



# Yeong Guan Energy Technology Group Co., Ltd.

## 2014 ANNUAL REPORT

### Notice to readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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

**Printed on May 6, 2015**

## **I. Spokesperson and Deputy Spokesperson:**

Spokesperson

Name: Tsai Shu-Ken

Title: Vice Chairman

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

Deputy Spokesperson

Name: Chang, Wen-Lung

Title: Director and Executive Vice  
President

Tel: (886)3-483-9216

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

## **II. Headquarters and branches(contact information)**

### **(a) Company information:**

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

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

### **(b) Corporate HQ:**

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

Tel: (86)574-8622-8866

### **(c) Subsidiaries:**

#### **1. BVI Subsidiary**

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

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

#### **Taiwan Branch**

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

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

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

#### **Taiwan Branch**

Address: 4F, No.87, Xinhua 1<sup>st</sup> 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 1<sup>st</sup> Rd. Guanyin Township, Taoyuan County

#### **3. Hong Kong Subsidiary**

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

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

#### **4. Mainland China Subsidiaries**

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

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

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

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

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

Address: No. 28, Dinghai Rd., Economic and Technology Development Zone,

Zhenhai Dist., Ningbo City, Zhejiang Province, China

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

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

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

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

#### **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.

## **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 6, 2015			
Title	Name	Nationality	Professional Background
Chairman of the board	Chang, Hsien-Ming	ROC	Chairman of Yeong Guan Energy Technology Group Co., Ltd.
Board director	Tsai, Shu-Ken	ROC	President of Shieh Yih Machinery Industry Co., Ltd.
Board director	Chang, Cheng-Chung	ROC	Chairman of San Ho Electric Machinery Industry Co., Ltd.
Board director	Chang, Wen-Lung	ROC	President of Yeong Guan Mould Factory Co., Ltd.
Board director	Chen, Wu-Chi	ROC	Vice President of Yeong Guan Mould Factory Co., Ltd.
Board director	Wu, Ting-Tsai	ROC	Chairman of Taiwan Qirui Machinery Co., Ltd.
Board director	Hsu, Yu-Yeh	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 of Radium Life Tech Co., Ltd.
Independent director	Chang, Cheng-Lung	ROC	Chairman of Li You Da Investment Co., Ltd.
Independent director	Wei, Chia-Min	ROC	Vice President of Metal Industries Research & Development Center

## Table of Contents

<b>I.</b>	<b>Letter to Shareholders.....</b>	<b>7</b>
<b>II.</b>	<b>Company Profile.....</b>	<b>9</b>
	1. <b>Company and Group Profile.....</b>	<b>9</b>
	2. <b>Company history.....</b>	<b>10</b>
<b>III.</b>	<b>Corporate Governance Report.....</b>	<b>12</b>
	1. <b>Organization.....</b>	<b>12</b>
	2. <b>Data on directors, supervisors, presidents, vice presidents, associate general managers, and executives of all departments and branch organizations.....</b>	<b>14</b>
	3. <b>Implementation of Corporate Governance.....</b>	<b>25</b>
	4. <b>Professional fees of CPAs.....</b>	<b>48</b>
	5. <b>Replacement of CPAs.....</b>	<b>48</b>
	6. <b>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</b>	<b>48</b>
	7. <b>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.....</b>	<b>48</b>
	8. <b>Information Disclosing the Relationship or Spousal or Kinship Relationships within the Second Degree between any of the Company's Top Ten Shareholders.....</b>	<b>50</b>
	9. <b>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.....</b>	<b>51</b>
<b>IV.</b>	<b>Capital Overview.....</b>	<b>52</b>
	1. <b>Capital and shares.....</b>	<b>52</b>

2.	Issuance of company bonds .....	58
3.	Preferred shares .....	59
4.	Overseas depository receipts .....	59
5.	Employee stock option certificates .....	59
6.	Restricted Employee Shares Compensation .....	59
7.	Status of New Shares Issuance in Connection with Mergers and Acquisitions .....	59
8.	Implementation of fund utilization plans.....	59
V.	Operations Overview.....	60
1.	Business activities.....	60
2.	Market and sales overview .....	83
3.	Number, average years of service, average age, and level of education of employees engaged in different fields in the two most recent fiscal years up to the publication date of the annual report..	97
4.	Environmental protection expenses.....	98
5.	Labor-Management Relationship .....	99
6.	Critical Contracts.....	101
VI.	Financial Summary .....	111
1.	Summarized balance sheets and consolidated income statements for the last five years.....	111
2.	Financial analysis for the last five years.....	114
3.	Audit Committee's Review Report over the Latest Year Financial Statements .....	120
4.	The Latest Year CPA Audited Financial Statement .....	121
5.	The Latest Year CPA Audited Parent Company/Subsidiary Consolidated Financial Statement .....	121
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.....	121
VII.	Financial Status and Financial Performance Analysis and Risk Issues.....	122
1.	Financial Status .....	122

2.	<b>Financial Performance .....</b>	<b>123</b>
3.	<b>Cash Flow .....</b>	<b>124</b>
4.	<b>Influence on finance business from major capital expenditure in the latest year .....</b>	<b>124</b>
5.	<b>Investment strategy for the latest year, main reason(s) for gain or loss, improvement plan and investment plan for the upcoming year .....</b>	<b>124</b>
6.	<b>Risk Analysis and Assessment .....</b>	<b>126</b>
7.	<b>Other Critical Matters.....</b>	<b>131</b>
<b>VIII.</b>	<b>Special Matters Documented .....</b>	<b>132</b>
1.	<b>Subsidiary Related Information .....</b>	<b>132</b>
2.	<b>In the latest year and as of the date when this annual report was published, any cases of securities private placement .....</b>	<b>134</b>
3.	<b>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.....</b>	<b>134</b>
4.	<b>Other necessary supplementary explanation....</b>	<b>134</b>
5.	<b>Explanation of major differences from ROC shareholder equity protection regulations .....</b>	<b>134</b>
<b>IX.</b>	<b>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 &amp; Exchange Law.....</b>	<b>138</b>

# I. Letter to Shareholders

Allow me to take this opportunity to welcome you to the 2015 Annual Shareholders Meeting and express my deep gratitude for your support and engagement. Our business operations in 2014 may be summarized as follows

## I. Operating performance in 2014

### (a) Business plan implementation results:

The total consolidated revenue of Yeong Guan Group for 2014 amounted to 7.206 billion NT dollars, an increase by 22.2% compared to the same period of the previous year. The output volume reached 134,471 tons, marking a growth by 19.7% compared to the same period of the preceding year. The revenue ratios of energy, injection molding machinery, industrial machinery, and medical equipment were 47.9%, 24.9%, 22.1%, and 5.1%, respectively. The target of an annual output volume of 120,000 tons and a growth rate of 15% has been successfully achieved and exceeded. As far as profits are concerned, the gross profit rate and operating profit margin reached 31.3% and 18.7% respectively, which represents an increase by 2.7% and 4.1% compared to the figures for the same period of the previous year (28.6% and 14.6%). Earnings per share amounted to 9.78 NT dollars, which marks a large-scale increase over the figure for same period of the preceding year (5.36 NT dollars).

### (b) Budget implementation:

The projected net income after tax for 2014 was 963.8 million NT dollars and the actual net income amounted to 1.002 billion NT dollars, which represents a budget achievement rate of 104%.

### (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 2013 accounted for 1.52% of the net operating revenue, while they constituted 1.25% of the net operating revenue in 2014. 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.

## II. Overview of the 2015 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 same industry competitors.

Looking ahead to 2015, overall customer orders and demand are expected to remain strong. In response to global trends in the field of the development of renewable energy, the focus will be shifted to large-scale products and product development for offshore areas. Energy output tonnage ratios will reach 50%. The group is not only dedicated to fulfilling customer orders but also to achieving an output volume of 150,000 tons and an annual growth rate of over 10%. In addition, the production base expansion plan which was initiated in 2014 will be continued in order to achieve the goal of an increase of the group's production capacity by 75% within the next five years.

Yeong Guan plans to maintain a cash dividend payout ratio of at least 50%. The company has also made a firm commitment to pursuing long-term profit growth in the ductile iron market and maximizing shareholder returns as its main business goals. Looking ahead into the future, Yeong Guan will continue to expand its customer base and aim to access new markets in the face of a growth of high-end products. In response to a long-term trend of a gradually growing proportion of outsourcing, the company is committed to further integration in the ductile iron industry which is still characterized by a decentralized market structure with a view to achieving the goal of stable growth of revenues and profits.

Chairman:

General Managert:

Chief Accountant:





## 2. Company history

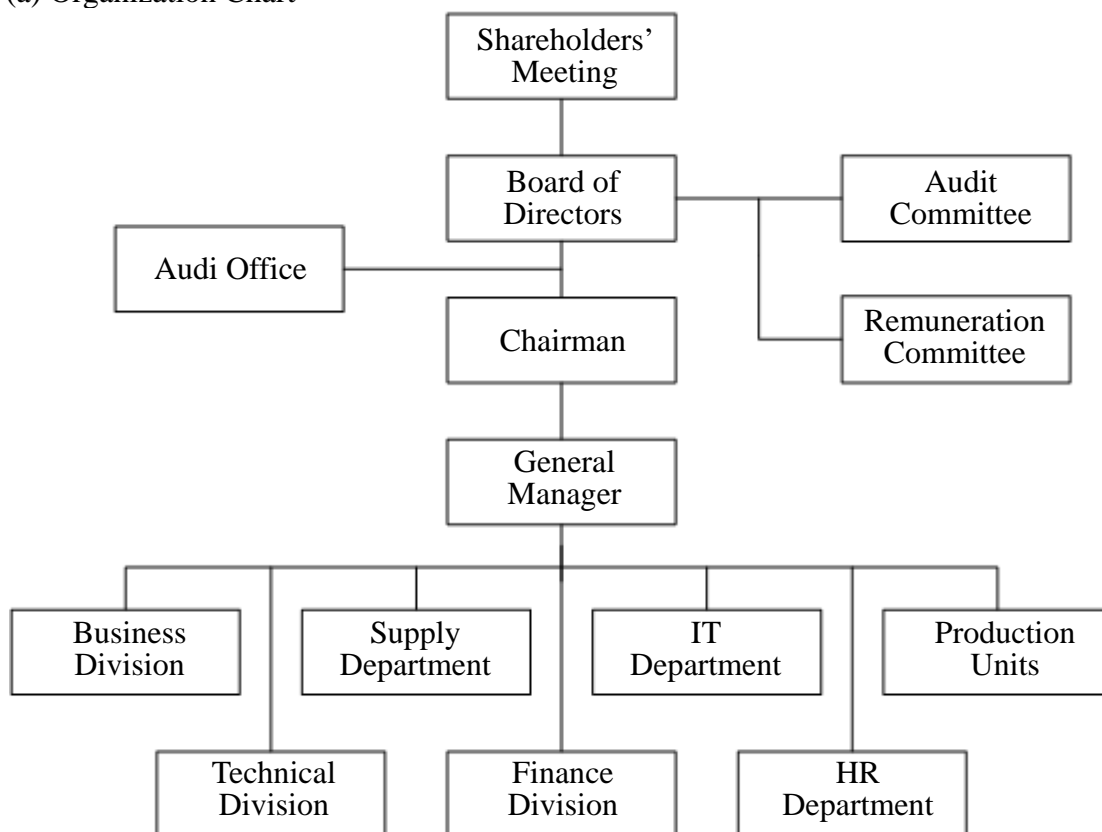
Date	Milestones
June 1995	Establishment of Dongguan Yeong Guan Mould Factory Co., Ltd.
January 1998	Establishment of Shin Shang Trade Co., Ltd.
December 2000	Establishment of Ningbo Yeong Shang Casting Iron Co., Ltd.
October 2001	Establishment of Ningbo Yeong He Xing Machinery Industry Co., Ltd.
June 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 Energy International Co., Ltd. and Yeong Guan Energy 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 Energy Holdings Co., Ltd. establishes a branch in Taiwan named Yeong Guan Energy 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

### 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

## 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 8, 2014 ; 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%	18,107,540	17.10%	-	-	-	-	Graduation from Xihu High School of Industry and Commerce, Electronics Department Chairman, Yeong Guan Mould Factory Co., Ltd. President, Yeong Guan Mould Factory Co., Ltd. Chairman, Shin Shang Special Industry Co., Ltd. President, Shin Shang Special Industry Co., Ltd. Sales Manager, Shin Shang Special Industry Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Director, Yeong Chen Asia Pacific Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Taipin Corporation Limited Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Director Director	Chang, Wen-Lung Chang, Chih-Kai	Brother Son
Director	ROC	Chang, Cheng-Chung	June 17, 2013	3	May 29, 2009	4,497,067	4.46%	4,657,534	4.40%	3,328,703	3.14%	-	-	Oriental Institute of Technology, Electrical Engineering Department Chairman, San Ho Electric Machinery Industry Co., Ltd. Manager, Five Powers Electric Machinery MFG Co., Ltd.	Chairman, San Ho Electric Machinery Industry Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Supervisor, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Director	Hsu, Yu-Yeh	Wife

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%	11,246,313	10.62%	-	-	-	-	NTU Department of Law President, Yeong Guan Mould Factory Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Chairman and President, Yeong Chen Asia Pacific Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Vice Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Executive Director, Ningbo Yeong Chia Mei Trade Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Director	Chang, Hsien-Ming	Brother
Director	ROC	Tsai, Shu-Ken	June 17, 2013	3	May 29, 2009	1,362,956	1.35%	836,590	0.79%	-	-	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	Director, Ningbo Yeong He Xing Machinery Industry Co., Ltd. Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	-	-	-
Director	ROC	Chen, Wu-Chi	June 17, 2013	3	May 29, 2009	2,754,076	2.73%	1,852,349	1.75%	1,005,597	0.01%	-	-	Vice President, Yeong Guan Mould Factory Co., Ltd.	Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	-	-	-

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	Wu, Ting-Tsai	June 17, 2013	3	May 29, 2009	4,181,263	4.14%	2,349,464	2.22%	-	-	-	-	Chairman, Taiwan Qirui Machinery Co., Ltd. Chairman, Ningbo General Machinery Co., Ltd. Chairman, Guangzhou General Machinery Co., Ltd. Director, Qirui Machinery Co., Ltd. (Guangzhou) Chairman, Qirui Machinery Co., Ltd.	-	-	-	
Director	ROC	Hsu, Yu-Yeh	June 17, 2013	3	March 19, 2010	3,214,018	3.19%	3,328,703	3.14%	4,657,534	4.40%	-	-	National Keelung Commercial & Industrial Vocational Senior High School, General Commerce Department Supervisor, San Ho Electric Machinery Industry Co., Ltd.	Supervisor, Ningbo Yeong Shang Casting Iron Co., Ltd. Supervisor, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. 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	-	-	107,099	0.10%	2,742	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	-	-	-	-	-	-	-	-	EMBA, NCCU NTU Department of Law President, Radium Life Tech Co., Ltd.	President, Dajia Construction (Sinyi Group) 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 Mini MBA, Stanford University MS. Manage and Science Chairman, Li You Da Investment Co., Ltd. Director, President Securities Corp. Financial consultant, Taipei Rapid Transit Corporation	-	-	-	
Independent director	ROC	Wei, Chia-Min	June 17, 2013	3	June 17, 2013	-	-	-	-	-	-	-	-	PhD, Graduate Institute of Resource Engineering, National Cheng Kung University Vice President, Metal Industries R&D Center	Vice President, Metal Industries R&D Center Director, Edeex Enterprise Co., Ltd. Representative of juridical person director, Everstrong Iron&Steel Foundry&MFG. Corp. Supervisor, Honley Auto Parts Co., Ltd.	-	-	-

2. Supervisors: The company established an audit committee on March 19, 2010 but has not established any supervisor positions

3. Main shareholders of juridical person directors: All directors of the company are natural persons. No juridical person directors have been elected.



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

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

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

April 8, 2014 ; 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	18,107,540	17.10%	-	-	-	-	Graduation from Xihu High School of Industry and Commerce, Electronics Department Chairman, Yeong Guan Mould Factory Co., Ltd. President, Yeong Guan Mould Factory Co., Ltd. Chairman, Shin Shang Special Industry Co., Ltd. President, Shin Shang Special Industry Co., Ltd. Sales Manager, Shin Shang Special Industry Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Director, Yeong Chen Asia Pacific Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Taipin Corporation Limited Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Director and Executive Vice President	Chang, Wen-Lung	Brother
Vice Chairman and Spokesperson	ROC	Tsai, Shu-Ken	2008.1.1	836,590	0.79%	-	-	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	-	-	-
Director and Executive Vice President	ROC	Chang, Wen-Lung	2005.6.29	11,246,313	10.62%	-	-	-	-	NTU Department of Law President, Yeong Guan Mould Factory Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Chairman and President, Yeong Chen Asia Pacific Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Vice Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Executive Director, Ningbo Yeong Chia Mei Trade Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Chairman	Chang, Hsien-Ming	Brother

Title	Nationality or Domicile	Name	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director and Executive Vice President	ROC	Chen, Wu-Chi	2006.6.1	1,852,349	1.75%	1,005,597	0.01%	-	-	Vice President, Yeong Guan Mould Factory Co., Ltd.	Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	-	-	-
Executive Vice President	ROC	Kung, Hsing-Yuan	2006.9.15	-	-	-	-	-	-	NTU Department of Agricultural Machinery Engineering President, Suzhou Liang Chi Industry Co., Ltd. Vice President, Suzhou Teco Co., Ltd.	President, Jiangsu Bright Steel Fine Machinery Co., Ltd.	-	-	-
Vice President	ROC	Hsu, Ching-Hsiung	2008.1.1	-	-	-	-	-	-	Yu Da High School Of Commerce and Home Economics, Commercial Accounting Department Vice President, Chen Hsing Industrial Co., Ltd. President, Weimao Company	President, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Jiangsu Bright Steel Fine Machinery Co., Ltd.	-	-	-
Vice President	ROC	Lin, Tai-Feng	2010.12.1	-	-	-	-	-	-	Tamkang University, Department of Marine Engineering President, Great Sun Machinery Co., Ltd.	President, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	-	-	-
Vice President	ROC	Huang, Ching-Chung	2010.12.1	-	-	-	-	-	-	Chien Hsin Junior College of Technology, Mechanical Engineering Department Lio Ho Machine Works Ltd.	Vice President, Dongguan Yeong Guan Mould Factory Co., Ltd.	-	-	-
Vice President	PRC	Kuo, Jui	2010.12.1	-	-	-	-	-	-	Sichuan Institute of Technology, Department of Metallic Materials Engineering Engineer, Sichuan Jiangdong Machinery Co., Ltd.	-	-	-	
Vice President	ROC	Lin, Yu-I	2013.01.7	-	-	-	-	-	-	MA, Department of Accounting, Soochow University Deloitte&Touche	-	-	-	
Audit Office Director	ROC	Tsai, Ching-Wu	2012.7.1	-	-	-	-	-	-	NCCU Department of Accounting Finance Manager, Chen Hsin Co., Ltd. Ernst & Young	-	-	-	

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

1. Remuneration of Directors (incl. Independent Directors)

Unit: 1000 NTD ; %

Title	Name	Remuneration								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)		The company	Companies in the consolidated financial statements	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	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements				
Chairman	Chang, Hsien-Ming	1,199	1,199	0	0	0	0	42	42	0.12%	0.12%	0	23,384	0	0	0	0	0	0	0	0	0	0	0	0.12%	2.46%	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-Yeh																										
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

### 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	15,502	0	0	0	24,881	0	0	0	0	0%	4.03%	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																	
Vice President	Hsu, Ching-Hsiung																	
Vice President	Lin, Tai-Feng																	
Vice President	Kuo, Jui																	
Vice President	Huang, Ching-Chung																	
Vice President	Lin, Yu-I																	

### Range of Remunerations

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

#### 4. Managers and their allotted employee bonuses:

Unit: 1000 NTD ; December 31, 2014

	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				
	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	2013		2014	
	Amount	%	Amount	%
Director	29,583	5.47%	24,625	2.46%
Presidents and Vice Presidents	42,579	7.87%	40,383	4.03%
Consolidated net income	541,119	100%	1,001,817	100%

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

- (2) Remuneration policies, standards, and mixes, setting of relevant procedures, and correlation between business performance and future risks
1. The remuneration of directors is based on the positions held in the company the value of the participation and contributions to company operations.
  2. The remuneration of presidents and vice presidents is based on their positions and their level of contribution with reference to industry standards in accordance with the HR related rules and regulations of the company



### 3. Implementation of Corporate Governance

#### (a) Operations of the board of directors

A total of 7 board meetings (A) were convened in the most recent fiscal year (2014).

Director attendance was follows:

Title	Name	Attendance in person(B)	By proxy	Attendance rate (%) 【 B/A 】	Remarks
Chairman	Chang, Hsien-Ming	7	0	100%	
Director	Chang, Cheng-Chung	7	0	100%	
Director	Chang, Wen-Lung	7	0	100%	
Director	Tsai, Shu-Ken	7	0	100%	
Director	Chen, Wu-Chi	7	0	100%	
Director	Wu, Ting-Tsai	5	2	71%	
Director	Hsu, Yu-Yeh	7	0	100%	
Director	Chang, Chih-Kai	5	2	71%	
Independent Director	Chen, Ching-Hung	6	1	86%	
Independent Director	Chang, Cheng-Lung	6	1	86%	
Independent Director	Wei, Chia-Min	7	0	100%	

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 14, 2014, the board of directors discussed the award of the 2013 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 March 14, 2014, the board of directors discussed the compensation and reimbursement of travel expenses of newly appointed directors. The directors Chang, Cheng-Lung, Chen, Ching-Hung, and Wei, Chia-Min 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 chairman.
  - (3) On June 6, 2014, the board of directors discussed the eligibility of managers of the company for the allotment of quotas for subscription to new shares issued for capital increase by employees in 2014. Due to the fact that the directors Chang, Hsien-Ming, Tsai Shu-ken, Chang, Wen-Lung, 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 (2014). Independent director attendance was follows:

Title	Name	Attendance in person (B)	By proxy (C)	Attendance rate (%) 【 B/A 】	Remarks
Independent director	Chen, Ching-Hung	6	0	100%	
Independent director	Chang, Cheng-Lung	6	0	100%	
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.

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

Assessment items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Y	N	Brief description	
1. Has the company formulated and duly disclosed corporate governance best practice principles pursuant to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”	✓		The company formulated and duly disclosed corporate governance best practice principles pursuant to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. Corresponding norms and regulations are observed and implemented in accordance with the spirit of corporate governance. In the future, the company will continue to strengthen information transparency and board functionality through the amendment of relevant management regulations with the goal of promoting corporate governance.	No major deviations
2. Shareholding Structure & Shareholders’ Rights (a) Have internal operating procedures for the handling of shareholder suggestions, uncertainties, disputes, or grievances been formulated and implemented? (b) Does the company possess a list of major shareholders that have actual control over the company and a list of ultimate controllers of these major shareholders? (c) Has the company established and implemented a risk management and firewall mechanism with its affiliates? (d) Has the company formulated internal norms and regulations that prohibit insiders from using non-public information on the market to conduct security transactions?	✓ ✓ ✓ ✓		1. The company has formulated internal operating procedures. The spokesperson and deputy spokesperson are in charge of handling shareholder suggestions, uncertainties, disputes, or grievances in coordination with related units. 2. Actual information is provided through service agencies and the company discloses lists of major shareholders and their ultimate controllers on a regular basis in accordance with relevant laws and regulations. 3. All affiliates are independently responsible for the management of their assets and finances in accordance with the internal control system of the company to ensure the implementation of the risk control and firewall mechanism 4. The company has formulated internal norms and regulations that prohibit insiders from using non-public information on the market to conduct security transactions	No major deviations
3. Composition and responsibilities of the board of directors (a) Has the board formulated and implemented diversified policies with regard to membership composition?	✓	✓	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

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? (c) Has the company determined board performance assessment regulations and assessment methods? Are performance assessments carried out every year on a regular basis? (d) Does the company assess the independence of CPAs on a regular basis?	∨	∨	background. The expertise of the three independent directors spans the fields of finance, law, and industry. 2. The company has not established other functional committees. The board will authorize the establishment of other committees in accordance with actual needs. 3. The board of directors fully complies with relevant provisions set forth in the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Board performance assessment regulations and assessment methods have not been determined yet. 4. The appointed accounting firm and CPAs are fully independent and have no conflict of interest with the company.	
4. Has the company established communication channels with its stakeholders and a special section for stakeholders on its website? Does the company deal with CSR issues of concern to stakeholders in an appropriate manner?	∨		The company maintains open communication channels with banks it has dealings with as well as employees, consumers, and suppliers and respects and protects their lawful rights and interests. The company has established a spokesperson system and a Litigation/Non-Litigation Agent position and requires that company information is disclosed in an honest manner to provide stakeholders with highly transparent financial and business information. It is also planned to set up a special section for stakeholders on the corporate website to enable the company to deal with CSR issues of concern to stakeholders in an appropriate manner	No major deviations
5. Has the company commissioned a professional service agency to handle shareholders meeting affairs?	∨		The company has commissioned Capital Securities Corp., Registrar Agency Department to handle shareholders meeting affairs	No major deviations
6. Information disclosure (a) Has the company established a corporate website to disclose information regarding the Company’s financials, business, and corporate governance status? (b) Has the company adopted other information disclosure methods (e.g., maintenance of an English-language website, appointment of	∨ ∨		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. 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

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):	✓		<p>1. Advanced training for directors and supervisors: The company has scheduled advanced training courses for all directors</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Training Course date</th> <th>Total training hours</th> <th>Organizer</th> <th>Course title</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent director</td> <td rowspan="3">Wei, Chia-Min</td> <td>103 /01/07</td> <td>3</td> <td>Securities&amp;Futures Institute</td> <td>Application issues of laws governing legal persons as directors and supervisors and shareholder representatives</td> </tr> <tr> <td>103 /01/21</td> <td>3</td> <td>Securities&amp;Futures Institute</td> <td>Practical operations of remuneration committees in the ROC</td> </tr> <tr> <td>103 /05/09</td> <td>3</td> <td>Securities&amp;Futures Institute</td> <td>Strategy and KPIs</td> </tr> <tr> <td>Director</td> <td>Tsai, Shu-Ken</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Director</td> <td>Chang, Hsien-Ming</td> <td>103</td> <td rowspan="2">3</td> <td rowspan="2">Securities&amp;Futures Institute</td> <td rowspan="2">Analysis of directors, supervisors, and individual income tax matters</td> </tr> <tr> <td>Independent Director</td> <td>Chang, Cheng-Lung</td> <td>/05/02</td> </tr> </tbody> </table>	Title	Name	Training Course date	Total training hours	Organizer	Course title	Independent director	Wei, Chia-Min	103 /01/07	3	Securities&Futures Institute	Application issues of laws governing legal persons as directors and supervisors and shareholder representatives	103 /01/21	3	Securities&Futures Institute	Practical operations of remuneration committees in the ROC	103 /05/09	3	Securities&Futures Institute	Strategy and KPIs	Director	Tsai, Shu-Ken					Director	Chang, Hsien-Ming	103	3	Securities&Futures Institute	Analysis of directors, supervisors, and individual income tax matters	Independent Director	Chang, Cheng-Lung	/05/02	No major deviations
Title	Name	Training Course date	Total training hours	Organizer	Course title																																		
Independent director	Wei, Chia-Min	103 /01/07	3	Securities&Futures Institute	Application issues of laws governing legal persons as directors and supervisors and shareholder representatives																																		
		103 /01/21	3	Securities&Futures Institute	Practical operations of remuneration committees in the ROC																																		
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Director	Tsai, Shu-Ken																																						
Director	Chang, Hsien-Ming	103	3	Securities&Futures Institute	Analysis of directors, supervisors, and individual income tax matters																																		
Independent Director	Chang, Cheng-Lung	/05/02																																					

Assessment items	Implementation Status					Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”			
	Y	N	Brief description						
			Director	Chang, Wen-Lung	103 /09/09	3	Securities&Futures Institute	Ethical management of TWSE/TPEX Listed Companies and CSR symposium	
			Director	Chen, Wu-Chi	103 /11/24	3	Securities&Futures Institute	Description of Director/Supervisor family business succession planning and case studies	
			Director	Chang, Cheng-Chung					
			Director	Hsu, Yu-Yeh					
			Director	Chang, Chig-Kai	103 /12/19	3	Securities&Futures Institute	First information meeting on compliance with laws governing insider trading of equities of publicly listed companies in 2014	
			<p>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.</p> <p>3. Purchase of liability insurance for directors and supervisors: The company has purchased liability insurance for all directors</p> <p>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 stakeholders.</p>						

Assessment items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Y	N	Brief description	
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)		√	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

(d) Remuneration Committee Operations

1. Remuneration committee member data

Status	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 (2014). 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	3	0	100%	
Committee member	Chen, Ching-Hung	3	0	100%	
Committee member	Wei, Chia-Min	3	0	100%	

Other items to be recorded:

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 should be specified (if remunerations and compensations approved by the board are higher than those suggested by the committee, the actual discrepancies and reasons should be stated clearly): None
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

(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	
<p><b>1. Exercising corporate governance</b></p> <p>(a) Has the company formulated CSR policies or established a CSR system and does it review the implementation results?</p> <p>(b) Does the company organize CSR-related educational training on a regular basis?</p> <p>(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?</p> <p>(d) Has the company formulated reasonable remuneration and compensation policies? Is the employee performance evaluation system linked to CSR policies? Is a clear and effective reward and penalty system in place?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>(a)The company has formulated CSR Best Practice Principles and handles CSR related matters in accordance with these principles.</p> <p>(b)The company organizes CSR-related training courses and education on a scheduled and non-scheduled basis.</p> <p>(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.</p> <p>(d)The company has established an employee performance evaluation system and provides relevant education during meetings or staff training on a non-scheduled basis. The company also actively schedules advanced training courses for board directors to reinforce their understanding of corporate governance. However, the employee performance evaluation system has not yet been linked to CSR policies.</p>	<p>No major deviations</p> <p>No major deviations</p> <p>No major deviations</p> <p>Future planning will continue to focus on this aspect</p>
<p><b>2. Fostering a sustainable environment</b></p> <p>(a) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?</p> <p>(b) Has the company established a proper environmental management system based on the characteristics of its industry?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>(a)The company is committed to a more efficient utilization of resources and promotes low-carbon offices and inculcates water and power conservation habits among its employees.</p> <p>(b)The company has always placed great emphasis on eco-friendliness and energy conservation to fulfill its responsibility in the field of environmental protection. Pollution prevention facilities have been installed in accordance with relevant laws and all production affiliates have passed the ISO14001 certification. Environmental protection is implemented in the fields of environmental management, pollution prevention, and garbage reduction in the hope of making a contribution to</p>	<p>No major deviations</p> <p>No major deviations</p>

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?			global environmental protection efforts. In addition, the general affairs units are responsible for designating dedicated personnel in charge of the management of environmental protection operations in the fields of air pollution, waste water, and solid waste and relevant legal requirements. (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				
(a) Has the company formulated relevant management policies and procedures pursuant to corresponding laws and regulations and the International Covenant on Human Rights?	✓		(a)The company safeguards the legal rights and interests of its employees through various management systems and norms including the formulation of HR management regulations and staff work rules in accordance with relevant labor laws. The company also contributes to employee medical insurance, basic old-age insurance, unemployment insurance, occupational injury insurance, and maternity insurance.	No major deviations
(b) Has the company established mechanisms and channels for employee grievances and are they handled in a proper manner?	✓		(b)The company has established mechanisms and channels for employee grievances and are handles them in a proper manner.	No major deviations
(c) Does the company provide a safe and healthy work environment for its employees and does it organize safety and health related training for its employees on a regular basis?	✓		(c)The company is committed to providing a comfortable, safe, and healthy work environment for its employees in accordance with laws and regulations governing public building safety and fire safety. It also organizes educational training and annual health checks for its employees on a regular basis and provides complete life and entertainment facilities including staff dorms and recreation centers.	No major deviations
(d) Is a mechanism in place for regular communication with employees and are employees notified in a reasonable manner of operational changes that may have a significant impact?	✓		(d)The company organizes labor-management conferences on a regular basis and enables positive communication between both sides. In addition, employees are notified of operational changes that may have a significant impact on them through	No major deviations

Assessment items	Implementation status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
(e) Has the company established an effective career skill development program for its employees? (f) Has the company formulated relevant policies and grievance procedures for the protection of consumer rights and interests with regard to its R&D, procurement, production, operation, and services processes? (g) Does the company comply with relevant laws and international standards in the marketing and labeling of its products and services? (h) Does the company evaluate past records of suppliers with regard to environmental and social impacts before initiating dealings with them? (i) Do contracts between the company and its main suppliers stipulate that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate significant environmental and social impacts?	✓  ✓	✓	different methods such as public notices to give both sides a full understanding of labor and management related information. (e)The company has established an effective career skill development program for its employees. (f)The company doesn’t sell its products to end consumers.  (g)The company fully complies with relevant laws and regulations in Mainland China and international standards in the marketing and labeling of its products. (h)The company conducts assessments of different supplier conditions including environmental and social impacts before initiating dealings with them. (i)The contracts between the company and its main suppliers do currently not include provisions stipulating that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate a significant environmental and social impacts with its main suppliers: Relevant provisions will be added or removed in accordance with actual needs	No major deviations  No major deviations  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 (a) Does the company disclose relevant and reliable CSR-related information on its corporate website and the Market Observation Post System?	✓		(a) The company has already set up a corporate website and will establish a link to the Market Observation Post System in accordance with relevant Taiwanese laws to disclose relevant and reliable CSR-related information.	No major deviations
5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: No major discrepancies exist as far as compliance with the CSR Best Practice Principles of the company is concerned.				
6. Other important information to facilitate a better understanding of the company’s corporate social responsibility practices:				
(a) The company implements and reinforces environmental management in accordance with relevant environmental laws.				
(b) The company regularly responds to community charity events such as events organized by the Liyang Association for the Promotion of the Guangcai Program and the				

Assessment items	Implementation status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
Ningbo Zhenhai Charity Federation.				
(c) The company provides feedback channels for employees and convenes labor-management and employee conferences on a regular basis to enable employees to fully express their opinions.				
(d) The Ningbo area in Zhejiang Province, China was hit by a serious flood in October 2013. The company immediately donated money and disaster relief equipment and provided assistance in the reconstruction process.				
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	
<p>1. Formulation of ethical corporate management policies and programs</p> <p>(a) Are ethical corporate management policies and methods stated explicitly in the company’s rules and regulations and externally circulated documents and do the board and management level honor the commitment to ethical corporate management.</p> <p>(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?</p> <p>(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</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(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.</p> <p>(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.</p> <p>(c) The company has included clearly formulated provisions prohibiting the offering and acceptance of improper benefits and the offering of illegal political contributions with clearly stated handling procedures in its “Ethical Corporate Management Operating Procedures and</p>	<p>No major deviations</p> <p>No major deviations</p> <p>No major deviations</p>

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?	✓		(a) Before the company establishes commercial relations with third parties, it carries out assessments of the legality, ethical corporate management policies, and past records of unethical behavior of suppliers, customers, or other trading counterparties to ensure the fairness and transparency of their business operations and guarantee that they will not request, offer, or accept bribes.	No major deviations
(b) Has the company established exclusively (or concurrently) dedicated units subordinate to the board to be in charge of proposing and enforcing ethical corporate management policies and submit regular reports regarding the implementation progress to the board?	✓		(b) The company has designated the audit office as its dedicated unit in charge of amendment, implementation, interpretation, and counseling services with regard to the “Ethical Corporate Management Operating Procedures and Code of Conduct” in addition to the recording and archiving of reported contents as well as supervision of implementation and submission of regular reports to the board of directors.	No major deviations
(c) Are policies in place to prevent conflicts of interest and have appropriate appeal channels been established and implemented?	✓		(c) The board directors 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

Assessment items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
(d) Has the company established an effective accounting and internal control system to implement ethical corporate management and	✓		<p>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.</p> <p>If in the course of conducting company business, any personnel of the company discovers that a conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.</p> <p>(d) The company has established an accounting system and effective internal control system. Audit departments regularly review</p>	No major deviations



Assessment items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Y	N	Brief description	
<p>are regular reviews carried out by internal audit units or commissioned accountants?</p> <p>(e) Does the company organize regular internal and external training on ethical corporate management?</p>			<p>compliance with this accounting and internal control system and submit reports to the board of directors.</p> <p>(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.</p>	No major deviations
<p>3. Implementation of the whistle-blowing system</p> <p>(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.</p> <p>(b) Has the company formulated standard operating procedures for the investigation and processing of received reports and relevant confidentiality mechanisms?</p> <p>(c) Has the company adopted measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(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.</p> <p>(b) The audit office carries out investigations of reported contents and reports the final results to the chairman in accordance with confidentiality principles.</p> <p>(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.</p>	<p>No major deviations</p> <p>No major deviations</p> <p>No major deviations</p>
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?	✓		(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) The company closely monitors national and international developments in the field of ethical management related norms and encourages directors, executives, and employees to provide suggestions. Ethical management policies and promotion measures adopted by the company are reviewed and enhanced based on these suggestions to increase the effect of ethical corporate management.			

(g) If the company has formulated corporate governance best practice principles and relevant rules and regulations, query methods should be disclosed:

Please refer to the corporate website: <http://www.ygget.com> (Investor section/corporate governance)

(h) Other important information that facilitates a better understanding of corporate governance practices should also be disclosed: None

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

Yeong Guan Energy Technology Group Co., Ltd.

Declaration regarding the internal control system

Date: March 13, 2015

Based on the results of a self inspection, the company hereby makes the following declaration regarding the internal control system in 2014:

- I. The company is fully aware of the fact that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and the executives. The company has already established a control system. The goal of this system is to provide reasonable guarantees regarding the results and efficiency of operations (including profitability, performance, and protection of assets), the reliability of financial reports, and legal compliance.
- 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, 2014 (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 12, 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. 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

Yeong Guan Energy Technology Group Co., Ltd.

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

## Internal control system review report

The declaration of Yeong Guan Energy Technology Group Co., Ltd. issued on March 13, 2015 stating the effectiveness of the design and implementation of the internal control system on December 31, 2014 based on an assessment of the financial reporting and asset safety related internal control system has been reviewed by this accountant. The maintenance of an effective internal control system and the assessment of its effectiveness are the responsibility of the management level of the company.

This accountant has been commissioned to express an opinion on the efficiency of the internal control system and the declaration regarding the internal control system of the aforementioned company based on the results of a review.

This accountant carried out a review in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies and generally accepted auditing standards to reasonably determine the effectiveness of the internal control system of the aforementioned company in all major areas. This review process covered an understanding of the internal control system, an assessment of the validity of evaluations of the internal control system conducted by the management level, testing and assessment of the effectiveness of the design and implementation of the internal control system, and other review procedures as deemed necessary by this accountant. This accountant believes that this review process may serve as a reasonable basis for the expressed opinion.

Any internal control system faces inherent constraints. It can therefore not be ruled out that the internal control system of Yeong Guan Energy Technology Group Co., Ltd. fails to prevent or detect committed mistakes or misconduct. In addition, the level of compliance with the internal control system may decrease due to future environmental changes. The fact that the internal control system is currently effective therefore does not ensure that it will also be effective in the future.

This accountant hereby affirms based on the judgment criteria for the effectiveness of control system prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies that the design and implementation of the financial reporting and asset safety related internal control system of Yeong Guan Energy Technology Group Cp., Ltd. was effective in all major areas on December 31, 2014. The declaration issued by Yeong Guan Energy Technology Group Cp., Ltd. on March 13, 2015 stating the effectiveness of the design and implementation of the financial reporting and asset safety related internal control system on December 31, 2014 based on assessments is confirmed in all major areas.

Name of Accounting Firm: Deloitte&Touche

Accountant Kung, Che-Li

Accountant Li, Tung-Feng

Republic of China, March 23, 2015

(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 date of publication of the annual report: None

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

1. Major resolutions of shareholders meetings in 2014 and implementation status:

Date	Major resolutions	Implementation status
June 6, 2014	1. Ratification of the 2013 Business Report and Consolidated Financial Statement	Approved by resolution
	2. Ratification of the company's 2013 Earnings distribution proposal	Approved by resolution and fully implemented in accordance with shareholders' meeting resolutions
	3. Deliberation of the amendment of the company's Operational Procedures for Lending of Capital °	Approved by resolution and implemented in accordance with shareholders' meeting resolutions
	4. Deliberation of the amendment of the company's Operational Procedures for Endorsements/Guarantees	Approved by resolution and implemented in accordance with shareholders' meeting resolutions
	5. Deliberation of the amendment of the company's Procedures for the Acquisition or Disposal of Assets	Approved by resolution and implemented in accordance with shareholders' meeting resolutions
	6. Deliberation of the amendment of the company's Operational Procedures for the Trading of Financial Derivatives	Approved by resolution and implemented in accordance with shareholders' meeting resolutions
	7. Deliberation of the amendment of the company's Procedural Rules For Shareholders Meetings	Approved by resolution and implemented in accordance with shareholders' meeting resolutions

2. Major Resolutions of board meetings (in 2014 up to the publication date of the annual report):

Meeting name	Date	Major resolutions
Board meeting	March 14, 2014	<ol style="list-style-type: none"> <li>1. Approval of the 2013 Business Report</li> <li>2. Approval of the 2013 Consolidated Financial Statement</li> <li>3. Approval of the 2013 Earnings distribution proposal</li> <li>4. Approval of the 2013 Declaration regarding the Internal Control System issued by the company</li> <li>5. Approval of the amendment of the company's Procedures for the Acquisition or Disposal of Assets</li> </ol>

Meeting name	Date	Major resolutions
		<ol style="list-style-type: none"> <li>6. Approval of the amendment of the company's Operational Procedures for the Trading of Financial Derivatives</li> <li>7. Approval of the amendment of the company's Procedural Rules For Shareholders' Meetings</li> <li>8. Approval of the convening of the 2014 General Shareholders' Meeting</li> </ol>
Board meeting	April 3, 2014	<ol style="list-style-type: none"> <li>1. Approval of the 1st Issue of Domestic (ROC) Unsecured Convertible Bonds and the Issuance of New Shares for Capital Increase</li> <li>2. Approval of corrections of matters pertaining to the convening of the 2014 General Shareholders' Meeting</li> </ol>
Board meeting	June 6, 2014	<ol style="list-style-type: none"> <li>1. Approval of the determination of matters pertaining to allocation of cash dividends in 2013</li> <li>2. Approval of the determination of matters pertaining to the subscription price for shares issued for cash capital increase in 2014</li> <li>3. Approval of the capital increase for the company's subsidiary Yeong Guan Energy Holdings Co., Ltd.</li> <li>4. Approval of the lending of capital to the subsidiary Yeong Chen Asia Pacific Co., Ltd.</li> </ol>
Board meeting	August 4, 2014	<ol style="list-style-type: none"> <li>1. Approval of the application for a short-term financing line from Taiwan Cooperative Bank and Chinatrust Commercial Bank</li> <li>2. Approval of the endorsement/guarantee for the company's subsidiary Shin Shang Trade Co., Ltd.</li> </ol>
Board meeting	November 5, 2014	<ol style="list-style-type: none"> <li>1. Approval of the modification of the authorized capital of the company</li> <li>2. Approval of the amendment of the company's Memorandum and Articles of Incorporation</li> <li>3. Approval of the amendment of the company's internal control system and the internal audit implementation rules</li> <li>4. Approval of the 2015 Audit Plan</li> </ol>
Board meeting	March 13, 2015	<ol style="list-style-type: none"> <li>1. Approval of the 2014 Business Report</li> <li>2. Approval of the 2014 Consolidated Financial Statement</li> <li>3. Approval of the 2014 Earnings distribution proposal</li> <li>4. Approval of the 2014 Declaration regarding the Internal Control System issued by the company</li> <li>5. Approval of the amendment of the company's Memorandum and Articles of Incorporation</li> <li>6. Approval of the amendment of the company's Corporate Social Responsibility Best Practice Principles</li> <li>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</li> <li>8. Approval of the convening of the 2015 General Shareholders' Meeting</li> </ol>

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

#### 4. Professional fees of CPAs

- (a) Range of professional fees of CPAs

Name of Accounting Firm	Accountant Name		Audit Period	Remarks
Deloitte&Touche	Li, Tung-Feng	Kung, Che-Li	Jan 1, 2014-Dec 31, 2014	

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	290	8,290
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 25% compared to the previous year: NA

#### 5. Replacement of CPAs: NA

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

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



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

Title	Name	2014		2015 up to April 4	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and major shareholder	Chang, Hsien-Ming	(472,000)	(1,500,000)	(1,717,000)	3,140,000
Chairman and major shareholder	Chang, Wen-Lung	(1,208,000)	—	(497,000)	—
Director	Chang, Cheng-Chung	160,467	—	—	—
Director	Tsai, Shu-Ken	(526,366)	—	—	—
Director	Chen, Wu-Chi	98,273	—	(1,000,000)	—
Director	Wu, Ting-Tsai	(963,799)	2,000,000	(368,000)	—
Director	Hsu, Yu-Yeh	114,685	—	—	—
Director	Chang, Chih-Kai	(85,901)	—	(62,000)	—
Independent Director	Chen, Ching-Hung	—	—	—	—
Independent Director	Chang, Cheng-Lung	—	—	—	—
Independent Director	Wei, Chia-Min	—	—	—	—
Executive Vice President	Kung, Hsing-Yuan	—	—	—	—
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

(c) Shares pledged to related parties: NA

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

As of April 4, 2015 /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	18,107,540	17.11%	3,000	-	-	-	Chang, Wen-Lung	Brother	
Chang, Wen-Lung	11,246,313	10.62%	-	-	-	-	Chang, Hsien-Ming	Brother	
Chang, Cheng-Chung	4,657,534	4.40%	3,328,703	3.14%	-	-	Hsu, Yu-Yeh	Spouse	
Labor Pension Fund (Old Scheme)	3,401,837	3.21%							
Hsu, Yu-Yeh	3,328,703	3.14%	4,657,534	4.40%	-	-	Chang, Cheng-Chung	Spouse	
Labor Pension Fund (New Scheme)	2,930,861	2.77%							
Wu, Ting-Tsai	2,349,464	2.22%	-	-	-	-	-	-	
Standard Chartered Konya Fund- Emerging Market Low-Risk Stocks	2,282,047	2.16%	-	-	-	-	-	-	
Chen, Wu-Chi	1,852,349	1.75%	1,005,597	0.01%	-	-	-	-	
Sinorex International Limited Investment Account entrusted to Chinatrust Commercial Bank	1,583,494	1.50%	-	-	-	-	-	-	

**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, 2014 ; 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 Energy Holdings Co., Ltd.	86,000	100.00	—	—	86,000	100.00
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	37,500	75.00	—	—	37,500	75.00
Yeong Guan Energy 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

## 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	-	985,000 Common 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	

##### 2. Type of stock

April 4, 2015

Share type	Authorized capital			Remarks
	Issued shares	Unissued shares	Total shares	
Common	105,862,197	14,137,803	120,000,000	

##### 3. Information for the shelf registration system: NA

#### (b) Shareholder Structure

As of April 7, 2015; Unit: Persons; Shares; %

Shareholder structure Number	Government agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	2	90	39	2,597	79	2,807
Number of shares	6,332,698	16,218,011	4,362,732	62,419,604	16,529,152	105,862,197
Shareholding ratio (%)	5.98%	15.32%	4.12%	58.96%	15.61%	100.00%

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

## (c) Shareholding distribution status:

As of April 7, 2015; Unit: Persons; Shares; %

Shareholding classes	Number of shareholders	Number of shares	Shareholding ratio (%)
1 ~ 999	546	78,413	0.07%
1,000 ~ 5,000	1,635	2,802,180	2.65%
5,001 ~ 10,000	181	1,467,833	1.39%
10,001 ~ 15,000	82	1,054,967	1.00%
15,001 ~ 20,000	59	1,067,592	1.01%
20,001 ~ 30,000	63	1,592,690	1.50%
30,001 ~ 40,000	31	1,075,715	1.02%
40,001 ~ 50,000	21	980,829	0.93%
50,001 ~ 100,000	75	5,206,031	4.92%
100,001 ~ 200,000	39	5,635,998	5.32%
200,001 ~ 400,000	36	10,416,969	9.84%
400,001 ~ 600,000	9	4,244,836	4.01%
600,001 ~ 800,000	8	5,719,287	5.40%
800,001 ~ 1,000,000	5	4,275,237	4.04%
1,000,001 or more	17	60,243,620	56.90%
Total	2,807	105,862,197	100.00%

## (d) List of Major Shareholders

As of April 7, 2015; Unit: Shares; %

Name of major shareholder	Number of shares and shareholding ratio	Number of shares	Shareholding ratio(%)
Chang, Hsien-Ming		18,107,540	17.11%
Chang, Wen-Lung		11,246,313	10.62%
Chang, Cheng-Chung		4,657,534	4.40%
Labor Pension Fund (Old System)		3,401,837	3.21%
Hsu, Yu-Yeh		3,328,703	3.14%
Labor Pension Fund (New System)		2,930,861	2.77%
Wu, Ting-Tsai		2,349,464	2.22%
Standard Chartered Konya Fund- Emerging Market Low-Risk Stocks		2,282,047	2.16%
Chen, Wu-Chi		1,852,349	1.75%
Sinorex International Limited Investment Account entrusted to Chinatrust Commercial Bank		1,583,494	1.50%

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

Unit: NTD; 1000 shares

Item		Year	2013	2014	Up to March 31, 2015
Market price per share	Highest		112.00	166.50	186.00
	Lowest		34.25	85.00	130.00
	Average		55.87	132.00	146.00
Net worth per share	Before distribution		62.44	75.67	—
	After distribution		58.94	Not yet distributed	—
Earnings per share	Weighted average shares		100,889	102,500	—
	EPS		5.36	9.78	—
Dividends per share	Cash dividends		3.5	6.36(Notes 4)	—
	Stock dividends	Dividends from retained earnings	—	—	—
		Dividends from capital surplus	None	None	—
	Accumulated undistributed dividends		None	None	—
Return on investment	Price-Earnings Ratio(Notes 1)		10.42	13.50	—
	Price-Dividend Ratio(Notes 2)		15.96	20.75	—
	Cash dividend yield rate(Notes 3)		6.26%	4.82%	—

Note 1:  $\text{Price-Earnings Ratio} = \text{Average closing price per share in the respective year} / \text{Earnings per Share}$

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

Note 3:  $\text{Cash dividend yield rate} = \text{Cash dividends per share} / \text{Average closing price per share in the respective year}$

Note 4: The 2013 Earnings Distribution Proposal was approved by board resolution on March 13, 2013 and will be submitted to the shareholders' meeting for ratification on June 2, 2014

(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 2014 Earnings distribution proposal on March 3, 2015 with a planned distribution of cash dividends amounting to NT\$ 6.36 per share. The proposal will be submitted to the shareholders' meeting on June 2, 2015 for ratification. Earnings are to be distributed as follows:

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the quarter	\$1,180,503,362
plus: Net income after taxes for this quarter	1,002,164,317
minus: Legal reserves	(100,216,431)
Distributable earnings in this fiscal year	2,082,451,248
Distribution items:	
Shareholder bonus	
Cash dividend (provisionally set at NT\$ 6.36 per share)	667,094,135
Undistributed earnings at the end of the quarter	\$1,415,357,113
Note:	
Distribution of an employee cash bonuses of NT\$ 18,200,000	

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

The board of directors approved the 2014 Earnings distribution proposal on March 3, 2015 with a planned distribution of cash dividends amounting to NT\$ 6.36 per share. The proposal will be submitted to the shareholders' meeting on June 2, 2015 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\$ 18,200,000

(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	1 <sup>st</sup> Issue of Domestic (ROC) Unsecured Convertible Bonds	
Issue (offer) Date	June 3, 2014	
Denomination	NTD\$100,000 each	
Issuing and Traction Place	Gre Tai Securities Market	
Issuing Price	fully issued at par price	
Total Amount	NTD\$1,500,000,000	
Interest Rate	0%	
Deadline	5-year period; Due Date: June 3, 2019	
Guarantee Agency	None	
Trustee	Trusts Department of Land Bank of Taiwan	
Underwriter	KGI Securities Co. LTD.	
Certified Lawyer	Attorney Tian-Hsiang Song from Lee an Li Attorneys-At-Law	
Certified Accountant	Deloitte Touche Tohmatsu Limited (DTTL) Accountants Dong-fong Lee and Zhe-li Gong	
Payback method	Except that the company redeemed, bondholders sold back, and those who transferred, 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 cash at one time.	
Outstanding Principles	NTD\$1,351,100,000	
Provisions of redemption and prepayment	Please refer to the issuance and conversion procedures.	
Restrictions	None	
Credit rating agency, credit rating date, and corporate bond rating results	None	
Other rights	Converted (exchanged or subscribed) common shares, global depository receipts, or amount of other securities.	By April 4, 2015, a total of NT\$148,900 have been converted into 978,182 ordinary shares of a face value of NT\$10 each.
	Issuance and conversion (exchange or subscription) procedures	Please refer to the market observation post system for bond issuance information
Issuance and conversion, exchange and subscription, possible dilution on stock equity and impact on shareholder's equity from issuance conditions	According to the current conversion price of NTD\$153, if all shares are converted to common shares, 8,831 thousand shares need to be issued. The impact on shareholders' equity is limited so far. Please refer to the issuance and conversion procedures.	
Commissioned agency for exchanged object	Not applicable	

## 2. Convertible bond data

Corporate bond type		1 <sup>st</sup> Issue of Domestic (ROC) Unsecured Convertible Bonds	
Year		2014	Current year until April 30, 2015
Item			
Market price of convertible bonds	Highest	113.40	-
	Lowest	100.05	-
	Average	107.12	-
Conversion price		153	153
Issue (offer) date and conversion price on issue date		Issue date: June 3, 2014 Conversion price on issue date: 158	Issue date: June 3, 2014 Conversion price on issue date: 158
Conversion method		Issuance of new shares	Issuance of new shares

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 1.5 billion NTD through the 1<sup>st</sup> Issue of Domestic (ROC) Unsecured Convertible Bonds in June 2014. These funds were used as working capital and for repayment of bank loans. These bonds had been exercised in full by the third quarter of 2014. By the publication 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 sales of ductile cast iron and gray cast iron including hubs and frames for wind turbine, thermal power generation gears, and injection molding machine components, and castings for machine tools and other industrial machinery

##### 2. Revenue distribution

Main product categories	2013		2014	
	Net sales	% of total sales	Net sales	% of total sales
Energy castings	2,400,265	40.68%	3,452,064	47.90%
Injection molding machine castings	1,554,359	26.35%	1,791,830	24.87%
Other castings	1,944,807	32.97%	1,962,400	27.23%
Total	5,899,431	100.00%	7,206,294	100.00%

##### 3. Current product categories

Main product categories	Application areas
The ductile cast iron castings which can be using under "low-temperature with high-tensile", and gray cast iron castings for energy applications	Large-scale wind turbines (hubs, gear boxes, and frames) Steam turbine components for large-scale power plants
High-grade ductile cast iron castings for injection molding machines	Plastic injection molding machine
Other applications of high-grade ductile iron castings and gray iron castings	Large-scale high-precision machine tools Air compressor Very large-scale rapid color printing machine Medical equipment (cancer therapeutic apparatus, gamma knife therapeutic apparatus)

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

#### (b) Industry overview

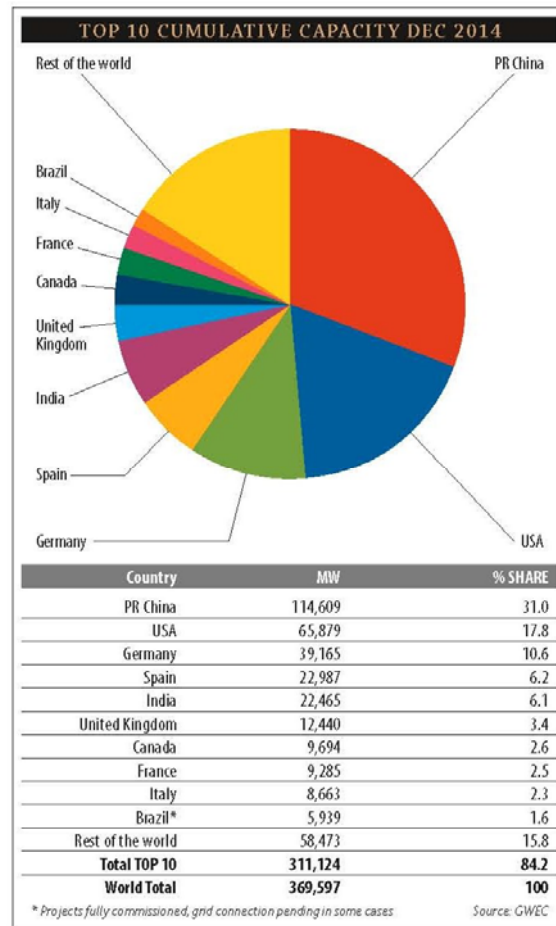
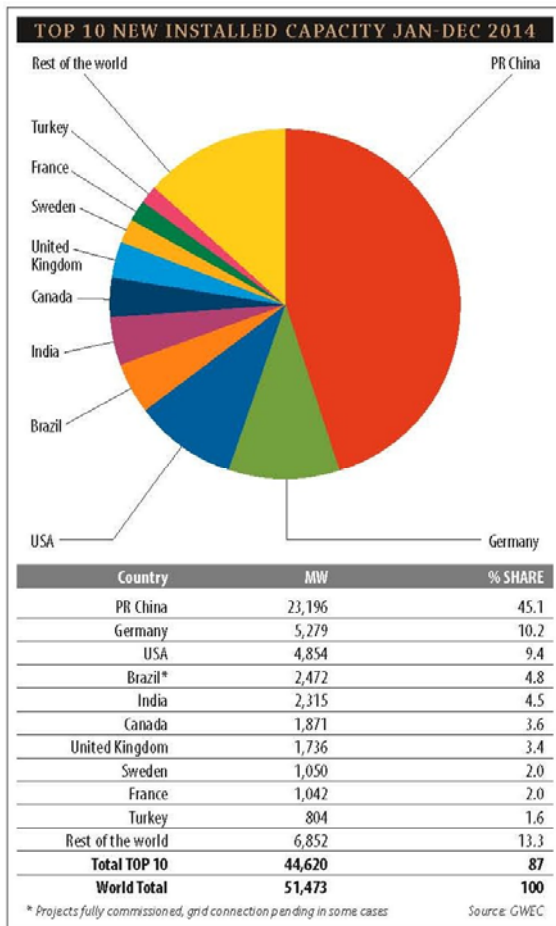
##### 1. Current status and development

##### Wind power industry

Statistics released by the Global Wind Energy Council (GWEC) indicate that a new record was set in the global wind power market in 2014 after an economic slowdown in 2013: 51.477GW newly installed wind power capacity. This record-breaking number indicates an actual annual growth rate of 44% of the wind power market. It also tells industry observers, that the industry is on a stable recovery path. By the end of 2014, global wind energy installations had reached a total capacity of 369.553 GW.

Mainland China and the US, the two largest markets in the world, currently have a market share of around 50% and have a tremendous impact on the global market. The latest statistics from the research institution Bloomberg New Energy Finance on January 22 reveal that newly added land-based wind energy installations in Mainland China have a total capacity of 20.7 GW, accounting for 40% of all newly added installations in the world (four times the scope of the US market). In contrast to the US market which is on a gradual path to recovery after a period of contraction, the 30% annual growth rate of the Chinese wind power market has led to an unprecedented number of new installations. By the end of 2014, Mainland China's accumulated wind power and net capacity had reached 96GW (exceeding the total energy generation capacity of all installations in the UK). Wind power also surpassed nuclear energy, turning into the third largest power generating source in Mainland China after thermal power and hydropower. In 2014, the US installed five times as many new land-based wind power installations as in 2013, turning the country into the second largest wind power market in the world. The US federal production tax credit policy was continued in January 2013, creating a positive policy environment for new wind power installations which reached a total capacity of 4.7GW. Based on the policies and regulations of the new quarter, businesses are entitled to a production tax credit for projects whose construction has been initiated by the cut-off date (completion of construction is not required).

On a global scale, China is not the only country that has set a new record in the area of new installations. The five largest markets in the world are China, the US (4.7GW), Germany(3.2GW), Brazil(2.7GW)and India(2.3GW). Both Germany and Brazil set new historical highs in 2014 as far as new installations are concerned. The quick rebound of new wind power installations in the world this year has been generated by a combination of multiple factors and therefore does not represent a future development blueprint. It is however worth noting that over 1GW of newly installed wind power capacity stemmed from the replacement of old facilities in existing wind farms. This indicates a more efficient utilization of available wind zones. Existing old turbines are replaced with a new generation of highly efficient wind turbines, creating new opportunities for business expansion for developers and wind farm operators in a gradually saturated market for new installations. The capacity of new installations in Brazil in 2014 amounted to 2.7 GW, which represents a new high and an increase of over 500% compared to newly added installations (500MW) in 2011. The expansion of the electricity grid in Brazil allowed the successful connection of previously erected facilities of a total capacity of around 1GW to the network in 2014.



Source: GWEC, April 2015

In addition, statistics released by the Global Wind Energy Council (GWEC) also indicate that Asia will still be the region with the greatest development potential in the field of wind power. It is estimated that Asia will be the global leader in this field with an annual installed wind power capacity and cumulative capacity that is expected to account for 41.6% and 39% of global capacities, respectively. Europe and the US will be ranked second and third with an annual installed wind power capacity and cumulative capacity of 24.5%/32.2% and 22.0%/22.4%, respectively. It is expected that the compound annual growth rate of global cumulative wind energy capacity will reach 13.6% from 2013 and 2017. The regions with the largest growth margin will be the Middle East and Africa.

### Injection molding machine

The application range of injection molding machines is very wide, including the fields of household appliances, food products, automobiles, construction, pharmaceuticals, aviation, national defense, petrochemistry, and the casing of cell phones, cameras, notebook computers, and other digital devices. The evaluation of plastic goods is mainly based on three factors: 1. Outer appearance including integrity, color, and luster 2. Accuracy of dimensions and relative positions 3. Physical, chemical, and electrical properties per OEM spec. These quality requirements vary based on 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 have set up factories or R&D centers in China to reduce costs and get closer to the market.

As for the performance of Europe in 2014, Germany, the leading country in this industry, exhibits an overall pattern of steady but slow growth. According to a trend report issued by the German Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA), plastic machinery will grow by a rate of 3% between 2014 and 2016. In fact, VDMA downgraded the growth rate for said industry in the EU twice in 2014. Thorsten Kuhmann, the president of the association points out that political crises in the Ukraine, Russia, and neighboring areas have an undeniable negative impact on the industry. In addition, a trend of dropping demand in Brazil, India, Turkey, and China also determine the export pattern. Inside the EU however, overall demand is rising. Orders placed with German manufacturers by 28 member countries of the EU increased by 10%. Moreover, the rapid depreciation of the Euro has created a large room for growth of EU export sales in 2015.

China is ranked first in the world as far as material consumption, the production and export volume of plastic goods, and the production and sales volume of related machinery are concerned. According to Chinese customs statistics, the trade deficit in this area has been reduced from 1.918 billion USD to 56.72 million USD. Exports of plastic hollow molding and extrusion-type injection molding machines are growing by two-digit numbers annually. This also indicates that Chinese manufacturing and technologies are gradually being accepted and approved by the world. In addition, exports of 3D printers increased by a stunning margin of 260% compared to the same period of the previous year

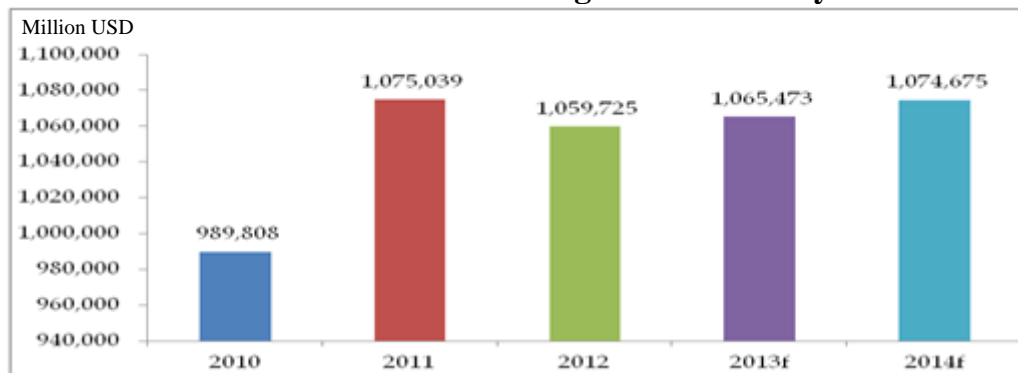
The United States was the area with the most impressive performance in 2014. Statistics released by the Committee on Equipment Statistics (CES) which is affiliated to the Society of the Plastics Industry reveal that the demand for plastics machinery continued to grow in 2014. The total value of new orders 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. CES also forecasts positive growth for China and India, while the situation in other regions is unclear.

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 was 1.75 trillion USD, which represents an increase by 8.61% compare to 2010. In view of the impact of the European deficit crisis, the US budget deficit, and the cooling down of the Chinese economy. It is expected that market demand would be decreased by 1.42% in 2012 which was driving the sales volume down to around 1.597 trillion USD. The global machinery market is expected to a stable growth 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, plastic 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

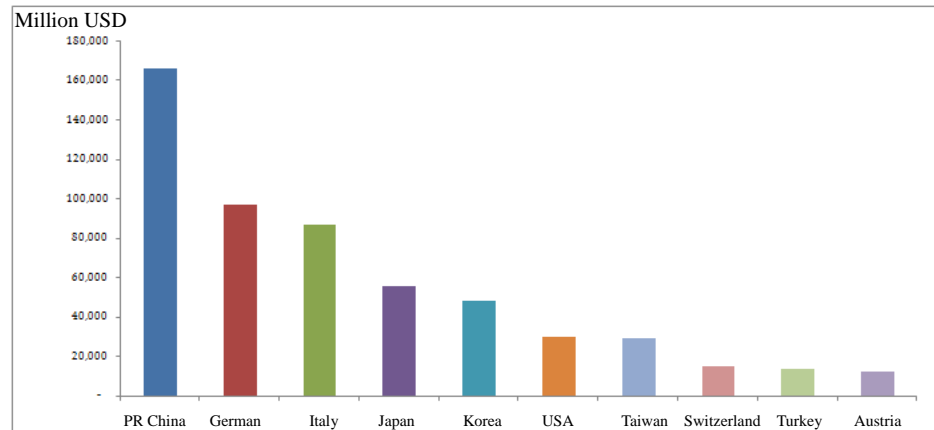


equipment which is used for precision cutting of metals to manufacture other machines or processed metal parts. Machine tools are commonly known as “the mother of all machines” or “mother machines” . Machine tools may be used for molding, cutting, and bonding. Machine may be divided into the following 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.

According to statistics of the VDW, the combined output value of the top 10 forming machinery producing countries amounted to 638.4 billion USD, which marks a 27% increase compared to 2011. Supply and demand has already been restored to the level before the financial crisis. The top ten forming machinery producing countries are: China, Germany, Italy, Japan, Korea, USA, Taiwan, Switzerland, Turkey, and Austria. To combine the output of China, Japan, Korea, and Taiwan, the value is the largest in machining tools industry (around 48% of the total output of the top 10 forming machinery producing countries). Germany, Italy, Switzerland, and Austria, on the other hand, focus on mid- and high-end sector.

## Output value of the top 10 forming machinery producing countries in the world in 2011



Source: German Machine Tool Builders' Association (VDW), 2012

VDW estimates that the global demand for machining tools was reached 96 billion USD in 2013; in 2014 the number had been increased by around 10%. Asia boosts the growth manly and China contributes largest number. In addition, regarding to the investing plan for infrastructure in China in 2013 was boosting economic growth. Fro example: high-speed rail, urban rail transit, and expansion of airports and the power system. The acceleration of the modernization of industrial facilities in China will increase the demand for modern manufacturing. According to VDM estimates, Chinese purchases of machining tools will reach 38.1 billion USD in 2013, and the purchase amounts will continue to increase in 2014.

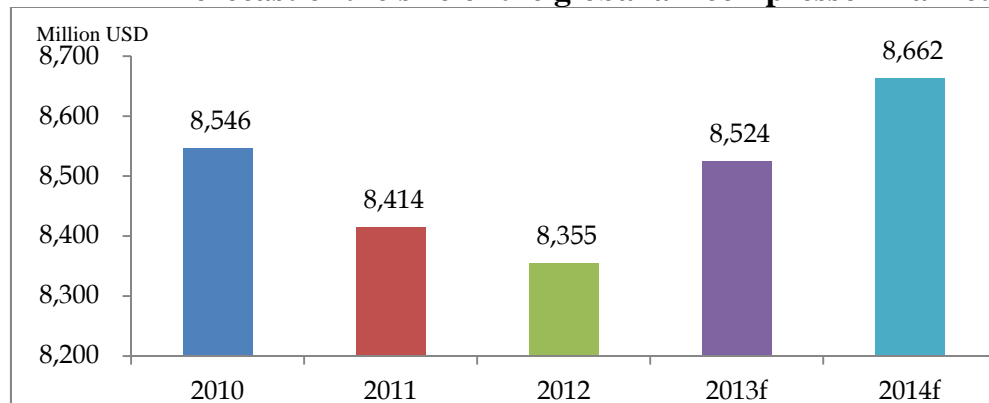
### B. Air compressors

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

to be positive.

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.

### 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. Slow 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

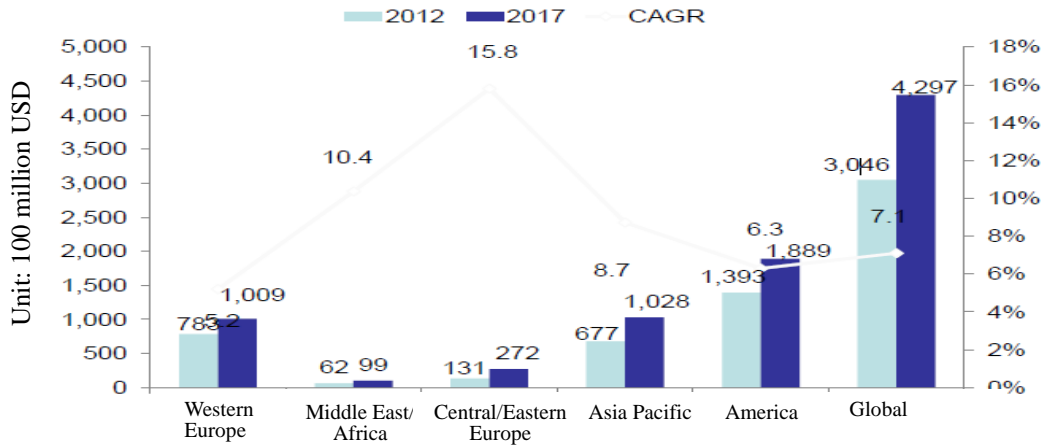
reasonableness of medical expenses even more carefully and respond by tightening insurance reimbursements. It will therefore be imperative to constantly monitor changes in economic policies and insurance reimbursements to be able to respond to transformations of the global medical instrument industry. 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.

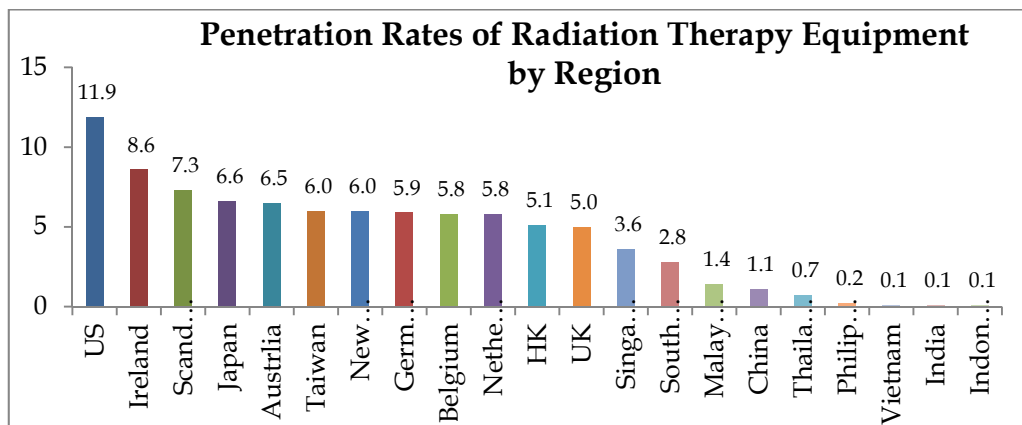
Research data released by BMI in 2013 indicate that the global market for medical instruments had a total size of 304.6 billion USD in 2012. America, Europe, and the Asia Pacific region accounted for 45.4%, 30.0%, and 22.2%, respectively. It is expected that the size of the global market for medical 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% from 2013 to 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

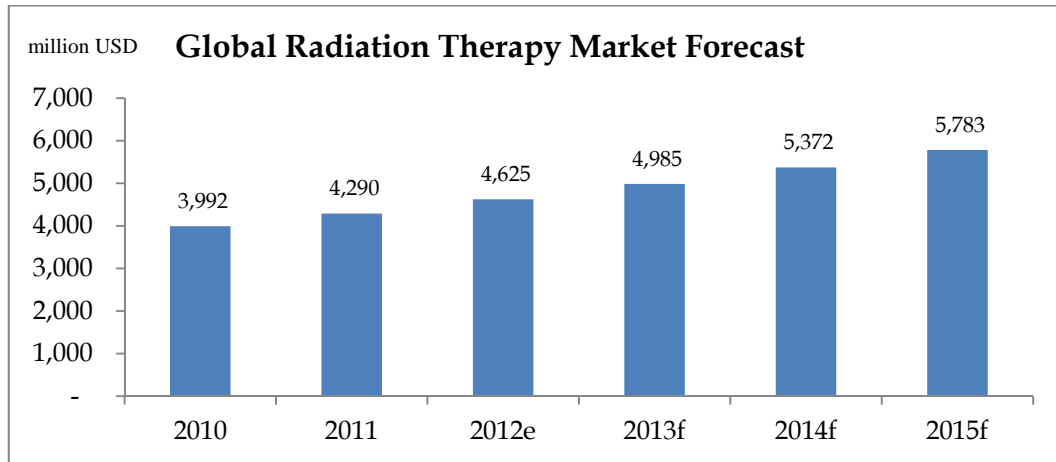
According to data released by CA Cheuvreux, most sales of radiation therapy equipment was concentrated in America and Europe in 2010. America is the largest market with a penetration rate of radio therapy accelerator equipment around 11.9 devices per one million people on average, while Ireland and Northern 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.



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. According to estimates of Koncept Analytics, the production value of the global radiation therapy market was 4.985 billion USD in 2013 and is projected to reach 5.783 billion USD in 2015. The compound annual

growth rate (CAGR) of this market is expected to amount to 7.8% from 2013 to 2015. The company continues to develop new clients for medical equipment.



Source: Konzept Analytics, November 2010

### Leading manufacturers in the field of proton therapy

#### Proton therapy

Figure 11: Competition among proton therapy is already important

Proton therapy competitive landscape



"US Proton Therapy Outlook: Market Opportunities"  
[http://www.mcos.com/Report/IM698\\_fig.htm](http://www.mcos.com/Report/IM698_fig.htm)

Source: "US Proton Therapy Outlook: Market Opportunities"

### Leading manufacturers in the field of radiation therapy equipment

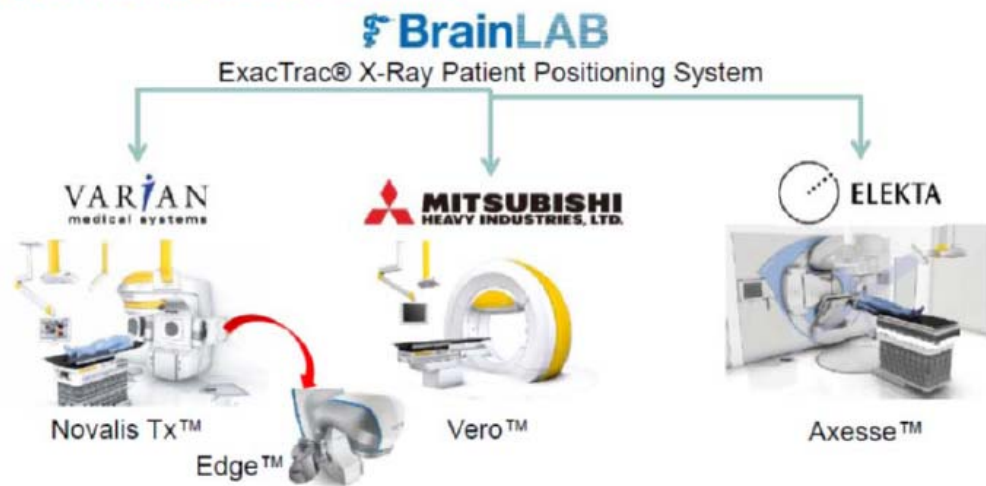
Figure 9: Varian and Elekta Versatile Linac offer



Source: Pr. Hannoun-Levy

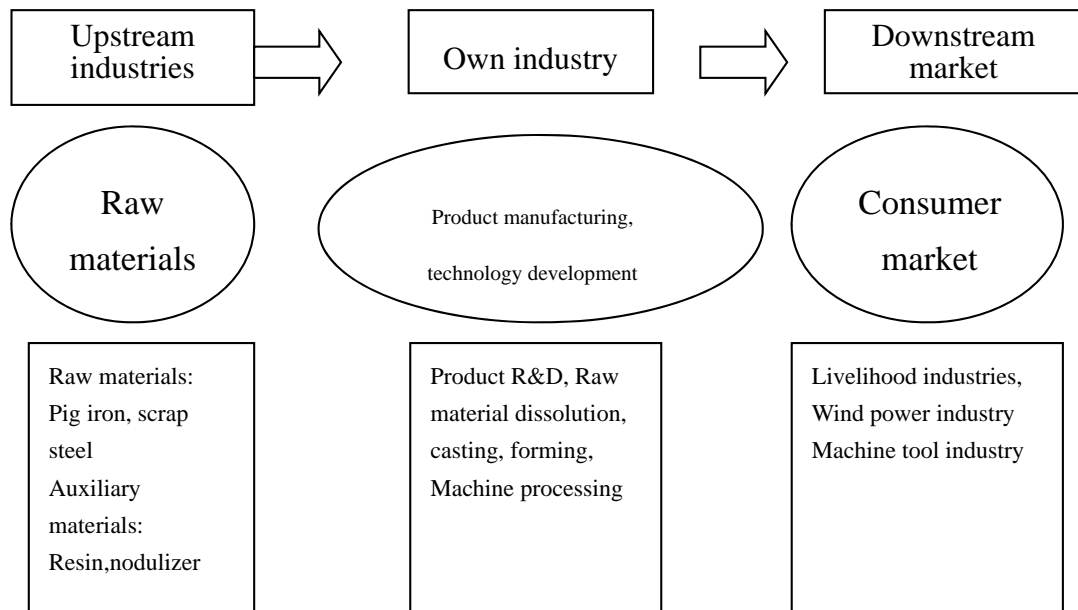
**SBRT (Stereotactic Body Radiation Therapy)**

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

### Wind power industry

#### A. Analysis of wind power market shares in 2014

According to a report of the Spanish MAKE consulting firm, Siemens and GE were the two top players in the wind turbine generator set market in the world in 2014. This signals that the wind turbine manufacturers that are involved in multiple industrial fields have a global market share of 37%. Compared to the same period of the previous year it grew by 12% in 2014. The market share of all 15 top ranked turbine manufacturers decreased in 2014 except for the Chinese manufacturers Ming Yang and Yuan Jing. Significant development in numerous industry groups indicates a possible long-term shakeup of the leading groups of the wind turbine market. However, the ranking in 2014 were as tense as ever and were affected by the dynamics of emerging markets other than China, Europe, and the US.



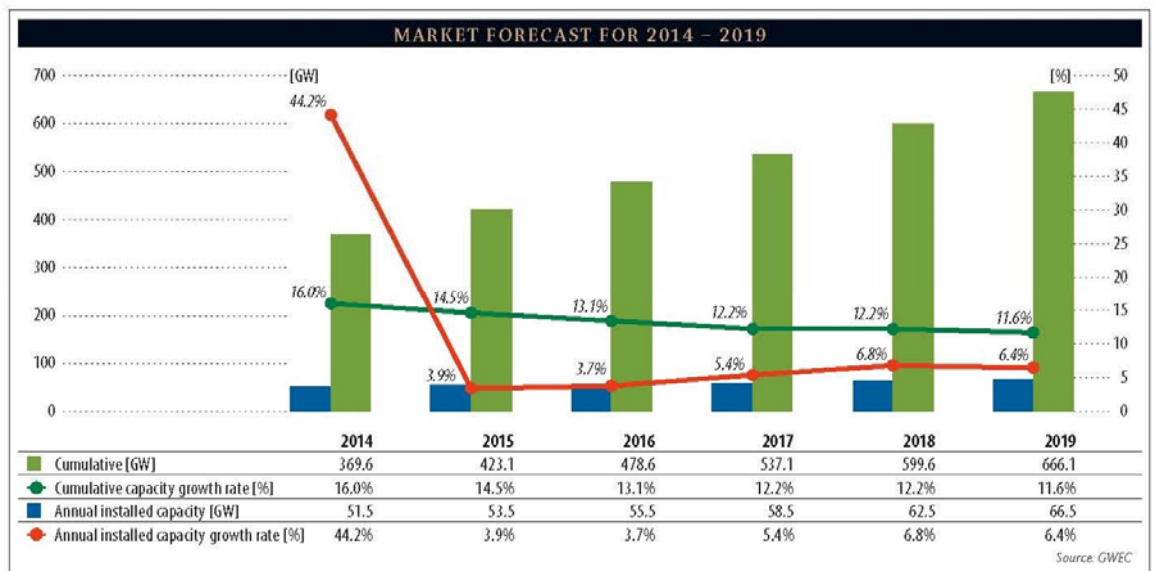
The top three wind turbine manufacturers in 2014 were Siemens, GE, and Vestas. The difference between these three manufacturers shrank from 3.9 percentage points in 2013 to 0.7 percentage point in 2014, which is roughly equivalent to 4GW. This indicates a situation of fierce competition and the growing importance of participation in newly emerging markets. Siemens maintains a powerful and multidimensional global market layout and, even more importantly, ascended to the top ranking in 2014 due to its occupation of the increasingly important overseas market. On a global scale, Siemens is ranked first or second in 80% of the markets it is present in. This is also the main driving force behind the increase in market share by almost 4% in 2014. GE consolidated its leadership position in America (USA, Canada, Brazil, and Mexico) and improved its global ranking from fifth to third in 2014. The wind farm constructed earlier in Brazil and finally connected to the electricity grid in 2014 turned GE into the only US turbine manufacturer ranked in the top 15.

Vestas' ranking dropped from first to third in 2014. The main reason why the company lost its leadership position of the previous year lies in the fact that a large number of the turbines it shipped to the US market were not connected to the electricity grid in 2014. In spite of this, Vestas, the Danish wind turbine manufacturer, still maintains a certain competitive advantage in the field of total cumulative grid-connected capacity.

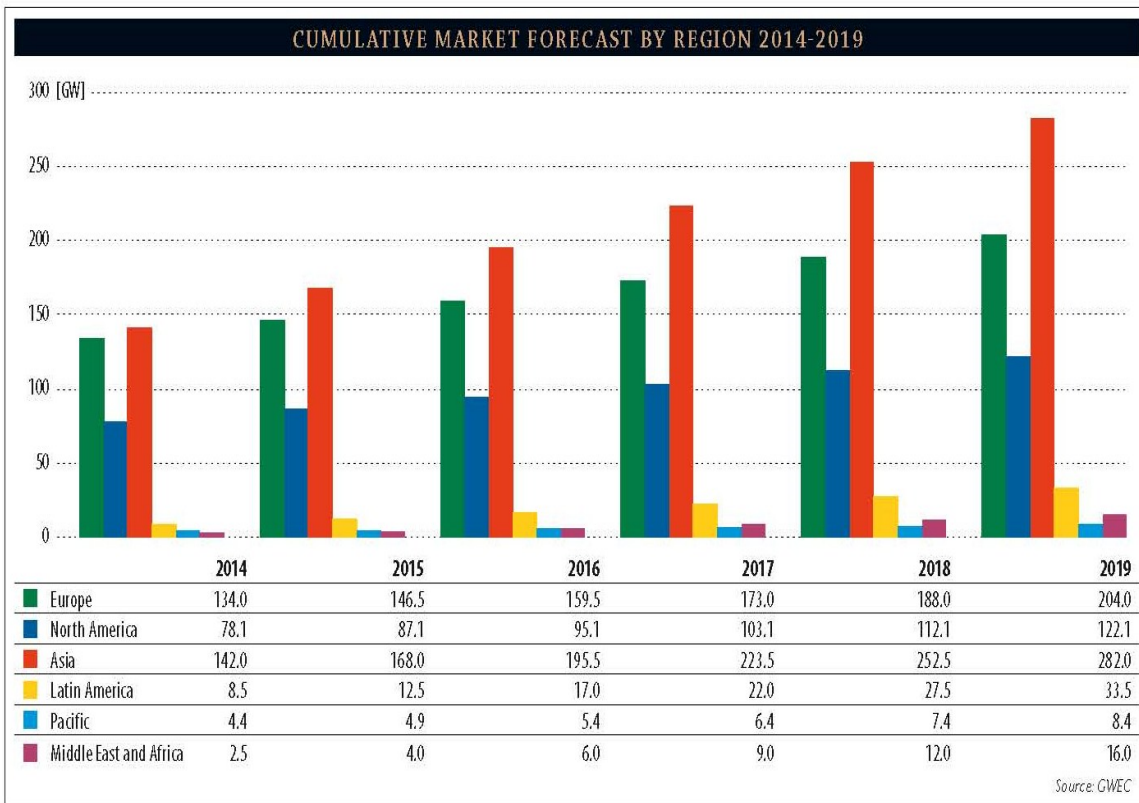
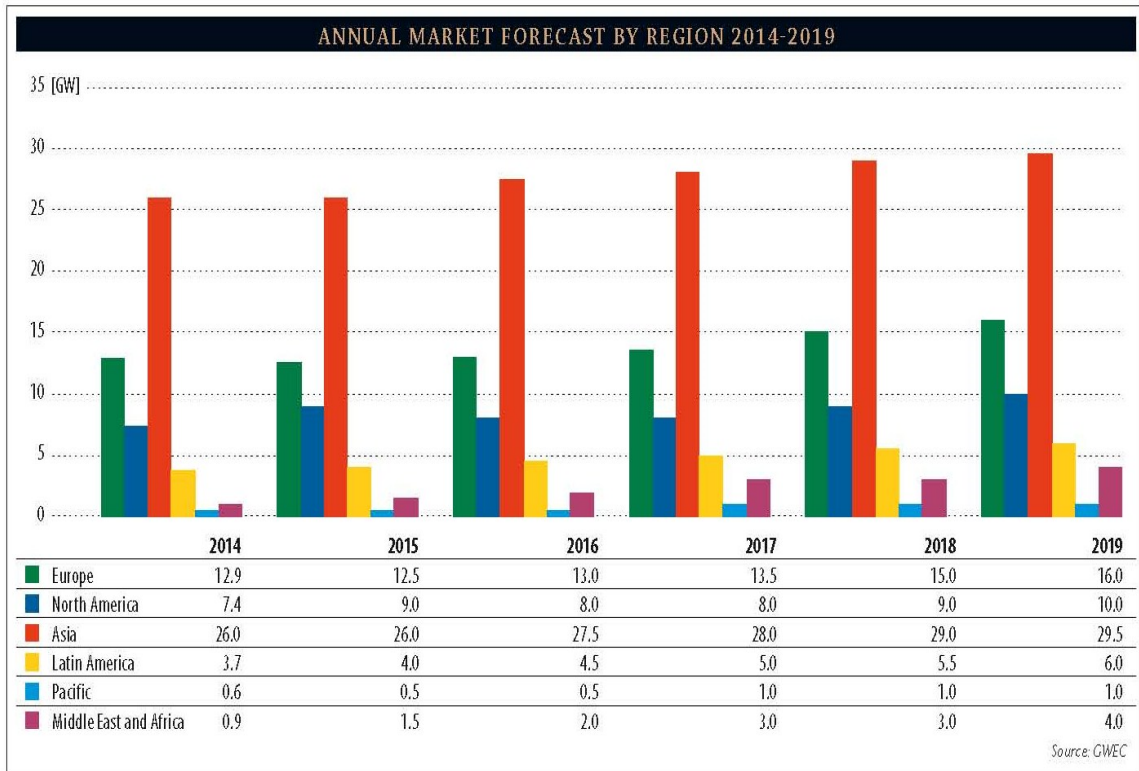
#### B. Actual growth of the global wind power market in 2014 and market forecast for the next five years

The growth rate of newly installed wind power capacity in non-concentrated markets led by China, Brazil, Mexico, and South Africa again surpassed that of traditional markets in Europe and North America last year. The newly installed capacity in China in 2014 reached a staggering 23 GW increasing the cumulative installed capacity of that country to over 114 GW. Brazil turned into the fourth largest market in the world last year, breaking the top 10 for the first time. The African market took off in 2014 and Germany, Chile, Canada, and Turkey recorded new highs in the field of newly installed capacity.

The growth of wind power is becoming more apparent due to its price competitiveness and stable prices. Wind power helps ensure the safety of national energy and solve the smog problem in major urban areas of industrial powers (especially China). Future economic growth in Africa, Asia, and Latin America has to rely on clean energy. Wind power can satisfy the demand for sustainable energy sources. The US market rebounded from a gloomy outlook in 2013 and is expected to exhibit a strong growth momentum in the next two years. The record-breaking amount of newly installed capacity in Germany this year is also expected to provide a strong impetus to a more centralized European wind energy market.



Looking ahead into the future, the Global Wind Energy Council predicts that the market will reach another peak in 2015 with a newly installed capacity of 50GW and a projected increase to 60GW/year by 2018. China will continue to lead the global market and its pace far surpasses the target of 200GW for 2020 set by the Chinese government. Latin America is currently turning into a powerful regional market with Brazil as the main market. Mexico, on the other hand, is making strides to catch up with Brazil.



### C. Main Direction of Wind Power Policies in key nations

Country	Cumulative Capacity	%Share of Global Capacity	%Share of National Power Supply	Current status and policy outlook
Mainland China	75.4	26.4%	1.8%	The 12 <sup>th</sup> five-year plan targets a cumulative wind power capacity of 104GW for 2015, which includes an offshore capacity of 5GW. The current development focus lies in an increase of grid-connected capacity and an improvement of the quality of the electricity grid. A policy of stable growth has been adopted in the field of newly installed capacity.
USA	60.2	21.1%	3.1%	US wind power policies are in a state of turmoil. Wind farm operators are adopting a more conservative investment stance. It is estimated that the newly installed wind power capacity will shrink greatly compared to the previous year.
Germany	31.5	11.0%	6.5%	The land-based wind power market is almost saturated signaling a shift to offshore wind power. The German government provides a good electricity purchase rate and low-interest preferential loans for offshore wind power. This is expected to generate rapid market growth.
UK	9.1	3.2%	4.0%	The promotion of the green certificate system in the UK has been successful. Onshore and offshore newly installed capacity has shown stable annual growth. The UK is currently the largest market for offshore wind power in the world.
Denmark	4.1	1.4%	20.9%	The Danish government has already announced the vision of a 100% conversion to renewable energy sources for the country's power supply in 2050.
Japan	2.7	0.9%	0.4%	In the wake of the Fukushima nuclear disaster, The government has adopted an active stance in the development of wind energy. The purchase rate for wind power was greatly increased in July 2012 and various development programs for next-generation offshore wind power technologies have been initiated.
South Korea	0.4	0.3%	0.3%	The conditions for land-based wind farms are not ideal. The government views offshore wind power as a strategic industry. Project companies have been established through public and private investments for overall planning purposes. The goal is the completion of offshore wind farms with a total capacity of 2.5GW by 2019.

Source: IEK, November 2013

The main factors affecting the development of global wind power are the available wind farm resources and changes of national development policies. Future adjustments of renewable energy policies by key nations are therefore a main factor influencing the global market.

#### Injection molding machines

A. The market demand for machinery products with high technology content is strengthening

Fully electric and hydraulic precision-type injection molding machines form the mainstay. These products mainly target the electronic communications, audiovisual, household appliance, and automobile markets. Due to the high processing requirements, the demand for precision of injection molding machines is also comparatively high. The demand of the market for high-end products will continue to rise, offering more room for future product development.

B. HotTag injection molding machines

Due to the fact that stress rupture of plastic components under vibration conditions poses a serious challenge for the plasticization of automobiles and other engineering applications, HotTag injection molding technologies are adopted for a large variety of rubber and plastic materials with the goal of improving the abovementioned deficiencies.

C. A new type of air- and water- assisted injection molding machine

There is a huge market for this new type of injection molding machine. It is particularly attractive for products which are characterized by higher demands on outer appearance and longer service life such as household appliances, automobiles, and buildings.

D. Energy conservation and environmental protection

Around 60 manufacturers all over the world have turned into cooperation partners of the Sustainable Development Program of the German Engineering Association (VDMA) on a voluntary basis. Since the 1970s, European plastic and rubber machinery manufacturers have tripled their production capacity, while reducing their average energy consumption by 50%. This process is currently still in progress. The goal is a further reduction of energy demands by 20% by 2020. Industry professionals are still in the process of setting energy planning standards to ensure the transparency of energy consumption

information for the plastic and rubber machinery industry. In addition, technological progress also further enhances sustainable development in the field of plastic recycling. Germany currently recycles 99% of all generated plastic waste generating cleaner recycled materials.

#### Production machinery

##### A. Smart automation

Building of autonomous key components and technologies, promotion of precise manufacturing and services, and development of high-level system controllers to enable the production of A+ high-end machine tools and New Generation Smart Factory Control Systems

##### B. Green manufacturing

Promotion of green manufacturing concepts centered around sustainability, renewability, saving of materials and energy, and eco-friendliness to develop a green and eco-friendly manufacturing industry and create green competitiveness.

#### Medical equipment

##### A. New mode of health care industries

###### (A) Effective utilization of medical expenses:

Medical expenses in Europe and America are skyrocketing, while those in emerging markets are limited. The focus must be shifted from expenses to effectiveness and capitation payment to payment for performance.

###### (B) Integrated information facilitates health management:

Emphasis on user-oriented thinking, provision of convenient and effective products and services, integration of information, and analysis of created value

##### B. Product demand is affected by an aging population structure and the production of medical equipment tailored to the properties of old age disease and the prolongation of the lives of seniors continues to grow.

##### C. The demand for cross-field technology applications is rapidly rising and wearable health devices continue to spread.

(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 2015

Unit: 1000 NTD ; %

Item \ Year	2013	2014	First Quarter of 2015
R&D expenses(Note)	89,492	90,027	17,037
Revenue	5,899,431	7,206,294	1,862,957
Share of revenue (%)	1.52%	1.55%	0.91%

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

2.R&D Achievements

Technology or product type	Properties and functions
Molding flask	Based on the contour of the mold, these specially designed flasks guarantee the use of suitable amounts of sand to reduce sand-iron ratios and cooling times and improve turnover rates of flasks.
Iron ball	This sphere-shaped object is hollow and is added during stages of molding and core making processes that consume large amounts of sand. These balls can be recycled and reused and help reduce sand costs.
Inoculants with Bi content	Improve the grade of nodulization and enhance the mechanical properties and quality of castings
EN-GJS-350-22U-LT	Utilized in wind power and gas turbine products to ensure high elongation rates, excellent low-temperature impact properties, and high fatigue resistance
EN-GJS-400-18U-LT	
Anti-overflow gate riser	The effect of inertia when molten iron is poured into the mold cavity from the ladle during the casting process which leads to overflow at the gate riser and an expanding area of molten iron. This technical improvement prevents the overflow of molten iron at gate risers onto the surface of sand mold.
Core-wire injection nodulizing equipment	Enhances the molten iron nodulization effect and quality
Unpluggable pouring basin	Allows the pouring of molten iron of a weight equivalent or approximate to the casting into the basin above the mold cavity and ensures that impurities in the molten iron float to the surface. When the plug is removed and the molten iron flows into the cavity, the impurities are kept in the basin and out of the casting.
ASME U STAMP(Certified by American Society of Mechanical Engineers)	Permission certificate for export of pressure vessels to Europe and the US
PED(pressure equipment directive)	Permission certificate for export of pressure vessels to Europe
Ceramic tube runner	Decreases slag flowing into castings and enhances product quality

Technology or product type	Properties and functions
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	Implementate and setup machining three flanges to effectively reduce processing times and enhance production efficiency.
Hollow core support technology for wind turbine hub castings	Reduced consumption of core sand, decreased sand-iron ratio, convenient core making operations and facilitate ventilation during casting.
Ventilated and anti-leakage flask	Guarantees sufficient ventilation during the casting process and facilitates mold closing and sand enclosing operations and prevents leakage
Standardization of the base plate of pattern	Reduce pattern costs and shorten pattern making times
Air-cooled iron core technologies	One end of the sand core is exposed to cold air and the other end releases hot air to accelerate the cooling of heavy castings and enhance the quality of castings
Ductile iron castings(energy-type gas 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
C5High-grade anti-corrosion coating technology	Improved and optimized coating techniques allow the highest C5 grade corrosion protection and provide enhanced coating quality



(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.

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 in addition to the supply of castings, assembly capabilities for existing products for which processing services are already available, and provision of more comprehensive services

C. Customer dimension:

Continued increase of sales opportunities in the Japanese and North American markets to enhance and balance the export market distribution

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 welding, machining, coating, and assembly capabilities.

(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.

(3) Production strategies:

Processes are improved, yield rates and production efficiency are increased, 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 for 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 dimension:  
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.
- (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.
- (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	2013		2014	
	Amount	%	Amount	%
Europe	1,887,710	32.00%	2,458,094	34.11%
China	2,216,163	37.57%	2,862,533	39.72%
USA	883,896	14.98%	1,470,383	20.40%
Asia	911,662	15.45%	415,284	5.77%
Total	5,899,431	100.00%	7,206,294	100.00%

#### 2. Future supply status and market growth

##### Wind power industry

The company's main sales markets are China, Europe, and America. Due to the rapid growth of the Chinese wind turbine manufacturing sector and the relatively low manpower costs in China, the European and US casting industry has a tendency of relocating to Mainland China. The analysis in this section therefore focuses on the Chinese market. Prior to 2000, Chinese wind power facilities were mainly imported, the industry producing castings for wind power facilities had not been formed yet, the output quantity was small, and technical standards were low. Following the development of the wind power sector, casting businesses are constantly getting involved in the manufacture of castings for wind power facilities stimulated by the procurement demand of domestic and international wind power manufacturers. The number of Chinese wind turbine generator set manufacturers rapidly increased from 6 to 70 between 2004 and 2008. The scope of this industry has broadened considerably.

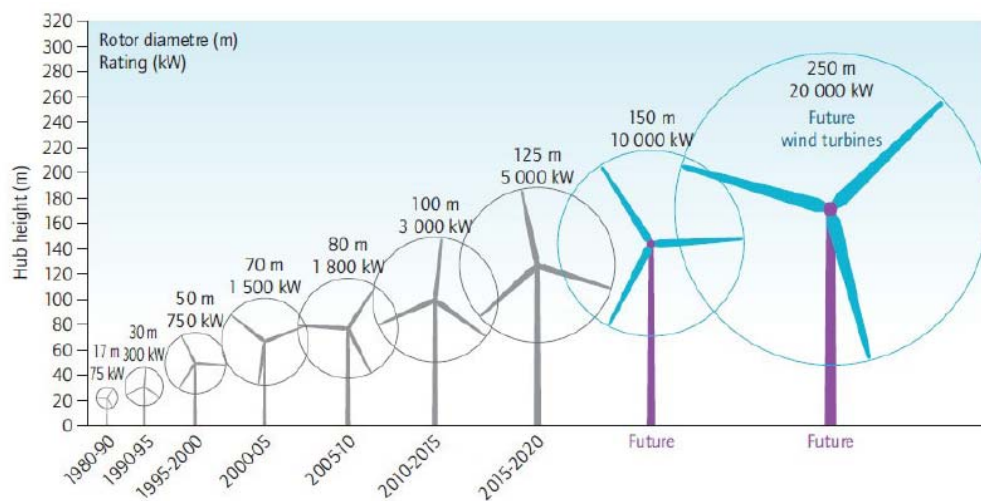
The total output of castings for wind power facilities in China reached 60,000 tons in 2006 and increased to 100,000 tons in 2007, which represents a growth by 66.67%. The growth rate of this sector was around six times that of the casting industry. Against the backdrop of a slowed down growth of the output of the casting industry in 2008, the output of castings for wind power facilities further surged to 180,000, representing an increase by 80% compared to 2007. This far exceeds the overall growth level of the casting industry. By 2010, the total output of castings for wind power facilities had reached 39,2000 tons.

In a nutshell, the swift expansion of wind-generated power created a huge market demand for wind power facility manufacturers and also generated a strong desire and firm confidence on the part of manufacturers to get involved in the manufacture of wind power facilities. However, the Chinese market for wind power facilities evolved from a situation of supply outweighing demand in 2008 to a situation of excess production capacity after 2010. Wind power is developing rapidly and the threshold for the production of wind power turbines is quite low. Although this industry has received policy support, the period of huge profits has come to an end. The Chinese government has therefore started to implement a series of policies to rectify the wind power

market. China has shifted its focus from total installed capacity to grid connection ratio and power generation efficiency. The quality requirements of Chinese wind power facility manufacturers for parts and components are starting to resemble those in Europe, which in turn represents an opportunity for wind power casting manufacturers that place great emphasis on quality.

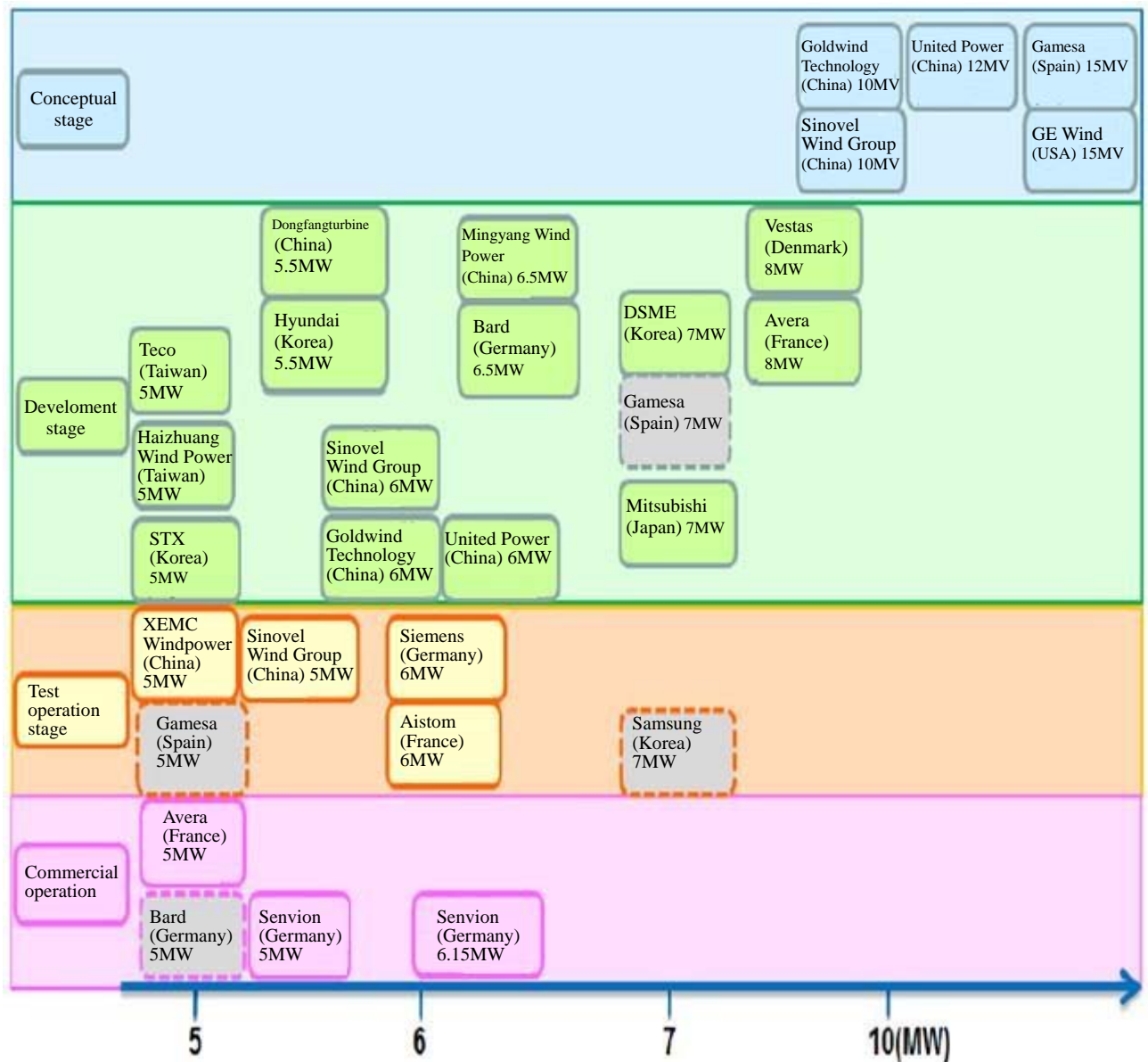
The Wind Power Development Roadmap 2050 was officially published by China on October 19, 2011. It is expected that the total installed wind power capacity in China will reach 1 terawatt by 2050 which would satisfy 17% of the domestic power demand. After 2020, the price of wind-generated power in China will be lower than that of coal power. The current subsidy policies for wind power will be gradually phased out. The future layout 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. Between 2031 and 2050, a full-scale development of land-based wind power and near and far offshore wind power will be implemented. It is estimated that power consumption in China will reach 13,000 terawatt hours in 2050. The current wind power technologies enable China to utilize its wind energy resources to support a total installed wind power capacity generating over 1 terawatt of power.

**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)

## 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 2009. Wind-generated power has seen a threefold growth in the US, accounting for 1.5% and 4.5% of the annual electricity consumption in 2008 and 2013, respectively. Wind power facilities of a total capacity of over 61 GW were installed in 2013. Electric power system operators all over the country generally believe that wind power is an integral part of the diversified power generation mix. The interest in wind power is spurred by the great potential of these rich resources (over tenfold the amount of current electricity demand), the competitive and stable prices, the economic development potential, and the environmental protection properties including reduced carbon emissions, improved air quality, and decreased water consumption.

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

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

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

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

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

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

of wind power. On the contrary, they contain analyses and a framework for potential costs, benefits, and relevant effects of the deployment of other forms of wind power in the future.

### **Injection molding machinery industry**

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.

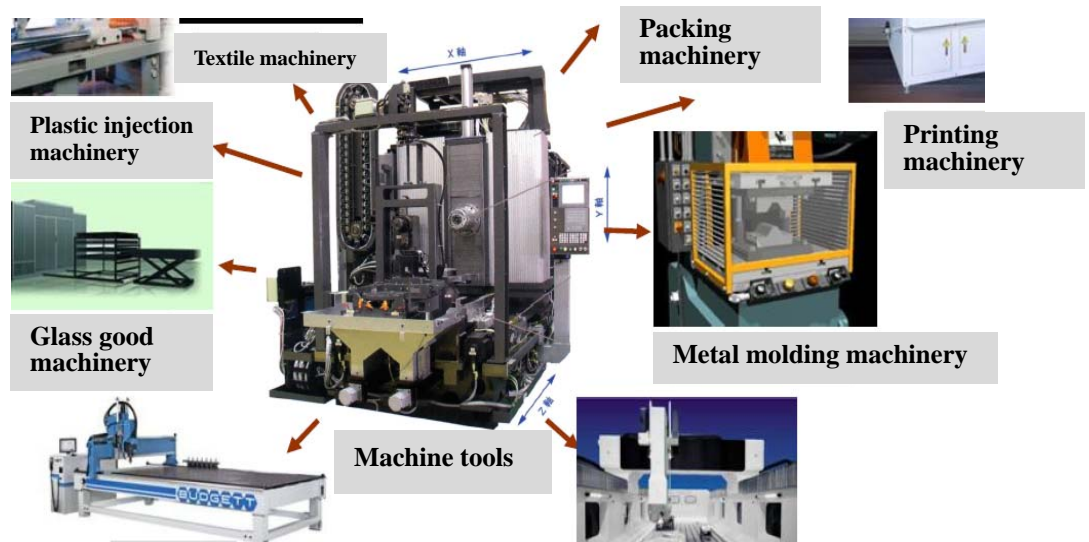
The average plastic consumption per person in developed nations currently amounts to over 120 kg (Belgians consume 200kg, which represents the highest amount, followed by America with 170kg). In 2010, the total output and gross output value of plastic goods in China amounted to 58.3 million tons and 1 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 million tons and 16.6 billion USD in 2005).

### **Industrial machinery**

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



For instance, only a very small number of the machine tool products that the DMG group (the top machine tool brand in the world) displayed at the China Machine Tool Exhibition in February 2014 were imported from areas outside China. Most products are already manufactured in China. The characteristics of the orders for machine tool castings received by Yeong Guan Energy Technology Group are as follows: complicated structure, multiple mud cores, time-consuming post processing, and relatively light weight. However, the market demand for machine tool castings is still high. In view of the fact that an increase of the production efficiency of such casting products, requires more designated personnel and production lines, Yeong Guan Energy Technology Group currently only accepts such orders after a selected process due to the tight production capacities.

The market for air compressors has been affected by the unstable economic situation in recent years. The demand for compressors entered a stage of stable growth in 2012. The supply situation is as follows: A large number of brands, most of them Chinese manufacturers, have entered the market resulting in cutthroat price competition. Prices stabilized after 2013 and the



difference between profit margins of machine types in different markets is huge.

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

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

#### Medical equipment

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

### 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 spherical 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 Guangdong province, Ningbo in Zhejiang province, Liyang in Jiangsu, and in Taiwan. The group currently provides casting, processing, welding, assembly, and spray coating services and imports advanced processing lathes of international standard from Europe, Japan, and the US. The company also actively seeks cooperation with downstream subcontractors to gain the ability to provide customers with comprehensive and high-quality services and gain a firm grasp of high-end casting technologies with the goal of providing customers with outstanding and highly effective solutions. This enables the company to reduce customer costs, shorten delivery times, and satisfy customer demands in the field of casting and processing and thereby further raise the threshold for industry competition. Continued growth enables the group to

gradually widen the gap between the group and same industry competitors as far as business scope and production capacity are concerned. Customer reliance will also gradually increase.

(C) Independent sales capabilities and international competitiveness

The business scope of the company is wider than that of generic same industry businesses and its technical standards are equivalent to European standards. The group has the ability to accept orders from large international manufacturers. The group's customers are leading industry brands with excellent standards. This clearly indicates that the company's technologies and quality are recognized by large international manufacturers. Due to the fact that the operations of these manufacturers are characterized by a high level of stability, the operation of Yeong Guan Energy Technology Group are also more stable than those of its same industry competitors which has earned the company the trust of large international manufacturers.

(2) Unfavorable factors and response strategies

(A) Exchange rate fluctuations

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

Response strategies

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

exchange rate fluctuations to reduce exchange rate risks generated by the company's business operations. In addition, the company also actively adjusts its market dominance and equilibrium strategies under conditions of a rapidly changing global economy to balance domestic and foreign sales ratios and buffer the impact of changes of the economic environment.

#### (B) Raw material price fluctuations

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

##### Response strategy

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

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

#### (C) Corrosion at sea affects product quality

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

##### Response strategy

In view of the harsh marine environment which causes serious

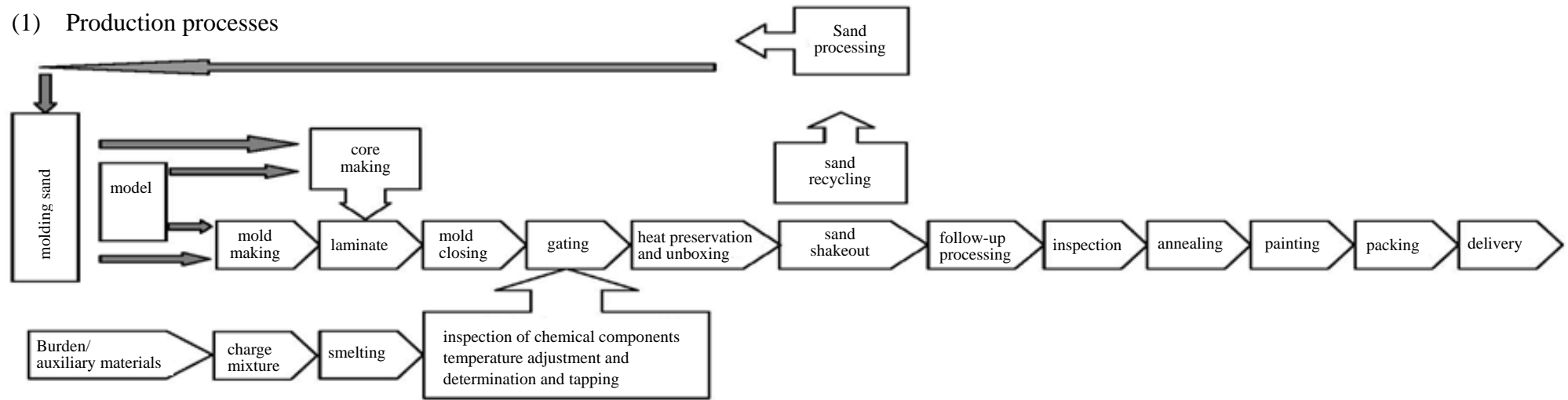
corrosion, it is necessary to strengthen the corrosion resistance and enhance the quality of products to make them more resistant against corrosion caused by the sea wind. Based on the abovementioned considerations, Yeong Guan Energy Technology Group has obtained the ISO12944 Corrosion protection certification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

(b) Main uses and production procedures of major products

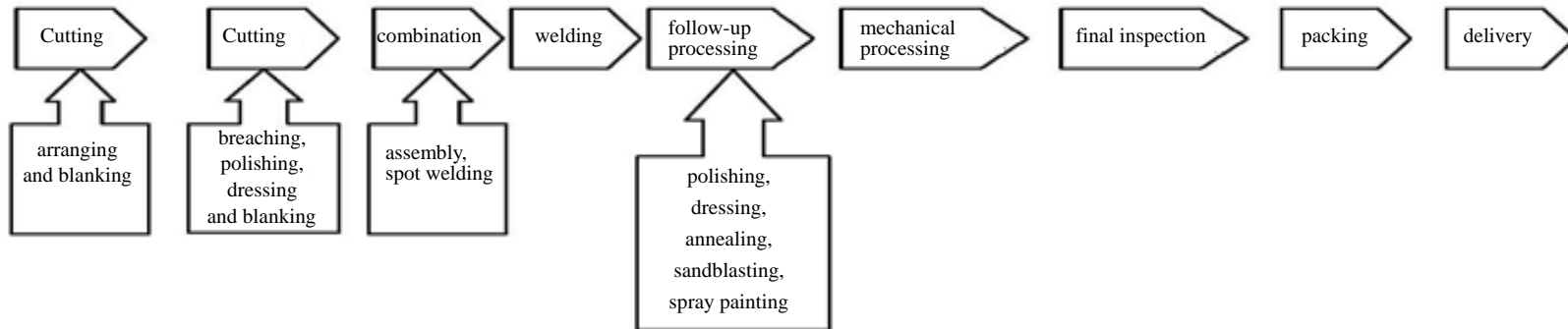
1. Main uses of major products

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

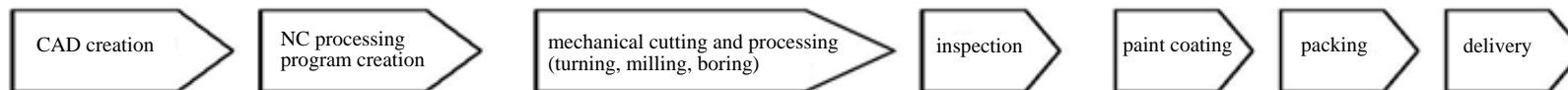
(1) Production processes



(2) Welding



(3) Mechanical processing



## (c) Supply status of main materials

Main raw materials	Main suppliers	Supply status
Pig iron	Ningbo Mingyuan Trading Co., Ltd. (hereinafter referred to as “Ningbo Mingyuan”), Fushun Hanking Direct Reduced Iron Co., Ltd., Lagu Branch (hereinafter referred to as “Fushun Hanking”), Benxi Huasheng Foundry, Rong Mei Jin Industry&Trade	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	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

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

Unit: 1000 NTD ; %

Item	2013				2014				1 <sup>st</sup> Quarter of 2015			
	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	Fushun Hanking	175,363	6.18%	none	Ningbo Mingyuan	513,080	14.73%	none	Kao Chemical Corporation Shanghai	58,402	10.70%	none
2	Ningbo Mingyuan	220,146	7.75%	none	Fushun Hanwang	367,381	10.54%	none	Ningbo Mingyuan	38,636	7.08%	none
3	Other	2,303,491	81.11%		Other	2,603,584	74.73%		Other	448,644	82.22%	
	Net purchases	2,839,789	100.00%		Net purchases	3,484,045	100.00%		Net purchases	545,682	100.00%	

Specification of reasons for increase/decrease:

Ningbo Mingyuan and Fushun Hanking are mainly engaged in the trading of metallurgy and mining products with a focus on nodular pig iron. Both companies are pig iron suppliers that meet the standards of this company. The quality of their products is excellent and they have positive cooperative relationships with the company. In 2014, these suppliers accounted for over 10% of the total purchases of materials. Purchase amounts were increased in 2015 since their prices were lower than those of other pig iron suppliers in 2014 and their delivery times met the needs of the company.

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

Unit: 1000 NTD; %

Item	2013				2014				1 <sup>st</sup> Quarter of 2015			
	Company name	Amount	Percentage of annual net sales (%)	Relation with issuer	Company name	Amount	Percentage of annual net sales (%)	Relation with issuer	Company name	Amount	Percentage of annual net sales in 1 <sup>st</sup> quarter (%)	Relation with issuer
1	IO	720,946	12.22%	None	IO	1,137,871	15.79%	None	IO	361,712	19.42%	None
2	EA	671,283	11.38%	None	EA	794,018	11.02%	None	EA	231,307	12.42%	None
	Other	4,507,202	76.40%		Other	5,274,405	73.19%		Other	1,269,938	68.16%	
	Net sales	5,899,431	100.00%		Net sales	7,206,294	100.00%		Net sales	1,862,957	100.00%	

Specification of reasons for increase/decrease:

- (1) IO added 3.0MW in product development in 2014 and the bidding volume increased from 45% to 55% compare to 2013, which leads to the increase of total sales in 2014.
- (2) EA's order volume increased by 7% compared to 2014. Its proportion of the company's total sales slightly dropped by 0.36%. This is mainly due to the fact that EA's domestic factories accounted for 40% of EA's total order volume with a focus on orders of rough castings. The sales price of rough castings is considerably lower than that of precisely processed products.



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

Unit: tons ; 1000 NTD

Production volume/value Production categories	Year	2013			2014		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value	
Casting products	129,708	115,052	3,379,137	174,400	145,883	4,061,218	
Precisely processed products(Note1)	198,314 (hours)	169,381 (hours)	629,102	248,131 (hours)	209,813 (hours)	947,104	
Pressed scrap steel blocks	25,000	31,107	357,389	42,000	34,529	353,713	
Other	Note 2	Note 2	438,085	Note 2	Note 2	495,235	

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

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

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

Specification of reasons for increase/decrease:

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

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

Unit: tons; 1000 NTD

Sales volume/value Main products	Year	2013				2014				
	Volume	Value	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
			Volume	Value	Volume	Value	Volume	Value	Volume	Value
Energy product castings	15,511	769,655	25,294	1,630,610	17,735	909,370	38,229	2,542,694		
Injection molding machine castings	14,086	562,829	24,914	991,530	15,508	615,432	29,456	1,176,398		
Other castings	26,331	1,317,119	6,203	627,688	27,391	1,328,232	6,152	634,168		
Total	55,928	2,649,603	56,411	3,249,828	60,634	2,853,034	73,837	4,353,260		

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

Year	2013	2014	1 <sup>st</sup> Quarter of 2015
Executives	53	64	65
Production line staff	1,475	1544	1600
General staff	363	354	375
R&D personnel	66	53	51
Total	1,957	2015	2091

Year		2013	2014	1 <sup>st</sup> Quarter of 2015
Average age		35.65	35.52	36.01
Average years of service		5.39	5.41	5.49
Distribution of level of education(%)	PhD/MA	35.65%	0.60%	0.57%
	BA	5.39%	12.16%	11.38%
	Junior college or below	35.65%	87.25%	88.04%

#### 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):

The total amount of fines incurred by the company due to pollution of the environment was 23,000 RMB in the most recent fiscal year up to the date of publication of this report. The nature of the incident, future response strategies, and potential expenses are described below:

##### 1. Ningbo Lu Lin

###### (a) Incident and losses:

The Zhenhai District Environmental Protection Bureau discovered during inspections on December 17, 2014 that the lid of the smelting furnace in the second workshop couldn't be closed properly during smelting operations due to the large size of certain smelting materials. The furnace lid was therefore half open and the supporting waste gas treatment facilities were not in use. A portion of the waste gases was not collected and directly discharged generating a negative impact on the surrounding environment. This incident constituted a violation of Clause 1, Article 18 of the Ningbo City Regulations on Prevention and Control of Environmental Pollution and was penalized with a fine of 23,000 RMB.

Investigation of reasons: Feedstock is added during the smelting process. Due to the large size of certain materials the furnace lid can't be closed properly. The environmental awareness of the operating personnel is not high enough.

###### Improvement measures:

A. Instruction and education of operating personnel

B. Distribution of an internal memo to notify personnel that furnace lids must be closed after feedstock has been added. Signature is required for confirmation. Relevant items will be included in performance evaluations.

C. The safety section will dispatch inspection personnel to monitor the operation processes. Detected irregularities will be corrected and appropriate action will be taken.

(b) Investments in environmental improvements:

A. Investment in the improvement of vacuum cleaners in the coating building: 410570 RMB (already completed)

B. Investment in the improvement of electric furnace vacuum cleaners: 262000 RMB (already completed)

C. Investment in the improvement of dust collectors for oxygen cutters: 135000 RMB (already completed)

D. The company will continue to strengthen its efforts in the field of environmental improvements and increase its investments in environmental protection facilities

(c ) Other subsidiaries: NA

## **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 202,349.2 RMB.

Adopted response measures are as follows:

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

## 6. Critical Contracts

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Purchase Contract	Vendor: Ben Zi Hua Sheng Buyer: Jiangsu Bright Steel Fine Machinery Co., Ltd.	2015/3/1~2015/5/31	Cast Iron	Nil
Purchase Contract	Vendor: Ben Zi Hua Sheng Buyer: Ningbo Yeong Shang Casting Iron Co., Ltd.	2015/3/1~2015/5/31	Cast Iron	Nil
Purchase Contract	Vendor: Ben Zi Hua Sheng Buyer: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/3/1~2015/5/31	Cast Iron	Nil
Purchase Contract	Vendor: Jiangsu Xing Sheng Buyer: Ningbo Yeong Shang Casting Iron Co., Ltd.	2015/5	Cast Iron	Nil
Purchase Contract	Vendor: Jiangsu Xing Sheng Buyer: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/5	Cast Iron	Nil
Purchase Contract	Vendor: Benxi Iron & Steel Co., Ltd. Buyer: Jiangsu Bright Steel Fine Machinery Co., Ltd.	2015/4/1~2015/8/31	Cast Iron	Nil
Purchase Contract	Vendor: Benxi Iron & Steel Co., Ltd. Buyer: Ningbo Yeong Shang Casting Iron Co., Ltd.	2015/4/1~2015/8/31	Cast Iron	Nil
Purchase Contract	Vendor: Benxi Iron & Steel Co., Ltd. Buyer: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/4/1~2015/8/31	Cast Iron	Nil
Purchase Contract	Vendor: Benxi Iron & Steel Co., Ltd. Buyer: Dongguan Yeong Guan Mold Factory Co., Ltd.	2015/4/1~2015/8/31	Cast Iron	Nil
Purchase Contract	Vendor: Benxi Ju Xin Da Company Buyer: Jiangsu Bright Steel Fine Machinery Co., Ltd.	2015/4/1~2015/8/31	Cast Iron	Nil
Purchase Contract	Vendor: Benxi Ju Xin Da Company Buyer: Ningbo Yeong Shang Casting Iron Co., Ltd.	2015/4/1~2015/8/31	Cast Iron	Nil
Purchase Contract	Vendor: Benxi Ju Xin Da Company	2015/4/1~2015/8/31	Cast Iron	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
	Buyer: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.			
Service Agreement	Party A: Shenyang Research Institute of Foundry Party B: Ningbo Yeong Shang Casting Iron Co., Ltd.	2015/1 ~ 2015/11	Casting Technology Service	Nil
Service Agreement	Party A: Shenyang Research Institute of Foundry Party B: Dongguan Yeong Guan Mold Factory Co., Ltd.	2015/1 ~ 2015/11	Casting Technology Service	Nil
Service Agreement	Party A: Shenyang Research Institute of Foundry Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/1 ~ 2015/11	Casting Technology Service	Nil
Service Agreement	Party A: Shenyang Research Institute of Foundry Party B: Jiangsu Bright Steel Fine Machinery Co., Ltd.	2015/1 ~ 2015/11	Casting Technology Service	Nil
Purchase	Party A: Jiangsu Sudong Mechanical Technology Co., Ltd. Party B: Jiangsu Bright Steel Fine Machinery Co., Ltd.	2015/3	Spray Booth	Nil
Maintenance	Party A: Zhangzhou Du Sheng Machine Company Party B: Jiangsu Bright Steel Fine Machinery Co., Ltd.	2015/3~2018/3	Air Compressor Maintenance	Nil
Engineering Contract	Party A: Zhong Huan Construction Company Party B: Ningbo Yeong Shang Casting Iron Co., Ltd.	2015/3/24~2015/4/24	Factory Air Condition Room Construction	Nil
Engineering Contract	Party A: Hong Ri Lou Yu Company Party B: Ningbo Yeong Shang Casting Iron Co., Ltd.	2015/3/24~2016/3/23	Factory Air Condition Installation	One Year Quality Assurance
Fixed Assets	Party A: Fangli Machine Tool Industry & Trade Co., Ltd. Party B: Ningbo Yeong Shang Casting Iron Co., Ltd.	2013/11/5~2015/5/19	TH6916 Processing Center	Payment in One Year After Inspection Approved
Fixed Assets	Party A: Fangli Machine Tool Industry & Trade Co., Ltd. Party B: Ningbo Yeong Shang Casting Iron Co., Ltd.	2014/4/4~2015/6/16	HMC80E Processing Center	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Fixed Assets	Party A: Fangli Machine Tool Industry & Trade Co., Ltd. Party B: Ningbo Yeong Shang Casting Iron Co., Ltd.	2014/4/4~2015/6/16	HMC63E Processing Center	Nil
Sales & Purchase Contract	Party A: Wen Ling Hua Tai Company Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/1/2 ~ Long Term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Party A: Ningbo Zhong Lie Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/1/2 ~ Long Term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Party A: Shanghai Ding En Company Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/1/2~2017/12/31	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Party A: Yin Zhou Jin Hao Company Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/1/2 ~ Long Term	Scrap Steel Sales & Purchase Contract	Nil
Outsourcing Agreement	Party A: Li Yang Yong Yuan Company Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2014/08/01~2015/07/31	Casting Object Sand-Jetting, Paint Spraying, Zinc Spraying	Nil
Sanding Agreement	Party A: Mei Lin Hong Machine Company Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2014/11/01~2015/10/31	Sanding on Casting Objects	Nil
Maintenance Contract	Party A: Jiangsu Bright Steel Fine Machinery Co., Ltd. Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/02/01~2016/01/30	Crane Maintenance	Nil
Sales & Purchase Agreement	Party A: Xing Guang Liquefied Petroleum Gas Company Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2015/01/09	Gas Supply for Bottled Liquid Gas	Nil
Purchase Agreement	Party A: Zhen Hai Qiang forklift Truck Company Party B: Ningbo Lu Lin Machine Tool Foundry Co.,	2015/04/07	Purchase of 13.5T Forklift	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
	Ltd.			
Processing Contract	Party A: Re-source Technology Co., Ltd. Party B: Yeong Chen Asia Pacific Co., Ltd.	2014/10/1~2015/9/30	Recycling of Industrial Wastes	Nil
Lease Contract	Lessor: Ningbo Yeong Shang Casting Iron Co., Ltd. Lessee: Ningbo Ya Si Te Company	2014/7/1~2015/6/30	Factory Building Lease	Nil
Lease Contract	Lessor: Ningbo Yeong Shang Casting Iron Co., Ltd. Lessee: Ningbo Yong Jia Mei Company	2014/1/1~2018/12/30	Factory Building Lease	Nil
Construction	Party A: Dongguan Bai Fen Bai Company Party B: Dongguan Yeong Guan Mold Factory Co., Ltd.	2014/12/ ~ 2015/04	High/Low Voltage Power Distribution Construction	Nil
Insurance	Proposer: Ningbo Yeong Shang Casting Iron Co., Ltd. Insurance Company: Zheshang Property and Casualty Insurance Company Limited	2014/6/28~2015/6/27	Employer Liability Insurance	Nil
Property Insurance	Party A: Fubon Property Insurance Company Party B: Ningbo Yeong Shang Casting Iron Co., Ltd.	2014/11/12~2016/6/30	Property Insurance	Nil
Insurance	Proposer: Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Insurance Company: Zheshang Property and Casualty Insurance Company Limited	2014/6/28~2015/6/27	Employer Liability Insurance	Nil
Property Insurance	Party A: Fubon Property Insurance Company Party B: Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2014/11/12~2016/6/30	Property Insurance	Nil
Insurance	Proposer: Jiangsu Bright Steel Fine Machinery Co., Ltd. Insurance Company: Zheshang Property and Casualty Insurance Company Limited	2014/6/28~2015/6/27	Employer Liability Insurance	Nil
Property Insurance	Party A: Fubon Property Insurance Company Party B: Jiangsu Bright Steel Fine Machinery Co., Ltd.	2014/11/12~2016/6/30	Property Insurance	Nil



Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Insurance	Proposer: Dongguan Yeong Guan Mold Factory Co., Ltd. Insurance Company: Zheshang Property and Casualty Insurance Company Limited	2014/6/28~2015/6/27	Employer Liability Insurance	Nil
Property Insurance	Party A: Fubon Property Insurance Company Party B: Dongguan Yeong Guan Mold Factory Co., Ltd.	2014/11/12~2016/6/30	Property Insurance	Nil
Guarantee Contract	Guarantor: Ningbo Yeong Shang Casting Iron Co., Ltd. Debtor: Jiangsu Bright Steel Fine Machinery Co., Ltd. Creditor: Bank of China	2013.3.31~2016.3.31	Guarantor provides guarantee for contracts of loan, trade financing, guarantee, capital business and other credit extension business as well as their modification or supplement signed between debtor and creditor from March 31 <sup>st</sup> , 2013 to March 31 <sup>st</sup> , 2016. Maximum principal amount for guaranteed creditor's rights is RMB70 million.	Nil
Mortgage Collateral Contract	Mortgagor: Ningbo Yeong Shang Casting Iron Co., Ltd. Debtor: Ningbo Yeong Shang Casting Iron Co., Ltd. Creditor: Bank of China	2014.9.9~2019.9.8	Mortgagor provides 39,290-square meters of land and 24,895- square meters of factory building to serve as collaterals for debtor's performance of obligations incurred under various major contracts signed or to be signed with creditor from September 9 <sup>th</sup> , 2014 to September 8 <sup>th</sup> , 2019. Principal amount for collateralized creditor's rights shall not exceed RMB48.59 million.	Nil
Mortgage Collateral Contract	Mortgagor: Ningbo Yeong Shang Casting Iron Co., Ltd.	2014.9.9~2019.9.8	Mortgagor provides 13,350-square meters of land and 12,801- square meters of factory	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
	Debtor: Ningbo Yeong Shang Casting Iron Co., Ltd. Creditor: Bank of China		building to serve as collaterals for debtor's performance of obligations incurred under various major contracts signed or to be signed with creditor from September 9 <sup>th</sup> , 2014 to September 8 <sup>th</sup> , 2019. Principal amount for collateralized creditor's rights shall not exceed RMB18.40 million.	
Mortgage Collateral Contract	Mortgagor: Ningbo Yeong Shang Casting Iron Co., Ltd. Debtor: Ningbo Yeong Shang Casting Iron Co., Ltd. Creditor: Bank of China	2014.9.9~2019.9.8	Mortgagor provides 24,948-square meters of land and 36,394- square meters of factory building to serve as collaterals for debtor's performance of obligations incurred under various major contracts signed or to be signed with creditor from September 9 <sup>th</sup> , 2014 to September 8 <sup>th</sup> , 2019. Principal amount for collateralized creditor's rights shall not exceed RMB46.87 million.	Nil
Mortgage Collateral Contract	Mortgagor: Ningbo Yeong Shang Casting Iron Co., Ltd. Debtor: Ningbo Yeong Shang Casting Iron Co., Ltd. Creditor: Bank of China	2014.9.9~2019.9.8	Mortgagor provides 33,344-square meters of land and 18,980-square meters of factory building to serve as collaterals for debtor's performance of obligations incurred under various major contracts signed or to be signed with creditor from September 9 <sup>th</sup> , 2014 to September 8 <sup>th</sup> , 2019. Principal amount for collateralized	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			creditor's rights shall not exceed RMB36.47 million.	
Mortgage Collateral Contract	Mortgagor: Jiangsu Bright Steel Fine Machinery Co., Ltd. Debtor: Jiangsu Bright Steel Fine Machinery Co., Ltd. Creditor: Bank of China	2013.08.28~2018.08.27	Guarantor provides 30,066-square meters of land as a collateral for contracts of loan, trade financing, guarantee, capital business and other credit extension business signed between debtor and creditor from August 28 <sup>th</sup> , 2013 to August 27 <sup>th</sup> , 2018. Maximum principal amount for guaranteed creditor's rights is RMB11.48 million.	Nil
Mortgage Collateral Contract	Mortgagor: Jiangsu Bright Steel Fine Machinery Co., Ltd. Debtor: Jiangsu Bright Steel Fine Machinery Co., Ltd. Creditor: Bank of China	2015.01.22~2020.01.22	Guarantor provides 32,006-square meters of land and 24,577-square meters of factory building to serve as collaterals for contracts of loan, trade financing, guarantee, capital business and other credit extension business signed between debtor and creditor from January 22 <sup>nd</sup> , 2015 to January 22 <sup>nd</sup> , 2020. Maximum principal amount for guaranteed creditor's rights is RMB30.75 million.	Nil
Mortgage Contract	Mortgagor: Dongguan Yeong Guan Mold Factory Co., Ltd. Debtor: Dongguan Yeong Guan Mold Factory Co., Ltd. Creditor: ICBC	2014.10.17~2019.10.05	Guarantor enters a land and factory building collateral agreement for local/foreign currency loan contract, foreign exchange transferred loan contract, bank acceptance agreement, Letter of Credit issuance agreement/contract, guarantee issuance	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
			agreement, international/domestic trade financing agreement, financial derivative product agreement such as forward exchange contract or other documents signed with creditor from October 17 <sup>th</sup> , 2014 to October 5 <sup>th</sup> , 2019. Principal amount for collateralized creditor's rights shall not exceed RMB36.80 million.	
Foreign Exchange Loan Agreement	Borrower: Ningbo Yeong Shang Casting Iron Co., Ltd. Lender: Shanghai Commercial & Savings Bank, Ltd.	2014.2.10~2017.2.9	Shanghai Commercial & Savings Bank, Ltd. provided Yeong Shange with USD3 million as operation working capital with principal and interest paid once every three months.	Nil
Foreign Exchange Loan Agreement	Borrower: Jiangsu Bright Steel Fine Machinery Co., Ltd. Lender: Shanghai Commercial & Savings Bank, Ltd.	2014.12.17~2015.12.16	Shanghai Commercial & Savings Bank, Ltd. provided Gunri with USD2.5 million as operation working capital with interest paid every three months.	Nil
Foreign Exchange Loan Agreement	Borrower: Jiangsu Bright Steel Fine Machinery Co., Ltd. Lender: Citibank	2014.12.09~2015.12.08	Citi Bank provided Gunri with USD2 million as operation working capital with interest paid every half a year.	Nil
Foreign Exchange Loan Agreement	Borrower: Jiangsu Bright Steel Fine Machinery Co., Ltd. Lender: Citibank	2015.3.11~2016.3.10	Citi Bank provided Gunri with USD1.5 million as operation working capital with interest paid every once half a year.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Technology Group Company Limited Lender: China Development	2014.7.3~2016.7.2	China Development Industrial Bank provided Yeong Guan Energy Technology Group	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
	Industrial Bank Joint and Several Guarantor: Chang, Hsin-Ming		Company Limited with USD10 million as a working capital revolving loan with interest paid once every month.	
Credit Extension Contract	Borrower: Yeong Guan Energy Technology Group Company Limited Lender: Bank SinoPac Hong Kong Branch Joint and Several Guarantor: Chang, Hsin-Ming	2014.8.29~2016.8.28	Bank SinoPac Hong Kong Branch provided Yeong Guan Energy Technology Group Company Limited with USD6 million as a revolving loan for working capital with interest paid once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Technology Group Company Limited Lender: CTBC Bank Joint and Several Guarantor: Chang, Hsin-Ming	2014.10.14~2015.10.13	CTBC Bank provided Yeong Guan Energy Technology Group Company Limited with USD3 million as a revolving loan for working capital with interest paid once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Technology Group Company Limited Lender: Taiwan Cooperative Bank Joint and Several Guarantor: Chang, Hsin-Ming	2014.9.19~2015.9.18	Taiwan Cooperative Bank provided Yeong Guan Energy Technology Group Company Limited with USD5 million as a revolving loan for working capital with interest paid once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy International Co., Limited Lender: CTBC Bank Joint and Several Guarantor: Yeong Guan Energy Technology Group Company Limited、Chang, Hsin-Ming	2014.10.14~2015.10.13	CTBC Bank provided Yeong Guan Energy International Co., Limited with USD5 million as a revolving loan for working capital with interest paid once every month.	Nil
Credit Extension Contract	Borrower: Shin Shang Trade Co., Ltd. Lender: Shanghai Commercial & Savings Bank, Ltd.	2014.8.7~2015.8.6	Shanghai Commercial & Savings Bank, Ltd. provided Shin Shang Trade Co., Ltd. with USD2 million as a	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
	Joint and Several Guarantor: Yeong Guan Energy Technology Group Company Limited		revolving loan for working capital with interest paid once every month.	
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Co., Ltd. Lender: Land Bank of Taiwan Joint and Several Guarantor: Chang, Wen-Lung	2011.5.5~2021.5.5	Land Bank of Taiwan provided Yeong Chen Asia Pacific Co., Ltd. with a guaranteed loan of NTD6.26 million. Yeong Chen Asia Pacific Co., Ltd. provided land and building as collaterals to create a mortgage for a loan with the highest amount of NTD7.52 million.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Co., Ltd. Lender: Land Bank of Taiwan Joint and Several Guarantor: Chang, Wen-Lung	2014.10.21~2015.10.20	Land Bank of Taiwan provided Yeong Chen Asia Pacific Co., Ltd. with a short term collateralized loan and consolidated financing totaling NTD150 million. Yeong Chen Asia Pacific Co., Ltd. provided land and building as collaterals to create a mortgage for a loan with the highest amount of NTD178 million.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Co., Ltd. Lender: China Development Industrial Bank Joint and Several Guarantor: Yeong Guan Energy Technology Group Company Limited	2014.7.3~2015.7.4	China Development Industrial Bank provided Yeong Chen Asia Pacific Co., Ltd. with NTD30 million as a revolving loan for working capital with interest paid once every month, and a credit extension of NTD30 million for derivative financial product operation.	Nil

## 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					Current Financial Data as of March 31 <sup>st</sup> , 2015 (note 1)
	2010	2011	2012	2013 (note 1)	2014 (note 1)			
Current Asset				4,971,886	6,726,616		5,999,107	
Property, Plant and Equipment				4,021,240	4,310,151		4,227,964	
Intangible Asset				131,652	134,386		133,622	
Other Asset				381,580	507,107		1,041,537	
Total Asset				9,506,358	11,678,260		11,402,230	
Current Liability				2,466,894	2,067,496		1,671,821	
	Un-allocated							
	Allocated			2,113,782	Note. 3		Note. 3	
Non-current Liability				740,034	1,553,712		1,427,511	
Total Liability				3,206,928	3,621,208		3,099,332	
	Un-allocated							
	Allocated			2,853,816	Note. 3		Note. 3	
Owner's Equities Attributed to Parent Company			Note. 2	6,299,430	7,937,034		8,183,203	
Share Capital				1,008,890	1,048,890		1,057,929	
Additional Paid-in Capital				3,548,276	4,045,959		4,170,347	
Retained Earnings				1,665,736	2,314,788		2,548,217	
	Un-allocated							
	Allocated			1,312,624	Note. 3		Note. 3	
Other Equities				76,528	527,397		406,710	
Treasury Share				0	0		0	
Non-controlling Equities				0	120,018		119,695	
Total Equities				6,299,430	8,057,052		8,302,898	
	Un-allocated							
	Allocated			5,946,318	Note. 3		Note. 3	

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

Note 2: With respect to financial data for summarized consolidated balance sheet from 2010 to 2012, please refer to 1-2 Summarized Balance Sheet – Financial Accounting Guidelines in the Republic of China hereunder.

Note 3: As of May 6<sup>th</sup>, 2015, 2014 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 three years (note 1)		
	2010	2011	2012		
Current Asset	2,790,527	3,765,188	3,869,454		
Fund & Investment	0	0	0		
Fixed Asset	3,826,435	4,338,264	3,996,823		

Intangible Asset		265,654	380,084	372,637
Other Asset		116,192	143,262	126,475
Total Asset		6,998,808	8,626,798	8,365,389
Current Liability	Un-allocated	2,507,002	3,435,859	1,865,364
	Allocated	2,507,002	3,449,193	2,127,675
Long Term Liability		21,957	101,464	788,545
Other Liability		11,624	6,226	9,763
Total Liability	Un-allocated	2,540,583	3,543,549	2,663,672
	Allocated	2,540,583	3,556,883	2,925,983
Share Capital		800,000	800,000	1,008,890
Additional Paid-in Capital		3,166,049	3,166,049	3,548,276
Retained Earnings	Un-allocated	811,449	1,108,986	1,346,037
	Allocated	811,449	1,095,652	1,083,726
Financial Product Unrealized Income		0	0	0
Cumulative Translation Adjustment		(356,723)	8,214	(201,486)
Unrecognized Pension Cost Net Loss		0	0	0
Minority Interest		37,450	0	0
Shareholder's Equity	Un-allocated	4,458,225	5,083,249	5,701,717
	Allocated	4,458,225	5,069,915	5,439,406

Note 1: Financial data for 2010, 2011 and 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					Current Financial Data as of March 31 <sup>st</sup> , 2015 (note 3)
		2010	2011	2012	2013	2014 (note. 2)	
Operation Revenue					5,899,431	7,206,294	1,862,957
Operation Profit Margin					1,687,389	2,257,711	581,901
Operation Income					861,908	1,348,859	317,174
Non-operation Revenue & Expenses					(132,332)	-27,782	(6,274)
Pre-tax Net Profit					729,576	1,321,077	310,900
Current Net Profit for Continuing Operations					541,119	1,001,817	233,182
Discontinued Operations Loss					0	0	0
Current Net Profit				(note 1)	541,119	1,001,817	233,182
Current Other Consolidated Income (after tax net amount)					286,228	455,109	(120,763)
Current Consolidated Income Total Amount					827,347	1,456,926	112,419
Net Profit Attributed to Parent Company Owner					541,119	1,002,164	233,429
Net Profit Attributed to Non-controlling Equities					0	-347	(247)



Consolidated Income Total Attributed to Parent Company Owner		827,347	1,453,033	112,742
Consolidated Income Total Attributed to Non-controlling Equities		0	3,893	(323)
Earnings Per Share		5.36	9.78	2.22

Note 1: The Company did not present consolidated financial statements prepared based on International Financial Reporting Standard (IFRS) in 2010, 2011 and 2012.

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

Note 3: Current financial data as of March 31<sup>st</sup>, 2015 have already been audited by accountants.

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

Unit: NTD in thousands except for EPS

Item \ Year	Financial data for the last four years (note)		
	2010	2011	2012
Operation Revenue	4,424,686	5,261,149	5,261,316
Operation Profit Margin	1,108,042	1,051,948	1,215,451
Operation Income	572,497	401,804	546,722
Non-operation Revenue & Expenses	895	(34,010)	(82,616)
Pre-tax Income for Continuing Operations	573,392	367,794	464,106
After Tax Income for Continuing Operations	466,001	297,514	370,385
Discontinued Operations Loss	0	0	0
Extraordinary Gain or Loss	0	0	0
Cumulative Effects from Accounting Principle Changes	0	0	0
Current Income	466,001	297,514	370,385
Earnings Per Share	5.13	3.28	3.79

Note: Financial data for 2010, 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
2010	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Kuo, Cheng-Hung	No Reservation
2011	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Kuo, Cheng-Hung	No Reservation
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

## 2. Financial analysis for the last five years

### II. Financial Analysis

Year		Financial analysis for the last five years					Current Financial Data as of March 31 <sup>st</sup> , 2015
		2010	2011	2012 (note 2)	2013	2014	
Items Analyzed (note4)							
Finance Structure	Debt Ratio (%)			31.86	33.73	31.01	27.18
	Long Term Fund to Fixed Asset Ratio (%)			161.09	175.06	220.20	227.31
Repayment Capability	Current Ratio (%)			207.00	201.54	325.35	358.84
	Quick Ratios (%)			153.25	151.29	250.55	273.18
	Times Interest Earned			5.80	11.24	25.09	36.58
Operating Performance	Account Receivables Turnover Rate (Times)			3.41	3.44	3.59	3.71
	Average Collection Days			107	106	102	98
	Inventory Turnover Rate (Times)			3.99	3.96	3.82	3.69
	Account Payable Turnover Rate (Times)			7.84	5.79	4.55	4.82
	Average Inventory Turnover Days			91	92	96	99
	Fixed Asset Turnover Rate (Times)			1.27	1.46	1.73	1.75
	Total Asset Turnover Rate (Times)			0.62	0.66	0.68	0.65
Profitability	Return on Asset (%)			5.38	6.77	9.93	2.09
	Return on Equity (%)			6.87	9.02	14.07	2.89
	Pre-tax Net Profit to Paid-in Capital (%)			10.18	16.01	25.93	5.95
	Net Margin Rate (%)			7.04	9.17	13.90	12.52
	Earnings Per Share (NTD)			3.79	5.36	9.78	2.22
Cash Flow	Cash Flow Ratio (%)			59.93	27.47	72.32	11.37
	Cash Flow Adequacy Ratio (%)			note 3	note 3	note 3	note 3
	Cash Re-investment Ratio (%)			14.23	4.73	9.69	1.63
Leverage	Operating Leverage			3.21	2.79	2.29	2.51
	Financial Leverage			1.21	1.09	1.04	1.03

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

1. Long term fund to fixed asset ratio: This is mainly because of increased operation capital through seasoned equity offering as well as issuance of convertible corporate bond this year.
2. Current 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.
3. 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.
4. Times Interest Earned: This is mainly because of increased profits and dramatic decrease of interest expenses this year.

5. Account Payable Turnover Rate: This is mainly because this year the company locked in raw material prices and issued notes to pay for goods purchased. As such, notes payable increased accordingly.
6. Return on Asset: This is mainly because of increases in operating income and net profit from increased revenue and reduced costs.
7. Return on Equity: This is mainly because of increases in operating income and net profit from increased revenue and reduced costs.
8. 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.
9. Net Margin Rate: This is mainly because of increases in operating income and net profit from increased revenue and reduced costs.
10. Earnings Per Share: This is mainly because of increases in operating income and net profit from increased revenue and reduced costs.
11. Cash Flow Ratio: This is mainly because of reduced current liabilities from the company's increasing of operation capital through seasoned equity offering as well as issuance of convertible corporate bond this year. In the meantime, operating cash flow increases steadily because revenue for 2014 increased steadily.
12. Cash Re-investment Ratio: Operating cash flow increases steadily because revenue for 2014 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 =  $\text{Income After Tax} / \text{Average Total Equity}$
- (3) Net Margin Rate =  $\text{Income After Tax} / \text{Net Sales}$
- (4) Earnings Per Share =  $(\text{Income Attributed to Parent Company Owner} - \text{Preferred Share Dividend}) / \text{Weighted Average Number of Outstanding Shares}$

5. Cash Flow

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

6. Leverage:

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

## Exhibit 2: Audit Committee's Review Report

### Yeong Guan Energy Technology Group Company Limited Audit Committee's Review Report

To: Shareholders' Annual General Meeting for Year 2015

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 13, 2015

#### III. Financial Analysis – ROC GAAP

Items Analyzed(note 2)	Year	Financial Analysis for Last Three Years		
		2010	2011	2012
Financial Structure	Debt Ratio (%)	36.30	41.08	31.84
	Long Term Fund to Fixed Asset Ratio (%)	117.09	119.51	162.39
Liquidity	Current Ratio (%)	111.31	109.59	207.44
	Quick Ratios (%)	78.52	76.69	151.17
	Times Interest Earned	9.22	5.06	5.80

Operating Performance	Account Receivables Turnover Rate (Times)	4.10	3.57	3.41	
	Average Collection Days	89	102	107	
	Inventory Turnover Rate (Times)	4.50	4.88	3.99	
	Account Payable Turnover Rate (Times)	8.90	8.81	7.84	
	Average Inventory Turnover Days	81	75	91	
	Fixed Asset Turnover Rate (Times)	1.28	1.29	1.26	
	Total Asset Turnover Rate (Times)	0.63	0.67	0.62	
Profitability	Return on Asset (%)	7.82	4.75	5.39	
	Return on Equity (%)	10.71	6.24	6.87	
	Percentage to Paid-in Capital (%)	Operating Income	14.43	10.13	12.00
		Pre-Tax Income	14.46	9.27	10.18
	Net Margin Rate (%)	10.53	5.65	7.04	
Earnings Per Share (NTD)	5.83	3.72	3.79		
Cash Flow	Cash Flow Ratio (%)	22.43	5.95	58.83	
	Cash Flow Adequacy Ratio (%)	(note 1)	(note 1)	76.14	
	Cash Re-investment Ratio (%)	14.69	3.46	13.88	
Leverage	Operating Leverage	3.06	3.47	3.21	
	Financial Leverage	1.14	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 =  $\text{Income After Tax} / \text{Net Sales}$
- (4) Earnings Per Share =  $(\text{Net Income After Tax} - \text{Preferred Share Dividend}) / \text{Weighted Average Number of Outstanding Shares}$
5. Cash Flow
- (1) Cash Flow Ratio =  $\text{Operating Activity Net Cash Flow} / \text{Current Liability}$
- (2) Net Cash Flow Adequacy Ratio =  $\text{Operating Net Cash Flow for the Last Five Years} / (\text{Capital Expenditure} + \text{Increased Inventory} + \text{Cash Dividend}) \text{ for the Last Five Years}$
- (3) Cash Re-Investment Ratio =  $(\text{Operating Activity Net Cash Flow} - \text{Cash Dividend}) / (\text{Gross Fixed Asset} + \text{Long Term Investment} + \text{Other Asset} + \text{Working Capital})$
6. Leverage
- (1) Operating Leverage =  $(\text{Net Sales} - \text{Variable Operating Cost \& Expense}) / \text{Operating Income}$
- (2) Financial Leverage =  $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expense})$

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

#### **Yeong Guan Energy Technology Group Company Limited**

#### **Audit Committee's Review Report**

To: Shareholders' Annual General Meeting for Year 2015

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 13, 2015



- 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	2013	2014	Difference	
			Amount	%
Current Asset	4,971,886	6,726,616	1,754,730	35.29%
Fixed Asset	4,021,240	4,310,151	288,911	7.18%
Intangible Asset	131,652	134,386	2,734	2.08%
Other Asset	381,580	507,107	125,527	32.90%
Total Asset	9,506,358	11,678,260	2,171,902	22.85%
Current Liability	2,466,894	2,067,496	-399,398	-16.19%
Non-Current Liability	740,034	1,553,712	813,678	109.95%
Total Liability	3,206,928	3,621,208	414,280	12.92%
Share Capital	1,008,890	1,048,890	40,000	3.96%
Additional Paid-in Capital	3,548,276	4,045,959	497,683	14.03%
Retained Earnings	1,665,736	2,314,788	649,052	38.96%
Other Equities	76,528	527,397	450,869	589.16%
Total Equity	6,299,430	7,937,034	1,637,604	26.00%

Main reasons and influences for items with significant changes (items with changes exceeding 10% between two consecutive periods and with change amount reaching 1% of current year total asset amount):

1. Current Asset: 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. Other Asset: This is because of the newly added advance payment for Cathay's land.
3. Current Liability: 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.
4. Current Liability: 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.
5. Non-Current Liability: This is mainly because of increased operation capital through issuance of convertible corporate bond.
6. Additional Paid-in Capital: This is mainly because of seasoned equity offering this year.
7. Retained Earnings: This is mainly because of steady profit growth for 2014.
8. Other Equity: Long term investment cumulative translation adjustment increased because of RMB appreciation.

## 2. Financial Performance

### (1). Operating Performance Analysis Table

Unit: NTD in thousands

Item \ Year	2013	2014	Difference	
			Amount	%
Operating Income	5,899,431	7,206,294	1,306,863	22.15%
Operating Cost	4,212,042	4,948,583	736,541	17.49%
Operating Gross Margin	1,687,389	2,257,711	570,322	33.80%
Operating Expense	825,481	908,852	83,371	10.10%
Operating Net Income	861,908	1,348,859	486,951	56.50%
Non-Business Income & Expense	(132,332)	(27,782)	104,550	-79.01%
Pre-Tax Net Income	729,576	1,321,077	591,501	81.07%
Income Tax Expense	188,457	319,260	130,803	69.41%
Current Net Income	541,119	1,001,817	460,698	85.14%
<p>Explanations on items with significant changes (items with changes exceeding 10% and with change amount reaching 1% of current year total asset amount)</p> <ol style="list-style-type: none"> <li>1. Operating Income &amp; Operating Cost: Increases in operating income and cost are mainly because of strong market demand this year.</li> <li>2. Operating Gross Margin: This is mainly because of operating income increase as well as adequate cost control for this year.</li> <li>3. Operating Net Income: This is mainly because of increase in gross margin which leads to increase in operating net income.</li> <li>4. 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.</li> <li>5. Income Tax Expense: This is mainly because of increase in income which leads to increased tax as compared with the previous year.</li> </ol>				

### (2) Expected Sales and Reasons

The Company expects overall sales income for 2015 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	2013	2014	Increased (Decreased) Amount %	Increased (Decreased) Percentage %
Operating Activity	677,579	1,495,313	817,734	120.68%
Investment Activity	(188,028)	(548,018)	-359,990	191.46%
Financing Activity	(436,809)	319,104	755,913	-173.05%

Analysis of Changes:

1. Operating Activity: Increase of this year's operating activity is mainly because of steady growth in operating income which leads to steady growth of operating cash inflow.
2. Investment Activity: Increase of this year's investment activity net cash outflow is mainly because of increase in capital expenditure.
3. 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 2015. It is expected that there will be non-financing net cash outflow in 2015 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 2015 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 (2014)

Unit: NTD in thousands

Invested Enterprises	Recognized Investment Gain/Loss Amount	Reason for Gain or Loss	Improvement Plan
Yeong Guan Energy Holding Co., Ltd.	1,051,239	This is mainly because investment income is assessed using equity method.	—
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	(1,042)	This is mainly because invested enterprise is still in its opening phase and business has not yet started.	Nil
Yeong Guan Energy International Co., Limited	868,836	This is mainly because investment income is assessed using equity method.	—
Shin Shang Trade Co., Ltd.	2,263	This is main because of order transfer benefits from shipments to Europe/US customers.	—
Yeong Chen Asia Pacific Co., Ltd.	183,600	This is main because of order transfer benefits from shipments to Europe/US customers.	—
Ningbo Yeong Shang Casting Iron Co., Ltd.	239,054	Profit for main business remains steady.	—
Dongguan Yeong Guan Mould Factory Co., Ltd.	83,828	Profit for main business remains steady.	—
Ningbo Yong He Xing Machine Co., Ltd.(note 1)	83,507	Profit for main business remains steady.	—
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	222,729	Profit for main business remains steady.	—
Ningbo You Tian Resources Co., Ltd. (Note 2)	5,841	Profit for main business remains steady.	—
Jiangsu Bright Steel Fine Machinery Co., Ltd.	306,826	Profit for main business remains steady.	—
Ningbo Yong Jia Mei Trade Company	2293	Profit for main business remains steady.	—

Note 1: Under BOD meeting resolutions from respective subsidiaries, subsidiary Ningbo Yeong Shang Casting Iron Co., Ltd. (surviving company) merged with Ningbo Yong He Xing Machine Co., Ltd. (extinguished company) on April 24<sup>th</sup>, 2014 and June 30<sup>th</sup>, 2014 was designated as the record date for

the merge.

Note 2: Under BOD meeting resolutions from respective subsidiaries, subsidiary Ningbo Lu Lin Machine Tool Foundry Co., Ltd. (surviving company) merged with Ningbo You Tian Resources Co., Ltd. (extinguished company) on September 15<sup>th</sup>, 2014 and November 30<sup>th</sup>, 2014 was designated as the record date for the merge.

- (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 2013 and 2014 are NTD71,943 thousands and NTD39,299 thousands with percentages of 1.22% and 0.55% 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 losses for 2013 and 2014 are NTD7,879 thousands and NTD28,638 thousands respectively accounting for 0.13% and 0.40% 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 1.52% and 1.25% of sales amount for 2013 and 2014 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) Expected benefits, potential risks and responding measures for conducting merger and acquisition  
Under consideration of synergy from integrated group resources, saving of



operating costs and enhancement of group operation as well as through BOD meeting resolutions from respective subsidiaries, the Company conducted mergers between its subsidiaries of Ningbo Yeong Shang Casting Iron Co., Ltd. and Ningbo Yong He Xing Machine Co., Ltd. as well as between subsidiaries of Ningbo Lu Lin Machine Tool Foundry Co., Ltd. and Ningbo You Tian Resources Co., Ltd. on April 24<sup>th</sup>, 2014 and September 15<sup>th</sup>, 2014 respectively. Both Ningbo Yong He Xing Machine Co., Ltd. and Ningbo You Tian Resources Co., Ltd. are extinguished companies. Expected benefits generated from such mergers will be integration of both parties' resources as well as enhancement of the Group's operating efficiency as a whole. Furthermore, these two cases are all mergers between the Group's 100% owned subsidiaries and therefore there is no impact on the Company's net value per share or earnings per share.

(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

Major raw materials the Company uses include various metals of pig iron, scrap steel, nodulizer, inoculant, carburant, ferrosilicon, ferromanganese, ferrochrome, ferromolybdenum, ferrophosphorus and iron sulphide. Auxiliary materials used in casting include furan resin, hardener, deslagging agent, steel shot, adhesive, delay screen, quartz sand and magnesium oxide coating. Among them, the biggest items for purchase of goods are pig iron and scrap steel which account for roughly 60% of total cost of purchase of goods. As for the source of supply, in addition to importing pig iron from South Africa and Russia, the Company mainly purchases from domestic markets in China because the Company is located in China which has abundant mineral resources. Given the fact that there are more than one supplier for respective raw materials, therefore currently there is no major difficulty in acquisition of aforementioned materials. The Company's ten major suppliers for the latest two years account for 52.59% and 50% respectively of annual net purchase amounts, with averages around 50%~60%. 2014 Pig iron suppliers of Ningbo Minyuan and FuShun Hanwang account for 14.73% and 10.54% respectively of purchase of goods for that year, while percentages for the remaining suppliers are all below 10%. As such, currently there is no major risk incurred for purchasing from limited suppliers.

2. Sales of Goods

In 2014, percentages of the Company's sales to its biggest and second biggest clients all exceeded 10% while sales percentages to other individual clients are all under 6%. Sales to the Company's top ten client accounts for roughly 60% of total sales in latest fiscal year of 2014. 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., 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 thirteen (13), while total compensation amount paid by the Company is only RMB202,349.2. Such result does not have significant influence over the Company's shareholder equity or securities price.  
With respect to the pending litigation for the Company's another subsidiary of Jiangsu Bright Steel Fine Machinery Co., Ltd., this is because Ningbo Shenguan, the Company's pig iron supplier, suspended its operation in November 2013 without prior warning and it failed to deliver pig iron to the Company in accordance with delivery schedule. Accordingly, the Company raised litigation against the supplier and its joint and several guarantor of Bei Fan Iron Foundry. Nevertheless, the Company still has other qualified pig iron suppliers and there is no significant impact on the Company's shareholder's 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 31<sup>st</sup>, 2015, Unit: in thousands

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
Yeong Guan Energy Holding Co., Ltd.	2007.11	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 86,000	Investment in Share Holding
Yeong Guan Energy 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.	THB375,000	Manufacturing and selling of cast iron

(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 Energy Holding Co., Ltd.	Director	Chang, Hsin-Ming, Chang, Wen-Lung
Yeong Guan Heavy Industries (Thailand) Co., Ltd.	Director	Chang, Hsin-Ming, Chang, Wen-Lung、Chang, Zhen-Jong, Tsai, Su-Gen, Chen, Wu-Ji, Sutep Jatupornpakdi, Niyom Jatupornpakdi
Yeong Guan Energy International Co., Limited	Director	Chang, Hsin-Ming, Chang, Wen-Lung
Shin Shang Trade Co., Ltd.	Director	Chang, Hsin-Ming, Chang, Wen-Lung
Yeong Chen Asia Pacific Co., Ltd.	Director	Chang, Hsin-Ming, Chang, Wen-Lung
Dongguan Yeong Guan Mould Factory Co., Ltd.	Director	Chang, Hsin-Ming, Chang, Wen-Lung、Chang, Zhen-Jong, Tsai, Su-Gen, Chen, Wu-Ji
	General Manager	Chen, Wu-Ji
Ningbo Yeong Shang Casting Iron Co., Ltd.	Director	Chang, Hsin-Ming, Chang, Wen-Lung、Chang, Zhen-Jong, Chen, Wu-Ji
	Supervisor	Hsu, Yu-Ye
	General Manager	Hsu, Chin-Xiong
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Director	Chang, Hsin-Ming, Chang, Wen-Lung, Chang, Zhen-Jong, Tsai, Su-Gen, Chen, Wu-Ji
	Supervisor	Hsu, Yu-Ye
	General Manager	Lin, Tai-Fon
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Director	Chang, Hsin-Ming, Chang, Wen-Lung, Tsai, Su-Gen, Hsu, Chin-Xiong
	Supervisor	Chang, Zhen-Jong
	General Manager	Chang, Hsin-Ming
Ningbo Yong Jia Mei Trading Co., Ltd.	Director	Chang, Wen-Lung
	Director	Chang, Hsin-Ming

(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 Energy Holding Co., Ltd.	2,723,620	8,447,070	18	8,447,052	-	-209	1,051,239	12.22
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	481,500	480,307	236	480,071	-	-	-	-
Yeong Guan Energy International Co., Limited	(1,389)	(1,389)	(0.03)	-	-	-	-	-
Shin Shang Trade Co., Ltd.	2,066,504	7,801,903	443,380	7,358,523	-	(614)	865,977	1.71

Name of Enterprise	Paid-in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Yeong Chen Asia Pacific Co., Ltd.	1,584	183,573	90,707	92,866	389,036	9,864	87	1.74
Dongguan Yeong Guan Mould Factory Co., Ltd.	95,000	1,948,535	1,410,086	538,449	3,470,142	262,696	183,532	note
Ningbo Yeong Shang Casting Iron Co., Ltd.	126,571	681,818	127,842	553,976	567,847	95,276	82,866	note
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	1,364,977	3,920,672	1,067,191	2,853,481	2,238,493	187,916	230,474	note
Jiangsu Bright Steel Fine Machinery Co., Ltd.	434,037	1,735,597	246,623	1,488,974	1,531,414	285,788	223,603	note
Ningbo Yong Jia Mei Trading Co., Ltd.	2,533,600	4,467,356	1,114,795	3,352,561	2,858,900	426,983	315,000	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	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	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

<b>Shareholder Equity Protection Critical Issues</b>	<b>Contents of The Company's Modified Articles of Incorporation</b>	<b>Reasons for Differences</b>
<p>the Company and are entitled to utilize Taiwan Taipei District Court as the first instance court.</p> <p>2. In the event that supervisor does not raise litigation hereto within thirty (30) days after shareholder's request, shareholder hereto will be entitled to raise litigation for the Company and is entitled to utilize Taiwan Taipei District Court as the jurisdiction court.</p>	<p>shares for more than one year are entitled to:</p> <p>(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</p> <p>(b) request, in writing, audit committee independent director to raise litigation against director for the Company after being approved by BOD meeting resolution and are entitled to utilize Taiwan Taipei District Court as the first instance court;</p> <p>Within thirty (30) days after requests prescribed in the preceding clause (a) or clause (b) have been submitted, in the event that:</p> <p>(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</p>	<p>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 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</p>

<b>Shareholder Equity Protection Critical Issues</b>	<b>Contents of The Company's Modified Articles of Incorporation</b>	<b>Reasons for Differences</b>
	<p>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 entitled to utilize Taiwan Taipei District Court as the first instance court.</p>	<p>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 Company from raising litigation accordingly. British Cayman Island court will make determinations based on facts for individual cases. (Although court may take references of the Company's articles of incorporation, this is however not a decisive factor.)</p> <p>According to the laws of British Cayman Islands, BOD meeting shall make decisions on behalf of the Company based on expression of intention 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.</p> <p>Company Act of British Cayman Islands does not have regulations granting shareholders the rights to request the holding of BOD meeting for resolution on</p>



<b>Shareholder Equity Protection Critical Issues</b>	<b>Contents of The Company's Modified Articles of Incorporation</b>	<b>Reasons for Differences</b>
		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) 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<sup>th</sup>, 2014 under reference of Tai-Zheng-Shang-Er-Tze No. 1031701439 and November 10<sup>th</sup>, 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<sup>th</sup>, 2014 and March 13<sup>th</sup>, 2015 respectively and are expected to be submitted to shareholder’s meeting on June 2<sup>nd</sup>, 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.**

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