 25,781 | ( 2,486 ) |
| Rent Income | | | 1,232 | 4,579 |
| Interest Expense | | | ( 43,960 ) | ( 54,848 ) |
| Management & Administration Expense | | | ( 526,430 ) | ( 429,299 ) |
| Pre-tax Net Profit | | | $ 1,788,513 | $ 1,321,077 |

Income for aforementioned departments reported are all generated from transactions with exterior clients. There were no inter-department sales for 2015 or 2014.

Department profit means profits made by respective departments, excluding amortized management & 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 & Amortization | |
|---|---|---|
| | 2015 | 2014 |
| Casting Processing Dept. | $ 435,964 | $ 400,595 |
| Other | 31,883 | 29,027 |
| | $ 467,847 | $ 429,622 |

(4) Major Product Income

Major products for consolidated company's continuous operating units are analyzed as follows:

| | 2015 | 2014 |
|---|---|---|
| Energy Castings | $ 4,757,759 | $3,452,064 |
| Injection Molding Machine Castings | 1,784,435 | 1,791,830 |
| Industry Machine Castings | 1,221,393 | 1,591,883 |
| Medical equipment Castings | 358,883 | 370,517 |
| | $ 8,122,470 | $7,206,294 |

(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:

| | Income from Exterior Clients | | Non-Current Assets | |
|---|---|---|---|---|
| | 2015 | 2014 | Dec. 31st, 2015 | Dec. 31st, 2014 |
| China | $ 3,763,633 | $ 3,447,856 | $ 4,999,449 | $ 4,568,845 |
| Taiwan | 4,011,047 | 3,423,657 | 195,084 | 233,902 |
| Other | 347,790 | 334,781 | 825,054 | 130,005 |
| | $ 8,122,470 | $ 7,206,294 | $ 6,019,587 | $ 4,932,752 |

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:

| | 2015 | 2014 |
|---|---|---|
| Client A | $1,400,788 | $1,137,871 |
| Client B | 1,143,188 | 794,018 |

**Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries**

**Capital Lending to Others**

**2015 Fiscal Year**

Appendix 1

Unit: NTD in thousands unless otherwise prescribed

| Serial No | Financing Company | Borrower | Financial Statement 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 Chen Asia Pacific Co., Ltd. | Other Account Receivable - Related Party | Yes | $ 590,940 ( USD 18,000 thousands ) | $ 570,060 ( USD 18,000 thousands) | $ 570,060 ( USD 18,000 thousands) | - | Short Term Financing Capital | $ - | Business Turnover | $ - | - | - | $ 3,162,800 | $ 5,271,334 | |
| | | | | | | | | | | | | | | | | | |
| | | Yeong Guan Energy Holding Company | Other Account Receivable - Related Party | Yes | $ 820,750 ( USD 25,000 thousands ) | $ 820,750 ( USD 25,000 thousands ) | $ 820,750 ( USD 25,000 thousands ) | - | Short Term Financing Capital | $ - | Business Turnover | $ - | - | - | 3,162,800 | 5,271,334 | |
| | | Yeong Guan Energy Holding Company | Other Account Receivable - Related Party | Yes | $ 98,490 ( USD 3,000 thousands ) | $ 55,154 ( USD 1,680 thousands ) | $ 55,154 ( USD 1,680 thousands ) | - | Short Term Financing Capital | $ - | Business Turnover | $ - | - | - | 3,162,800 | 5,271,334 | |
| 1 | Yeong Guan Energy Holding Company | Yeong Guan International Company | Other Account Receivable - Related Party | Yes | 459,620 ( USD 14,000 thousands) | 459,620 ( USD 14,000 thousands) | 459,620 ( USD 14,000 thousands) | - | Short Term Financing Capital | - | Business Turnover | - | - | - | 11,610,606 | 11,610,606 | |
| | | Yeong Chen Asia Pacific Co., Ltd. | Other Account Receivable - Related Party | Yes | 492,450 ( USD 15,000 thousands) | 449,114 ( USD 13,680 thousands) | 449,114 ( USD 13,680 thousands) | | Short Term Financing Capital | - | Business Turnover | - | - | - | 11,610,606 | 11,610,606 | |
| 2 | Yeong Guan International Company | Yeong Shang Casting Iron Company | Other Account Receivable - Related Party | Yes | 164,650 ( USD 5,000 thousands) | - | - | | Short Term Financing Capital | - | Business Turnover | - | - | - | 16,725,358 | 16,725,358 | |
| 3 | Lu Lin Machine Tool Foundry Co., Ltd. | Bright Steel Fine Machinery Company | Other Account Receivable - Related Party | Yes | 101,115 ( RMB 20,000 thousands) | 101,115 ( RMB 20,000 thousands) | 101,115 ( RMB 20,000 thousands) | | Short Term Financing Capital | - | Business Turnover | - | - | - | 3,556,336 | 3,556,336 | |

Note 1: Maximum balance and ending balance for this year are calculated based on exchange rate on Dec. 31st, 2015.

Note 2: Aforementioned transactions have all been cancelled during preparation of consolidated financial statement.

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

Endorsement/Guarantee for Others

2015 Fiscal Year

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 | Yeong Shang Casting Iron Company | Bright Steel Fine Machinery Company | Same parent company | $ 31,147,350 | $ 353,902<br>( RMB 70,000 thousands ) | $ - | $ - | $ - | - | $ 31,147,350 | NO | NO | YES | |
| | | Yeong Chia Mei Trade Co., Ltd. | Same parent company | 31,147,350 | 245,659<br>( RMB 48,590 thousands ) | 245,659<br>( RMB 48,590 thousands ) | - | - | 2.33% | 31,147,350 | NO | NO | YES | |
| 1 | Yeong Guan Energy Technology Group Co., Ltd | Bright Steel Fine Machinery Company | Subsidiary of Sub-subsidiary | 5,271,334 | 131,320<br>( USD 4,000 thousands ) | - | -<br>- | - | - | 8,434,134 | YES | NO | YES | |
| | | Bright Steel Fine Machinery Company | Subsidiary of Sub-subsidiary | 5,271,334 | 49,245<br>( USD 1,500 thousands ) | 49,245<br>( USD 1,500 thousands ) | 49,245<br>( USD 1,500 thousands ) | - | 0.47% | 8,434,134 | YES | NO | YES | |
| | | Bright Steel Fine Machinery Company | Subsidiary of Sub-subsidiary | 5,271,334 | 49,245<br>( USD 1,500 thousands ) | 49,245<br>( USD 1,500 thousands ) | 49,245<br>( USD 1,500 thousands ) | - | 0.47% | 8,434,134 | YES | NO | YES | |
| | | Bright Steel Fine Machinery Company | Subsidiary of Sub-subsidiary | 5,271,334 | 65,660<br>( USD 2,000 thousands ) | 65,660<br>( USD 2,000 thousands ) | - | - | 0.62% | 8,434,134 | YES | NO | YES | |
| | | Bright Steel Fine Machinery Company | Subsidiary of Sub-subsidiary | 5,271,334 | 82,075<br>( USD 2,500 thousands ) | 82,075<br>( USD 2,500 thousands ) | 82,075<br>( USD 2,500 thousands ) | - | 0.78% | 8,434,134 | YES | NO | YES | |
| | | Bright Steel Fine Machinery Company | Subsidiary of Sub-subsidiary | 5,271,334 | 131,320<br>( USD 4,000 thousands ) | 131,320<br>( USD 4,000 thousands ) | 131,320<br>( USD 4,000 thousands ) | - | 1.25% | 8,434,134 | YES | NO | YES | |
| | | Shin Shang Trade Company | Sub-subsidiary | 5,271,334 | 22,134<br>( JPY 81,200 thousands ) | 22,134<br>( JPY 81,200 thousands ) | - | - | 0.21% | 8,434,134 | YES | NO | NO | |
| | | Shin Shang Trade Company | Sub-subsidiary | 5,271,334 | 65,660<br>( USD 2,000 thousands ) | 65,660<br>( USD 2,000 thousands ) | - | - | 0.62% | 8,434,134 | YES | NO | NO | |
| | | Shin Shang Trade Company | Sub-subsidiary | 5,271,334 | 136,294<br>( JPY 500,000 thousands ) | 136,294<br>( JPY 500,000 thousands ) | - | - | 1.29% | 8,434,134 | YES | NO | NO | |
| | | Yeong Chen Asia Pacific Co., Ltd. | Sub-subsidiary | 5,271,334 | 80,000 | - | - | - | - | 8,434,134 | YES | NO | NO | |
| | | Yeong Chen Asia Pacific Co., Ltd. | Sub-subsidiary | 5,271,334 | 200,000 | 200,000 | - | - | 1.90% | 8,434,134 | YES | NO | NO | |
| | | Yeong Chen Asia Pacific Co., Ltd. | Sub-subsidiary | 5,271,334 | 262,640<br>( USD 8,000 thousands ) | 262,640<br>( USD 8,000 thousands ) | 60,000 | - | 2.49% | 8,434,134 | YES | NO | NO | |
| | | Yeong Chen Asia Pacific Co., Ltd. | Sub-subsidiary | 5,271,334 | 62,830<br>( USD 1,000 thousands )<br>(NTD 30,000 thousands ) | 62,830<br>( USD 1,000 thousands )<br>(NTD 30,000 thousands ) | 30,000 | - | 0.60% | 8,434,134 | YES | NO | NO | |
| | | Yeong Shang Casting Iron Company | Subsidiary of Sub-subsidiary | 5,271,334 | 98,490<br>( USD 3,000 thousands ) | 98,490<br>( USD 3,000 thousands ) | 98,490<br>( USD 3,000 thousands ) | - | 0.93% | 8,434,134 | YES | NO | YES | |
| | | Yeong Guan International Company | Sub-subsidiary | 5,271,334 | 164,150<br>( USD 5,000 thousands ) | - | - | - | - | 8,434,134 | YES | NO | NO | |
| | | Yeong Guan Energy Holding Company | Subsidiary | 5,271,334 | 164,150<br>( USD 5,000 thousands ) | - | - | - | - | 8,434,134 | YES | NO | NO | |
| | | Yeong Guan Energy Holding Company | Subsidiary | 5,271,334 | 300,000 | 300,000 | - | - | 2.85% | 8,434,134 | YES | NO | NO | |

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

Purchase Amount of real estate exceeding NTD300 million or 20% of Paid-In Capital

2015 Fiscal Year

Appendix 3

Unit: NTD in thousands unless otherwise prescribed

| Purchaser of real estate | Name of Property | Date of Transaction | Transaction Amount | Payment Status | Transaction Counterpart | Relationship | Previous transaction information (If the counterpart to the transaction is a related party) | | | | Basis for the decision on price | Purpose of purchase & usage status | Other matters agreed upon by the Parties |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationship | Date of Transaction | Amount | | | |
| Jiangsu Bright Steel Fine Machinery Co., Ltd. | Tian Mu Lake Industrial Zone, Liyang City Land & Factory of Li Guo Yong (2007) Number 08498, Piao Guo Yong (2007) Number 08499 | Feb. 17, 2015 | $ 239,231 (RMB 47,541 thousands) | Fully paid | Liyang City Tianyu Harbour Co.,Ltd. | None | - | - | - | $ - | Court auction | Operation | None |

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

Purchase/Sales Amount with Related Party exceeding NTD100 Million or 20% of Paid-In Capital

2015 Fiscal Year

Appendix 4

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) | |
| Yeong Shang Casting Iron Company | Bright Steel Fine Machinery Company | same parent company | Purchase | $ 339,233 (Note 2) | 15% | (Note 1) | $ - | $ - | ( $ 132,348 ) | 25% | |
| Yeong Shang Casting Iron Company | Lu Lin Machine Tool Foundry Co., Ltd. | same parent company | Purchase | 213,441 | 10% | (Note 1) | - | - | ( 51,613 ) | 10% | |
| Lu Lin Machine Tool Foundry Co., Ltd. | Yeong Shang Casting Iron Company | same parent company | Purchase | 159,151 | 11% | (Note 1) | - | - | ( 61,185 ) | 17% | |
| Lu Lin Machine Tool Foundry Co., Ltd. | Bright Steel Fine Machinery Company | same parent company | Purchase | 283,036 (Note 3) | 19% | (Note 1) | - | - | ( 127,055 ) | 34% | |
| Bright Steel Fine Machinery Company | Yeong Shang Casting Iron Company | same parent company | Purchase | 150,044 (Note 4) | 6% | (Note 1) | - | - | ( 78,864 ) | 12% | |
| Bright Steel Fine Machinery Company | Lu Lin Machine Tool Foundry Co., Ltd. | same parent company | Purchase | 195,667 | 7% | (Note 1) | - | - | ( 117,354 ) | 18% | |
| Shin Shang Trade Company | Dongguan Yeong Guan Casting Iron Factory Company | same parent company | Purchase | 243,628 | 66% | (Note 1) | - | - | ( 103,002 ) | 59% | |
| Shin Shang Trade Company | Yeong Shang Casting Iron Company | same parent company | Purchase | 106,246 | 29% | (Note 1) | - | - | ( 27,953 ) | 16% | |
| Yeong Chen Asia Pacific Co., Ltd. | Dongguan Yeong Guan Casting Iron Factory Company | same parent company | Purchase | 103,714 | 3% | (Note 1) | - | - | ( 39,182 ) | 5% | |
| Yeong Chen Asia Pacific Co., Ltd. | Yeong Shang Casting Iron Company | same parent company | Purchase | 930,975 | 25% | (Note 1) | - | - | ( 272,301 ) | 32% | |
| Yeong Chen Asia Pacific Co., Ltd. | Bright Steel Fine Machinery Company | same parent company | Purchase | 2,024,603 (Note 5) | 55% | (Note 1) | - | - | ( 423,684 ) | 49% | |
| Yeong Chen Asia Pacific Co., Ltd. | Lu Lin Machine Tool Foundry Co., Ltd. | same parent company | Purchase | 236,807 | 6% | (Note 1) | - | - | ( 87,196 ) | 10% | |
| Yeong Shang Casting Iron Company | Bright Steel Fine Machinery Company | same parent company | (Sales) | ( 150,044 ) | 5% | (Note 1) | - | - | 78,864 | 8% | |
| Yeong Shang Casting Iron Company | Lu Lin Machine Tool Foundry Co., Ltd. | same parent company | (Sales) | ( 159,151 ) | 6% | (Note 1) | - | - | 61,185 | 6% | |
| Yeong Shang Casting Iron Company | Yeong Chen Asia Pacific Co., Ltd. | same parent company | (Sales) | ( 930,975 ) | 34% | (Note 1) | - | - | 272,301 | 28% | |
| Yeong Shang Casting Iron Company | Shin Shang Trade Company | same parent company | (Sales) | ( 106,246 ) | 4% | (Note 1) | - | - | 27,953 | 3% | |
| Lu Lin Machine Tool Foundry Co., Ltd. | Yeong Shang Casting Iron Company | same parent company | (Sales) | ( 213,441 ) | 11% | (Note 1) | - | - | 51,613 | 9% | |
| Lu Lin Machine Tool Foundry Co., Ltd. | Bright Steel Fine Machinery Company | same parent company | (Sales) | ( 195,667 ) | 10% | (Note 1) | - | - | 117,354 | 20% | |
| Lu Lin Machine Tool Foundry Co., Ltd. | Yeong Chen Asia Pacific Co., Ltd. | same parent company | (Sales) | ( 236,807 ) | 12% | (Note 1) | - | - | 87,196 | 15% | |
| Bright Steel Fine Machinery Company | Yeong Shang Casting Iron Company | same parent company | (Sales) | ( 339,233 ) | 9% | (Note 1) | - | - | 132,348 | 12% | |
| Bright Steel Fine Machinery Company | Lu Lin Machine Tool Foundry Co., Ltd. | same parent company | (Sales) | ( 283,036 ) | 8% | (Note 1) | - | - | 127,055 | 11% | |
| Bright Steel Fine Machinery Company | Yeong Chen Asia Pacific Co., Ltd. | same parent company | (Sales) | ( 2,024,603 ) | 54% | (Note 1) | - | - | 423,684 | 37% | |
| Dongguan Yeong Guan Casting Iron Factory Company | Yeong Chen Asia Pacific Co., Ltd. | same parent company | (Sales) | ( 103,714 ) | 20% | (Note 1) | - | - | 39,182 | 21% | |
| Dongguan Yeong Guan Casting Iron Factory Company | Shin Shang Trade Company | same parent company | (Sales) | ( 243,628 ) | 46% | (Note 1) | - | - | 103,002 | 55% | |

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 335,263 (thousands) and purchase of fixed assets NTD3,970 (thousands).

Note 3: This includes operating cost NTD281,897 (thousands) and purchase of fixed assets NTD1,139 (thousands).

Note 4: This includes operating cost NTD149,687 (thousands) and purchase of fixed assets NTD357(thousands).

Note 5: This includes operating cost NTD2,022,943 (thousands) and purchase of fixed assets NTD1,660(thousands).

Note 6: Aforementioned transactions have all been cancelled during preparation of consolidated financial statement.

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

Account receivable – Related Party Exceeding NTD100 Million or 20% of Paid-In Capital

December 31st, 2015

Appendix 5

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 | | |
| Yeong Shang Casting Iron Company | Yeong Chen Asia Pacific Co., Ltd. | Same ultimate parent company | $ 272,301 | | - | $ - | $ - | $ - | $ - |
| Lu Lin Machine Tool Foundry Co., Ltd. | Bright Steel Fine Machinery Company | Same ultimate parent company | 219,047 | Note 1 | - | - | - | - | - |
| Bright Steel Fine Machinery Company | Yeong Shang Casting Iron Company | Same ultimate parent company | 132,348 | | - | - | - | - | - |
| Bright Steel Fine Machinery Company | Lu Lin Machine Tool Foundry Co., Ltd. | Same ultimate parent company | 127,055 | | - | - | - | - | - |
| Bright Steel Fine Machinery Company | Yeong Chen Asia Pacific Co., Ltd. | Same ultimate parent company | 423,684 | | - | - | - | - | - |
| Dongguan Yeong Guan Casting Iron Factory Company | Shin Shang Trade Company | Same ultimate parent company | 103,002 | | - | - | - | - | - |
| Yeong Guan Energy Holding Company | Yeong Guan International Company | Subsidiary | 459,620 | Note 2 | - | - | - | - | - |
| Yeong Guan Energy Holding Company | Yeong Chen Asia Pacific Co., Ltd. | Subsidiary | 449,115 | Note 2 | - | - | - | - | - |
| Yeong Guan Energy Technology Group Co., Ltd | Yeong Guan Energy Holding Company | Subsidiary | 875,904 | Note 2 | - | - | - | - | - |

Note 1: This includes Account Receivable NTD 117,354(thousands), financing amount of NTD 101,115(thousands) and interest receivable of NTD578 (thousands).

Note 2: This is financing amount.

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

Related Information of Invested Company Information and Location

2015 Fiscal Year

Appendix 6

Unit: NTD in 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. 31st, 2015 | Dec. 31st, 2014 | Number of Shares | Percentage (%) | Book Value | | | |
| Yeong Guan Energy Technology Group Co., Ltd | Yeong Guan Energy Holding Co., Ltd. | British Virgin Islands | Investment Holding Business | $ 4,525,878 | $ 2,554,278 | 146,000,000 | 100.00 | $ 11,610,606 | $ 1,426,597 | $ 1,426,597 | 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 | 335,325 | ( 6,377 ) | ( 4,783 ) | Note 1 |
| Yeong Guan Energy Holding Co., Ltd. | Yeong Guan International Co. , Ltd. | Hong Kong | Investment Holding Business | 4,137,489 | 4,137,489 | 506,000,000 | 100.00 | 8,361,856 | 1,185,783 | 1,186,072 | Note 1 |
| | Shin Shang Trade Co., Ltd. | British Virgin Islands | Transaction of various steel castings and casting molds as well as related import/export businesses | 226,069 | 226,069 | 50,000 | 100.00 | 116,127 | 33,990 | 36,242 | Note 1 |
| | 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 | 684,066 | 145,035 | 145,105 | Note 1 |

Note 1: Calculation is based on invested company's CPA certified financial statement 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 statement.

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

China Investment Information

2015 Fiscal Year

Appendix 7

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 | $ 1,414,973 | (5) | $ - | $ - | $ - | $ - | $ 330,473 | 100% | $ 324,342 | $ 3,142,888 | $ - | |
| 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 | 131,304 | (5) | - | - | - | - | 56,742 | 100% | 59,336 | 591,969 | - | |
| 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 | 449,935 | (5) | - | - | - | - | 326,759 | 100% | 328,242 | 1,765,282 | - | |
| Jiangsu Bright Steel Fine Machinery Co., Ltd. | Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron | 2,626,400 | (5) | - | - | - | - | 598,412 | 100% | 604,467 | 3,873,846 | - | |
| Ningbo Yeong Chia Mei Trade Co., Ltd. | Transaction of various steel castings and casting molds as well as related import/export businesses | 32,830 | (5) | - | - | - | - | 1,121 | 100% | 1,130 | 36,878 | - | |

| 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 |
|---|---|---|
| - | - | - |

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 statement 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 statement.

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries

Business Relationship & Critical Transaction/Amount between Parent Company and Subsidiaries and Among Subsidiaries

2015 Fiscal Year

Appendix 8

Units: NTD (in 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 | Yeong Shang Casting Iron Company | Lu Lin Machine Tool Foundry Co., Ltd. | 3 | Account Receivable - Related Party | $ 61,185 | Based on the parties' agreement | - |
| 1 | Yeong Shang Casting Iron Company | Shin Shang Trade Company | 3 | Account Receivable - Related Party | 27,953 | Based on the parties' agreement | - |
| 1 | Yeong Shang Casting Iron Company | Bright Steel Fine Machinery Company | 3 | Account Receivable - Related Party | 78,864 | Based on the parties' agreement | 1% |
| 1 | Yeong Shang Casting Iron Company | Yeong Chen Asia Pacific Co., Ltd. | 3 | Account Receivable - Related Party | 272,301 | Based on the parties' agreement | 2% |
| 1 | Yeong Shang Casting Iron Company | Bright Steel Fine Machinery Company | 3 | Operating Revenue | 149,687 | Based on the parties' agreement | 2% |
| 1 | Yeong Shang Casting Iron Company | Lu Lin Machine Tool Foundry Co., Ltd. | 3 | Operating Revenue | 159,151 | Based on the parties' agreement | 2% |
| 1 | Yeong Shang Casting Iron Company | Yeong Chen Asia Pacific Co., Ltd. | 3 | Operating Revenue | 930,975 | Based on the parties' agreement | 11% |
| 1 | Yeong Shang Casting Iron Company | Shin Shang Trade Company | 3 | Operating Revenue | 106,246 | Based on the parties' agreement | 1% |
| 2 | Lu Lin Machine Tool Foundry Co., Ltd. | Yeong Shang Casting Iron Company | 3 | Account Receivable - Related Party | 51,613 | Based on the parties' agreement | - |
| 2 | Lu Lin Machine Tool Foundry Co., Ltd. | Bright Steel Fine Machinery Company | 3 | Other Account Receivable - Related Party | 101,693 | Based on the parties' agreement | 1% |
| 2 | Lu Lin Machine Tool Foundry Co., Ltd. | Bright Steel Fine Machinery Company | 3 | Account Receivable - Related Party | 117,354 | Based on the parties' agreement | 1% |
| 2 | Lu Lin Machine Tool Foundry Co., Ltd. | Yeong Chen Asia Pacific Co., Ltd. | 3 | Account Receivable - Related Party | 87,196 | Based on the parties' agreement | 1% |
| 2 | Lu Lin Machine Tool Foundry Co., Ltd. | Yeong Shang Casting Iron Company | 3 | Operating Revenue | 213,441 | Based on the parties' agreement | 3% |
| 2 | Lu Lin Machine Tool Foundry Co., Ltd. | Bright Steel Fine Machinery Company | 3 | Operating Revenue | 195,667 | Based on the parties' agreement | 2% |
| 2 | Lu Lin Machine Tool Foundry Co., Ltd. | Yeong Chen Asia Pacific Co., Ltd. | 3 | Operating Revenue | 236,807 | Based on the parties' agreement | 3% |
| 3 | Bright Steel Fine Machinery Company | Yeong Shang Casting Iron Company | 3 | Operating Revenue | 335,263 | Based on the parties' agreement | 4% |
| 3 | Bright Steel Fine Machinery Company | Lu Lin Machine Tool Foundry Co., Ltd. | 3 | Operating Revenue | 281,897 | Based on the parties' agreement | 3% |
| 3 | Bright Steel Fine Machinery Company | Yeong Chen Asia Pacific Co., Ltd. | 3 | Operating Revenue | 2,022,943 | Based on the parties' agreement | 25% |
| 3 | Bright Steel Fine Machinery Company | Shin Shang Trade Company | 3 | Operating Revenue | 17,247 | Based on the parties' agreement | - |
| 3 | Bright Steel Fine Machinery Company | Yeong Chen Asia Pacific Co., Ltd. | 3 | Equipment prepayments | 142,343 | Based on the parties' agreement | 1% |
| 3 | Bright Steel Fine Machinery Company | Shin Shang Trade Company | 3 | Equipment prepayments | 58,276 | Based on the parties' agreement | - |
| 3 | Bright Steel Fine Machinery Company | Lu Lin Machine Tool Foundry Co., Ltd. | 3 | Account Receivable - Related Party | 127,055 | Based on the parties' agreement | 1% |
| 3 | Bright Steel Fine Machinery Company | Yeong Shang Casting Iron Company | 3 | Account Receivable - Related Party | 132,348 | Based on the parties' agreement | 1% |
| 3 | Bright Steel Fine Machinery Company | Yeong Chen Asia Pacific Co., Ltd. | 3 | Account Receivable - Related Party | 423,684 | Based on the parties' agreement | 3% |
| 4 | Dongguan Yeong Guan Casting Iron Factory Company | Yeong Shang Casting Iron Company | 3 | Operating Revenue | 57,918 | Based on the parties' agreement | 1% |
| 4 | Dongguan Yeong Guan Casting Iron Factory Company | Yeong Chen Asia Pacific Co., Ltd. | 3 | Operating Revenue | 103,714 | Based on the parties' agreement | 1% |
| 4 | Dongguan Yeong Guan Casting Iron Factory Company | Shin Shang Trade Company | 3 | Operating Revenue | 243,628 | Based on the parties' agreement | 3% |

(to be continued)

(brought forward)

| 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) |
| 4 | Dongguan Yeong Guan Casting Iron Factory Company | Yeong Shang Casting Iron Company | 3 | Account Receivable - Related Party | $ 14,575 | Based on the parties' agreement | - |
| 4 | Dongguan Yeong Guan Casting Iron Factory Company | Yeong Chen Asia Pacific Co., Ltd. | 3 | Account Receivable - Related Party | 39,182 | Based on the parties' agreement | - |
| 4 | Dongguan Yeong Guan Casting Iron Factory Company | Shin Shang Trade Company | 3 | Account Receivable - Related Party | 103,002 | Based on the parties' agreement | 1% |
| 5 | Yeong Chen Asia Pacific Co., Ltd. | Yeong Shang Casting Iron Company | 3 | Operating Revenue | 37,073 | Based on the parties' agreement | - |
| 5 | Yeong Chen Asia Pacific Co., Ltd. | Yeong Shang Casting Iron Company | 3 | Account Receivable - Related Party | 12,597 | Based on the parties' agreement | - |
| 6 | Shin Shang Trade Company | Bright Steel Fine Machinery Company | 3 | Other Account Receivable - Related Party | 83,716 | Based on the parties' agreement | 1% |
| 7 | Yeong Guan Energy Holding Company | Yeong Chen Asia Pacific Co., Ltd. | 3 | Other Account Receivable - Related Party | 449,114 | Based on the parties' agreement | 3% |
| 7 | Yeong Guan Energy Holding Company | Yeong Guan International Company | 3 | Other Account Receivable - Related Party | 459,620 | Based on the parties' agreement | 3% |
| 0 | Yeong Guan Energy Technology Group Co., Ltd | Yeong Guan Energy Holding Company | 1 | Other Account Receivable - Related Party | 875,904 | Based on the parties' agreement | 6% |

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.

**Yeong Guan Energy Technology Group Co., Ltd.**

**Chairman of the Board: Chang, Hsien-Ming**