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Stock Code: 1589

永冠集團
YEONGGUAN GROUP

Yeong Guan Energy Technology Group Co., Ltd.

2018

ANNUAL REPORT

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

Printed on May 8, 2018

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I. Spokesperson and Deputy Spokesperson:

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

II. Headquarters and branches (contact information)

(a) Company information:

Name: Yeong Guan Energy Technology Group Co., Ltd.
Address: Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands Tel: (86)574-8622-8866

(b) Corporate HQ:

Address: No.95, Huanghai Rd., Beilun Dist., Ningbo City, Zhejiang Province, China
Tel: (86)574-8622-8866

(c) Subsidiaries:

1. BVI Subsidiary
   Name: Yeong Guan 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, Xinhu 1st Rd., Neihu Dist., Taipei City Tel: (886)27198-7198
   Name: Shin Shang Trade Co., Ltd. Tel: (86)574-8622-8866
   Address: OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands
   Taiwan Branch
   Address: 4F, No.87, Xinhu 1st Rd., Neihu Dist., Taipei City Tel: (886)27198-7198
2. Taiwan Subsidiary
   Name: Yeong Chen Asia Pacific Co., Ltd. Tel: (886)3-483-9216
   Address: No.502, Chenggong 1st Rd. Guanyin Township, Taoyuan County
   Name: Yeong Chen Asia Pacific Co., Ltd., Taichung Branch Tel: (886)3-483-9216
   Address: 2F, No. 288, Zhonger Rd., Wuqi District, Taichung City
   Name: New Power Team Tecnhology Co., Ltd. Tel: (886)3-386-7671
   Address: No. 9, Minquan Rd., Dayuan District, Taoyuan City
3. Hong Kong Subsidiary
   Name: Yeong Guan Energy International Co., Ltd. Tel: (86)574-8622-8866
   Address: 1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong
4. Mainland China Subsidiaries
   Name: Dongguan Yeong Guan Mould Factory Co., Ltd. Tel: (86)769-8773-9480
   Address: Yinquan Industrial Zone, Qingxi Town, Dongguan City, Guangdong Province, China
   Name: Ningbo Yeong Shang Casting Iron Co., Ltd. Tel: (86)574-8622-9800
   Address: No. 1, Gangkou Rd., Beilun Dist., Ningbo City, Zhejiang Province, China
   Name: Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Tel: (86)574-8627-5777
   Address: No. 28, Dinghai Rd., Economic and Technology Development Zone, Zhenhai Dist., Ningbo City, Zhejiang Province, China
   Name: Ningbo Yeong Chia Mei Trade Co., Ltd. Tel: (86)574-8622-8866
   Address: No.95, Huanghai Rd., Beilun Dist., Ningbo City, Zhejiang Province, China
   Name: Jiangsu Bright Steel Fine Machinery Co., Ltd. Tel: (86)519-8089-5588
   Address: No.9, Yueming Rd., Tianmuhu Industrial Zone, Liyang City, Jiangsu Province, China
   Name: Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.
   Tel: (86)512-8287-0666
   Address: No.999 Laixiu Road, Fen Lake Economic Development Zone, Wujiang

Name: Qing Dao Rui Yao Building Material Co., Ltd.
Tel: (86)574-8622-8866
Address: No. 6, Fenghe Rd., Jiaozhou Economic and Technology Development Zone, Qingdao City, Shangdong Province, China

5. Thailand Subsidiary
   Name: Yeong Guan Heavy Industry (Thailand) Co., Ltd. Tel: (81)2-437-9337
   Address: 622/15 Rama II Road, Samaedam sub-District Bangkoontien District, Bangkok.
6. Samoa Subsidiary
   Name: LIZHANLIMITED Tel: (886)3-386-7671
   Address: Offshore Chambers, P.O. Box 217, Apia, Samoa

III. Contact information of Litigation/Non-litigation Agent in the Republic of China:
Name: Chang, Wen-Lung
Title: Director and Executive Vice President
Tel: (886)3-483-9216
E-mail address: wl.chang@nbys.com.cn

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

V. Contact information of CPA for the latest Annual Financial Report:
Accountant name: Chen, Chih-Yuan and Chang, Ching-Jen
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 8, 2018

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

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I. Letter to Shareholders

Allow me to take this opportunity to welcome you to the 2018 Annual Shareholders Meeting and express my deep gratitude for your continued support and engagement. Our business operations in 2017 may be summarized as follows:

1. Operating Performance in 2017

   (1) Implementation of Business Plan:

   Yeong Guan Group's 2017 consolidate revenue is NT$6.404 billion dollars, 13.2% lower than the one for last year. Shipment quantities are 145,623 tons which are 3.5% lower than the ones for last year. As for profit, gross profit rate and operation net profit rate are 22% and 4% respectively, which are 11% and 12% lower than 33% and 16% for last year. Decreases in gross profit rate and operation net profit rate are mainly caused by lower demand in energy sectors. In addition, the Company's operation cost and expense also increased from the impact of raw material price increase, labor cost increase as well as implementation of new environmental, occupational health and industry safety policies in China. To summarize, consolidated after-tax net profit for this year is NT$270,474 thousand dollars, which is a reduction of NT$737,824 thousand dollars as compared with the one for last year. Earnings per share is NT$2.28 dollars which is a reduction of NT$6.22 dollars as compared with the one for last year.

   (2) Analysis of financial revenues and profitability: Please refer to the Consolidated Income Statements.

   (3) Research and Development Status:

   The 2017 R&D expenditure comprised 2.54% of net operating revenue. The company will continue on research and improvement of production process to cut down the R&D time and rejection ratio of new product development and gradually improve our technical ability to develop new products.

2. 2017 Business Plan Summary:

   Yeong Guan is a primary casting supplier of the world's largest manufacturers of wind turbine, injection molding machine, and industrial machinery. The company owns advanced process technology and high-tech metallurgical and engineering technology. It provides excellent quality products with stable delivery time and is highly recognized and relied upon by its customers. The core competencies of the company are the large production scale that stays ahead of competition, detailed casting process, and vertical integration capabilities; meanwhile, the company is committed to pursuing a better performance than competitors and the growth on both revenue and profit. Estimated shipment target for 2018 is 140 thousand ~160 thousand tons. With respect to production capacity expansion, Shanghai No.1 Machine Tool Foundry Co., Ltd. has already started small volume production in 2017. A new round of labor recruitment will be conducted in the first quarter of 2018 in order to increase production capacity. On the other hand, Jiangshu Bright Steel Fine Machinery Co., Ltd. has already completed expansion and has started production in the first half of 2018 in order to mitigate insufficient production capacity within the group. Furthermore, Taichung Harbor factory plan has already completed exchange of contract at this stage, and has already started execution of factory building related matters.

Under the trend of industry high-end product growth in the future, this group shall continue to expand our range of customers, engage in new product market and develop new manufacturing equipment in order to enhance competitiveness. Meanwhile, this group will take advantage of the trend of ever increasing percentage of contracted manufacturing in this industry, hoping to establish a leading position and pursue stable profit growth in the ductile cast iron industry which still has a scattered market structure.

Chairman: General Manager: Chief Accountant:

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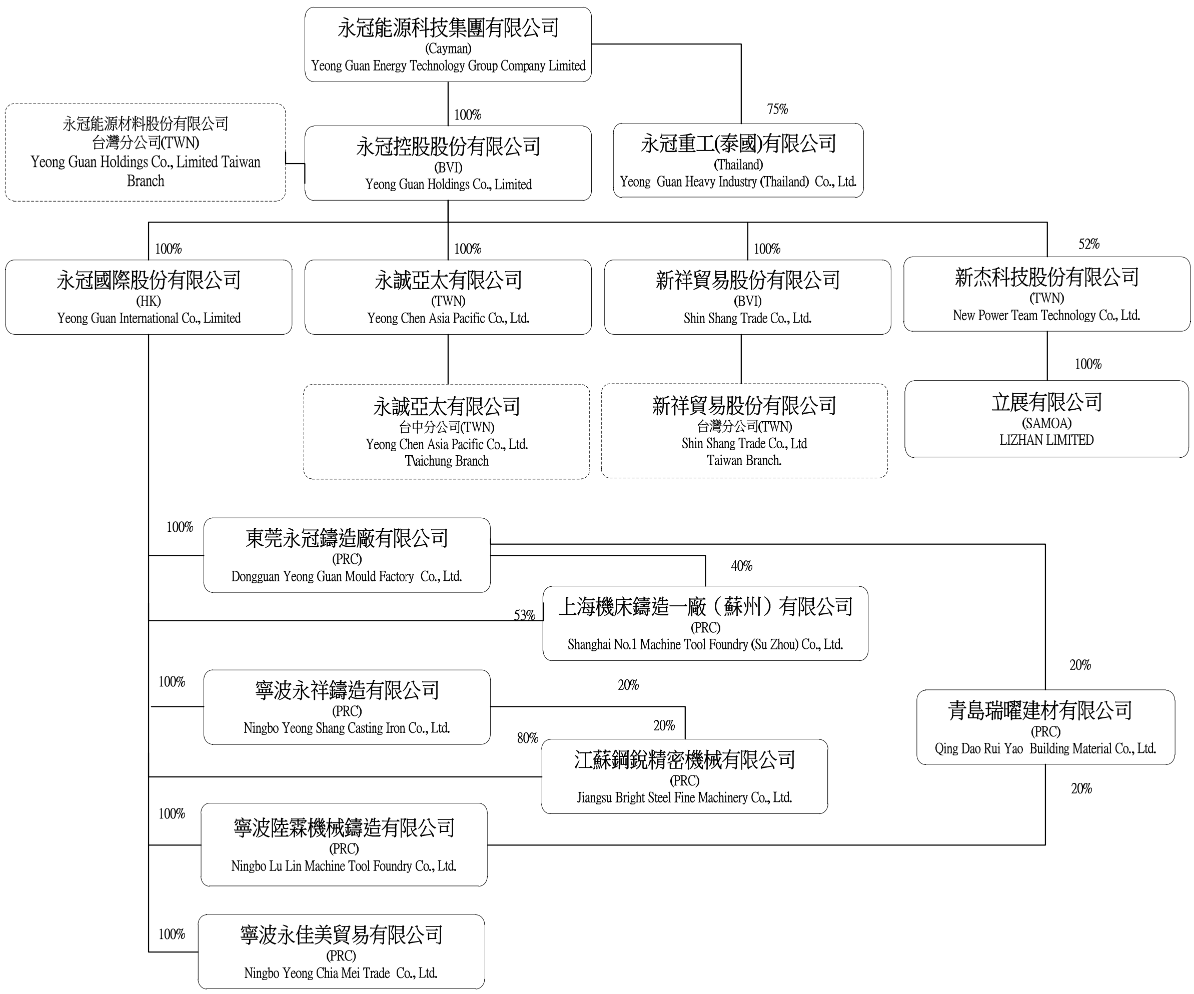
II. Company Profile

1. Company and Group Profile

(a) Date of incorporation and group profile

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

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



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2. Company history

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

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

May 2016	Yeong Chen Asia Pacific Co., Ltd. establishes a branch in Taichung
July 2016	Lizhan Limited invests in Ningbo New Power Team Technology Co., Ltd.
December 2016	Yeong Guan Holding Co., Limited Taiwan Branch completes contract exchange for land lease in the Taichung Harbor area
September 2017	Sale of the equity stake in Shanghai No. 1 Machine Tool & Marketing Company
January 2018	Repurchase of 7,200,000 treasury shares by board resolution
March 2018	Writing-off of first repurchase of 7,200,000 treasury shares
April 2018	Writing-off of New Power Team Technology Co., Ltd.

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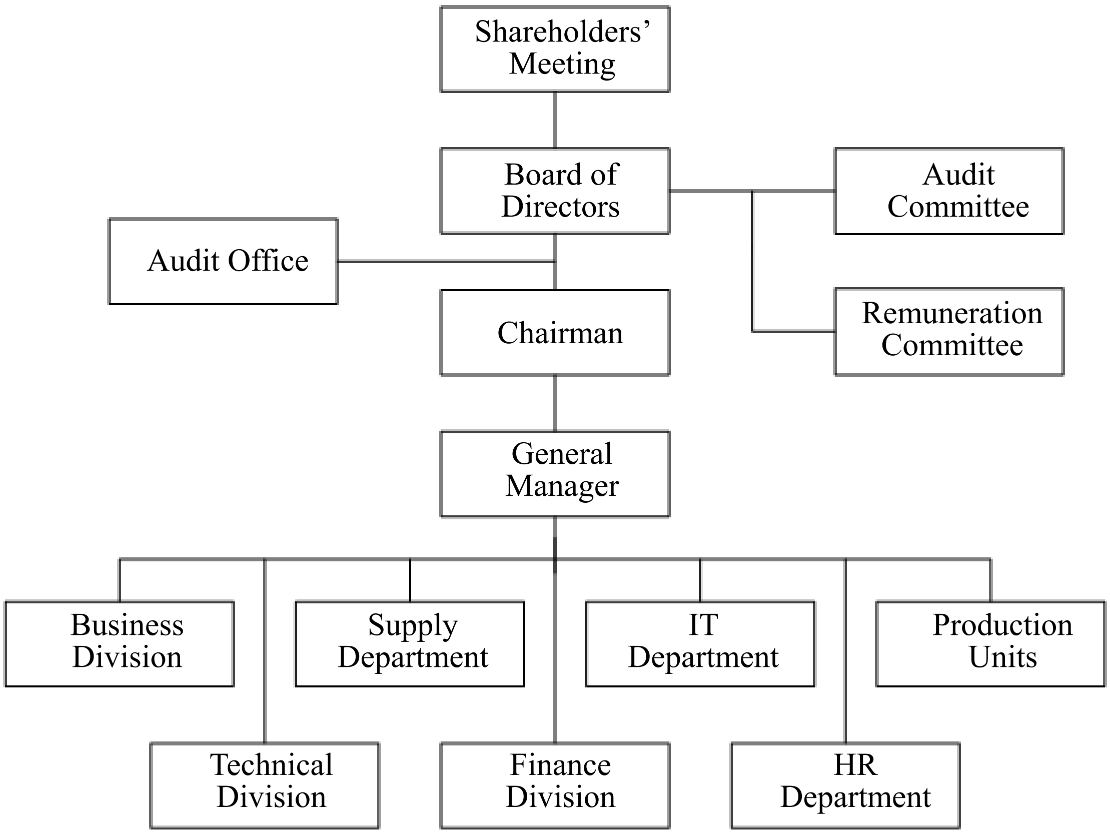
III. Corporate Governance Report

1. Organization

(a) Organization Chart



(b) Major Corporate Functions

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

	matters for the whole group
Technical Division	Overall management of production program controls, prototype process monitoring, production program and product data safekeeping and records, external communications with regard to production technologies for the whole group
Sales Division	Planning and implementation of product, price, market, and sales channel strategies; compilation and analysis of customer and market data; formulation and implementation of business goals; market and customer development , sales, and services; building and maintenance of customer relationships and strategic partnerships; firm grasp of customer dynamics; guarantee of order sources and accounts receivable; establishment of sales channels and understanding of customer demands; effective customer services; determination and coordination of prices and delivery times of sold products
Finance Division	Overall management of accounting and tax affairs, financial budgets, capital movements, and cashier related matters
Purchasing 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 19, 2018; Unit: Shares

Title	Nationality or domicile	Name	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman	ROC	Chang, Hsien-Ming	2016.06.07	3	2008.1.22	17,487,540	14.72%	13.693.540	12.27%	3,120	0.00%	3,714,000	3.33%	Graduation from Xihu High School of Industry and Commerce, Electronics Department Chairman, Yeong Guan Mould Factory Co., Ltd. President, Yeong Guan Mould Factory Co., Ltd. Chairman, Shin Shang Special Industry Co., Ltd. President, Shin Shang Special Industry Co., Ltd. Sales Manager, Shin Shang Special Industry Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Director, Yeong Chen Asia Pacific Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Taipin Corporation Limited Chairman, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.	Director Director	Chang, Wen-Lung Chang, Chih-Kai	Brother Father & Son
Director	ROC	Chang, Cheng-Chung	2016.06.07	3	2009.5.29	4,844,408	4.08%	3.494.408	3.13%	2,262,261	2.03%	-	-	Oriental Institute of Technology, Electrical Engineering Department Chairman, San Ho Electric Machinery Industry Co., Ltd. Manager, Five Powers Electric Machinery MFG Co., Ltd.	Chairman, San Ho Electric Machinery Industry Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Supervisor, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.			

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Title	Nationality or domicile	Name	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director	ROC	Chang, Wen-Lung	2016.06.07	3	2008.1.22	8,009,313	6.74%	4.426.313	3.97%	2,127,832	1.91%	-	-	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. Supervisor, New Power Team Technology Co., Ltd.	Chairman	Chang, Hsien-Ming	Brother
Director	ROC	Tsai, Shu-Ken	2016.06.07	3	2009.5.29	840,156	0.71%	780,156	0.70%	-	-	-	-	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, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Director, New Power Team Technology Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-
Director	ROC	Chen, Wu-Chi	2016.06.07	3	2009.5.29	1,814,263	1.53%	1,614,263	1.45%	944,944	0.85%	-	-	Vice President, Yeong Guan Mould Factory Co., Ltd.	Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd. Director, New Power Team Technology Co., Ltd.	-	-	-
Director	ROC	Kung, Hsing-Yuan	2016.06.07	3	2016.6.7	-	-	-	-	-	-	-	-	Farm Machinery Department of National Taiwan University Vice President of Suzhou Liangchi Motor Co., Ltd. Vice President of Suzhou TECO Electric & Machinery Co., Ltd.	Executive Vice President,	-	-	-

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Title	Nationality or domicile	Name	Election date	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at this or other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director	ROC	Huang, Wen-Hung	2016.06.07	3	2016.6.7	9,000	0.01%	15,000	0.01%	-	-	-	-	Master of Business Administraion in ExecutiveManagement Royal Roads University Master, Department of Industrial and Business Management, China Industrial & Commercial Research Institute COO, Taiwan Express Co., LTD. President, Chimei Logistics Vice Director, Marketing & Sales Department, Chi Mei Optoelectronics Corporation and Director of Global Sales Support Service Department	President, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Chairman, Qing Dao Rui Yao Building Material Co., Ltd.	-	-	-
Independent director	ROC	Chen, Ching-Hung	2016.06.07	3	2010.3.19	-	-	-	-	-	-	-	-	NTU Department of Law EMBA, NCCU President, Radium Life Tech Co., Ltd. President, Sinyi Development Inc. President, Dajia Construction Presidnet, Shanghai Shangtou Investment Management Co., Ltd. President, Sinyi Real Estate (Shanghai) Limited	President, Sinyi Development Inc. Presidnet and Representative of juridical person director, Sinyi Real Estate (Shanghai) Limited	-	-	-
Independent director	ROC	Chang, Cheng-Lung	2016.06.07	3	2010.3.19	-	-	-	-	-	-	-	-	BA in Commerce, Tamkang University Mini MBA, Stanford University	-	-	-	-
Independent director	ROC	Wei, Chia-Min	2016.06.07	3	2013.6.17	-	-	-	-	-	-	-	-	PhD, Graduate Institute of Resource Engineering, National Cheng Kung University Vice President, Metal Industries R&D Center	Vice President, Metal Industries R&D Center Director, Edeex Enterprise Co., Ltd. Representative of juridical person director, Everstrong Iron&Steel Foundry&MFG. Corp. Supervisor, Honley Auto Parts Co., Ltd.	-	-	-

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:

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

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

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds.

(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 7, 2018; Unit: Shares

Title	Nationality or Domicile	Name	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman and President	ROC	Chang, Hsien-Ming	2008.01.22	13,693,540	12.27%	3,120	0.00%	3,714,000	3.33%	Graduation from Xihu High School of Industry and Commerce, Electronics Department Chairman, Yeong Guan Mould Factory Co., Ltd. President, Yeong Guan Mould Factory Co., Ltd. Chairman, Shin Shang Special Industry Co., Ltd. President, Shin Shang Special Industry Co., Ltd. Sales Manager, Shin Shang Special Industry Co., Ltd.	Director, Yeong Guan Energy Holdings Co., Ltd. Director, Yeong Guan Energy International Co., Ltd. Director, Shin Shang Trade Co., Ltd. Director, Yeong Chen Asia Pacific Co., Ltd. Chairman, Dongguan Yeong Guan Mould Factory Co., Ltd. Chairman, Ningbo Yeong Shang Casting Iron Co., Ltd. Chairman, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Supervisor, Ningbo Yeong Chia Mei Trade Co., Ltd. Supervisor, Taipin Corporation Limited Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.	Director and Executive Vice President	Chang, Wen-Lung	Brother
Vice Chairman and Spokesperson	ROC	Tsai, Shu-Ken	2008.01.22	780,156	0.70%	0	0	-	-	EMBA, National Taiwan University of Science and Technology Senior Engineer and Director, Metal Industries R&D Center President, Shieh Yih Machinery Industry Co., Ltd.	Director, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Chairman, Shanghai No. Machine Tool Foundry (Su Zhou) Co., Ltd.	-	-	-

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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, New Power Team Technology Co., Ltd. Director, Qing Dao Rui Yao Building Material Co., Ltd.			
Director and Executive Vice President	ROC	Chang, Wen-Lung	2008.01.22	4.426.313	3.97%	2,127,832	1.91%	-	-	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. Supervisor, New Power Team Technology Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Vice Chairman, Jiangsu Bright Steel Fine Machinery Co., Ltd. Executive Director, Ningbo Yeong Chia Mei Trade Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd.	Chairman And President	Chang, Hsien-Ming	Brother
Director and Executive Vice President	ROC	Chen, Wu-Chi	2008.01.22	1,614,263	1.45%	944,944	0.85%	-	-	Vice President, Yeong Guan Mould Factory Co., Ltd.	Director and President, Dongguan Yeong Guan Mould Factory Co., Ltd. Director, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Ningbo Lu Lin Machine Tool Foundry Co., Ltd. Director, Yeong Guan Heavy Industry (Thailand) Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Director, New Power Team Technology Co., Ltd.	-	-	-
Executive Vice	ROC	Kung, Hsing-	2008.04.08	-	-	-	-	-	-	NTU Department of Agricultural		-	-	-

Title	Nationality or Domicile	Name	Appointment date	Current shareholding		Shareholding of spouse or minor children		Shareholding by Nominee Arrangement		Professional background (Education)	Concurrent positions at other companies	Managers who are spouses or within two degrees of kinship		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
President		Yuan								Machinery Engineering President, Suzhou Liang Chi Industry Co., Ltd. Vice President, Suzhou Teco Co., Ltd.				
Executive Vice President	ROC	Huang, Wen-Hung	2015.05.11	15,000	0.01%	-	-	-	-	Master of Business Administraion in ExecutiveManagement Royal Roads University Master, Department of Industrial and Business Management, China Industrial & Commercial Research Institute COO, Taiwan Express Co., LTD. President, Chimei Logistics Vice Director, Marketing & Sales Department, Chi Mei Optoelectronics Corporation and Director of Global Sales Support Service Department	President, Jiangsu Bright Steel Fine Machinery Co., Ltd. Director, Shanghai No. 1 Machine Tool Foundry (Su Zhou) Co., Ltd. Chairman, Qing Dao Rui Yao Building Material Co., Ltd.			
Vice President	ROC	Hsu, Ching-Hsiung	2008.01.22	-	-	-	-	-	-	Yu Da High School Of Commerce and Home Economics, Commercial Accounting Department Vice President, Chen Hsing Industrial Co., Ltd. President, Weimao Company	President, Ningbo Yeong Shang Casting Iron Co., Ltd. Director, Jiangsu Bright Steel Fine Machinery Co., Ltd.	-	-	-
Vice President	ROC	Lin, Tai-Feng	2008.01.22	-	-	-	-	-	-	Tamkang University, Department of Marine Engineering President, Great Sun Machinery Co., Ltd.	President, Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	-	-	-
Vice President	ROC	Huang, Ching-Chung	2010.12.01	-	-	-	-	-	-	Chien Hsin Junior College of Technology, Mechanical Engineering Department Lio Ho Machine Works Ltd.	Vice President, Dongguan Yeong Guan Mould Factory Co., Ltd.	-	-	-
Vice President	PRC	Kuo, Jui	2010.12.01	-	-	-	-	-	-	Sichuan Institute of Technology, Department of Metallic Materials Engineering Engineer, Sichuan Jiangdong Machinery Co., Ltd.	-	-	-	-
Vice President	ROC	Lin, Yu-I	2013.01.07	-	-	-	-	-	-	MA, Department of Accounting, Soochow University Deloitte&Touche	-	-	-	-

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
Audit Office Director	ROC	Tsai, Ching-Wu	2012.07.01	-	-	-	-	-	-	NCCU Department of Accounting Finance Manager, Chen Hsin Co., Ltd. Ernst & Young	-	-	-	-

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

1. Remuneration of Directors (incl. Independent Directors)

Unit: 1000 NTD; %

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)(note 3)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary (Note4)
		Base compensation(A)		Severance pay and retirement pension (B)		Remuneration from distribution of profits(C)		Expenses for execution of business(D)				Salary, Bonuses, and Allowances (E)		Severance pay and retirement pension (F)		Profit Sharing- Employee Bonus (G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash bonus	Stock bonus	Cash bonus	Stock bonus			
Chairman	Chang, Hsien-Ming	1,199	1,199	0	0	0	0	48	48	0.48%	0.48%	0	20,270	0	0	8,968	0	8,968	0	3.96%	11.82%	0
Vice Chairman	Tsai, Shu-Ken																					
Director	Chang, Wen-Lung																					
Director	Chang, Cheng-Chung																					
Director	Chen, Wu-Chi																					
Director	Kung, Hsing-Yuan																					
Director	Huang, Wen-Hung																					
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; Chang, Wen-Lung; Kung, Hsing-Yuan; Huang, Wen-Hung; Tsai, Shu-Ken; Chen, Wu-Chi; Chang, Hsien-Ming	Chen, Ching-Hung; Chang, Cheng-Lung; Wei, Chia-Min; Chang, Cheng-Chung; Chang, Chih-Kai
NT$ 2,000,000 or more but less than NT$ 5,000,000	—	—	—	Chang, Wen-Lung; Kung, Hsing-Yuan; Huang, Wen-Hung
NT$ 5,000,000 or more but less than NT$ 10,000,000	—	—	—	Tsai, Shu-Ken; Chen, Wu-Chi; Chang, Hsien-Ming
NT$ 10,000,000 or more but less than NT$ 15,000,000	—	—	—	—
NT$ 15,000,000 or more but less than NT$ 30,000,000	—	—	—	—
NT$ 30,000,000 or more but less than NT$ 50,000,000	—	—	—	—
NT$ 50,000,000 or more but less than NT$ 100,000,000	—	—	—	—
Over NT$ 100,000,000	—	—	—	—
Total	3 directors	3 directors	9 directors	11 directors

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

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3. Remuneration of Presidents and Vice Presidents

Unit: 1000NTD; %

Title	Name	Base compensation (A)		Severance pay and retirement pension (B)		Bonuses and allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total remuneration (A+B+C+D) to net income(%) (%)		Number of received Employee Stock Option Certificates		Number of acquired shares through Restricted Stock Awards		Compensation paid to presidents/ vice presidents from an invested company other than the company's subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus							
Chairman and President	Chang, Hsien-Ming	0	17,282	0	0	0	13,987	11,947	0	11,947	0	4.63%	16.76%	0	0	0	0	0
Vice Chairman and Spokesperson	Tsai, Shu-Ken																	
Director and Executive Vice President	Chang, Wen-Lung																	
Director and Executive Vice President	Chen, Wu-Chi																	
Executive Vice President	Kung, Hsing-Yuan																	
Executive Vice President	Huang, Wen-Hung																	
Vice President	Hsu, Ching-Hsiung																	
Vice President	Lin, Tai-Feng																	
Vice President	Kuo, Jui																	
Vice President	Huang, Ching-Chung																	
Vice President	Lin, Yu-I																	

Range of Remunerations

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

4. Managers and their allotted employee bonuses:

Unit: 1000 NTD; December 31, 2017

	Title	Name	Stock bonus	Cash Bonus	Total	Ratio of total amount to net income (%)
Managers	Chairman and President	Chang, Hsien-Ming	—	11,947	11,947	4.63%
	Vice Chairman and Spokesperson	Tsai, Shu-Ken				
	Director and Executive Vice President	Chang, Wen-Lung				
	Director and Executive Vice President	Chen, Wu-Chi				
	Executive Vice President	Kung, Hsing-Yuan				
	Executive Vice President	Huang, Wen-Hung				

	Vice President	Hsu, Ching-Hsiung				
	Vice President	Lin, Tai-Feng				
	Vice President	Kuo, Jui				
	Vice President	Huang, Ching-Chung				
	Vice President	Lin, Yu-I				

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

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

Unit: 1000 NTD; %

Item	2016		2017	
	Amount	%	Amount	%
Director	33,554	3.36%	30,485	11.82%
Presidents and Vice Presidents	45,847	4.60%	43,217	16.76%
Consolidated net income	997,419	100%	257,94	100%

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

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

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

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3. Implementation of Corporate Governance

(a) Operations of the board of directors

A total of 8 board meetings (A) were convened in the most recent fiscal year (2017). Director attendance was follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Chang, Hsien-Ming	8	0	100.00%	
Director	Chang, Cheng-Chung	7	1	87.50%	
Director	Chang, Wen-Lung	7	1	87.50%	
Director	Tsai, Shu-Ken;	7	1	87.50%	
Director	Chen, Wu-Chi	7	1	87.50%	
Director	Kung, Hsing-Yuan	8	0	100.00%	
Director	Huang, Wen-Hung	7	1	87.50%	
Independent Director	Chen, Ching-Hung	7	1	87.50%	
Independent Director	Chang, Cheng-Lung	8	0	100.00%	
Independent Director	Wei, Chia-Min	8	0	100.00%	

Other items to be recorded:

1. If any of the circumstances referred to in Article 14-3 of Securities and Exchange Act apply and objections or reservations to resolutions by Independent directors are recorded or declared in writing, the dates of meetings, sessions, contents of motions, the opinions of all independent directors and responses to such opinions by the company should be specified: None
2. If directors recuse themselves from discussion and voting on motions that involve conflicts of interest, the names of the directors, contents of motions, the reasons for recusal, and actual participation in the voting process shall be clearly stated:
   (1) On March 9, 2017, the board of directors discussed the award of the 2015 year-end bonus to the managers of the company. Due to the fact that the directors Chang, Hsien-Ming, Tsai Shu-ken, Chang, Wen-Hung and Chen, Wu-Chi concurrently serve as managers of the company, they recused themselves from participation in the discussions and voting process due to a personal conflict of interest. The motion was passed unanimously upon inquiry of the other directors in attendance by the acting chairman, Chang, Cheng-Lung.
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 7 committee meetings (A) were convened in the most recent fiscal year (2017). 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	1	85.71%	
Independent director	Chang, Cheng-Lung	7	0	100.00%	
Independent director	Wei, Chia-Min	7	0	100.00%	

Other items to be recorded:

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

(c) Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

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

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Assessment items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Y	N	Brief description	
(c) Has the company determined board performance assessment regulations and assessment methods? Are performance assessments carried out every year on a regular basis? (d) Does the company assess the independence of CPAs on a regular basis?	✓	✓ ✓	2. The company has not established other functional committees. The board will authorize the establishment of other committees in accordance with actual needs. 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.	The company has not established other functional committees. Board performance assessment regulations and assessment methods have not been determined yet. No major deviations
4. Has the listed company established an exclusively (or concurrently) dedicated unit to be in charge of corporate governance related matters (including, but not limited to, provision of required data to directors and supervisors, organization of board and shareholders' meeting related matters, company registration and amendment registration, and creation of board and shareholders' meeting minutes)?	✓		The Chairman Office of this company is concurrently in charge of corporate governance related matters. In addition to company amendment registration, the office also maintains excellent liaison with directors, provides data required for the performance of duties, and organizes matters pertaining to board and shareholders' meetings.	No major deviations
5. 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
6. 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
7. Information disclosure (a) Has the company established a corporate website to disclose information regarding the Company's financials,	✓		1. The company has set up a Chinese-language website and will continue to disclose relevant information. Finance, business, and corporate	No major deviations

Assessment items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"
	Y	N	Brief description	
business, and corporate governance status? (b) Has the company adopted other information disclosure methods (e.g., maintenance of an English-language website, appointment of dedicated personnel in charge of handling information collection and disclosure, implementation of a spokesperson system, webcasting of investor conferences)?	✓		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 accordance with regulations prescribed by the Taiwan Stock Exchange.	
8. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., employee rights, employee care, investor relations, supplier relations, rights of stakeholders, advanced training of directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer relations policies, and purchase of liability insurance for directors and supervisors):	✓		1. Advanced training for directors and supervisors: The company has scheduled advanced training courses for all directors	No major deviations

Title	Name	Training course date	Hours	Organizer	Course title
Independent Director	Wei, Chia-Min	2017/10/17	3.0	Securities and Futures Institute	Discussion of legal liability of directors and supervisors for false financial statements
		2017/07/28	3.0	Taiwan Corporate Governance Association	Board leadership and guidance in an environment characterized by rapid technological changes
		2017/05/19	3.0	Taiwan Corporate Governance Association	Corporate governance and securities regulations
Independent Director	Chang, Cheng-Lung	2017/10/25	6.0	Taiwan Corporate Governance Association	13th International Summit Forum of Corporate Governance
Director	Chang, Hsien-Ming	2017/12/19	3.0	Taiwan Corporate Governance Association	Legal compliance and supervision duties of directors
		2017/12/19	3.0	Taiwan Corporate Governance Association	Supervision and guidance by directors in the field of corporate risk and crisis management
Director	Tsai, Shu-Ken	2017/12/19	3.0	Taiwan Corporate Governance Association	Legal compliance and supervision duties of directors
		2017/12/19	3.0	Taiwan Corporate Governance Association	Supervision and guidance by directors in the field of corporate risk and crisis management
Director	Chang, Cheng-Chung	2017/12/19	3.0	Taiwan Corporate Governance Association	Legal compliance and supervision duties of directors
Director	Chang, Wen-Lung	2017/12/19	3.	Taiwan Corporate Governance Association	Legal compliance and supervision duties of directors
Director	Chen, Wu-Chi	2017/12/19	3.0	Taiwan Corporate Governance Association	Legal compliance and supervision duties of directors
		2017/12/19	3.0	Taiwan Corporate Governance Association	Supervision and guidance by directors in the field of corporate risk and crisis management
Director	Kung, Hsing-Yuan	2017/12/19	3.0	Taiwan Corporate Governance Association	Legal compliance and supervision duties of directors
		2017/12/19	3.0	Taiwan Corporate Governance Association	Supervision and guidance by directors in the field of corporate risk and crisis management

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<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”</th></tr>
<tr><th>Y</th><th>N</th><th>Brief description</th></tr>
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<table>
<tr><td rowspan="2">Director</td><td rowspan="2">Huang, Wen-Hung</td><td>2017/12/19</td><td>3.0</td><td>Taiwan Corporate Governance Association</td><td>Legal compliance and supervision duties of directors</td></tr>
<tr><td>2017/12/19</td><td>3.0</td><td>Taiwan Corporate Governance Association</td><td>Supervision and guidance by directors in the field of corporate risk and crisis management</td></tr>
</table>
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.
3. Purchase of liability insurance for directors and supervisors: The company has purchased liability insurance for all directors
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.</td><td></td></tr>
<tr><td colspan="5">9. Please describe adopted improvements and planned measures for prioritized areas requiring improvement as identified in the most recent corporate governance evaluation carried out by the TWSE Corporate Governance Center. （not required for companies which have not been evaluated）
(A) Adopted improvements
1. Disclosure of implementation status of shareholders’ resolutions in annual reports of the company
2. Regular assessment (at least annually) by the board of the independence of CPA and disclosure in annual reports
3. Disclosure of projected R&D expenses in annual reports
(B) Planned measures for prioritized areas
1. E-voting adopted for General Shareholders’ Meetings
2. Disclosure of names and educational backgrounds of the management team (managers and above) on the corporate website
3. Disclosure of an English translation of the meeting handbooks and annual reports on the English version of the corporate website</td></tr>
</table>

(d) Remuneration Committee Operations

1. Remuneration committee member data

Status	Criteria / Name	Meet One of the Following Professional Qualification Requirements in addition to at Least Five Years Work Experience			Independence Criteria(Note 1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (Note 2)
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent director	Chang, Cheng-Lung			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Independent director	Chen, Ching-Hung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Independent director	Wei, Chia-Min			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA

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

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or executive of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.

(8) None of the conditions defined in Article 30 of the Company Law apply.

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

.

2. Remuneration Committee Competencies

(1) Assessment and monitoring of the company's remuneration policies

(2) Assessment and setting of remuneration standards for directors (incl. Chairman and Vice Chairman)

(3) Assessment and setting of remuneration standards for executives above the level of president and Associate GM

(4) Assessment and setting of remuneration standards for executives

(5) Regular reviews of remunerations of directors (incl. Chairman and Vice Chairman) and top executives (incl. executives above the level of manager and associate GM) based on company goals, business performance, and competitive environment

3. Operations of the remuneration committee

(1) The Remuneration Committee of the company is comprised of three members

(2) Term of office of the current committee:

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

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

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

Other items to be recorded:

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

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

(e) Implementation of Corporate Social Responsibility

Assessment items	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Y	N	Brief description	
1. Exercising corporate governance				
(a) Has the company formulated CSR policies or established a CSR system and does it review the implementation results?	✓		(a)The company has formulated CSR Best Practice Principles and handles CSR related matters in accordance with these principles.	No major deviations
(b) Does the company organize CSR-related educational training on a regular basis?	✓		(b)The company organizes CSR-related training courses and education on a scheduled and non-scheduled basis.	No major deviations
(c) Has the company established exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing CSR policies and has the board authorized the top management level to handle CSR-related matters and report the progress to the board?	✓		(c)Management departments of the company concurrently serve as dedicated CSR units during the current stage and are in charge of promoting CSR-related operations.	No major deviations
(d) Has the company formulated reasonable remuneration and compensation policies? Is the employee performance evaluation system linked to CSR policies? Is a clear and effective reward and penalty system in place?		✓	(d)The company has established an employee performance evaluation system and provides relevant education during meetings or staff training on a non-scheduled basis. The company also actively schedules advanced training courses for board directors to reinforce their understanding of corporate governance. However, the employee performance evaluation system has not yet been linked to CSR policies.	Future planning will continue to focus on this aspect
2. Fostering a sustainable environment				
(a) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	✓		(a)The company is committed to a more efficient utilization of resources and promotes low-carbon offices and promotes water and power conservation habits among its employees.	No major deviations
(b) Has the company established a proper environmental management system based on the characteristics of its industry?	✓		(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 and OHSAS18001 certification. Environmental protection is implemented in the fields of environmental management, pollution prevention, and garbage reduction in the hope of	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	
(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?	✓		making a contribution to global environmental protection efforts. In addition, the general affairs units are responsible for designating dedicated personnel in charge of the management of environmental protection operations in the fields of air pollution, waste water, and solid waste and relevant legal requirements. (c)The company has already implemented energy conservation and carbon reduction activities. In addition to the reduced use of fluorescent 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 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	✓		(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	No major deviations No major deviations

Assessment items	Implementation status: Y	Implementation status: N	Implementation status: Brief description	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
impact?			changes that may have a significant impact on them through different methods such as public notices to give both sides a full understanding of labor and management related information.	No major deviations
(e) Has the company established an effective career skill development program for its employees?	✓		(e)The company has established an effective career skill development program for its employees.	No major deviations
(f) Has the company formulated relevant policies and grievance procedures for the protection of consumer rights and interests with regard to its R&D, procurement, production, operation, and services processes?	✓		(f)The company doesn't sell its products to end consumers.	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.
(g) Does the company comply with relevant laws and international standards in the marketing and labeling of its products and services?	✓		(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) Does the company evaluate past records of suppliers with regard to environmental and social impacts before initiating dealings with them?	✓		(h)The company conducts assessments of different supplier conditions including 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?		✓	(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	
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.				
7. State clearly whether the CSR reports issued by the company have met the assurance standards of relevant verification organizations : NA				

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

(f) Implementation of Ethical Corporate Management and Adopted Measures

Implementation of Ethical Corporate Management

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

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

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

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

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Brief description</th></tr>
<tr><td>and effects of their promotion on its corporate website and the Market Observation Post System?</td><td></td><td></td><td>Management Best Practice Principles in the corporate governance section of the corporate website and the Market Post Observation System.</td><td></td></tr>
<tr><td colspan="5">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.</td></tr>
<tr><td colspan="5">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.</td></tr>
</table>

(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 8, 2018

Based on the results of a self-inspection, the company hereby makes the following declaration regarding the internal control system in 2017:

I. The company is fully aware of the fact that directors and managers of this company shall be fully responsible for the establishment, implementation, and maintenance of an internal control system. It has already established such a system in order to guarantee achievement of a wide range of goals including effectiveness and efficiency of company operations (e.g., profitability, performance, and asset security), reliability, timeliness, and transparency of reporting, and compliance with relevant laws, rules, and regulation.

II. The internal control system faces inherent constraints. No matter how perfect the design of the system is, an effective internal control system may only provide reasonable guarantees regarding the achievement of the aforementioned three goals. Furthermore, the effectiveness of the internal control system is affected by changes of the environment and external conditions. However, the internal control system of the company is equipped with a self-monitoring mechanism. Once shortcomings are identified, the company adopts corrective measures in a prompt manner.

III. The company judges the effectiveness of the design and implementation of the internal control system based on the judgment criteria prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as “these Regulations”). The judgment criteria for the internal control system adopted in these Regulations divide the internal control system into five main constituents based on the management and control process: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communication and 5. Monitoring. Each constituent includes several items. For more details on the aforementioned items, please refer to the provisions set forth in these Regulations.

IV. The company inspects the effectiveness of the design and implementation of the internal control system based on the aforementioned judgment criteria

V. Based on the results of the aforementioned inspections, the company believes that the design and implementation of the internal control system on December 31, 2017 (including the supervision and management of subsidiaries) was efficient as far as goal achievement in the field of results and efficiency of operations, reliability of financial reports, and legal compliance are concerned and may provide reasonable guarantees regarding the achievement of the aforementioned goals.

VI. This declaration will be included as a main component of the annual report and prospectus of the company and will be made public. If the aforementioned published contents involve illegal activity such as fraud or concealment, the company shall assume legal liability pursuant to Article 20, 32, 171, 174 of the Securities and Exchange Act.

VII. This declaration was approved unanimously by the board of directors with an attendance of 11 directors on March 8, 2018. All directors consented to the contents of this declaration as stated herein.

Yeong Guan Energy Technology
Group Co., Ltd.

Chairman: Signature/Seal

General Manager: Signature/Seal

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

(j) Penalties imposed in accordance with the law upon the company or its in-house personnel, disciplinary action taken by the company against its in-house personnel for violations of the company's internal control regulations, and description of principal shortcoming(s) and adopted improvements during the most recent fiscal year up to the date of printing of the annual report: NA

(k) Major resolutions adopted by the shareholders' meeting and board during the most recent fiscal year up to the date of printing of the annual report

1. Major resolutions adopted by the General Shareholders' Meeting and their implementation status in 2017:
   (1) Approval of the 2016 Business Report and Consolidated Financial Statement
   (2) Approval of the 2016 Earnings Distribution Proposal
   Implementation status：July 19, 2017 was set as the base date and August 10, 2017 was set as the payment date (DPS of NT$ 3.25)-implemented as scheduled
   (3) Deliberation of amendment of the company's Rules of Procedure for Shareholders' Meetings
   Implementation status: Carried out in accordance with shareholders' meeting resolutions
   (4) Deliberation of the amendment of the company's Procedures for Election of Directors
   Implementation status: Carried out in accordance with shareholders' meeting resolutions
   (5) Amendment of the company's Procedures for Acquisition or Disposal of Assets
   Implementation status: Carried out in accordance with shareholders' meeting resolutions

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

Meeting name	Date	Major resolutions
Board meeting	2017.03.09	1. Approval of the 2016 Consolidated Financial Statement 2. Approval of the 2016 Business Report 3. Approval of the 2016 Year-end bonus for managers 4. Deliberation of 2016 Director and Employee Compensations 5. Deliberation of the 2016 Earnings Distribution Proposal 6. Deliberation of the planned release of the 2016 Internal Control System Statement 7. Deliberation of amendment of the company's Rules of Procedure for Shareholders' Meetings 8. Deliberation of the amendment of the company's Procedures for Election of Directors 9. Deliberation of the amendment of the company's Procedures for Acquisition or Disposal of Assets 10. Planned application for derivative instrument credit line from Land Bank

Meeting name	Date	Major resolutions
		11. Provision of endorsements/guarantees to the company's subsidiary Yeong Guan Holdings Co., Limited 12. Provision of endorsements/guarantees to the company's subsidiary Ningbo Yeong Shang Casting lron Co., Ltd. 13. Deliberation of the convening of the 2017 General Shareholders' Meeting
Board meeting	2017.06.13	1. Deliberation of the determination of matters pertaining to allocation of cash dividends in 2016 2. Lending of funds by the subsidiary Yeong Chen Asia Pacific Co., Ltd. 3. Planned application for a credit line from CTBC Bank and Taiwan Cooperative Bank 4. Planned provision of endorsements/guarantees to the company's subsidiary Yeong Guan Holdings Co., Limited 5. Planned provision of endorsements/guarantees to the company's subsidiary Yeong Chen Asia Pacific Co., Ltd. 6. Planned provision of endorsements/guarantees to the company's subsidiary Jiangsu Bright Steel Fine Machinery Co., Ltd.
Board meeting	2017.08.03	1. Planned application for a credit line from Bank SinoPac, Citibank Taiwan, BNP Paribas 2. Planned lending of funds by the subsidiary Yeong Guan Holdings Co., Limited 3. Planned provision of endorsements/guarantees to the company's subsidiary Yeong Chen Asia Pacific Co., Ltd. 4. Planned provision of endorsements/guarantees to the company's subsidiary Ningbo Yeong Shang Casting lron Co., Ltd. 5. Planned provision of endorsements/guarantees to the company's subsidiary Jiangsu Bright Steel Fine Machinery Co., Ltd.
Board meeting	2017.09.26	1. Planned application for a five-year syndicated loan 2. 2017 Fees for commissioned accountants 3. Provision of endorsements/guarantees to the company's subsidiary Yeong Chen Asia Pacific Co., Ltd.
Board meeting	2017.11.07	1. Deliberation of the 2018 Audit Plan 2. Approval of salary adjustments for managers 3. Deliberation of formulation of Rules Governing the Scope of Powers of Independent Directors 4. Deliberation of amendment of the Audit Committee charter 5. Deliberation of amendment of the Rules of

Meeting name	Date	Major resolutions
		Procedure for Board Meetings 6. Planned provision of endorsements/guarantees to the company's subsidiary Shin Shang Trade Co., Ltd. 7. Planned provision of endorsements/guarantees to the company's subsidiary Jiangsu Bright Steel Fine Machinery Co., Ltd. 8. Planned provision of endorsements/guarantees to the company's subsidiary Shanghai No.1 Machine Tool Foundry (Suzhou)
Board meeting	2018.01.09	(1) Repurchase and cancellation of shares of this company (2) By-election for one vacant director position (3) Deliberation of a change of accountants
Board meeting	2018.03.08	(1) Approval of the 2017 Consolidated Financial Statement (2) Approval of the 2017 Business Report (3) Deliberation of the 2017 Earnings Distribution Proposal (4) Deliberation of the planned release of the 2017 Internal Control System Statement (5) Deliberation of the amendment of the company's Articles of Incorporation (6) Cancellation of treasury stocks and setting of a reverse split base date (7) Deliberation of the convening of the 2018 Annual Shareholders' Meeting
Board meeting	2018.04.30	(1) Planned approval of application for a five-year syndicated loan from a consortium formed by Taiwan Land Bank and relevant conditions

(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	Chih-Yuan, Chen	Ching-Jen, Chang	2017.01.01~2017.12.31	

Unit: 1000 NTD

Range of fees \ Item		Audit fee	Non-audit fees	Total
1	Below NT$2,000			
2	NT$2,000～NT$4,000			
3	NT$4,000～NT$6,000			
4	NT$6,000～NT$8,000			
5	NT$8,000～NT$10,000	8,750	1,240	9,990
6	Above NT$10,000			

Unit: 1000 NTD

Accounting firm	Name of accountant	Audit fee	Non-audit fees					Accountant audit period	Note
			System design	Business registration	HR	Other (Note 1)	Subtotal		
Deloitte Taiwan	Chen, Chih-Yuan Chang, Ching-Jen	8,750				1,240	9,990	2017.01.01~ 2017.12.31	Note 1 Tax assessment fee

(b) Non-audit fees paid to CPAs, their accounting firms, and related businesses make up over 25% of the audit fees: NA

(c) Reduction of audit fees after replacement of the accounting firm compared to the year preceding replacement: NA

(d) Reduction of audit fees by more than 15% compared to the previous year: NA

5. Information on change of accountant(s): NA

In 2017, the CPAs were replaced due to internal rotation of the accounting firm in accordance with relevant laws and regulations.

(1) Previous accountant(s)

<table>
<tr><td>Date of replacement</td><td colspan="5">January 9, 2018</td></tr>
<tr><td>Reason of replacement</td><td colspan="5">CPA replacement due to internal adjustments in the accounting firm</td></tr>
<tr><td rowspan="3">Termination by the appointer or refusal of appointment by the accountant(s)</td><td colspan="3">Parties
Conditions</td><td>Accountant</td><td>Appointer</td></tr>
<tr><td colspan="3">Unilateral termination of appointment</td><td>NA</td><td>NA</td></tr>
<tr><td colspan="3">Refusal of appointment/reappointment</td><td>NA</td><td>NA</td></tr>
<tr><td>Audit report opinions (and reasons) other than qualified opinions issued within the last two years</td><td colspan="5">None</td></tr>
<tr><td rowspan="7">Opinions differing from the issuer</td><td></td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td>Yes</td><td></td><td colspan="3">Audit scope or steps</td></tr>
<tr><td></td><td></td><td colspan="3">Other</td></tr>
<tr><td></td><td></td><td colspan="3"></td></tr>
<tr><td>NO</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Description</td></tr>
<tr><td>Other disclosure items
(pursuant to Article 10, Paragraph 6, Item 1.4 to 1.7 of these principles)</td><td colspan="5">None</td></tr>
</table>

(2) Succeeding accountant(s)

Name of accounting firm	Deloitte Taiwan
Name of accountants	Chen Chih-Yuan Chang, Ching-Ren
Date of appointment	January 9, 2018
Accounting methods or principles for specific transactions and issued opinions and consultation with regard to financial statements prior to appointment	NA
Written opinions of succeeding accountant(s) differing from those of preceding accountants	NA

(3) Reply by the previous accountant regarding matters set forth in Article10, Clause 6, Item 1 and Item 2.3 of these principles: 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	2017		2018 up to April 7	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and major shareholder	Chang, Hsien-Ming	905,000	–	–	2,700,000
Nominee shareholder	Rui Sheng Industrial Co., LTD	2,597,000	–	–	–
Director and Executive Vice President	Chang, Wen-Lung	(2,330,000)	–	–	1,000,000
Director	Chang, Cheng-Chung	(300,000)	–	–	–
Vice Director	Tsai, Shu-Ken	–	–	–	–
Director and Executive Vice President	Chen, Wu-Chi	–	(350,000)	–	–
Independent Director	Chen, Ching-Hung	–	–	–	–
Independent Director	Chang, Cheng-Lung	–	–	–	–
Independent Director	Wei, Chia-Min	–	–	–	–
Director and Executive Vice President	Kung, Hsing-Yuan	–	–	–	–
Director and Executive Vice President	Huang, Wen-Hung	3,000	–	3,000	–
Vice President	Hsu, Ching-Hsiung	–	–	–	–
Vice President	Lin, Tai-Feng	–	–	–	–
Vice President	Huang, Ching-Chung	–	–	–	–
Vice President	Kuo, Jui	–	–	–	–
Vice President	Lin, Yu-I	–	–	–	–

(b) Share Transfer to Related Parties:

Unit: Shares

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship between Transferee and the company, Directors, Supervisors, and Major Shareholders	Shares	Transaction Price
Chang, Wen-Lung	Stock grant	2017/7/11	Chang, Hsin-Lin	Relationships within the Second Degree of the director and executive vice president of the company	600,000	0
Chang, Wen-Lung	Stock grant	2017/7/11	Chang, Chia-Yi	Relationships within the Third Degree of the director and executive vice president of the company	240,000	0
Chang, Wen-Lung	Stock grant	2017/7/11	Chang, Wen-Hui	Relationships within the Third Degree of the director and executive vice president of the company	240,000	0
Chang, Wen-Lung	Stock grant	2017/7/11	Chang, Li-Min	Relationships within the Third Degree of the director and executive vice president of the company	240,000	0
Chang, Wen-Lung	Stock grant	2017/7/11	Chang, Yi-Min	Relationships within the Third Degree of the director and executive vice president of the company	240,000	0
Chang, Wen-Lung	Stock grant	2017/7/11	Chang, Chun-Chi	Relationships within the Third Degree of the director and executive vice president of the company	240,000	0
Chang, Cheng-Chung	Stock grant	2017/9/6	Chang, Chia-Yi	Director’s son/daughter	220,000	0
Chang, Cheng-Chung	Stock grant	2017/9/6	Chang, Wei-Lun	Director’s son/daughter	80,000	0
Hsu, Yu-Yueh	Stock grant	2017/9/6	Chang, Chia-Min	Director’s son/daughter	220,000	0
Hsu, Yu-Yueh	Stock grant	2017/9/6	Chang, Wei-Lun	Director’s son/daughter	80,000	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 7, 2018/Unit: Shares; %

NAME/TITLE	Personal shareholding		Shareholding of spouse or minor children		Shareholding by nominee arrangement		The relationship between any of the company’s top ten shareholders (name/title)		REMARKS
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name /title	Relationship	
Chang, Hsien-Ming	13,693,540	12.27%	3,120	0.00%	3,714,000	3.33%	Chang, Wen-Lung	Brother	
Fubon Life Insurance Co., Ltd.	5,420,685	4.86%							
Nan Shan Life Insurance Co., Ltd.	5,136,000	4.6%							
Chang, Wen-Lung	4,426,313	3.97%	2,127,832	1.91%	-	-			
Rui Sheng Industrial Co., LTD	3,714,000	3.33%					Chang, Hsien-Ming		Nominee shareholder
Mercuries Life Insurance	3,532,000	3.16%							
Chang, Cheng-Chung	3,494,408	3.13%	2,262,261	2.03%	-	-			
Hsu, Yu-Yueh	2,262,261	2.03%	3,494,408	3.13%					
Tsao, Chien-Li	2,127,832	1.91%	4,426,313	3.97%					
Development International Co., Ltd.	1,940,000	1.74%							

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, 2017/Unit: 1,000 Shares; %

Joint venture business	Investments by the company		Investments by directors, supervisors, executives, and businesses directly or indirectly controlled by the company		Total investments	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Yeong Guan Holdings Co., Ltd.	146,000	100.00	–	–	146,000	100.00
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	37,500	75.00	–	–	37,500	75.00
Yeong Guan International Co., Ltd.	506,000	100.00	–	–	506,000	100.00
Shin Shang Trade Co., Ltd.	50	100.00	–	–	50	100.00
New Power Team Technology Co., Ltd.	13,000	52.00	–	–	13,000	52.00
Lizhan Limited	Note	52.00	–	–	Note	52.00
Yeong Chen Asia Pacific Co., Ltd.	Note	100.00	–	–	Note	100.00
Dongguan Yeong Guan Mould Factory Co., Ltd.	Note	100.00	–	–	Note	100.00
Ningbo Yeong Shang Casting Iron Co., Ltd.	Note	100.00	–	–	Note	100.00
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	Note	100.00	–	–	Note	100.00
Jiangsu Bright Steel Fine Machinery Co., Ltd.	Note	100.00	–	–	Note	100.00
Ningbo Yeong Chia Mei Trade Co., Ltd.	Note	100.00	–	–	Note	100.00
Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd.	Note	93.00	–	–	Note	93.00
Shanghai No. 1 Foundry Trading Co., Ltd.	Note	52.00			Note	52.00
Ningbo New Power Team Technology Co., Ltd.	146,000	100.00	–	–	146,000	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	-	Common shares 1,000	HKD 100	1,000	HKD 100	Company establishment	NA	
2008.9	-	Common shares 985,000 Special shares 15,000	HKD 100,000	50,000	HKD 5,000	Organizational restructuring	NA	
2009.5	USD 2.08	Common shares 1,000,000	HKD 100,000	57,822	HKD 5,782	Cash capital increase	NA	
2009.8	USD 1.51	Common shares 1,000,000	HKD 100,000	77,683	HKD 7,768	Cash capital increase	NA	
2010.3	-	Common shares 120,000	NTD 1,200,000	80,000	NTD 800,000	Conversion of capital into NT dollars	NA	
2012.4	NTD 53	Common shares 120,000	NTD 1,200,000	88,889	NTD 888,890	Cash capital increase	NA	
2012.9	-	Common shares 120,000	NTD 1,200,000	100,889	NTD 1,008,890	Capital increase from earnings	NA	
2014.8	NTD 118	Common shares 120,000	NTD 1,200,000	104,889	NTD 1,048,890	Cash capital increase	NA	
2015.3	NTD 153	Common shares 120,000	NTD 1,200,000	105,793	NTD 1,057,930	Convertible bond conversion	NA	
2015.4	NTD 153	Common shares 120,000	NTD 1,200,000	105,862	NTD 1,058,622	Convertible bond conversion	NA	
2015.6	NTD 149	Common shares 150,000	NTD 1,500,000	111,212	NTD 1,112,118	Convertible bond conversion	NA	
2015.7	NTD 149	Common shares 150,000	NTD 1,500,000	112,151	NTD 1,121,507	Convertible bond conversion	NA	
2015.8	NTD 149	Common shares 150,000	NTD 1,500,000	112,155	NTD 1,121,545	Convertible bond conversion	NA	
2015.10	NTD 168	Common shares 150,000	NTD 1,500,000	117,155	NTD 1,171,545	Cash capital increase	NA	
2015.10	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,830	NTD 1,178,303	Convertible bond conversion	NA	
2015.11	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,845	NTD 1,178,451	Convertible bond conversion	NA	
2015.12	NTD 148.6	Common shares 150,000	NTD 1,500,000	117,980	NTD 1,179,796	Convertible bond conversion	NA	
2016.1	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,126	NTD 1,181,263	Convertible bond conversion	NA	
2016.2	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,299	NTD 1,182,986	Convertible bond conversion	NA	
2016.3	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,702	NTD 1,187,023	Convertible bond conversion	NA	
2016.4	NTD 148.6	Common shares 150,000	NTD 1,500,000	118,771	NTD 1,187,709	Convertible bond conversion	NA	
2016.6	NTD 148.6	Common shares 300,000	NTD 3,000,000	118,782	NTD 1,187,824	Convertible bond conversion	NA	
2016.8	NTD 148.6	Common shares 300,000	NTD 3,000,000	118,818	NTD 1,188,175	Convertible bond conversion	NA	
2017.3	-	Common shares 300,000	NTD 3,000,000	111,618	NTD 1,116,175	Writing-off of repurchased treasury shares	NA	

2. Type of stock

April 7, 2018

Share type	Authorized capital			Remarks
	Issued shares	Unissued shares	Total shares	
Common	111,617,519	188,382,481	300,000,000	

3. Information for the shelf registration system: NA

(b) Shareholder Structure

As of April 7, 2018; Unit: Persons; Shares; %

Shareholder structure / Number	Government agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions& Natural Persons	Total
Number of shareholders	1	6	41	104	7,729	7,881
Number of shares	480,000	15,648,685	7,431,608	10,920,174	77,137,052	111,617,519
Shareholding ratio (%)	0.43%	14.02%	6.66%	9.78%	69.11%	100.00%

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

(c) Shareholding distribution status:

As of April 7, 2018; Unit: Persons; Shares; %

Shareholding classes	Number of shareholders	Number of shares	Shareholding ratio (%)
1 ～ 999	604	86,319	0.08%
1,000 ～ 5,000	5,859	10,834,209	9.71%
5,001 ～ 10,000	699	5,662,373	5.07%
10,001 ～ 15,000	209	2,760,804	2.47%
15,001 ～ 20,000	145	2,701,891	2.42%
20,001 ～ 30,000	114	2,877,178	2.58%
30,001 ～ 40,000	55	1,977,746	1.77%
40,001 ～ 50,000	38	1,754,320	1.57%
50,001 ～ 100,000	61	4,388,280	3.93%
100,001 ～ 200,000	40	5,565,315	4.99%
200,001 ～ 400,000	22	6,173,597	5.53%
400,001 ～ 600,000	11	5,227,087	4.68%
600,001 ～ 800,000	3	2,308,924	2.07%
800,001 ～ 1,000,000	4	3,784,979	3.39%
1,000,001 or more	17	55,514,497	49.74%
Total	7,881	111,617,519	100.00%

(d) List of Major Shareholders

As of April 7, 2018; Unit: Shares; %

Number of shares and shareholding ratio / Name of major shareholder	Number of shares	Shareholding ratio (%)
Chang, Hsien-Ming	13,693,540	12.27%
Fubon Life Insurance Co., Ltd.	5,420,685	4.86%
Nan Shan Life Insurance Co., Ltd.	5,136,000	4.60%
Chang, Wen-Lung	4,426,313	3.97%
Rui Sheng Industrial Co., LTD	3,714,000	3.33%
Mercuries Life Insurance	3,532,000	3.16%
Chang, Cheng-Chung	3,494,408	3.13%
Hsu, Yu-Yueh	2,262,261	2.03%
Tsao, Chien-Li	2,127,832	1.91%
Development International Co., Ltd.	1,940,000	1.74%

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

Unit: NTD; 1000 shares

Item	Year		2016	2017	Up to March 31, 2018
Market price per share	Highest		247	130	102.5
	Lowest		98.4	58.3	64.5
	Average		179.52	87.52	75.79
Net worth per share	Before distribution		82.26	79.31	—
	After distribution		79.01	Not yet distributed	—
Earnings per share	Weighted average shares		118,673	118,818	—
	EPS		8.50	2.28	—
Dividends per share	Cash dividends		3.25	1.50(Note 4）	—
	Stock dividends	—	—	—	
		None	None	—	
	Accumulated undistributed dividends		None	None	—
Return on investment	Price-Earnings Ratio(Note 1)		21.12	38.39	—
	Price-Dividend Ratio(Note 2)		55.24	58.35	—
	Cash dividend yield rate(Note 3)		1.81%	1.71%	—

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

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

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

Note 4: The 2017 Earnings Distribution Proposal was approved by board resolution on March 8, 2018 and will be submitted to the shareholders' meeting for ratification on June 5, 2018

(f) Dividend Policy and Implementation Status

1. Dividend policy as prescribed in the Articles of Incorporation

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

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

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

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

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

(a) take into account the earnings, overall development, financial planning, capital demands, industry outlook, and future prospects of the company in the respective fiscal year to safeguard the rights and interests of the shareholders and;

(b) Shall make allocations from net income in the current quarter for (i) reserves for the payment of taxes in the respective fiscal year (ii) compensation of losses (iii) 10% general reserves and (iv) reserves as determined by the board of directors pursuant to Article 14.1 of the Articles of Incorporation or special reserves required by authorities in charge of securities pursuant to regulations for public companies.

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

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

2. Dividend distribution in this fiscal year:

The board of directors approved the 2017 Earnings distribution proposal on March 9, 2018 with a planned distribution of cash dividends amounting to NT$ 1.5 per share. The proposal will be submitted to the shareholders' meeting on June 5, 2018 for ratification. Earnings are to be distributed as follows:

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the quarter	$1,535,491,766
plus: Net income after taxes for this quarter	270,473,797
minus: Investment Adjustment to Retained Earnings under Equity Method	(17,752,114)
minus: Legal reserves	(27,047,380)
minus: Special reserves	(218,680,892)
Distributable earnings in this fiscal year	1,542,485,177
Distribution items:	
Shareholder bonus	
Cash dividend (provisionally set at NT$ 1.5 per share)	171,186,779
Undistributed earnings at the end of the quarter	$1,371,298,398

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

The board of directors approved the 2017 Earnings distribution proposal on March 8, 2018 with a planned distribution of cash dividends amounting to NT$ 1.5 per share. The proposal will be submitted to the shareholders' meeting on June 5, 2018 for ratification. Since only cash dividends are distributed, the overall business performance of the company will not be affected.

(h) Compensation of employees, directors and supervisors

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

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

A proportional basis for the distribution of payable employee bonuses and director compensations in 2017 shall be determined based on the distribution intervals of 2%~15% and 3% after allocation of 10% legal reserves and special reserves from net income after tax (minus employee bonuses and director compensations). In case of major changes of distribution amounts determined by the board of directors after year end, the originally allocated annual expenses shall be adjusted. Further changes on the date of the shareholders' meeting resolution shall be handled as accounting estimate changes. Annual adjustments shall be entered into accounts by resolution of the shareholders' meeting. If the shareholders' meeting resolves to pay out employee bonuses as stock, the number of shares allocated as stock dividends shall be determined based on payable bonus amounts divided by fair stock value. The term fair stock value shall refer to the closing price on the day prior to the shareholders' meeting resolution date (upon consideration of ex-right/ex-dividend impacts)

3. Compensations approved by the board of directors:

(1) Employee bonuses and director and supervisor compensations in form of cash payment or dividend distribution. Where there is a discrepancy between such compensations and recognized fees and estimated amounts, the actual difference as well as the reasons and handling thereof shall be specified: The board of directors approved employee cash bonus payments of NT$ 18 million.
(2) Amount of employee bonuses paid as distributed dividends/ratio of employee bonuses paid as dividends to after-tax net income as stated on the individual financial statement and total employee bonuses: NA
(3) Pro-forma EPS upon deduction of proposed employee bonuses and director/supervisor compensations: Employee bonus estimates have already been incorporated into the 2017 financial statement. Pro-forma EPS is therefore identical to the amount specified on the financial statement.

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

(i) Repurchase of shares by the company:

Batch of Buyback	First Batch
Purpose of Buyback	Safeguard Company's Credibility & Shareholder's Equities
Period of Buyback	January 10th, 2018 to March 9th, 2018
Range of Buyback Prices	45.85~99.44
Type & Quantity for Buyback Shares	7,200,000 Shares
Amount for Shares Already Bought Back	549,584,268
Number of Shares Already Cancelled or Transferred	7,200,000 Shares
Number of Accumulated Company Shares Held	0
Percentage of Accumulated Company Shares Held Against Total Number of Shares Issued (%)	0%

(ii) Issuance of company bonds:

1. Issuance of company bonds

Type of corporate bond		1st Issue of Domestic (ROC) Unsecured Convertible Bonds	2nd Issue of Domestic (ROC) Unsecured Convertible Bonds
Issue (offer) Date		June 3, 2014	August 18, 2015
Denomination		NT$ 100,000 each	NT$ 100,000 each
Place of issuance and transaction		Taipei Exchange	Taipei Exchange
Issuing price		Fully issued at par price	Fully issued at par price
Total amount		NT$ 1.5 billion	NT$ 2.5 billion
Interest rate		0%	0%
Maturity		5 years; Maturity date: June 3, 2019	5 years; Maturity date: August 18, 2020
Guarantee agency		None	None
Trustee		Trusts Department of Land Bank of Taiwan	Trusts Department of Land Bank of Taiwan
Underwriter		KGI Securities Co. LTD.	KGI Securities Co. LTD.
Certified Lawyer		Attorney Tian-Hsiang Song from Lee and Li Attorneys-At-Law	Attorney Tian-Hsiang Song from Lee and Li Attorneys-At-Law
CPA		Deloitte Touche Tohmatsu Limited (DTTL) Accountants Dong-fong Lee and Zhe-li Gong	Deloitte Touche Tohmatsu Limited (DTTL) Accountants Dong-fong Lee and Zhe-li Gong
Payback method		Except for redemption by the company, reselling by bondholders, or transfer, the bonds will be bought back with bond denomination plus interest compensation, which is 105.10% of the denomination (annual yield is about 1%) in a lump cash payment.	Except for redemption by the company, reselling by bondholders, or transfer, the bonds will be bought back with bond denomination plus interest compensation, which is 102.53% of the denomination (annual yield is about 0.5%) in a lump cash payment.
Outstanding principal		NT$ 2,100,000	NT$ 2,500,000,000
Provisions of redemption and prepayment		Please refer to the issuance and conversion procedures.	Please refer to the issuance and conversion procedures.
Restrictions		None	None
Credit rating agency, credit rating date, and corporate bond rating results		None	None
Other rights	Converted (exchanged or subscribed) common shares, global depository receipts, or amount of other securities.	By April 7, 2018, a total of NT$ 1,354,900,000 have been converted into 8,928,504 ordinary shares of a face value of NT$10 each.	Conversion started on April 7, 2018; no bonds have been converted yet
	Issuance and conversion (exchange or subscription) procedures	Please refer to the credit section of the market observation post system for bond issuance information	Please refer to the credit section of the market observation post system for bond issuance information
Impact of issuance and conversion, exchange and subscription methods and issuance conditions on equity dilution, possible dilution on stock equity and shareholder's equity		According to the current conversion price of NT$137.2, 15,306 shares need to be issued if all shares are to be converted to common shares. The impact on shareholders' equity is limited so far.	According to the current conversion price of NT$ 199.9, 12,506,253 shares need to be issued if all shares are to be converted to common shares. The impact on shareholders' equity is limited so far.
Commissioned agency for exchanged object		Not applicable	Not applicable

2. Convertible bond data

Corporate bond type		(15891) 1st Issue of Domestic (ROC) Unsecured Convertible Bonds	
Item / Year		2017	Current year until April 10, 2018
Market price of convertible bonds	Highest	106.45	—
	Lowest	102.05	—
	Average	103.33	—
Conversion price		137.2	137.2
Issue (offer) date and conversion price on issue date		Issue date: June 3, 2014 Conversion price on issue date: 158	Issue date: June 3, 2014 Conversion price on issue date: 158
Conversion method		Issuance of new shares	Issuance of new shares

Corporate bond type		(15892) 2nd Issue of Domestic (ROC) Unsecured Convertible Bonds	
Item / Year		2016	Current year until April 10, 2017
Market price of convertible bonds	Highest	101.00	101.20
	Lowest	98.35	99.40
	Average	99.22	100.80
Conversion price		199.9	199.9
Issue (offer) date and conversion price on issue date		Issue date: August 18, 2015 Conversion price on issue date: 217	Issue date: August 18, 2015 Conversion price on issue date: 217
Conversion method		Issuance of new shares	Issuance of new shares

3. Exchange of corporate bond date: NA

4. Shelf registration of issued corporate bonds: NA

5. Corporate bonds with attached warrant: NA

3. Preferred shares: None

4. Overseas depositary receipts: None

5. **Employee stock option certificates: None**

6. **Restricted Employee Shares Compensation: None**

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

8. **Implementation of fund utilization plans:**

The company raised a total of 2.5 billion NTD through the 1st Issue of Domestic (ROC) Unsecured Convertible Bonds in August 2015. These funds were mainly used for the construction of plant buildings, purchase of machinery and equipment, and the replenishment of working capital. These bonds are expected to be exercised in full by the first quarter of 2019. The fundraising plan has allocated NT$ 1,077,215,000 and NT$ 1,808,967,000 to the construction of plant buildings and purchase of machinery/equipment, respectively. An assessment of accumulated expenses upon revision indicates that by the first quarter of 2018 a total of NT$ 1,035,136,000 and NT$ 1,808,967,000 will have been expended for the construction of plant buildings and purchase of machinery/equipment, respectively. This represents a projected implementation progress of 96.09% and 100%. Actual accumulated expenses have reached NT$ 473,821,000 and NT$ 1,329,438,000, respectively, which represents actual implementation progress of 43.99% and 73.49%, respectively. The lagging progress in the field of factory building construction has been caused by the search for an alternative location because Taichung City Government decided to use the original site for a different purpose. In the first quarter of 2017, a new contract was concluded for an alternative site. In line with government plans, it has been decided to gradually determine the scope of construction through deliberations prior to application for a construction permit. The progress of fund utilization in the field of plant building construction is therefore lagging behind the revised projected progress. The lagging progress in the field of machinery and equipment progress has been caused by procurement delays because machinery and equipment for the Taichung plant is purchased in line with construction progress. Upon assessment of accumulated expenses, major irregularities and impacts on shareholder rights and interests have been ruled out.

V. Operations Overview

1. Business activities

(a) Business scope

1. Main areas of business operations
   The company's operations mainly focus on the manufacture and sale of spheroidal graphite cast iron and gray cast iron including hubs and bases for wind turbines, gas/steam turbine components, injection molding machine components, and castings for machine tools and other industrial machinery

2. Revenue distribution

Main product categories	2016		2017	
	Net sales	% of total sales	Net sales	% of total sales
Energy castings	3,893,540	52.80%	2,241,585	35.00%
Injection molding machine castings	1,863,685	25.27%	2,173,747	33.94%
Other castings	1,616,663	21.93%	1989,010	31.06%
Total	7,373,888	100.00%	6,404,342	100.00%

3. Current product categories

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

4. Planned development of new products: Castings for Construction, Mining, and Marine equipment.

(b) Industry overview

1. Industry overview and development

Wind power industry

The Global Wind Energy Council (GWEC) released its Global Wind Report on February 14, 2018. This report reveals a newly installed wind power capacity of over 50GW in 2017. Record-setting breakthroughs have been achieved in Europe and India and in the field of offshore wind power. The development of wind power in China shows signs of slowing down. Preliminary statistics indicate that China has achieved an installed capacity of 19.5GW. Slowed down development in the Chinese market has been offset by growth in other markets. Newly added capacity and total accumulated capacity in the global market reached 52,573MW and 539,581MW in 2017, respectively.

Steve Sawyer, Secretary General of Global Wind Energy Council (GWEC), points out that "Wind power capacity data for the current year indicates that the wind power industry is gradually maturing and is currently evolving into a market-based system which successfully competes with heavily subsidized fossil fuel-based power generation technologies. Certain countries still lack the required policies for the full transformation to commercialized and market-based systems. This is reflected in the data for this year and will also affect the capacity data for 2018."

In many countries all over the world, wind power is currently one of the most competitively priced technologies. The emergence of hybrid wind-solar systems, increasingly sophisticated grid management systems, and increasingly affordable energy storage systems paints a future vision of a fully commercialized fossil-free power sector.

Constantly dropping prices of offshore and onshore wind power continue to surprise us. Price reductions represent a general trend in different markets. In Morocco, India, Mexico, and Canada, wind power prices hover around US$ 0.03/kWh, with a recent Mexican tender coming in with prices well below US$ 0.02/kWh. In 2017, offshore wind had its first 'subsidy-free' bids in tenders in Germany, with tenders for nearly 1 GW of new offshore wind capacity at a price no higher than the wholesale price of electricity.

China continues to play a leadership role in Asian development. Despite the fact that India exhibited robust growth in 2017, the outlook of the country's wind sector remains pessimistic for 2018 due to a lack of policy continuity. Pakistan, Thailand, and Vietnam also exhibited significant growth. Similar growth occurred to different extents in other Asian countries such as Korea and Japan.

The European wind power market achieved record-setting growth highlighted by new installations of a capacity exceeding 6GW, robust growth in the UK, and revitalization of the French market. Finland, Belgium, Ireland, and Croatia set new records in the field of installed capacity, while the fact that the total capacity of offshore wind power installations in Europe exceed 3GW gives a glimpse on the bright future of offshore wind power.

The US market had another strong year with newly added wind power capacity amounting to 7.1GW. Meanwhile, projects currently in progress indicate stable growth of installed capacity in the upcoming years. Corporate purchases of renewable energy start to show a more significant effect in this market. This includes highly popular brands including Google, Apple, Nike, Facebook, Walmart, and Microsoft. In the US, a rising number of companies sign Power Purchase Agreements (PPA) with wind and PV power stations. Canada and Mexico also experienced stable growth. In Mexico, a solid policy foundation will ensure continued stable growth of wind power in the next decade.

In Latin America, Brazil plays a leadership role in the regional market signaled by a growth in installed capacity of 2GW. This growth has been achieved against the backdrop of an unsolved political and economic crisis. Uruguay, on the other hand, has taken a firm step toward achievement of its goal of 100% use of renewable energy for its power system. Tenders completed between 2016 and 2017 are expected to generate substantive growth of wind power capacity in Argentina starting in 2018.

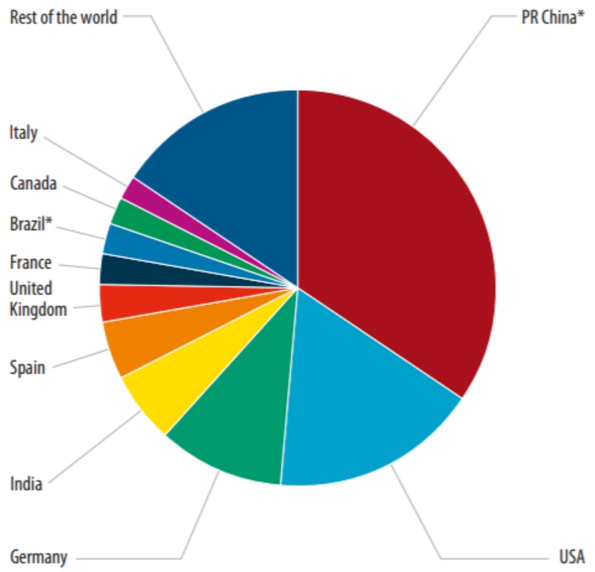
In Africa and the Middle East, South Africa was the only country with newly added installations of a grid-connected capacity of 621 MW despite numerous other developments in this region. Kenya and Morocco have also completed several projects which are expected to be connected to the grid in 2018.

In Oceania, growth was sluggish with the sole exception of Australia, which added new installations of a total capacity of 245MW in 2017. Australia also initiated numerous new wind power projects in 2017. New installations in the context of these projects are expected to be completed in the upcoming years.

The dramatic price drops for wind technology has put a big squeeze on the profits up and down the whole supply chain", concluded Sawyer. "But we're fulfilling our promise to provide the largest quantity of carbon-free electricity at the lowest price. Smaller profit margins are a small price to pay for leading the energy revolution."

Ranking of countries by newly added/cumulative wind power capacities in 2017

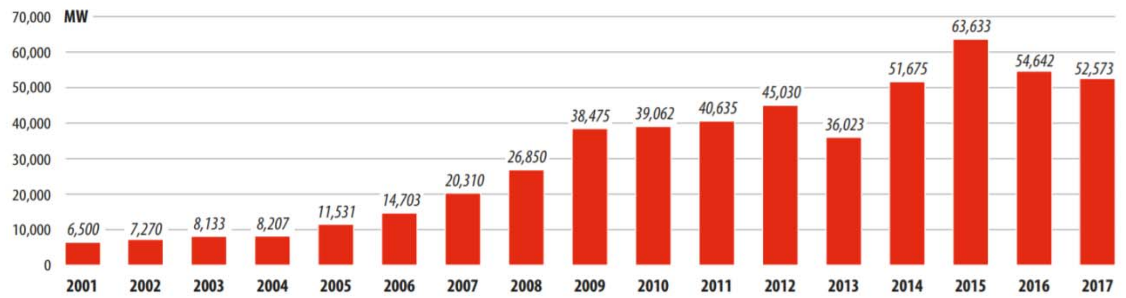
TOP 10 CUMULATIVE CAPACITY DEC 2017



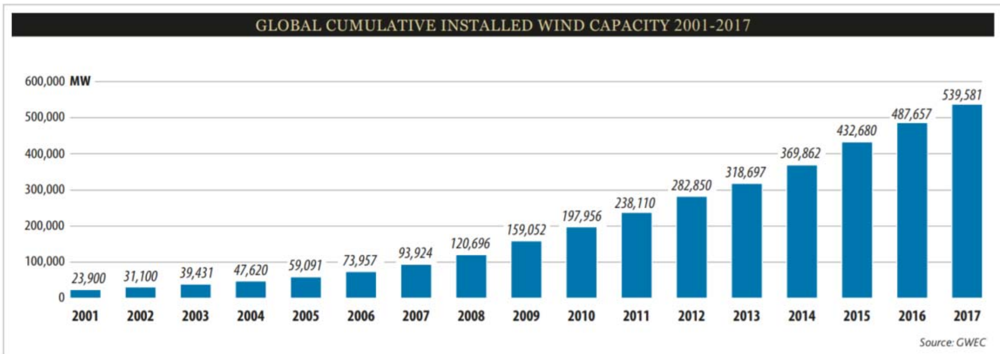
Country	MW	% Share
PR China*	188,232	35
USA	89,077	17
Germany	56,132	10
India	32,848	6
Spain	23,170	4
United Kingdom	18,872	3
France	13,759	3
Brazil*	12,763	2
Canada	12,239	2
Italy	9,479	2
Rest of the world	83,008	15
Total TOP 10	**456,572**	**85**
World Total	**539,581**	**100**

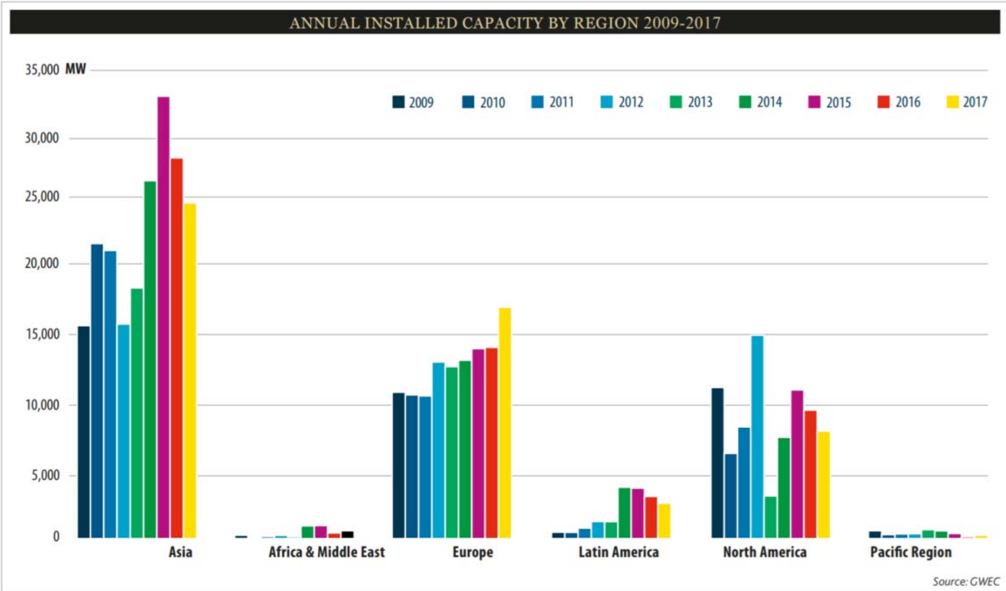
Source: GWEC

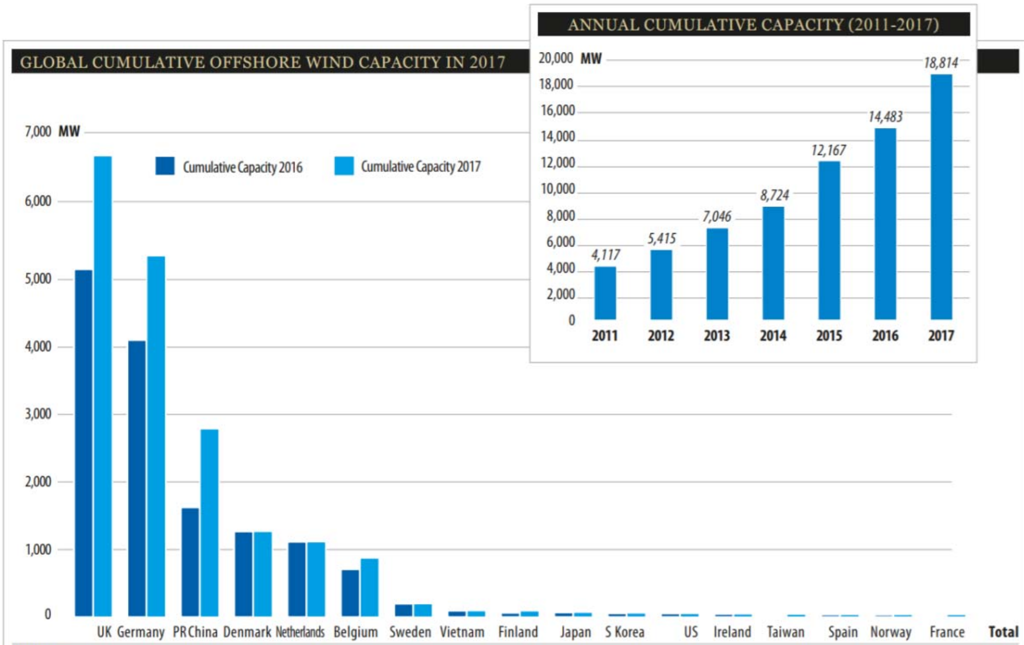
GLOBAL ANNUAL INSTALLED WIND CAPACITY 2001-2017



Source: GWEC







	UK	Germany	PR China	Denmark	Netherlands	Belgium	Sweden	Vietnam	Finland	Japan	S Korea	US	Ireland	Taiwan	Spain	Norway	France	Total
Total 2016	5,156	4,108	1,627	1,271	1,118	712	202	99	32	60	35	30	25	0	5	2	0	14,483
New 2017	1,680	1,247	1,161	0	0	165	0	0	60	5	3	0	0	8	0	0	2	4,331
Total 2017	6,836	5,355	2,788	1,271	1,118	877	202	99	92	65	38	30	25	8	5	2	2	18,814

Source: GWEC

Source: GWEC, February 2018

Focus on the Chinese market

In 2018, Gansu, Jilin, and Xinjiang (including production & construction corps) have been designated “red alert areas” for the development and construction of wind power installations. New wind power projects may not be approved in these regions and the State Grid Corporation may not accept applications for new grid connections (including approved or planned projects or those currently under construction). The National Energy Administration has lowered the warning level for Inner Mongolia and Heilongjiang from red (in 2017) to green and Ningxia has been downgraded from a red alert to a green alert area. On the other hand, Zhangjiakou and Chengde in Hebei Province, Xinzhou, Shuozhou, and Datong in Shanxi Province, and Yulin in Shaanxi Province have been upgraded from red alert to orange alert areas. The Xinjiang Zhundong (5.2GW) and Gansu Jiuquan Phase II (5GW) wind power projects are not affected by the 2018 investment monitoring and early warning results and will proceed as scheduled.

According to the Circular on Establishment of a Monitoring and Early Warning Mechanism to Promote the Healthy Development of the Wind Power Industry issued by the National Energy Administration on July 18, 2016, warning levels for provinces in which average wind power utilization hours for the year prior to announcement fall short of the minimum guaranteed purchased hours prescribed by the National Development and Reform Commission are set to orange or red. Areas with wind curtailment rates in excess of 20% in the year prior to announcement receive orange or red alerts. The Spanish wind power market analysis company MAKE has pointed out over the past two years that Chinese provinces may sacrifice KPI scores to avoid being listed as red alert areas. Since the National Energy Administration does not release the scoring results for every indicator, results may be assessed in a flexible manner according to actual circumstances. The wind power warning level for Ningxia Province in 2018 corroborates this view (the province was downgraded from a red alert (in 2017) to a green alert area). In 2017, wind power utilization hours in Ningxia Province amounted to a mere 1,650 hours, 200 hours of the minimum guaranteed purchased hours (1,850) prescribed by the National Energy Administration. However, the province was designated a green alert area in 2018.

The wind curtailment rate in Northern China will continue to drop, but the problem is difficult to solve. The Chinese government has adopted a series of measures to reduce curtailment rates which brought only temporary respite. It should also be taken into account that local governments are forced to balance the power generation ratios of local energy sources against the backdrop of continued dominance of coal power and rapid growth of photovoltaic power. MAKE predicts a wind curtailment rate of over 10% in most Northern provinces in 2018 and 2019. Due to the continued growth of installed wind power and PV capacity, the wind curtailment rate in certain provinces (e.g., Hebei, Shanxi, Shaanxi, and Qinghai) will continue to climb in 2018 and 2019. However, MAKE also predicts that wind curtailment rates will not exceed 20% in all provinces except Xinjiang and Gansu in the next few years.

Following the gradual lifting of red warnings, the installed wind power capacity in the northern provinces will continue to increase. MAKE predicts that the capacity of newly added wind power installations in Northern China from 2018 to 2022 will reach 53GW. Wind power bases will turn into the main battlefield for developers and turbine manufacturers in the northern provinces. The first echelon of wind turbine manufacturers enhances their market competitiveness and strives to maximize orders through turbine price reductions and value-added services (e.g., operation and maintenance services). Average prices for wind turbines have dropped to 3,600 RMB/KW (570 USD/kW) and prices for 2MW wind turbine platforms are as low as 3,200 RMB/kW (507 USD/kW). In the first quarter of 2018, prices of 3MW onshore turbines also dipped below the 4,000 RMB/kW(632 USD/kW) mark.

Injection molding machine

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

Injection molding machines are mainly manufactured in Germany, Austria, Italy, and Japan. However, in view of the performance in 2014, the US growth potential should not be underestimated. Europe and Japan mainly produce high-precision large-scale injection molding machines with high technology content and high added value. Following the import of technologies and technological innovation over many years, the Chinese molding machine industry is gradually elevating its manufacturing standards in the field of low-end injection molding machines, at the beginning of 2016, the state-owned enterprise ChemChina acquired the German injection molding machinery manufacturer Krauss Maffei for 925 million Euros. Due to the added impact of low labor costs, China is destined to play a key role in the injection molding machinery market. In addition, a large number of European and Japanese enterprises have set up plants and R&D centers in China to reduce costs and gain access to the Chinese market. North America was the area with the greatest growth potential from 2014 to 2015. 4000 machines were sold in 2015 and the growth trend continued unabated in 2016. The main reason for this high production volume lies in the fact that a large number of plastic processing enterprises built new plants in this area (suppliers of North American car makers in particular). Numerous automobile manufacturers and their plastic part suppliers have built factories in the Southeastern US and Mexico. Manufacturers of electrical appliances and plastic packaging have also seen growth. It is expected that Mexico will turn into one of the regions with the largest demand for injection molding machines in 2016. There are currently around 4,400 plastic manufacturers in Mexico (84% of them are small- or micro-sized enterprises) with a total annual production capacity of 5 million tons of plastic products. In the upcoming years, the annual growth rate is expected to reach 9-10%. Around 43% of these products are bottles or packaging materials. Other products are widely applied in the packaging, construction, furniture, and toy industries as well as agriculture.

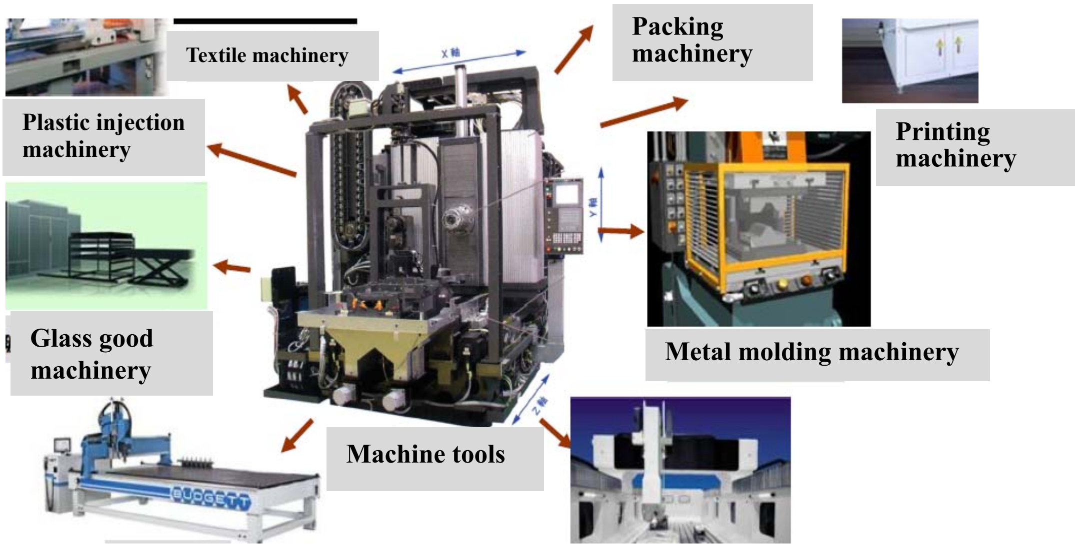
In addition, the US output of plastic has exceeded that of other countries for many years. Texas' and California's combined output of plastic goods is ranked second in the world. Due to the advantage of low costs in Mexico, numerous plastic processing enterprises in the above-mentioned two states have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

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

Machinery industry

The machinery industry is of fundamental and strategic importance for every nation and is the mother of all industries. The machinery sector is closely connected to other sectors and provides suitable and highly efficient production equipment and facilities to satisfy the demand of other industries. The machinery industry covers a wide range and can have a wide or narrow meaning. The wide definition of machinery industry includes the five main categories of general machinery, electrical machinery, transportation tools, high-precision machinery, and metal goods, while the narrow definition only refers to production machinery and facilities and auxiliary equipment directly used by different industries including metal processing machinery, industrial machinery, special and electrical manufacturing machinery, general machinery, transportation and automation facilities, metal molds, and other machinery and components.

Machinery equipment derived from machine tools



The following industry trends are worth noting:

Industry 4.0 concepts

Industry 4.0 has been listed as one of the 10 key future projects by the German government in the High-Tech Strategy 2020 for Germany. Starting in 2017, these concepts gradually affected the development of the entire industrial machinery sector. Key concepts include:

1. "Smart Factory" with a focus on the research of smart manufacturing systems and processes and realization of networking distributed production facilities；
2. Smart manufacturing involving production and logistics management of the whole enterprise, human-computer interaction, and application of 3D technologies to industrial production processes
3. Intelligent Logistics which aims to integrate logistics resources through the Internet, IoT, and logistics networks with the goal of maximizing the efficiency of logistics resource suppliers; in the field of demand, this concept ensures rapid service matching and logistics support

In the future, these concepts will be key considerations in the design and planning of industrial machinery products. They will also boost the development of numerous new models and improvement of existing models, which also generates opportunities for improvement and refinement of our products.

Green manufacturing

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

Medical equipment

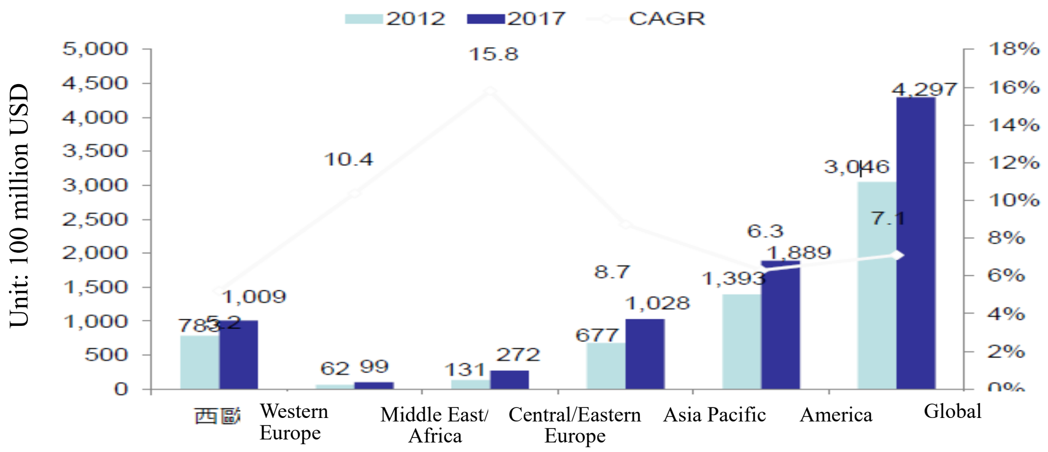
Since the 1970s, electronic instruments have been adopted for medical purposes. Large-scale high-precision medical equipment such as CT, MRI, medical linear accelerators, ultrasonic positioning extracorporeal shock wave lithotripsy devices, PET, and ultrasonic diagnostic devices have wide application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

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

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

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

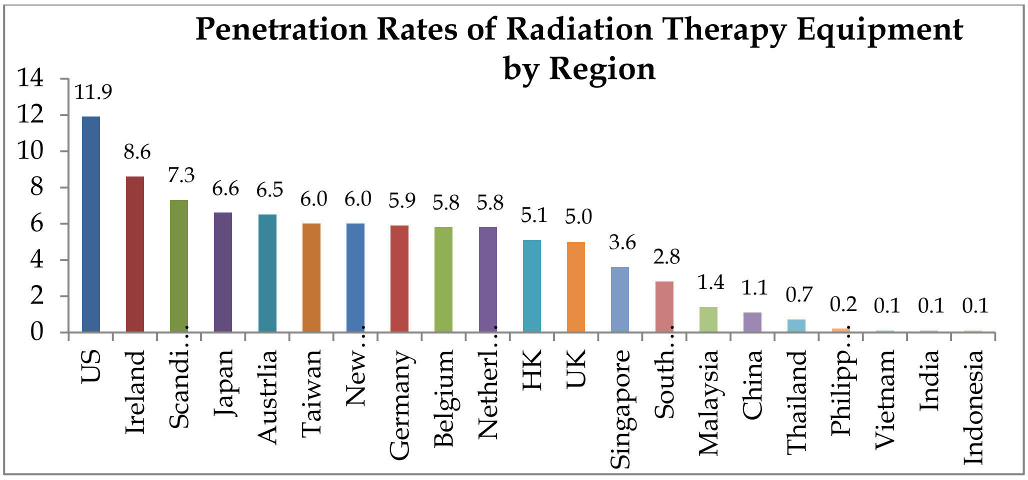
Forecast of the size of the global medical instrument market



Source: BTM, IEK, November 2013

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

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



Source: CA Cheuvreux, 2010/6

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

All radiation therapy equipment manufacturers are actively searching for more effective therapy methods. Since there is a serious lack of such equipment, all radiation therapy equipment manufacturers make determined efforts to ensure that over 50% of all cancer patients can enjoy the benefits of radiation therapies. This therapy is only one of the numerous available choices, but it is also the most widely adopted method. Effective therapies can extend the human life span. An effective improvement of the quality of therapies for cancer patients is coupled with the safeguarding of shareholder rights and interests. Constant improvement represents a main element of the corporate culture of our customers.

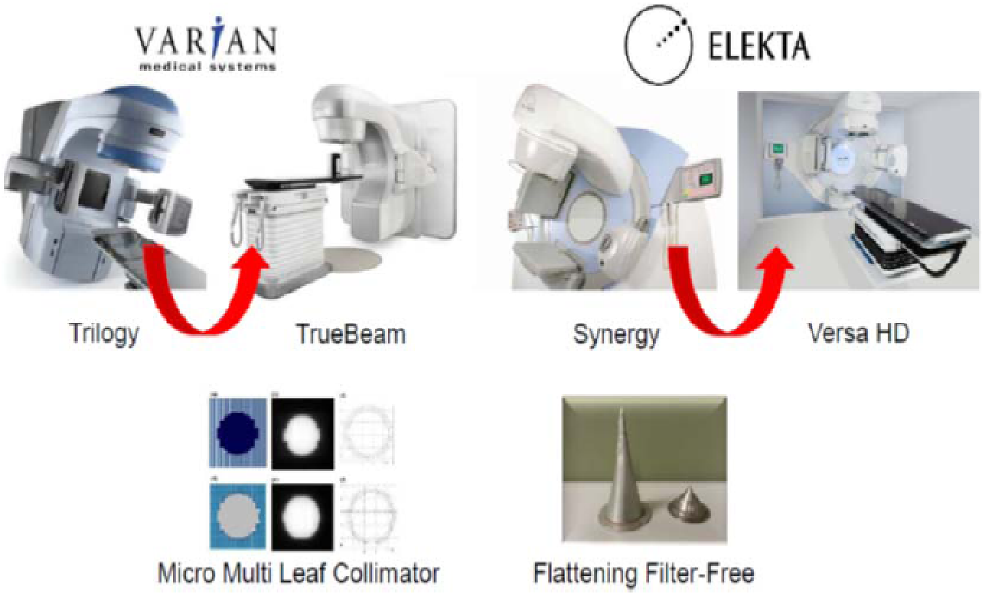
The Elekta Group places utmost emphasis on the following four dimensions:

1. Assumption of a leadership role in the field of technological innovation

2. Pursuit of sustainable operations and development on the basis of cost competitiveness
3. Enhancement of holistic therapy experiences of patients
4. Constant pursuit of process improvements and deep commitment to corporate values

The leading manufacturers of radiation therapy equipment are as follows:

Figure 9: Varian and Elekta Versatile Linac offer



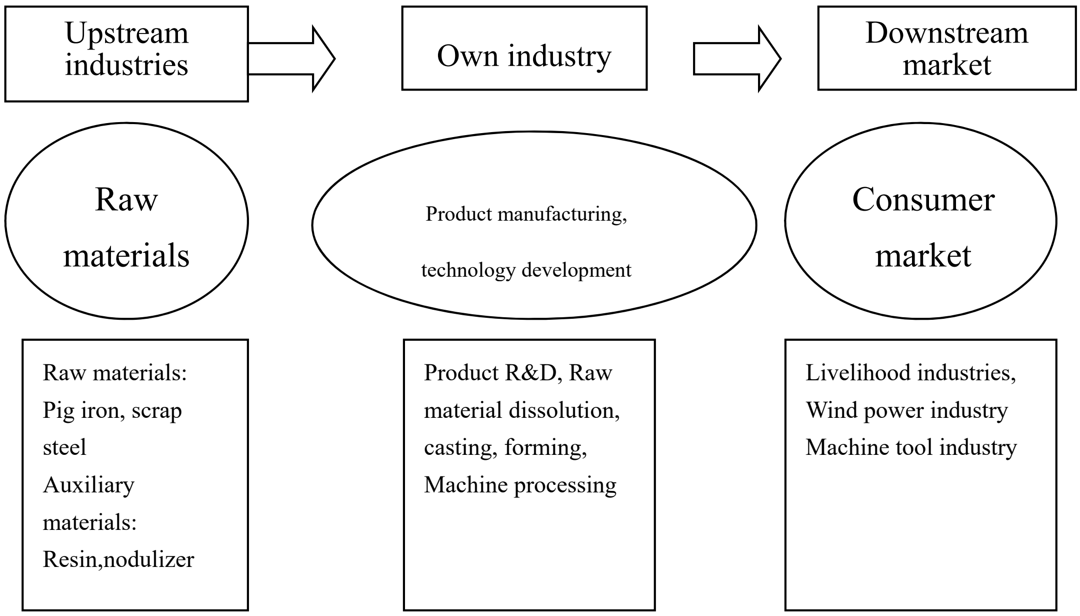
Source: Pr. Hannoun-Levy

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. Overall economic and industrial development trends and market competition conditions

Wind power industry

A. Analysis of global market share of wind power

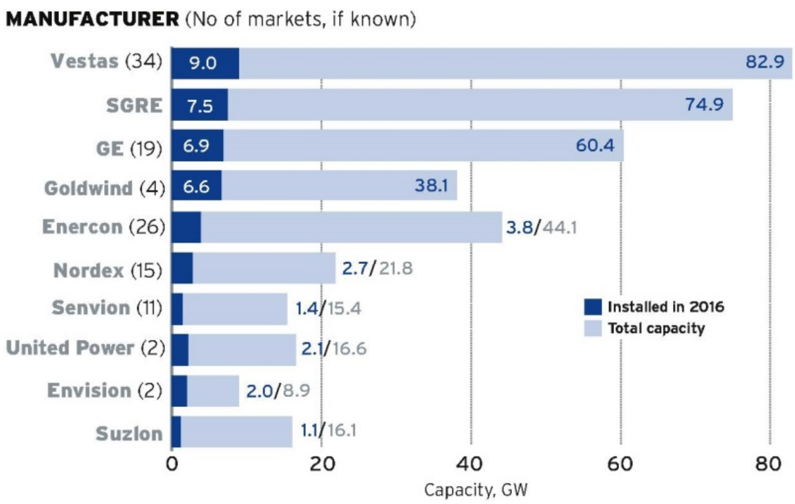
The wind power market is characterized by concentration trends with a few dominant players. The following four major manufacturers account for 53% of the newly added capacity in 2017: The Danish company Vestas, the Spanish company Siemens Gamesa, the Chinese company Goldwind, and the US company GE Wind.

Vestas has maintained its leadership position for the second consecutive year through new installations with a total capacity of 7.7GW, accounting for roughly 16% of the capacity of newly added wind power installations worldwide. Siemens Gamesa is ranked second with a newly installed capacity of 6.8GW and a market share of 15% followed by Goldwind and GE Wind with newly installed capacities of 5.4GW and 4.9GW and market shares of 11% and 10%, respectively.

There are also significant differences in the sales markets of major turbine manufacturers. For instance, over 90% of all new installations of Goldwind were located in China in 2017, while Enercon's newly added capacity is mostly concentrated in Europe. GE Wind sells significantly more turbines in the Americas than in any other area, while Vestas and Siemens Gamesa onshore turbines are mostly sold in the following three regions: Europe, Middle East and Africa, the Americas, and Asia-Oceania.

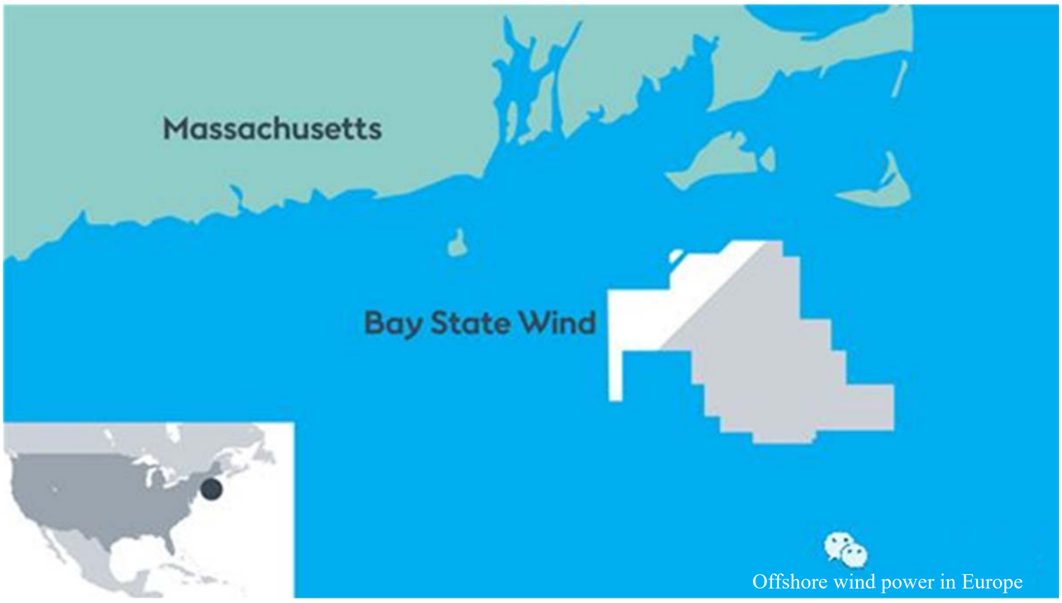
"Mr. Albert Cheung, Head of Global Analysis of Bloomberg New Energy Finance, points out that "a trend of mergers and acquisitions emerged in the wind turbine industry in the past few years. For instance, Siemens merged with Gamesa and Nordex acquired Acciona Windpower. In addition to the four key players, there are numerous small-sized manufacturers. We therefore expect a further consolidation of the industry in the upcoming years." The aforementioned conditions also exist in the domestic market. The newly installed capacity of the top five Chinese manufacturers (Goldwind Science and Technology, Envision Energy, United Power, Mingyang Smart Energy, Shanghai Electric) reached 11.5GW in 2017, accounting for 64% of all new installations.

Mr. Cheung also states that "an analysis of the distribution of newly installed capacities over the past years reveals that the market share of the top five manufacturers continues to rise. It is expected that the market share of these top players will continue to soar as a result of an expansion of comprehensive energy services involving cost advantages, financing, and operation and maintenance services. A second round of reshuffling in the wind power equipment industry will emerge during this process of wind power expansion. This will further strengthen the competitive advantage of these key players."



B. First cooperative agreement for an offshore wind power project with a complementary energy storage system (USA)

Bay State Wind and NEC Energy Solution (NECES) have concluded a cooperative agreement for the joint development of 800MW/55MW~110MWh offshore wind power paired with an energy storage system in Massachusetts. The offshore wind turbine project with a complementary energy storage system will be the first of its kind in the world. Massachusetts will turn into the birthplace of this new technology.



The Bay state wind project is jointly developed by Ørsted and Eversource. The site is located 25 miles off the Massachusetts coastline and 15 miles off Martha's Vineyard. The earmarked area can accommodate an installed capacity of at least 2000MW. Power generation will be initiated in 2020, turning the project into the largest commercially operated wind farm in the US.

During the construction period, the project is expected to create over 1200 employment opportunities. Over the whole life cycle of the project, over 10,800 direct or indirect job opportunities will be created. In addition, the project will generate cost benefits and technological innovation for local wind power development.

NECES advanced energy storage and management technology will be adopted for this pioneer project in the large-scale application of energy storage technology. Technical experts of NECES conduct in-depth research of energy storage solutions for the Bay State Wind project to cope with challenges of power supply reliability during the winter months with the goal of reducing peak electricity rates and saving electricity costs in this area during the winter months. Preliminary assessments indicate that this technology has the potential of generating electricity cost savings of US$ 158 million for this region in the winter season. In addition, energy storage technologies can also help minimize power grid flow variations and enhance grid stability.

The Bay State Wind project will fulfill the commitment to support Massachusetts through promotion of energy storage applications. The project will turn Massachusetts into a bellwether of the global green energy revolution and will greatly enhance the reliability of the power grid (minimization of unfavorable impacts generated by intermittent power generation through renewable energy sources). It will also create more job opportunities in the local renewable energy and energy storage industries.

At the same time, the project will accelerate the development of business models for the application of energy storage technologies for power systems and facilitate the accumulation of experiences in the utilization of storage technologies for the integration of renewable energy sources, enhancement of grid reliability, and operational efficiency as well as the minimization of peak-valley variations. It will also turn the southern coastline of Massachusetts into the birthplace of complementary large-scale offshore wind power and high-capacity energy storage technologies.

C. Rise of the decentralized Chinese wind power market

The Circular on Requirements for Accelerating and Promoting Construction of Grid-connected Distributed Wind Power Projects issued by the Chinese National Energy Administration in early 2018 proposes the accelerated promotion of decentralized wind power development, formulation of regulation standards, orderly promotion of projects, strengthening of monitoring and management, directing the attention of the industry to decentralized wind power development with the goal of turning decentralized wind power into the next hotbed of development.

During the 13th Five-Year planning period, the focus of Chinese wind power development will be shifted to the central, eastern, and southern parts of the country. Wind energy resources are characterized by wide distribution and low density and are therefore ideally suited for localized development and utilization. Development of wind power projects in central, eastern, and southern China which are the areas with the highest loads conforms to resource endowment characteristics.

At the same time, provinces in eastern, central, and southern China have the most pressing demand for renewable energy sources. By 2016, there was still a significant gap between the actual ratio of non-hydro renewable electricity consumption of most provinces in these areas and the 2020 target set by the government in the Guiding System for Setting Renewable Energy Development and Utilization Targets. Many provinces had not even achieved 50% of the prescribed values. These provinces face an uphill task in the remaining three years. It is therefore imperative to further boost development of renewable energy sources. However, these regions are characterized by difficult topographical conditions with mountainous and hilly terrain. Very few areas are suited for concentrated and contiguous development and large-scale development models are increasingly inadequate. Decentralized development will therefore turn into one of the most viable models.

Decentralized development can be adjusted in line with local conditions and is characterized by strong adaptability

1. It can be fully adapted to the natural conditions of central, eastern, and southern China and project scope can be determined in accordance with grid load and connection conditions. Designs can be adjusted in a flexible manner in line with environmental conditions, which in turn reduces land dependence.

2. It is characterized by narrow investment scope, short construction periods, attractiveness for private capital, and stimulation of diversified investment strategies.

3. It is also characterized by a solid grid structure in central, eastern, and southern China, high grid power load, no danger of electricity dissipation, and stable project income.

Decentralized wind power has already demonstrated an immense development potential in central, eastern, and southern China.

In the past, it was widely believed that areas with a wind velocity below 6m/s have no economic value. However, technological innovation, increased rotor diameters, enhanced airfoil efficiency, smart control strategies, application of ultra-high tower design, and refined micrositing have greatly enhanced turbine utilization efficiency and thereby significantly increased the economic value of areas with low wind velocity. Wind farms with an average annual wind velocity of 5m/s can reach around 2000 annual equivalent full load hours.

China Meteorological Administration estimates that central, eastern, and southern China has resources of significant economic value with a wind velocity of 5m/s or above equivalent to 1000 GW. These resource reserves can meet the needs of future development and meet the conditions of technological development without any spatial limitations.

Judging from international experience, the aforementioned areas have significant development potential in the field of wind power. For instance, the installed wind power capacity per unit land area in Germany had reached 136.97 kW by the end of 2016. 4 states exceeded 200kW/km^2. On the contrary, key areas with low wind velocity in central, eastern, and southern China including Hunan, Hubei, Zhejiang, and Anhui provinces fall short of 13kW/ km^2 , which indicates huge potential for development.

However, development of decentralized wind power has been sluggish in China. The capacity of commissioned wind power projects accounts for less than 1% of grid-connected capacity which is far lower than the corresponding capacity of such projects in Europe. The main reasons are as follows:

1. Wind power development was initiated in western China. Major wind power developers tend to conduct centralized development through large-scale investments. The scope of single decentralized wind power projects is small and investment returns are comparatively low. These developers therefore show lackluster interest in these projects.

2. Approval requirements and processes for centralized development are also applied to decentralized wind power projects which leads to lower efficiency and higher upfront costs.

Decentralized wind power development must embrace the concepts and principles of centralized planning, batch approval, and coordination with local economic development to solve the aforementioned problems.

Firstly, decentralized projects are scattered with limited scope and therefore require centralized planning to realize economy and highly efficient management and thereby ensure orderly development.

Secondly, approval of projects in batches must be adopted with counties as the basic units. This greatly simplifies preliminary procedures and helps avoid unnecessary costs.

Finally, China should borrow experiences from other countries in the development of community wind power. Local participation can be enhanced through pooling of land and PPP models. Decentralized wind power projects should be combined with local tourism development, construction of towns with special characteristics, and livelihood improvement projects to maximize benefits for local communities and residents and thereby boost local economic and social development.

The central, eastern, and southern parts of the country are areas with great economic prosperity. These areas account for over 50% of the total power consumption of the whole country. They are therefore key areas for the promotion of energy transformation in China. All-out promotion of decentralized wind power can help accelerate this process and thereby stimulate local economic development. This serves multiple purposes and bears great promise for the future.

D. Largest offshore wind turbine in the world

General Electric (New York Stock Exchange Ticker Symbol: GE) announced in March 2018 that it will invest over 400 million US dollars (329 million Euro) into the development of the largest wind turbine in the world with a capacity of 12 MW within the next 3-5 years. Product launch is planned for 2021.

The company states that the power generation capacity of this huge offshore turbine which is named Haliade-X exceeds that of any other model available on the market by at least 45% under the premise of a total capacity coefficient of 63%. The turbine features 107 m blades designed and manufactured by LM Wind Power. One 12MW Haliade-X turbine can generate up to 67GWh per year which can satisfy the power demand of 16,000 households.

Mr. John Flannery, CEO and Chairman of General Electric points out that "we hope to promote global energy transformation technologies." He adds that "offshore wind power is one of these technologies. We will utilize all our resources to successfully promote this Haliade-X turbine among our customers." Mr. Jérôme Pécresse, President and CEO of GE Renewable Energy, points out that the offshore wind power industry is expected to add new installations of a total capacity in excess of 90GW within the next 12 years. According to the latest announcements, Haliade-X is currently projected to be launched in 2021. GE Renewable Energy will provide the first prototype for demonstration purposes in 2019. Injection molding machinery

Plastic Injection Molding Machines

The following trends will determine the development of injection molding machine technologies in 2018:

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

In recent years, the performance of Chinese injection molding machinery including standard and special-purpose machinery, electric and hybrid machinery, and two-platen machinery has been greatly enhanced. Numerous performance indicators meet or approach the standards of Japanese and Taiwanese injection molding machinery. At the same time, Chinese injection molding machinery enjoys competitive advantages in the fields of price and service compared to Taiwanese and Japanese machinery. In this less than ideal economic climate, a growing number of enterprises select local Chinese brands which has a significant impact on the Japanese and Taiwanese injection molding industry.

Other industries that have a positive impact on the development of the injection molding machine market:

Positive impact of the automotive market on the injection molding machinery industry
New automotive platforms boost the sales volume of injection molding machinery and equipment. For instance, the first-, second-, and third-tier customers of the Austrian firm Wittmann Battenfeld, a client of Yeong Guan, constantly develop new plants and purchase new equipment. Quantities per order are as high as 100 units. The growing attention to the automotive market has significantly changed original forecasts for the injection molding machine market.

Global automotive sales could rise again in 2018

The German Association of the Automotive Industry predicts that global automobile sales will increase by 1% to 85.7 million vehicles in 2018. The sales volume of newly launched passenger vehicles is expected to maintain stable growth in key markets. In 2018, new European passenger vehicles will maintain their strong sales performance of 2017. The aggregate sales volume of EU and EFTA countries could reach 15.6 million vehicles.

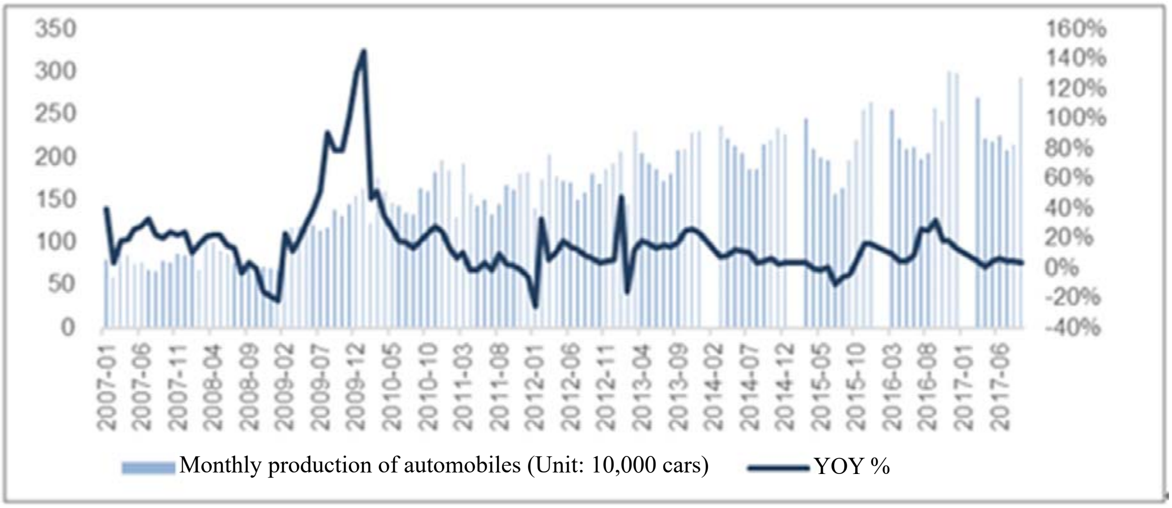
The market for new vehicles including traditional passenger cars and light trucks/SUV in the US will be lackluster in 2018. It is expected that the sales volume will drop by 2% to 16.8 million vehicles. However, this still represents a good result. Growth will be maintained in other markets such as China, India, Russia, and Brazil. China will easily maintain its position as the largest single market in the world. It is expected that the sales volume will soar by 2% to 24.6 million vehicles in China, while a growth rate of 10% in India could result in 3.6 million sold vehicles, surpassing Germany for the first time. The Russian and Brazilian markets will maintain their recovery.

Injection molding technology and auto parts

Car light-weighting has turned into a general trend. Engineering plastics such as microcellular foam plastics, low-density materials, and thin-walled materials have made a significant contribution in this area.

In addition, internal and external car decorations and rear compartment plates are now mostly made of plastic. There is general agreement that rear compartment plates made of plastic are extremely sturdy and allow integrated assembly of antenna, high brake lights, glass, windshield, rear lights, cameras, electric trunk switch, license panel and lights. These plastic plates are used in numerous car models. Generally speaking, these inner plates are made of long glass fiber reinforced PP. Outer plates and spoilers are mostly made of PP or TPO. All these parts are manufactured with injection molding technology and assembled with gumming technology. Following light-weighting trends in the automotive industry, plastics are more and more indispensable for automobile manufacturing. At the same time, there is an increasingly intimate connection between injection molding technologies and equipment and automobiles. As a result, there is a symbiotic relationship between the two industries. Automobile sales stimulate the injection molding machinery industry and boost the market for such machinery.

Due to the stable production volume of the Chinese automotive industry, auto plastic part sales generate a guaranteed demand for injection molding machines. Plastic accessories adopted on a large scale represent one of the main downstream industries of the injection molding machinery sector. China is the largest automobile market in the world and is the first country worldwide with annual automobile sales in excess of 25 million. In recent years, the Chinese automotive industry has maintained a high output volume. High sales and production volumes guarantee a stable downstream demand for injection molding machinery.

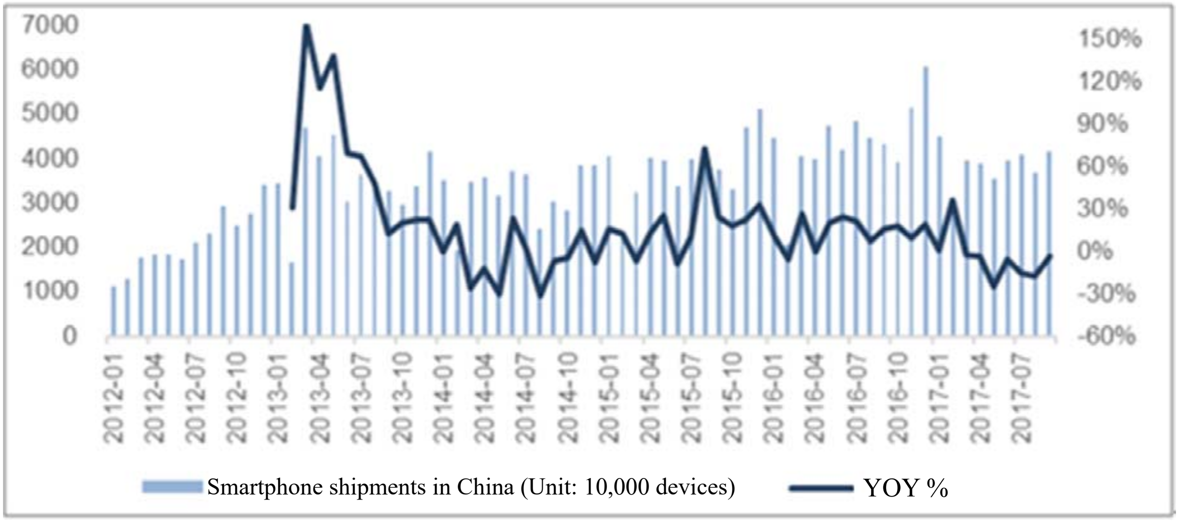


Information source: Organized open data

Smartphone industry

Smartphone plastic parts are characterized by wide usage and rapid development. High output volumes boost the demand for injection molding machinery. Mid- and low-end smartphone back covers made of plastic and short smartphone replacement cycles generate a vigorous demand for injection molding machines. The Chinese smartphone industry has maintained its high output level. Following the spread of 5G smartphone plastic casing, the smartphone industry will generate a rising demand for injection molding machines.

High production volume of the Chinese smartphone industry



Information source: Organized open data

Household appliance industry

The household appliance industry is characterized by consumption upgrades and a rising demand for plastic substitutes. In response to requirements generated by specialization, high performance, safety, and environmental protection trends, plastic parts are widely utilized as substitutes for metal parts. Plastic parts already account for 40% of the total weight of household appliances. In response to demands generated by light-weighting, compact-design, downsizing, and personalization trends, plastic part applications will continue to spread, which in turn will stimulate the demand for plastic molding machinery.

The Chinese plastic molding machinery is characterized by constant development and a gradually expanding market. After hitting a low point in 2012, the Chinese injection molding machinery market gradually expanded and was characterized by stable growth following a rising demand for downstream plastic goods. In 2016, the market volume reached RMB$ 63.747 billion dollars, which represents a year-on-year increase of 9.60%. The 13th five-year plan prescribes an annual growth rate of 10% for the Chinese injection molding machinery sector. Based on this projected growth rate, the molding machinery market volume could exceed RMB$ 100 billion in 2021.

Industrial Machinery

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

A. Machine tools

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

Complexity, precision, efficiency, and flexibility of machine tool processing directly determines the market positioning of products. The development and design of key technologies and key components therefore represents the main objective of machine tool manufacturers. In addition, higher added value, larger sizes, and higher complexity are major trends in machine tool development.

Market research reports reveal that the international machine tool market will be characterized by stability and moderate recovery between 2016 and 2020. In the field of market competition, the industry entered a stage of reorganization and consolidation in 2015. This is clearly demonstrated by the merger of Mori Seiki and DMG (DMG Mori) and the acquisition of MAG by Fair Friend Group.

Our main products are castings exclusively designed for lathes and columns of machine tool applications. As the economy picks up steam, experts forecast a growing demand for machine tools. Under the impact of Industry 4.0, we will accelerate the development of industrial machinery products as a key facet of our future sales strategy.

B. Air compressors

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

Our main products are special castings for air compressor casing and rotors. Products are characterized by high added value, large demand, and low substitutability on the market. This industry therefore represents a long-term focus of our company. Atlas Copco, one of our major customers, has maintained its leadership position since 2010. The procurement volume from Yeong Guan has seen positive growth as of 2015 due to constant innovation and the latest energy-saving high-end centrifuge (MKII). In 2017, Yeong Guan initiated the development of other models with great growth potential.

However, judging from the overall supply situation, excessive production capacities will lead to massive price drops. The sluggish market also generates negative impacts. Some manufacturers pursue cost reductions through decreased deployment and lower quality. They even adopt non-standard methods and norms to lower product quality, which affects reliability and stability and adds uncertainty to the air compressor market.

C. Shipping equipment

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 will generate a large number of new opportunities for the market from 2018-2020.

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

Our customers MAN and Wartsila are world-leading manufacturers of marine engines. MAN and Wartsila have a share of 80% and 16% in the low speed marine engine market. In the medium-speed market, MAN and Wartsila have a share of 16% and 27%, respectively. The companies are currently actively exploring customer needs to achieve a deeper penetration of the whole industry.

Summary

As of 2017, we are constantly cooperating with our customers in the development of a larger number of models with exceptional performance. Customer demands and orders exhibit a stable growth pattern. We are also aware of the fact that market demand is centered around high-end brands. Order volumes of all major customers including the aforementioned DMG-Mori1 and Atlas, the industrial machinery manufacturer Bobst (packaging machines), and MAN/Wartsila (marine engines) show positive growth.

The demand for industrial machinery is closely linked to overall economic development. All forecasts in 2018 indicate a significant economic recovery and orders are starting to pour in. In 2018, our main focus will therefore lie on the selection/development/retention of key industrial machinery customers.

Medical equipment

A. New health care industry model

(A) Effective use of medical expenses:
Medical expenses in Europe and America are skyrocketing, while those in emerging markets are very limited. The emphasis has shifted from expenses to benefits and from capitation to pay for performance

(B) Integrated information is conducive to health management:
Emphasis on user-oriented thinking and provision of convenient and effective products and services, data integration and analysis to create value

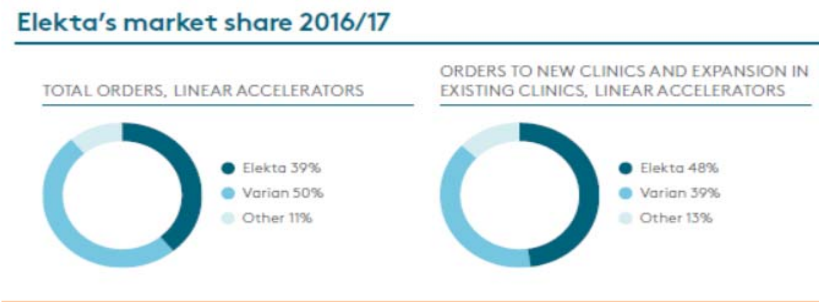
B. Demand for products is affected by population aging; medical equipment for the treatment of diseases and life expectancy extension of the elderly population exhibits continued growth.

C. Application opportunities for cross-disciplinary technologies increase rapidly and wearable health equipment becomes more popular

D. In view of the unclear economic situation, medical institutions are gradually adopting a more conservative attitude as far as capital expenditures and purchase of new equipment is concerned. Clients are therefore forced to develop new device models to target different market segments. Business models have to be transformed from make-to-stock to make-to-order in the past. In addition, end clients have a high demand for product maintenance and warranties. Repair and maintenance to extend service lives reduces sales. Clients will therefore continue their efforts in the field of cost optimization, which in turn affects the suppliers. Flexible supplier strategies are therefore extremely important.

E. Supply chain management methods of the medical equipment industry are characterized by rising flexibility. The goal is to optimize the quality of services, minimize costs, and shorten delivery times of suppliers. Make-to-order production allows an effective reduction of inventories. The company must therefore more comprehensive service packages to satisfy customer demands.

F. The latest annual report released by Elekta group reveals that the group is gradually closing in on Varian Medical Systems. Elekta identifies the needs of new clinics more rapidly than Varian. Global market share distribution for linear accelerators in 2016/2017 is shown below:



(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 2018

Unit: 1000 NTD; %

Item \ Year	2016	2017	First Quarter of 2018
R&D expenses(Note)	187,517	163,176	33,698
Revenue	7,373,888	6,404,342	1,272,854
Share of revenue (%)	2.54%	2.54%	2.65%

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
CNC wooden pattern	Machine tools are employed for 3D programming of processing

Technology or product type	Properties and functions
processing	patterns. This enhances the accuracy of the dimensions of the pattern and the surface flatness, increases the service life of the pattern, reduces the impact of human negligence and facilitates the production and measuring of complicated shapes which cannot be created manually.
PFMEA - Process failure mode and effect analysis	Increases the ability to control production processes and reduces process reject ratios.
Optimization of gating systems	Reduced use of ceramic tubes, decreased labor costs and intensity, and enhanced yield rate
Minimization of allowances for pouring weight	Enhances the usage rate of molten iron and reduces energy consumption
Promotion of the use of chips in all plants	The computerization of mold data enhances the consistency of scheduling and production and reduces human error during production processes
Wind turbine hub rotary fixture	Implementation of simultaneous setup and machining of three flanges to effectively reduce processing times and enhance production efficiency.
Hollow core support technology for wind turbine hub castings	Reduced consumption of core sand, decreased sand-iron ratio, convenient core making operations and facilitate ventilation during casting.
Ventilated and anti-leakage flask	Guarantees sufficient ventilation during the casting process and facilitates mold closing and sand enclosing operations and prevents leakage
Standardization of the base plate of pattern	Reduce pattern costs and shorten pattern making times
Air-cooled iron core technologies	One end of the sand core is exposed to cold air and the other end releases hot air to accelerate the cooling of heavy castings and enhance the quality of castings
Ductile iron castings(energy-type gas turbines)MT, UT Special inspection code	Refined inspection process to guarantee product inspection quality
Universal assembly and welding device/tool	Reduces assembly and welding times, enhances production efficiency, and guarantees product quality
Styrofoam cylinder molding technology	Cylinder-shaped Styrofoam rapid molding tool for increased production efficiency
Special tapping clamping cutter	Enhanced efficiency and reduced costs
Converter	Face mill cutter head is converted and clamped to boring shank for reduced costs
C5 High-grade anti-corrosion coating technology	Improved and optimized coating techniques allow the highest C5 grade corrosion protection and provide enhanced coating quality
EN-GJS-600-10U-LT	Wind power and gas turbine products are characterized by excellent elongation characteristics and low-temperature impact resistance as well as high fatigue resistance and weight reduction
Casting dimension scanning technology	Enhances the accuracy and efficiency of casting dimension detection
Coating automation	Enhances the quality consistency and efficiency of spray coating

Technology or product type	Properties and functions
	for castings

(d) Long- and short-term development plans

1. Short-term development plans

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

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

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

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

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

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

2. Long-term plans:

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

(2) Research and development: Cooperation with customers and participation in customer designs to resolve casting-related problems and optimization of product mixes and casting processes to reduce production costs. Maintenance of positive exchanges and interactions with relevant international industry associations to

ensure a firm grasp of the main trends in the field of casting technologies worldwide.

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

2. Market and sales overview

(a) Market analysis

1. Main products and sales regions

Unit: 1000NTD; %

Region \ Year	2016		2017	
	Amount	%	Amount	%
Europe	2,383,665	32.33%	2,578,744	40.27%
China	2,200,694	29.84%	2,118,100	33.07%
USA	1,460,238	19.80%	513,388	8.02%
Asia	1,329,291	18.03%	1,194,110	18.65%
Total	7,373,888	100.00%	6,404,342	100.00%

2. Future supply conditions and growth potential of the market

<u>Wind power industry</u>

In 2018, the wind power market will be characterized by new trends including larger turbines, better economic efficiency, and digitization. Almost all estimates indicate continued stable growth in the maturing offshore wind power market in 2018 with the added impact of robust growth in emerging markets since wind energy has consolidated its position as a mainstream energy technology. The wind power industry achieved a significant milestone in June 2017 as wind power installations reached a total capacity of 500 GW. The new GWEC provided the following rosy forecast for the industry: By 2020, the global capacity of new wind power installations may reach 80GW/year (newly installed capacity equaled 60GW/year in 2017) and the total installed capacity will amount to 797 GW (see image below)

Steve Sawyer, Secretary General of Global Wind Energy Council (GWEC), points out that total investments of the global wind power industry amounted to US$ 112.5 billion and over 1.2 million employment opportunities have been created, turning the wind power sector into one of the fastest growing industries in the world as well as the main driving force of energy transformation. The global wind power industry realized a series of key achievements in 2017. A notable example is the constantly increasing power generation capacity of wind turbines. In Europe, the power generation capacity of 90% of all newly purchased onshore turbines in the first half of 2017 exceeded 3 MW. The fact that a majority of wind turbine manufacturers will start delivering 4 MW turbines in 2018 clearly indicates that this trend will continue. The growing attention to low wind speed power generation in recent years will also bear fruit by boosting wind power development in undeveloped markets.

These developments help enhance the competitiveness of wind power compared to other forms of newly emerging or traditional power generation. A report released by the investment firm Lazard in 2016 estimates that the average cost of unsubsidized wind power in the US amounts to US$ 32-62 per MW. At the same time, the 2017 New Energy Outlook released by Bloomberg New Energy Finance predicts that the average cost of onshore wind power will have dropped by almost 50% by 2040.

In view of these conditions, Steve Sawyer identifies two tipping points during the renewable energy transformation process. He points out that “we have already reached the first tipping point where onshore wind is the cheapest method to connect new power capacity to the grid with solar power as its main competitor. The second tipping point is reached when wind and solar power are more competitive than traditional energy sources. At this point, the closing of traditional power plants becomes more attractive from and economic perspective. I firmly believe that this will turn into a dominant trend in OECD markets in the near future.” Despite these heartening developments, Secretary General Sawyer admits that price pressure generates new challenges for the wind power industry. “The wind energy industry has two conflicting goals: the provision of a maximum quantity of carbon-free energy at the lowest prices and the creation of local employment opportunities and investments. These goals are often incompatible and conflicting. I don’t believe that these price pressures will disappear in the near future, which poses a huge problem for OEM. I sincerely hope we will see more mergers in the future. A higher number of players will sacrifice profits to maximize their market share which is unfavorable for the long-term development of the industry. Despite the fierce competition, the International Energy Agency (IEA) predicts in its latest wind energy industry outlook that wind energy will turn into the most important power source prior to 2040."

Annual wind power market forecasts for Asia, Europe, North America, Latin America, the Middle East, and the Pacific region until 2021. Source: GWEC

In addition to wind turbines, there are a rising number of new digitized and IoT analysis technology applications that help realize optimized operations and maintenance for wind power projects, generating more room for improved profitability. As the wind energy industry matures, the global energy eco-system is developing rapidly. This will also generate opportunities for the wind power industry. For instance, we witnessed several wind power projects characterized by complementary battery storage systems and onshore/offshore wind farms. This new operational model generates a new income source for wind farm operators, which is an encouraging development for an industry which faces relatively low profit margins. Following the initiation of a greater number of co-location projects, it remains to be seen whether the matching of wind energy and battery storage will turn into a new industry paradigm.

The 4th public tender for onshore wind power in Germany sees a departure from community-oriented project models

The German Federal Network Agency organized a series of auctions for new renewable energy projects of a capacity of 709 MW in February 2018. Following the previous three community-oriented onshore wind power auctions, Germany requires all bidders to acquire mandatory permits. These tenders will help fill the shortage of installations in 2019 and 2020 and enhance the project realization rate. The active development in the field of German wind power is a direct result of continued approval of projects as well as successful build-up by the Federal Government.

Dropping costs of offshore wind power in India

India may develop its first offshore wind power project this year. Against the backdrop of falling wind power prices, the Indian government plans to invite bids for a 5GW offshore project. The government plans to initiate the development of offshore wind power as onshore wind power prices hit a record low in India. Since the initiation of the auction system, onshore wind power prices have dropped by 50%. On the other hand, offshore development projects have been in limbo since announcement of the offshore wind power policy framework in 2015. The simultaneous development of onshore/offshore wind power is conducive to achievement of the national goal of 60GW of wind energy by March 2022.

Wind power stages a comeback in Latin America

Following a two-year period of political and economic uncertainty, Brazilian wind power developers finally started placing bids in 2015. The robust Latin American wind power market is showing signs of recovery. The Brazilian government allocated new capacity of over 1.4GW in a public auction (A-4/A-6) organized in December 2017 (wind power prices are 51% lower than during the last public tender) . Following in the footsteps of Brazil, the neighboring Argentina has achieved similar success after implementation of its new wind power auction program ReovAr. Wind power was the main bid-winning power generation technology among new energy projects in Argentina in January in 2018.

Good news for US onshore and offshore wind power

Despite that fact that tax reform negotiations are likely to collapse, the US wind power industry performed respectably in 2017. The year 2018 looks even more promising. Last year, developers tried to ensure the safety of wind turbine equipment of a capacity of 10GW. In January 2018, new tariff policies led to a decreased capacity of domestic solar power installations between 2018 and 2022, which in turn creates more room for wind energy development. The US offshore wind power industry received four blessings from the government which will spur technological development in Maryland, Massachusetts, and New York state.

Injection molding machinery industry

Development trends of Injection molding machinery industry in recent years

A. Development of large-scale and micro machines

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

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

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

B. Development of energy-saving plastic machinery

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

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

C. Development of automated smart plastic machinery

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

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

D. Network-based smart management

The essence of “Industry 4.0” lies in the realization of an industrial Internet, or in other words the linkage of virtual and physical networks to form a highly effective production system. Maximization of competitive advantages of this traditional industry is achieved through the Internet and big data analysis and clustering and linkage of competitive industry chains through innovative information installations In the face of upgrading pressures of the manufacturing industry and disappearance of demographic dividends, the plastic machinery industry realizes its own “Industry 4.0”. Industry development is fully linked to the Internet. Network-based management technologies from production management to after-sale services are non-equipment related technologies but are inseparable from relevant equipment. Auxiliary equipment and host machine manufacturers use network-based management systems as one of their equipment control functions.

Industrial machinery

The global machinery tool market was in a slump in 2015. Reports of professional research institutions indicate a decline of global production value forecasts from $EU 64 billion at the beginning of the year to 59.3 billion in October. A detailed market analysis however reveals the emergence of a phenomenon called “the strongest prevail” in all machinery industries this year. Starting in 2017, the demand of industrial machinery clients increased significantly, the order situation stabilized, and visibility was higher. The Company therefore fully cooperated with castings and processing delivery times.
In addition, the favored weapon of Chinese manufacturers to control prices through volume has also lost its past effectiveness. The added impact of the strong depreciation of the Euro at the beginning of the year and the weak Japanese Yen has led to a situation in which more markets turn to high-end/highly efficient/smart European and Japanese manufacturers. In 2015, reports released by numerous Chinese machine tool providers point out that the industry is in a deep trough mainly for the following reasons:

Decrease and constant decline of sales figures and orders placed by related industries by an average of 10%-30%;

Only the output volume of metal forming machines of all brands has increased, while that of other processing machine tools exhibits a decline of around 10%.;

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

The term industrial machinery refers to a wide range of facilities. Every type of machinery that is used for production purposes may be classified as industrial machinery. Machine tools ("mother machines"), air compressors, and shipping equipment currently form the mainstay of Yeong Guan Energy Technology Group's industrial machinery sales. The machine tool market currently has a global focus, while Asia provides the main growth momentum and China represents the largest market. However, the competition between Mainland Chinese and Taiwanese manufacturers is still fierce and market conditions are harsh. Against the backdrop of a full-scale expansion of the US manufacturing sector, machine tool orders still exhibit a pattern of gradual decline. Only Germany and Japan showed signs of recovery in the third quarter of 2013. As for China, local Chinese enterprises have been forced to start transforming their businesses after an over two-year period of excess supply. Certain products have even gained a foothold in the international brand market. This phenomenon has also prompted large international manufacturers to accelerate localized production in China.

Machinery equipment derived from machine tools

The DMG group is the undisputed industry leader as far as market share and technical capabilities are concerned and is a typical representative of the law of "the strongest prevail". Despite the fact that the manufacturing sector is mired in a slump, the company still posted a growth of 6% compared to the same period of the previous year. In the third quarter, the sales volume of the group reached 1.648 billion EURO (1.562 billion EURO in October 2014). Despite the impact of dropping demand in China, it is expected that the total sales volume in 2015 will still reach 5.58 billion EURO. Yeong Guan has already initiated the development of new machine models as a foundation for cooperation between the two companies and mutual growth. As far as the market for air compressors is concerned, the demand of the downstream market is indeed insufficient against the backdrop of a continued cooling down of the economy in 2015. Excessive supply and production capacities have led to a significant drop of prices.

The sluggish market has also generated numerous negative effects. Some manufacturers pursue a low-cost strategy through reduced deployment and quality. Some even adopt non-standard methods and norms, which leads to lower product quality and negatively affects the reliability and stability of products, which in turn results in a vicious cycle for the air compressor market. However, quite a few positive developments have also been brought about in this competitive environment. Last year, many people were still pondering over the direction of product development. This year, the focus has shifted to the selection of a business model that ensures the survival of the company and the realization of energy-saving products. The air compressor industry has reached a stage where transformation is the only way to survive regardless of intention or attitude. A remolding of the value chain through innovative thinking is a prerequisite of development in this new era.

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

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

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

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

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

Medical Equipment

Yeong Guan’s main client for medical equipment is currently Elekta - one of the leading manufacturers of radiation therapy equipment in the world. The client is firmly committed to providing assistance in clinical care and improvement of patient life quality. Despite the fact that Elekta is a multinational group with employees from numerous countries, a single project team is in charge of cross-departmental and multinational cooperation. The group is committed to concrete action and incorporates the company’s vision into concrete business goals. The ultimate goal is to beat cancer and improve the lives of cancer patients through effective treatment of the disease. Elekta places high emphasis on business ethics and prevention of unethical conduct at the workplace. It needs suppliers (such as our company) that are committed to sustainable development and eco-friendliness. The development direction of the client is therefore consistent with ours. It has the second highest share of the global market (global market share of 39% and an extended market share (orders from new and existing clinics) of 48%) and the highest share of the North American market. Elekta's main focus currently lies on the development of the North American, Latin American, Chinese, and Japanese markets. Yeong Guan group will make an all-out effort to develop medical equipment castings in sync with the client's market expansion to achieve joint growth. Yeong Guan still continues to develop new customers in the medical equipment sector.

The US is currently still the largest market for LINAC. However, shrinking capital expenditures have considerably reduced the willingness of medical institutions to invest in such equipment. The main focus lies on repair and maintenance to extend the service life of existing equipment. Our clients therefore actively develop new models with the goal of satisfying the demands of different markets. JPM has conducted a survey of US doctors who are engaged in the field of radiation therapy. 65% of all US hospitals state that their budgets are tight recently, while 27% believe that capital expenditures will remain unchanged and 8%express the opinion that the economic outlook is more positive than last year. Physical product sales and services account for 58% and 42% of the groups revenue, respectively. The client therefore actively develops after-sale service demands and pursues constant innovation and profit growth.

This obviously generates considerable pressure on our clients in the medical field. Economic downturns in developing countries impede the acquisition of orders. Our clients therefore step up their efforts to increase the sale of Gamma Knife (ICON) products. The conversion to new device models is more difficult than previously assumed by management levels since the required time for conversion in the neurology and radiation therapy departments of large-scale hospitals is hard to estimate. In addition, sales prices have increased significantly and equipment must be reviewed and approved by the US Nuclear Therapy Commission prior to official launch.

3. Creation of a niche

(1) Due to the group's over forty years' experience in the casting industry, it possesses exclusive metallurgy technologies and provides stable quality occupying a leadership

position in the industry.

(2) In the field of production the group possesses vertically integrated capabilities in the field of casting and processing which enable it to provide customers with higher added-value services and maintain strong partnerships with its customers.

(3) The group continues to develop new products in close cooperation with its clients to maintain its market competitiveness.

(4) The field of industrial applications is very wide and production and sales counterparties and fields can be adjusted flexibly.

(5) Due to the fact that most of the group's customers are highly ranked large manufacturers in different fields and the group is cooperating with large-scale international raw material suppliers, the group is able to resist the impact of economic fluctuations in the areas of production and sales.

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

(1) Favorable factors

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

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

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

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

(C) Independent sales capabilities and international competitiveness

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

(D) Emphasis on environmental protection and EHS requirements

Small- and medium-sized foundries that fail to conform to environmental requirements of large international manufacturers and tightening requirements in Chinese environmental and emission policies will be gradually eliminated. Since we pursue constantly upgrade and refine our equipment and raise the safety awareness of our personnel, we not only exceed the requirements of local governments but are frequently recognized as a green foundry and hi-tech enterprise. We meet the environmental and safe production requirements of all our customers and aim to provide our employees with safe and comfortable working environment. Constant enhancement of productivity and product quality facilitates the retention of existing and acquisition of new customers.

(2) Unfavorable factors and response strategies

(A) Exchange rate fluctuations

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

Response strategies:

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

(B) Raw material price fluctuations

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

Response strategy:

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

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

(C) Corrosion at sea affects product quality

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

Response strategy:

In view of the harsh marine environment which causes serious corrosion, it is necessary to strengthen the corrosion resistance and enhance the quality of products to make them more resistant against corrosion caused by the sea wind. Based on the abovementioned considerations, Yeong Guan Energy Technology Group has obtained the ISO12944 Corrosion protection certification allowing it to provide the highest C5 grade corrosion protection for offshore wind turbines. The company has constructed new factory buildings at Jiangsu Bright Steel Fine Machinery Co., Ltd. and Ningbo

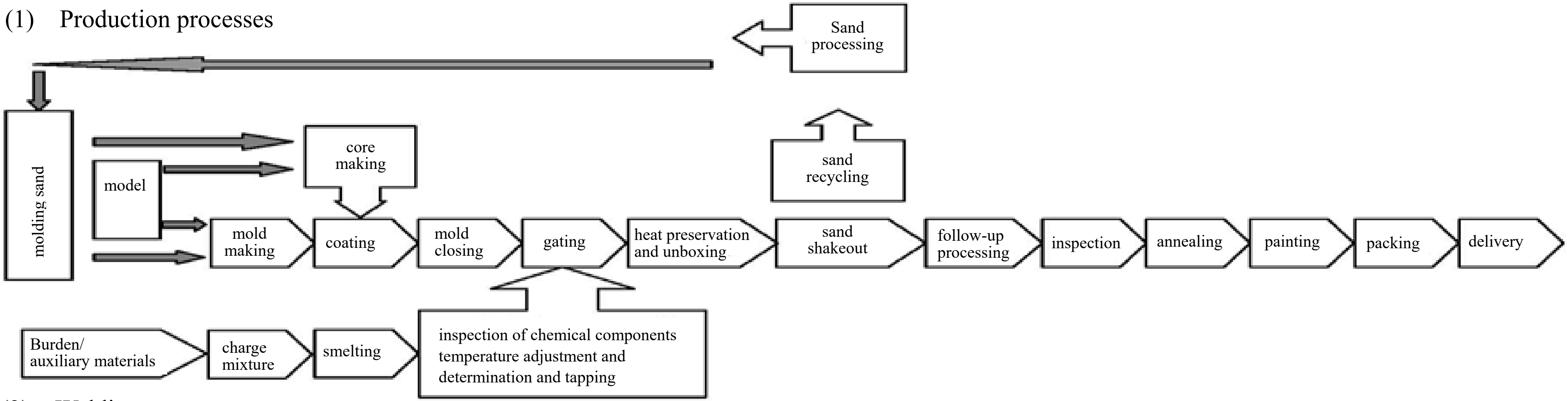
Yeong Shang Casting Iron Co., Ltd. that provide anti-corrosion coating capabilities including sand blasting, spray painting, and zinc spraying. These facilities specialize in the coating of offshore wind power products to maximize the benefits of vertical integration of casting and spray coating processing and enable the company to further expand its offshore wind power business.

(b) Main uses and production procedures of major products

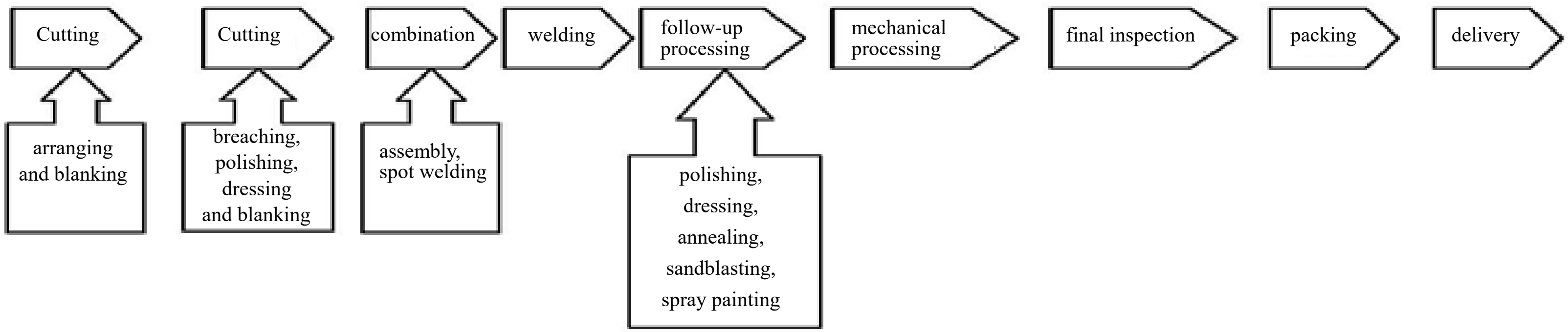
1. Main uses of major products

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

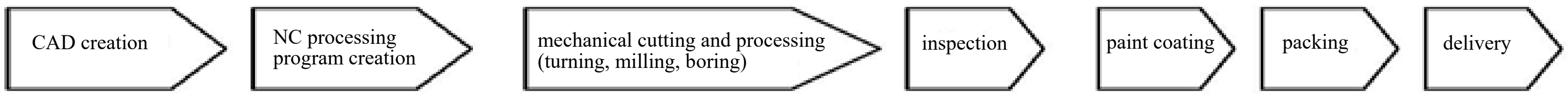
(1) Production processes



(2) Welding



(3) Mechanical processing



(c) Supply status of main materials

Main raw materials	Main suppliers	Supply status
Pig iron	Ningbo Mingyuan Trading Co., Ltd., Jongmeixin Industry & Trading Compay, Benxi Shentie Iron Co., Ltd., Hebei Fongshan Casting Company, Linzhou Hexin Casting Industrial Co., Ltd., Ningbo Qi Chang Trading Co., Ltd.	Good
Scrap steel	Ningbo Jinlong Waste Metal Recycling Co., Ltd., Ningbo Yinzhou Hongli Metal Recycling Co., Ltd., Ningbo Zhonglie Renewable Resource Recycling Co., Ltd., Changzhou Hengguan Metal Company, Liyang City Tianheng Recycling Co., Ltd., Wenling City Hua Tai Resource Recycling Co., Ltd., Ningbo City Yinzhou Chihao Recycling Co., Ltd., Dongguan City Youxin Recycling Co., Ltd., Chiashan County Dong Tzu Scrap Metal Recycling Company., Anhui Shuangying Recycling Company, Shenzhen City Xinlan Recyclable Resources Company, Jiangyin City Hengren Metal Company, Jiangsu Giants Renewable Resources Company, Wuhu Qichuan Renewable Resources Company, Ningbo Jinyue Metal Company, Kunshan Hengwei Metals Company, Jiangyin Daewoo Special Irons Company	Good
Resin	Kao Chemical Corporation Shanghai (hereinafter referred to as Kao Shanghai), Jinan Shengquan Group Co., Ltd.	Good
Nodulizer	Sanxiang Advanced Materials Co., Ltd.	Good

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

(d) Major suppliers and clients

1. Suppliers that account for over 10% of total purchases of materials in any of the last two calendar years as well as purchase amounts, ratios, and specification of reasons for increases/decreases : None。

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；%

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

Specification of reasons for increase/decrease:

1. Starting in 2017, EA focused on cost reduction and therefore placed less emphasis on supplier quality/delivery performance in the selection of suppliers and order allocation. Since EA chose to place all orders with other foundries, we had no business dealings with EA in 2017.
2. IO is the largest customer of our group. From 2016 to 2017, IO was engaged in the wind industry. However, the wind industry faced fierce market competition from other emerging green energy sources in the second half of 2017. The unit costs of solar energy power generation dropped significantly which is expected to affect the demand for wind power. Due to the added impact of fierce competition in the Chinese foundry industry, numerous wind power customers faced price erosion trends. IO net sales therefore decreased by around 23% in the second half of 2017 compared to 2016-2017 due to the simultaneous impact of price and output.

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

Unit: tons；1000 NTD

Year / Production volume/value / Production categories	2016			2017		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Casting products	174,400	149,373	4,324,854	211,800	145,709	3,946,835
Finished Machined products(Note1)	342,566 (hour)	251,743 (hour)	956,266	293,261 (hour)	219,957 (hour)	1,084,589
Pressed scrap steel blocks	42,000	26,436	180,694	42,000	28,065	212,036
Other	Note 2	Note 2	489,247	Note 2	Note 2	470,140

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 cannot be indicated.
Specification of reasons for increase/decrease:
The main reason for the growing production volume and value in 2014 lies in the fact that the company increased production to meet customer demands for optimized processes and removal of bottlenecks.

Specification of reasons for increase/decrease:

(1) The decreasing output amount and value of castings and processed products can be mainly attributed to reduced customer demand and delivery time delays. Another reason for the decreasing output value lies in downward price adjustments in line with raw material price fluctuations pursuant to price agreements with customers. In addition, the RMB depreciated against NTD in 2016.

(2) The reduced output amount and value of pressed scrap steel blocks may be explained by reduced usage due to decreased customer demand. Another reason for the decreased output value lies in the lower scrap steel prices compared to the same period of last year.

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

Unit: tons; 1000 NTD

Year / Sales volume/value / Main products	2016				2017			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Energy product castings	17,563	879,353	51,952	3,014,187	9,338	440,689	37,501	1,800,896
Injection molding machine castings	18,748	662,058	34,465	1,201,627	27,416	969,840	34,338	1,203,907
Other castings	21,009	1,007,934	7,116	608,729	24,867	1,160,108	12,161	828,902
Total	57,320	2,549,345	93,533	4,824,543	61,622	2,570,637	84,001	3,833,705

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		2016	2017	1st Quarter of 2018
Number	Executives	90	73	72
	Production line staff	1,648	1,638	1,741
	General staff	454	468	496
	R&D personnel	71	66	59
	Total	2,263	2,245	2,368
Average age		36.91	37.79	34.83
Average years of service		5.83	6.57	9.24
Distribution of level of education(%)	PhD/MA	0.57%	0.53%	0.46%
	BA	13.83%	9.67%	9.16%
	Junior college or below	85.60%	89.80%	90.16%

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):

Penalties imposed for pollution of the environment in the most recent fiscal year up to the date of printing of the annual report amounted to NT$ 100,000. Incident details, countermeasures, and possible expenses are as follows:

(a) Yeong Chen Asia Pacific Co., Ltd.

Incident and losses:

Unapproved use of coal dust to increase permeability during medium plate wet molding on December 14, 2017. Upon detection by the Taoyuan City Environmental Protection Bureau, the company was fined NT$ 100,000.

Improvement measures:

Substitution of stone powder for coal dust approved upon review by the Environmental Protection Bureau

(b) 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

Retirement system and implementation conditions

For all subsidiaries of the company which lie within the territory of the Republic of China, the company contributes 6% of monthly salaries to the pension fund in accordance with the Labor Pension Act. These funds are deposited in individual labor pension accounts.

Companies within the territory of China make monthly contributions to pension insurance fund as prescribed in local laws and regulations to care for retired employees. In accordance with local social insurance operation modes, pension insurance is included in social insurance (including medical care, childbirth, pension, occupational injury, unemployment). After implementation of social insurance registration procedures, the company has started to fulfill its obligations in the field of pension contributions.

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: None

6. Critical Contracts

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Lease Contract	Lessor: Ningbo Yeong Shang Lessee: Ningbo Yeong Chia Mei	2014-1-1~2018-12-31	Factory Building Lease	Nil
Insurance	Insured: Ningbo Yeong Shang Insurance company: PICC P&C	2017-6-29~2018-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Ningbo Yeong Shang	2017-7-5~2018-7-4	Property Insurance	Nil
Insurance	Insured: Ningbo Lu Lin Insurance company: PICC P&C	2017-6-29~2018-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Ningbo Lu Lin	2017-7-5~2018-7-4	Property Insurance	Nil
Insurance	Insured: Jiangsu Bright Insurance company: PICC P&C	2017-6-29~2018-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Jiangsu Bright	2017-7-5~2018-7-4	Property Insurance	Nil
Insurance	Insured: Dongguan Yeong Guan Insurance company: PICC P&C	2017-6-29~2018-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Dongguan Yeong Guan	2017-7-5~2018-7-4	Property Insurance	Nil
Insurance	Insured: Shanghai No.1 Machine Tool Foundry Insurance company: PICC P&C	2017-6-29~2018-6-28	Employer Liability Insurance	Nil
Property insurance	Party A: Fubon Property & Casualty Insurance Party B: Shanghai No.1 Machine Tool Foundry	2017-7-5~2018-7-4	Property Insurance	Nil
Insurance	Insured: Ningbo Yeong Chia Mei Insurance company: PICC P&C	2017-6-29~2018-6-28	Employer Liability Insurance	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Dongguan Yeong Guan	from April 2018 to November 2018	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Jiangsu Bright	from April 2018 to November 2018	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Ningbo Yeong Shang	from April 2018 to November 2018	Technology Service	Nil
Cooperation agreement	Party A: Shenyang Research Institute of Foundry Party B: Ningbo Lu Lin	from April 2018 to November 2018	Technology Service	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Jiangsu Bright	2016.2.24	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Juxinda Purchaser: Jiangsu Bright	2016.2.24	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Dongguan Yeong Guan	2016.2.24	Pig iron	Nil
Maintenance	Party A: Changzhou Dusheng Machine	2015/3～2018/3	Air Compressor Maintenance	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
	Party B: Jiangsu Bright			
Sales & Purchase Contract	Supplier: Benxi Juxinda Purchaser: Ningbo Lu Lin	2016.2.29	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Lu Lin	2016.2.28	Pig iron	Nil
Sales & Purchase Contract	Party A: Wenling Hua Tai Party B: Ningbo Lu Lin	2015.1.2-long term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Party A: Ningbo Zhonglie Party B: Ningbo Lu Lin	2015.1.2-long term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Party A: Shanghai Dingen Party B: Ningbo Lu Lin	2015.1.2~2017.12.31	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Party A: Yinzhou Jinhao Party B: Ningbo Lu Lin	2015.1.2-long term	Scrap Steel Sales & Purchase Contract	Nil
Sales & Purchase Contract	Supplier: Benxi Juxinda Purchaser: Ningbo Yeong Shang	2015.3.17	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Juxinda Purchaser: Ningbo Yeong Shang	2015.11.25	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Yeong Shang	2015.11.25	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Shentie Purchaser: Ningbo Yeong Shang	2016.2.24	Pig iron	Nil
Sales & Purchase Contract	Supplier: Benxi Juxinda Purchaser: Ningbo Yeong Shang	2016.2.24	Pig iron	Nil
Collateral contract	Pledger: Ningbo Lu Lin Debtor: Ningbo Lu Lin Creditor: Bank of China	2015-7-13~2020-7-13	The pledger provides 33,333 m2 of land and 23,502 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Jul 13, 2015 to Jul 13, 2020 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 37.5 million.	Nil
Collateral contract	Pledger: Ningbo Lu Lin Debtor: Ningbo Lu Lin Creditor: Bank of China	2015-9-22~2020-9-22	The pledger provides 12,697 m2 of land and 3,786 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 22, 2015 to Sep 22, 2020 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 12.5 million.	Nil
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9~2019-9-8	The pledger provides 39,290 m2 of land and 24,895 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 48.59 million.	~~Nil~~
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9~2019-9-8	The pledger provides 13,350 m2 of land and 12,801 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 18.4 million.	Nil
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9~2019-9-8	The pledger provides 24,948 m2 of land and 36,394 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 46.87 million.	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Collateral contract	Pledger: Ningbo Yeong Shang Debtor: Ningbo Yeong Shang Creditor: Bank of China	2014-9-9~2019-9-8	The pledger provides 33,344 m2 of land and 18,980 m2 of factory buildings as collateral for the fulfillment of contract obligations to the creditor as prescribed in several main contracts valid from Sep 9, 2014 to Sep 8, 2019 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 36.47 million.	Nil
Collateral contract	Pledger: Jiangsu Bright Debtor: Jiangsu Bright Creditor: Bank of China	2013-08-28 至 2018-08-27	The pledger provides 30,066 m2 of land as collateral for loan, trade finance, guarantee letter, financial service, and other credit service contracts concluded with the creditor valid from August 28, 2013 to August 27, 2018 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 11.48 million.	Nil
Collateral contract	Pledger: Jiangsu Bright Debtor: Jiangsu Bright Creditor: Bank of China	2015-01-22~2020-01-22	The pledger provides 32,066 m2 of land and 24,577 m2 of factory buildings as collateral for loan, trade finance, guarantee letter, financial service, and other credit service contracts concluded with the creditor valid from Jan 22, 2015 to Jan 22, 2020 or about to be concluded. Secured claims shall not exceed the principal of RMB$ 30.75 million.	Nil
Collateral contract	Pledger: Dongguan Yeong Guan Debtor: Dongguan Yeong Guan Creditor: ICBC	2014.10.17~2019.10.05	The pledger provides land and factory buildings as collateral for Financial derivative Agreements and other documents signed with the creditor valid from Oct 17, 2014 to Oct 5, 2019 such as Foreign Exchange Loan Contracts, Foreign Exchange Sub-loan Contracts, Bank Acceptance Agreements, Letter of Credit Issuance Agreements/Contracts, Guarantee Issuance Agreements, International and Domestic Trade Finance Agreements, and Agreements on Forward Transaction of Foreign Exchange. Secured claims shall not exceed the principal of RMB$ 36.8 million.	Nil
Foreign Exchange Loan Contract	Borrower: Ningbo Yeong Shang Lender: Shanghai Commercial & Savings Bank	2017-2-10~2020-2-9	Shanghai Commercial & Savings Bank provides Ningbo Yeong Shang with a working capital of US$ 3 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Ningbo Yeong Shang Lender: BNP Paribas	2017-8-3~2018-08-3	BNP Paribas provides Ningbo Yeong Shang with a working capital of US$ 3 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Steel Lender: Shanghai Commercial & Savings Bank	2017-12-17~2018-12-16	Shanghai Commercial & Savings Bank provides Jiangsu Bright Steel with a working capital of US$ 2.5 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Steel Lender: Citibank	2018-1-14~2019-1-13	Citibank provides Jiangsu Bright Steel with a working capital of US$ 2 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Steel Lender: Citibank	2018-4-13~2019-4-12	Citibank provides Jiangsu Bright Steel with a working capital of US$ 3 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Jiangsu Bright Steel Lender: Shanghai Commercial & Savings Bank	2018-1-15~2019-1-14	Shanghai Commercial & Savings Bank provides Jiangsu Bright Steel with a working capital of US$ 2.5 million. Principal and interest shall be payable once every three months.	Nil
Foreign Exchange Loan Contract	Borrower: Shanghai No.1 Machine Tool Foundry Lender: E SUN Bank	2018-3-15~2019-2-28	E SUN Bank provides Shanghai No.1 Machine Tool Foundry with a working capital of US$ 5 million. Principal and interest shall be payable once every three months.	Nil

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Credit Extension Contract	Borrower: Yeong Guan Energy Lender: BANK SINOPAC Hong Kong Branch	2017-8-29~2018-8-28	Bank SinoPac Hong Kong Branch provides Yeong Guan Energy Technology with a revolving line of credit of US$ 6 million. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Lender: Taiwan Cooperative Bank	2018-1-5~2019-1-4	Taiwan Cooperative Bank provides Yeong Guan Energy Technology with a revolving line of credit of US$ 10 million. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Lender: CTBC Bank Joint guarantor: Chang, Hsien-Ming	2017-08-05~2018-08-04	CTBC Bank provides Yeong Guan Energy Technology with a revolving line of credit of US$ 10 million. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Lender: Citibank	2017-08-01~2018-07-31	Citibank provides Yeong Guan Energy Technology with a revolving line of credit of US$ 5 million. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Lender: BNP Paribas	2017-08-31~2018-08-31	BNP Paribas provides Yeong Guan Energy Technology with a revolving line of credit of US$ 3 million. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Energy Lender: Shin Kong Bank	2017-02-14~2018-02-13	Shin Kong Bank provides Yeong Guan Energy Technology with a revolving line of credit of US$ 15 million. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Holdings Lender: CTBC Bank Joint guarantor: Yeong Guan Energy	2017-08-05~2018-08-04	CTBC Bank provides Yeong Guan Holdings with a revolving line of credit of US$ 135 million. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Guan Holdings Lender: Land Bank of Taiwan Joint guarantor: Yeong Guan Energy	2017-9-5~2018-9-5	Land Bank of Taiwan grants Yeong Guan Holdings Co., Limited Taiwan Branch a loan of NT$ 845 million for the purchase of equipment in the Taichung Harbor area.	Nil
Credit Extension Contract	Borrower: Shin Shang Trade Lender: Shanghai Commercial & Savings Bank Joint guarantor: Yeong Guan Energy	2016-11-29~2019-11-28	Shanghai Commercial & Savings Bank provides a revolving line of credit of US$ 2 million for Shin Shang Trade. Interest shall be payable once a month. The bank provides the company with an additional US$700,000 for financial derivative operations.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: Land Bank of Taiwan Joint guarantor: Chang, Wen-Lung	2017-11-03~2018-11-02	Land Bank of Taiwan grants Yeong Chen Asia Pacific a short-term secured loan and a total financing line of NT$ 300 million. Yeong Chen Asia Pacific provides land and factory buildings for a maximum mortgage of NT$ 360 million.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: DBS Bank Joint guarantor: Yeong Guan Energy	2017-09-26~2018-09-25	DBS Bank grants Yeong Chen Asia Pacific a short-term financing line of US$ 6 million. The bank provides the company with an additional US$ 2 million for financial derivative operations.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: Citibank Joint guarantor: Yeong Guan Energy	2017-08-01~2018-07-31	Citibank provides a revolving line of credit of US$ 5 million for Yeong Chen Asia Pacific. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: CTBC Bank Joint guarantor: Yeong Guan Energy	2017-08-05~2018-08-04	CTBC Bank provides a revolving line of credit of US$ 200 million for Yeong Chen Asia Pacific. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: Yeong Chen Asia Pacific Lender: BNP Paribas Joint guarantor: Yeong Guan Energy	2017-08-31~2018-08-31	BNP Paribas provides a revolving line of credit of US$ 5 million for Yeong Chen Asia Pacific. Interest shall be payable once every month.	Nil
Credit Extension Contract	Borrower: New Power Team Lender: Taiwan Business Bank Joint guarantor: Ching, Shao-Jieh	2018-3-30~2019-3-29	Taiwan Business Bank provides a revolving line of credit of NT$ 30 million for New Power Team. Interest shall be payable once every month. New Power Team provides 4,536m^2 of land, 3,699.49m2 of factory premises, and factory buildings for a maximum mortgage of NT$ 200 million.	

Nature of Contract	Parties of Contract	Term of Contract	Major Contents	Limitation Clause
Credit Extension Contract	Borrower: New Power Team Lender: Bank SinoPac	2018-3-30~2019-3-29	Bank SinoPac provides a revolving line of credit of NT$ 16 million for New Power Team. Interest shall be payable once every month. New Power Team provides a deposit collateral of US$ 600,000	
Credit Extension Contract	Borrower: New Power Team Lender: Taiwan Business Bank	2018-3-30~2019-3-29	Taiwan Business Bank provides a revolving line of credit of NT$ 25 million for New Power Team. Interest shall be payable once every month. New Power Team provides a deposit collateral of US$ 1 million.	

VI. Financial Summary

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

(1) Summarized Balance Sheet & Income Statement

1-1 Summarized Consolidated Balance Sheet

Unit: NTD in thousands

Item \ Year		Financial data for the last five years (Note 1) 2013	2014	2015	2016	2017	Current Financial Data as of March 31st, 2018 (Note 1)
Current Asset		4,971,886	6,726,616	9,557,290	8,127,766	7,312,847	7,689,285
Property, Plant and Equipment		4,021,240	4,310,151	5,251,823	5,700,681	6,279,225	6,462,631
Intangible Asset		131,652	134,386	133,214	145,208	144,002	144,930
Other Asset		381,580	507,107	647,429	1,078,734	746,716	663,857
Total Asset		9,506,358	11,678,643	15,589,756	15,052,389	14,482,790	14,960,703
Current Liability	Before allocation	2,466,894	2,067,496	2,473,907	2,546,022	4,657,277	5,543,232
	After Allocation	2,820,006	2,734,973	3,478,095	2,932,179	Note 2	Note 2
Non-current Liability		740,034	1,553,712	2,461,407	2,428,059	110,326	113,318
Total Liability	Before allocation	3,206,928	3,621,591	4,935,314	4,974,081	4,767,603	5,656,550
	After Allocation	3,560,040	4,288,685	5,939,502	5,360,238	Note 2	Note 2
Owner's Equities Attributed to Parent Company		6,299,430	7,937,034	10,542,667	9,774,150	9,423,372	9,009,864
Share Capital		1,008,890	1,048,890	1,179,796	1,188,175	1,188,175	1,116,175
Additional Paid-in Capital		3,548,276	4,045,959	6,091,651	6,204,774	6,204,774	5,837,900
Retained Earnings	Before allocation	1,665,736	2,314,788	2,998,411	3,002,521	2,869,086	2,715,635
	After Allocation	1,312,624	1,647,694	1,994,223	2,616,364	Note 2	Note 2
Other Equities		76,528	527,397	272,809	(621,320)	(838,663)	(659,846)
Treasury Share		0	0	0	0	0	0
Non-controlling Equities		0	120,018	111,775	304,158	291,815	294,289
Total Equities	Before allocation	6,299,430	8,057,052	10,654,442	10,078,308	9,715,187	9,304,153
	After Allocation	5,946,318	7,389,958	9,650,254	9,692,151	Note 2	Note 2

Note 1: Financial data for last 5 years and those as of March 31st, 2018 have all been audited or reviewed by certified accountants.

Note 3: As of May 1, 2018, 2017 earnings distribution has yet to be approved by shareholder meeting resolution.

2-1 Summarized Consolidated Income Statement

Unit: NTD in thousands except for EPS

Item \ Year	Financial data for the last five years (Note 1)					Current Financial Data as of March 31st, 2018 (Note 2)
	2013	2014	2015	2016	2017	
Operation Revenue	5,899,431	7,206,294	8,122,470	7,373,888	6,404,342	1,272,854
Operation Profit Margin	1,687,389	2,257,711	2,668,103	2,418,746	1,432,199	1,125,356
Operation Income	861,908	1,348,859	1,515,908	1,143,881	295,449	(76,953)
Non-operation Revenue & Expenses	(132,332)	(27,782)	272,605	180,777	46,318	26,609
Pre-tax Net Profit	729,576	1,321,077	1,788,513	1,324,658	341,767	(50,344)
Current Net Profit for Continuing Operations	541,119	1,001,817	1,349,123	997,419	257,924	(43,628)
Discontinued Operations Loss	0	0	0	0	0	0
Current Net Profit	541,119	1,001,817	1,349,123	997,419	257,924	(43,628)
Current Other Consolidated Income (after tax net amount)	286,228	455,109	(261,237)	(899,614)	(217,094)	182,178
Current Consolidated Income Total Amount	827,347	1,456,926	1,087,886	97,805	40,830	138,550
Net Profit Attributed to Parent Company Owner	541,119	1,002,164	1,350,717	1,008,298	270,474	(42,741)
Net Profit Attributed to Non-controlling Equities	0	(347)	(1,594)	(10,879)	(12,550)	(887)
Consolidated Income Total Attributed to Parent Company Owner	827,347	1,453,033	1,096,129	114,619	53,131	136,076
Consolidated Income Total Attributed to Non-controlling Equities	0	3,893	(8,243)	(16,364)	(12,301)	2,474
Earnings Per Share	5.36	9.78	12.24	8.50	2.28	(0.37)

Note 1: Financial data for last 5 years have already been audited by accountants.

Note 2: Current financial data as of March 31st, 2018 have already been audited by accountants.

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

Year	Name of Accounting Firm	Certified Accountants	Audit Comments
2013	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2014	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2015	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2016	Deloitte Touche Tohmatsu Limited., Taiwan	Li, Tung-Feng, Gon, Ze-Li	No Reservation
2017	Deloitte Touche Tohmatsu Limited., Taiwan	Chen, Chih-Yuan Chang, Ching-Jen	No Reservation

2. Financial analysis for the last five years

I. Financial Analysis

Items Analyzed (note4) \ Year		2013	2014	2015	2016	2017	Current Financial Data as of March 31st, 2018
		Financial analysis for the last five years					
Finance Structure	Debt Ratio (%)	33.73	31.01	31.66	33.05	32.92	37.81
	Long Term Fund to Fixed Asset Ratio (%)	175.06	220.20	247.61	214.05	151.83	141.17
Repayment Capability	Current Ratio (%)	201.54	325.35	386.32	319.23	157.02	138.71
	Quick Ratios (%)	151.29	250.55	327.24	260.02	124.20	109.51
	Times Interest Earned	11.24	25.09	41.69	23.16	5.99	-1.03
Operating Performance	Account Receivables Turnover Rate (Times)	3.44	3.59	3.61	3.14	3.01	2.86
	Average Collection Days	106	102	101	116	121	127
	Inventory Turnover Rate (Times)	3.96	3.82	3.92	3.72	3.69	3.13
	Account Payable Turnover Rate (Times)	5.79	4.55	4.67	4.44	4.45	4.54
	Average Inventory Turnover Days	92	96	93	98	99	117
	Fixed Asset Turnover Rate (Times)	1.46	1.73	1.70	1.35	1.07	0.80
	Total Asset Turnover Rate (Times)	0.66	0.68	0.60	0.48	0.43	0.35
Profitability	Return on Asset (%)	6.77	9.93	10.19	6.86	2.16	-0.16
	Return on Equity (%)	9.02	14.07	14.60	9.82	2.82	-0.46
	Pre-tax Net Profit to Paid-in Capital (%)	16.01	25.93	20.85	17.92	4.62	-0.72
	Net Margin Rate (%)	9.17	13.90	16.61	13.53	4.03	-3.43
	Earnings Per Share (NTD)	5.36	9.78	12.24	8.5	2.28	-0.37
Cash Flow	Cash Flow Ratio (%)	27.47	72.32	60.22	52.6	14.43	-3.33
	Cash Flow Adequacy Ratio (%)	Note 1	Note 1	Note 1	96.95	77.95	66.44
	Cash Re-investment Ratio (%)	4.73	9.69	5.30	2.27	2.25	-2.83
Leverage	Operating Leverage	2.79	2.29	2.40	2.96	2.69	-0.76
	Financial Leverage	1.09	1.04	1.03	1.05	1.30	0.76

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, Quick Ratio and Current Ratio: Mainly caused by puttable convertible corporate bonds exercised by Yeong Guan II and listing of non-current liabilities as current liabilities in the current fiscal year
2. Times Interest Earned, Fixed Asset Turnover Rate, Return on Asset, Return on Equity, Pre-tax Net Profit to Paid-in Capital, Earnings Per Share, Net Margin Rate, Financial Leverage: Drop in profitability due to dropping revenues
3. Cash Flow Ratio: Cash flows from operating activities decreased mainly due to lower profits in the current fiscal year

Note 1: No calculation conducted because application of IFRS is less than five years.

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 ＝ (Total Equities＋Non-Current Liability)／Net Fixed Asset

2. Liquidity

(1) Current Ratio ＝ Current Assets／Current Liabilities

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

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

3. Operating Performance

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

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

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

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

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

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

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

4. Profitability

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

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

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

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

5. Cash Flow

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

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

(3) Cash Re-Investment Ratio ＝(Operating Activity Net Cash Flow－Cash Dividend)／(Gross Fixed Asset＋Long Term Investment＋Other Non-Current Asset＋Working Capital)

6. Leverage:

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

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

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 2018

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of the company the 2017 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 8, 2018

4. The Latest Year Financial Statement: Please refer to Appendix 1.

5. Latest individual financial statements audited and attested by CPAs but without detailed lists of the main accounting items: NA

6. In the latest year and as of the date when annual report was published, occurrence of financial difficulty which poses influences over the Company's financial situation: None.

VII. Financial Status and Financial Performance Analysis and Risk Issues

1. Financial Status

Unit: NTD in thousands

Item \ Year	2016	2017	Difference	
			Amount	%
Current Asset	8,127,766	7,312,847	(814,919)	(10.03%)
Property, Plant and Equipment	5,700,681	6,279,225	578,544	10.15%
Intangible Asset	145,208	144,002	(1,206)	(0.83%)
Other Asset	1,078,734	746,716	(332,018)	(30.78%)
Total Asset	15,052,389	14,482,790	(569,599)	(3.78%)
Current Liability	2,546,022	4,657,277	2,111,255	82.92%
Non-Current Liability	2,428,059	110,326	(2,317,733)	(95.46%)
Total Liability	4,974,081	4,767,603	(206,478)	(4.15%)
Share Capital	1,188,175	1,188,175	0	0%
Additional Paid-in Capital	6,204,774	6,204,774	0	0%
Retained Earnings	3,002,521	2,869,086	(133,435)	(4.44%)
Other Interest	(621,320)	(838,663)	(217,343)	(34.98%)
Non-controlling Interest	304,158	291,815	(12,343)	(4.06%)
Total Interest	10,078,308	9,715,187	(363,121)	(3.60%)

Main reasons and impacts of major changes (increase/decrease by over 10% in two years; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year):

1. Current assets: Investment of held capital in modifications and improvements of the Wujiang Plant in Shanghai and the expansion of the Liyang plant in Jiangsu
2. Property, Plant and Equipment: Mainly caused by increased advance payments for plant expansion in the preceding fiscal year (successive acceptance and adoption of fixed assets in the current fiscal year)
3. Current Liability and Non-Current Liability: Mainly caused by puttable convertible corporate bonds exercised by Yeong Guan II and listing of non-current liabilities as current liabilities in the current fiscal year
4. Other interest: Depreciation of RMB compared to the previous fiscal year led to exchange differences of long-term investments arising from translation of financial statements issued by foreign operating units

2. Financial Performance

(1). Operating Performance Analysis Table

Unit: NTD in thousands

Year	2016	2017	Difference

Item			Amount	%
Operating Income	7,373,888	6,404,342	(969,546)	(13.15%)
Operating Cost	4,955,142	4,972,143	17,001	0.34%
Operating Gross Margin	2,418,746	1,432,199	(986,547)	(40.79%)
Operating Expense	1,274,865	1,136,750	(138,115)	(10.83%)
Operating Net Income	1,143,881	295,449	(848,432)	(74.17%)
Non-Business Income & Expense	180,777	46,318	(134,459)	(74.38%)
Pre-Tax Net Income	1,324,658	341,767	(982,891)	(74.20%)
Income Tax Expense	327,239	83,843	(243,396)	(74.38%)
Current Net Income	997,419	257,924	(739,495)	(74.14%)

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

1. Operating Income: Mainly caused by dropping demand for energy-type castings
2. Operating Gross Margin: Dropping demand for energy-type castings and rising operating costs due to increasing raw material prices and manpower and ESH expenses have resulted in a diminishing gross margin
3. Operating Net Income, Pre-Tax Net Income and Current Net Income: Lower profitability due to diminishing gross margin in 2017
4. Income Tax Expense: Reduced income tax expenses due to lower profits in 2017

(2) Expected Sales and Reasons

The Company maintains a neutral and conservative attitude with regard to overall sales income for 2018 will maintain. This mainly comes from considerations of changes in macroeconomic environment, industry prospect, the Company's future development direction as well as operating target which is established based on the Company's operating status.

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

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

3. Cash Flow

(1) Analysis of Cash Flow Changes in Recent Years

Unit: NTD in thousands

Item \ Year	2016	2017	Increased (Decreased) Amount %	Increased (Decreased) Percentage %
Operating Activity	1,339,211	672,192	(667,019)	(49.81%)
Investment Activity	(857,121)	(908,552)	(51,431)	6.00%
Financing Activity	(1,361,045)	(544,044)	817,001	(60.03%)
Analysis of Changes: 1. Investment Activity: Decrease of this year's operating activity net cash inflow is mainly because of decrease in earnings. 2. Financing Activity: Decrease of this year's financing activity net cash outflow is mainly because of paying less cash dividends.				

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

The Company still plans capital expenditures in fixed assets for 2018, but will adopt a neutral and conservative attitude and carefully assess investment scope and efficiency. It is expected that net cash outflows will be generated by non-investment activities in the context of development of new orders in 2018, but an assessment of the current capital situation of the company indicates that sufficient capital is available to meet these expenses and no liquidity risks exist.

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

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

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

(1) The Company's Investment Strategy

The Company's management over invested enterprise is based on investment cycle requirements of internal control system. Additionally, management is also based on the Company's drafted requirements of "Operation guidelines for business operating and finance transaction among group enterprise, designated company and related party," "Operation guidelines for subsidiary monitoring," and "Operation guidelines for subsidiary operation and management." Under considerations of domestic laws and actual operations for respective invested companies, assistance is offered accordingly for respective invested companies to establish appropriate internal control system. With respect to organization structure, directors for respective invested companies are established in accordance with domestic laws and are designated by parent company. As for management level for respective invested companies, all general managers are designed by parent company while other managers are designed or recruited by authorized respective invested companies' general managers. However, employment of finance head shall be submitted to parent company for approval or be designated by parent company. Furthermore, the Company regularly receives related financial statement materials, operation reports as well as CPA certified financial statements for the purpose of in-time analysis and assessment over invested enterprise's operation condition and income status. The Company's internal audit department will also dispatch personnel, regularly or randomly, to conduct auditing operation over subsidiary, and establish related auditing plan as well as prepare audit report in order to monitor internal control system deficiency and rectification over irregularity matter.

(2) Main reasons for gain or loss on investments for the latest year (2017)

Unit: NTD in thousands

Invested Enterprises	Recognized Investment Gain/Loss Amount	Reason for Gain or Loss	Improvement Plan
Yeong Guan International Co., Limited	369,925	This is mainly because investment income is assessed using equity method.	—
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	(880)	This is mainly because invested enterprise is still in its opening phase and business has not yet started.	Nil
Ningbo New Power Team Technology Co., Ltd.	(10,339)	Insufficient production and sales amounts have been caused by the sluggish progress of product development and large variations of customized products	Commitment to the development of standardized new products
Yeong Guan International Co., Ltd.	302,716	This is mainly because investment income is assessed using equity method.	—
Shin Shang Trade Co., Ltd.	9,019	This is mainly because of order transfer benefits from shipments to Europe/US customers.	—
Yeong Chen Asia Pacific Co., Ltd.	113,458	This is mainly because of order transfer benefits from shipments to Europe/US customers.	—
Lizhan Limited	455	This is mainly because investment income is assessed using equity method.	—
Ningbo Yeong Shang Casting Iron Co., Ltd.	85,153	Profit for main business remains steady.	—
Dongguan Yeong Guan Mould Factory Co., Ltd.	40,998	Profit for main business remains steady.	—
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	67,566	Profit for main business remains steady.	—
Jiangsu Bright Steel Fine Machinery Co., Ltd.	142,051	Profit for main business remains steady.	—
Ningbo Yong Jia Mei Trade Co., Ltd.	916	Profit for main business remains steady.	—
Shanghai No.1 Machine Tool Foundry (Su Zhou) Co., Ltd.	(51,972)	Mainly due to the lack of labor force in the reinvested enterprise, and unable to adjust productivity	Continuously improve manpower shortage
Ningbo New Power Team Technology Co., Ltd.	447	Profit for main business remains steady.	—

(3) Investment plan for the upcoming year

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

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

6. Risk Analysis and Assessment

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

I. Interest Rate

The Company’s interests paid in cash for 2016 and 2017 are NTD19,882 thousands and NTD21,795 thousands with percentages of 0.27% and 0.37% to respective current year operating income. These percentages are extremely small and therefore change of interest rate does not have a significant influence over the Company. Although currency market interest rates for the latest year decrease slowly, they’re still relatively low. Therefore the Company’s borrowing interest rates did not change a lot. However, in the event of larger fluctuation for interest rates going forward and the Company still has needs for loan, the Company will then raise capital through other fund raising instruments in capital market. Additionally, the Company will observe interest rate trends and select fixed or floating interest rate loan to avoid interest rate fluctuation risk.

II. Exchange Rate

Given the fact that thirty percent (30%) of the Company’s sales territories are in China with sales are denominated in RMB, and fifty percent (50%) are in Europe and U.S. with sales denominated in EUR and USD, while goods purchased are mainly denominated in RMB, offset incurred accordingly between purchase in RMB and sales in RMB. Meanwhile, exchange rate changes among different currencies still come with offset effect. As a result, in addition to natural hedging on exchange rate differences, the Company is also engaged in selling forward exchange to evade risks on foreign currency positions held. The Company’s net exchange gains (losses) for 2016 and 2017 are NTD150,299 thousands and NTD54,013 thousands respectively accounting for 2.04% and 0.84% of respective current operating net income. Influences are extremely small and therefore there are no significant exchange risks as a whole. However, under consideration of future operation growth, the Company will continue to increase its foreign currency position. As such, possible counter measures to enhance control over foreign currency position are as follows:

(a) Financial personnel's foreign exchange hedge concept will be enhanced continuously. Through internet exchange rate real time system as well as enhanced communication with financial institutions, exchange rate change trend will be determined accordingly to serve as foreign exchange settlement reference basis.

(b) Sales income in the same currency will be utilized, to the maximum extent, to pay for purchase and related expenses in order to obtain natural hedging effect.

III. Inflation

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

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

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

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

(3) Future R&D plan and expected R&D expenditure

1. Future R&D plan

   (a) The Company's future R&D plan utilizes new auxiliary materials to enhance casting product quality, reduce defected product, enhance casting product material conversion rate and develop high power wind power products.

   (b) Development and improvement of new techniques and production technologies to reduce defect rates and thereby enhance product competitiveness and quality consistency.

   (c) Development of new industry materials and alloys to achieve a breakthrough in existing casting technologies; provision of more professional services to meet future customer demands through upgrades of welding capabilities and acquisition of professional system certifications

2. Projected R&D expenses

   (a) Projected R&D expenses account for a fixed ratio of 1-3% of the operating revenue in 2017. Future R&D expenses will be determined by optimizations and improvements of new products, production processes, and molds developed by customers as well as yield rate enhancement, energy conservation, and waste reduction.

(4) Influence from domestic/offshore important policies and changes of law on the Company's finance business as well as responding measures

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

(5) Influence on the Company's finance business from changes of technology and industry as

well as responding measures to such influence

The Company's clients include leading vendors across the world. Given the close collaboration relationship between both parties now, the Company is therefore able to access to information of the latest technology through such relationship. Losing such important clients is equal to losing critical sources to understand changes of technology as well as changes in the industry. Failure to master market trend and the trend for future product development will keep the Company from launching products needed by the market and operation may suffer from significant and negative impact. As such, the Company continuously pursues product promotion in an effort to elevate product positioning to the position of a market leading brand. On the other hand, the Company also follows clients' steps closely in order to obtain, at any time, the latest technology information in the market, understand future changes in the industry and master market trend as well as product future development trend.

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

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

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

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

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

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

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

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

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

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

1. Purchase of Goods

The main raw materials used by this company are pig iron, scrap steel, nodulants, inoculants, carburants, ferro-silicon, ferro-manganese, ferro-chromium, ferro-molybdenum, ferro-phosphorous, and ferro-sulphur. Auxiliary casting materials include furan resin, curing agents, deslagging agents, steel shot, bonding agents, dross filters, quartz sand, and magnesium oxide coating. Pig iron and scrap metal account for the bulk of all purchases and 40% of the total procurement costs. As for supply sources, the main raw materials are purchased in the local Chinese market due to the fact that Mainland China possesses rich mineral resources. In response to market demands, the company added two scrap steel suppliers (Anhui Shuangying Recycling Company, Jiangyin City Hengren Metal Company, Jiangsu Giants Renewable Resources Company, Wuhu Qichuan Renewable Resources Company, Ningbo Jinyue Metal Company, Kunshan Hengwei Metals Company, Jiangyin Daewoo Special Irons Company) in 2017. Due to the fact that several suppliers have been selected for each raw material, no major supply shortages have occurred. In the most recent two years, the top ten suppliers accounted for 42% and 36% of the total net purchases of the Company, respectively. Average ratios of the top ten suppliers lie between 36% and 42%. In 2017, purchases from individual suppliers did not exceed 10% of total purchases. The risk of concentration of supply sources is therefore not present.

2. Sales of Goods

In response to the recent contraction of the onshore wind power market and fierce competition within the industry due to the impact of the solar power industry, the group utilizes its competitive edge in the injection molding machine industry and related industrial machinery industry to initiate active expansion and development. Future industrial automation trends will result in increased demand in numerous manufacturing industries. These industries are also expected to see impressive growth. Our exquisite casting technologies and stable service quality are widely acclaimed by numerous international manufacturers. Yeong Guan also actively expands into other industries and fields such as agricultural and mining machinery, marine machinery, and car accessories. The company also aims to achieve a global equilibrium in the field of overseas sales and develop sales in the American and Japanese markets. The aforementioned strategies help reduce the concentration of product sales in a single customer in various industries and minimize the impact of market fluctuations on the group. In conclusion, these measures allow an effective control of sales and customer concentration.

(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.

Our subsidiaries had no cases of litigation or arbitration within last two fiscal years up to the date of printing of the annual report

(13) Other critical risks and responding measures

(a) The Company's critical operating risks and responding measures:
With respect to possible negative factors incurred from the Company's operation as well as their responding strategies, please refer to positive, negative factors for the Company's future development and responding strategies prescribed in this annual report. Even with the existence of such responding strategies, it is still possible that complete implementation is unfeasible because of force majeure factors encountered during implementation. This will further affect the Company's operation, business and finance.

(b) Negative influence on the Group's business, operating performance and financial condition from the Company's potential insufficient insurance over operation:
Currently, the Company has already followed Chinese enterprise's common practice and proposed comprehensive property insurance which covers the Company's properties of plant and machine equipment with a total insurance amount of RMB1,817,782 thousands. However, the Company did not propose any insurance over operation disruptions in China factory or any compensation liability from damage to environmental protection. Reason for not proposing is that such insurance in China is not mature enough and causes for compensation are not clearly stipulated. The Company may suffer losses or assume compensation liability from occurrence of such risks because of its failure to propose such insurance accordingly. Additionally, among items which are already insured, it is possible that the scope of insurance may not provide sufficient protection against possible losses. This could have negative impact on the Company's business, financial condition and operating performance.

(c) Risk of Intellectual Property Infringement:
As of now, the Company holds 4 trade mark rights and 97 patents. Intellectual property of these trademarks and patents is critical to the Company's operation. Therefore, the Company is dedicated to protecting these intellectual properties. In the event of any infringement to the Company's intellectual property in the future which damages the Company's product market value and brand reputation and affects the Company's business, financial status and operating performance, the Company will file litigations to protect such rights. However, when faced with different levels of litigation costs, the Company will take necessary measures and actions under considerations of overall cost efficiency.

(d) Risk of Patent Rights Violation:
In the face of more and more fierce competition in emerging energy industry, competitor may use patent infringement litigation to disrupt the Company's business development. The Company's risk of being sued for compensation from intellectual property rights infringement is also increasing. Therefore, as the Company's operating scale continues to grow, it is expected that the possibility to face with other competing company's patent infringement litigation will also increase. Accordingly, the Company strictly complies with patent related regulations, avoids using other's patented technology by mistake, continues to enhance R&D and emphasizes on developing the Company's own technology. As of now, there is no legitimation raised from the Company's violation of patent rights.

7. Other Critical Matters: None.

VIII. Special Matters Documented

1. Subsidiary Related Information

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

(2) Subsidiary Basic Information

March 31st, 2017, Unit: in thousands

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
Yeong Guan Holding Co., Ltd.	2007.11	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 146,000	Investment in share holding
Yeong Guan International Co., Limited	2007.11	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	HKD 506,000	Investment in share holding
Shin Shang Trade Co., Ltd.	1998.01	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	USD 50	Trading business
Yeong Chen Asia Pacific Co., Ltd.	2008.06	No. 502, Sec. 1, Cheng Gon Rd., Guan Yin Township, Taoyuang County	NTD 95,000	Trading business, manufacturing and selling of cast iron
Dongguan Yeong Guan Mould Factory Co., Ltd.	1995.06	Yin Quan Industrial Zone, Chin Xi Town, Dong Guan City, Guandong Province, China	HKD 31,000	Manufacturing and selling of cast iron
Ningbo Yeong Shang Casting Iron Co., Ltd.	2000.12	No. 1, Gang Kuo Rd., Bei Lun District, Ningbo City, Zhejiang Province, China	USD 43,100	Manufacturing and selling of cast iron; processing of precision machinery
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	2000.08	No. 28, Ding Hai Rd., Economic Technology Development Zone, Zhen Hai District, Ningbo City, Zhejiang Province, China	USD 13,705	Manufacturing and selling of cast iron; recycling of scrap steel
Jiangsu Bright Steel Fine Machinery Co., Ltd.	2006.11	No. 9, Yue Pen Rd., Tien Mu Hu Industrial Park, Li Yang City, Jiangsu Province, China	USD 80,000	Manufacturing and selling of cast iron
Ningbo Yong Jia Mei Trading Co., Ltd.	2009.11	No. 95, Huang Hai Rd., Bei Lun District, Ningbo City, Zhejiang Province, China	USD 1,000	Trading business
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	2014.07	6 No.622/15, Rama2 Road, Samae Dum Sub-District, Bangkhuntian District, Bangkok Metropolis.	THB500,000	Manufacturing and selling of cast iron
Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd.	2009.08	No.999 Laixiu Road, Fen Lake Economic Development Zone, Wujiang	USD23,540	Manufacturing and selling of cast iron
New Power Team TechnologyCo., Ltd.	2009.08	No. 9, Minquan Rd., Dayuan District, Taoyuan City	NTD 250,000	Manufacturing and selling of machine & equipment
LIZHAN LIMITED	2016.01	Offshore Chambers, P.O. Box 217, Apia, Samoa	USD 1,000	Investment in share holding
Ningbo New Power Team Co., Ltd.	2016.07	No. 647, Xin Qi Bo Hai Rd., Beilun District, Ningpo City, Zhejiang Province, China	USD 1,000	Manufacturing of base of medical equipment, wind turbine hub and semiconductor equipment products
Name: Qing Dao Rui Yao Building Material Co., Ltd.	2018.03	No. 6, Fenghe Rd., Jiaozhou Economic and Technology Development Zone, Qingdao City, Shangdong Province, China	CNY 85,000	Manufacturing of Decoration Materials (Artificial Stone) Stone

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

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

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

Name of Enterprise	Job Title	Name
New Power Team Technology Co., Ltd.	Director	Chiang, Hsiao-Chieh Tsai, Shu-Ken Chen, Wu-Chi
	Supervisor	Chiang, Yung-Chien Chang, Wen-Lung
LIZHAN LIMITED	Director	Chiang, Hsiao-Chieh
Shanghai No. 1 Foundry Trading Co., Ltd.	Director	Lu, Hai-Feng
Ningbo New Power Team Co., Ltd.	Director	Chiang, Hsiao-Chieh
	Supervisor	Chiang, Yung Chien
Name: Qing Dao Rui Yao Building Material Co., Ltd.	Director	Chang, Hsien-Ming Tsai, Shu-Ken Huang, Wen-Hung Chang,Hui-Chieh Li,Yao-Hsi
	Supervisor	Hu,Jung
	General Manager	Chang,Hui-Chieh

(5) Operating Summary for Respective Subsidiaries

Unit: NTD in thousands except earnings per share

Name of Enterprise	Paid-in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Yeong Guan Holding Co., Ltd.	4,349,340	12,048,449	6,907	12,041,542	-	(264)	369,925	2.53
Yeong Guan Heavy Industry (Thailand) Co., Ltd.	464,500	446,424	440	445,984	-	(1,242)	(1,173.00)	(0.02)
Yeong Guan International Co., Limited	1,927,860	9,600,147	914,517	8,685,630	-	(214)	320,501	0.63
Shin Shang Trade Co., Ltd.	1,490	259,688	134,324	125,364	428,090	1,813	7,033	140.66
Yeong Chen Asia Pacific Co., Ltd.	95,000	2,039,475	1,097,827	941,648	3,661,873	171,766	113,629	註
New Power Team TechnologyCo., Ltd.	250,000	340,980	44,951	296,029	66,671	(13,790)	(17,485)	0.70
Lizhan Limited	29,790	27,726	-	27,726	-	-	447	註
Dongguan Yeong Guan Mould Factory Co., Ltd.	118,141	797,082	136,623	660,459	554,651	74,396	42,090	註
Ningbo Yeong Shang Casting Iron Co., Ltd.	1,283,949	3,944,565	873,705	3,070,860	2,152,291	87,298	83,727	註
Ningbo Lu Lin Machine Tool Foundry Co., Ltd.	408,272	2,141,229	189,122	1,952,107	948,670	46,074	59,329	註
Jiangsu Bright Steel Fine Machinery Co., Ltd.	3,093,974	5,700,217	879,314	4,820,903	2,759,683	32,179	168,601	註

Name of Enterprise	Paid-in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Ningbo Yong Jia Mei Trading Co., Ltd.	29,790	36,016	796	35,220	15,071	(224)	910	註
Shanghai No.1 Machine ToolFoundry (Su Zhou) Co., Ltd.	701,257	1,415,576	1,334,360	81,216	283,526	(61,756)	(67,963)	註
Ningbo New Power Team Technology Co., Ltd.	29,790	27,819	95	27,724	38,885	730	447	註

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

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

(7) Affiliation Report: None.

2. In the latest year and as of the date when this annual report was published, any cases of securities private placement: None.

3. In the latest year and as of the date when this annual report was published, cases of subsidiary holding or disposing the Company's shares: None.

4. Other necessary supplementary explanation: None.

5. Explanation of major differences from ROC shareholder equity protection regulations:

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

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

Shareholder Equity Protection Critical Issues	Contents of The Company's Modified Articles of Incorporation	Reasons for Differences
		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. Company Act of British Cayman Islands does not have regulations granting shareholders the rights to request the holding of BOD meeting for resolution on specific issues. On the other hand, the aforementioned Company Act does not prohibit companies from drafting BOD meeting agenda related requirements (including requirements on convening BOD meeting) in articles of incorporation.

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

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

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

Consolidated Financial Statements & Independent Auditors' Report

2017 and 2016

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Cayman Islands

Telephone: 002-86-574-86228866

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEONG GUAN ENERGY TECHNOLOGY GROUP CO., LTD.

Opinion

We have audited the accompanying financial report of Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31st, 2016 and 2017, and the consolidated income statement, table of consolidated statement of changes in equity, consolidated statement of cash-flows and notes to consolidated financial statement (including Explanation of Summarized Significant Accounting Policy) from January 1st to December 31st of 2016 and 2017.

In our opinion, all material aspects of aforementioned financial statements were compiled in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers of R.O.C. as well as International Financial Reporting Standards (hereinafter referred to as "IRFSs"), International Accounting Standards (hereinafter referred to as "IAS"), interpretation from International Financial Reporting Interpretations Committee and announcement made by Standing Interpretations Committee which are recognized and promulgated by the Financial Supervisory Commission. These statements can be utilized to appropriately describe consolidated financial status for Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries as of December 31st, 2016 and 2017, as well as consolidated financial performance and consolidated cash-flow from January 1st to December 31st for 2016 and 2017.

Basis for Opinion

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

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Explanation of key audit matters on 2017 consolidated financial statement for Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries is as follows:

Closing Date for Operating Income

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

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

Accounting Judgments for Bad Debt Allowance

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

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

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

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

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

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

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

Our Objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters for Yeong Guan Energy Technology Group Co., Ltd. and its subsidiaries' 2017 consolidated financial statement. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA Chen, Chih Yuan	CPA Chang,Ching Jen
Financial Supervisory Commission Executive Yuan Approval Document No. Gin-Guan-Zheng-Shen-Tze No. 1060023872	Securities & Futures Committee, Ministry of Finance Approval Document No. Tai-Cai-Zheng-6-Tze No. 0920123784

March 8, 2017

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries
Consolidated Balance Sheets
Dec. 31, 2016 & 2017

Unit: in thousands of NTD

Code	Asset	Dec. 31, 2017 Amount	%	Dec. 31, 2016 Amount	%
	CURRENT ASSETS				
1100	Cash & cash equivalent(Notes 4 and 6)	$ 3,316,285	23	$ 4,240,818	28
1110	Current financial assets at fair value through profit or loss(Notes 4, 5, 7 and 17)	17,121	-	8,386	-
1147	Current investments in debt security with no active market(Notes 4 and 8)	180,515	1	-	-
1150	Notes receivable(Notes 4 and 30)	307,146	2	278,886	2
1170	Account receivables, net(Notes 4, 5, 9 and 30)	1,718,582	12	1,907,569	13
130X	Inventories, net(Notes 4, 5 and 10)	1,256,181	8	1,261,237	8
1419	Prepayments	272,346	2	246,282	2
1479	Other current assets(Notes 4, 15, 23, 30 and 31)	244,671	2	184,588	1
11XX	Total Current Assets	7,312,847	50	8,127,766	54
	NON-CURRENT ASSETS				
1600	Property, plant & equipment(Notes 4, 5, 12, 30 and 31)	6,279,225	44	5,700,681	38
1760	Investment property, net(Notes 4, 13, 27 and 31)	20,799	-	27,405	-
1805	Goodwill(Notes 4, 5 and 14)	144,002	1	145,208	1
1840	Deferred income tax assets(Notes 4, 5 and 23)	100,380	1	72,066	-
1915	Equipment prepayments	160,702	1	561,335	4
1985	Long-term prepaid rents(Notes 4, 15 and 31)	413,696	3	380,547	3
1990	Other non-current assets(Notes 4 and 30)	51,139	-	37,381	-
15XX	Total Non-Current Assets	7,169,943	50	6,924,623	46
1XXX	TOTAL ASSETS	$ 14,482,790	100	$ 15,052,389	100
Code	LIABILITIES & SHAREHOLDER'S EQUITY				
	CURRENT LIABILITIES				
2100	Short-term debts(Notes 16 and 31)	$ 523,055	4	$ 521,950	3
2120	Current financial liabilities at fair value through profit or loss(Notes 4, 5,7 and 17)	27,000	-	2,190	-
2150	Notes payable(Note 13)	387,713	3	369,993	2
2170	Accounts payable (Note 30)	748,615	5	728,110	5
2219	Other accounts payable(Notes 19 and 30)	447,948	3	528,177	4
2230	Current income tax liabilities(Notes 4, 5 and 23)	75,690	-	93,153	1
2321	Exercise of Corporate Bond Payable Put Option Within One Year (Note 4 and 17)	2,438,634	17	145,360	1
2322	Long term liabilities due within one year (Note 16 and 31)	-	-	96,780	1
2399	Other current liabilities(Note 18)	8,622	-	60,309	-
21XX	Total Current Liabilities	4,657,277	32	2,546,022	17
	NON-CURRENT LIABILITIES				
2500	Financial debts at fair value through profit and loss – non-current (Notes 4, 5 , 7 and 17)	-	-	20,500	-
2530	Bonds payable(Notes 4 and 17)	2,146	-	2,392,775	16
2540	Long-term debts(Notes 16 and 31)	89,370	1	-	-
2570	Deferred income tax debts(Notes 4, 5 and 23)	18,093	-	14,046	-
2613	Rent payable-non-current(Note 18)	714	-	735	-
2670	Other non-current liabilities	3	-	3	-
25XX	Total Non-Current Liabilities	110,326	1	2,428,059	16
2XXX	TOTAL LIABILITIES	4,767,603	33	4,974,081	33
	Shareholder's Equity				
3110	Common stock capital	1,188,175	8	1,188,175	8
3200	Additional paid-in capital	6,204,774	43	6,204,774	41
	Retained earnings				
3310	Legal reserve	460,025	3	359,195	2
3320	Special reserve	620,848	4	8,214	-
3350	Unappropriated retained earnings	1,788,213	13	2,635,112	18
3300	Total Retained Earnings	2,869,086	20	3,002,521	20
	Other Shareholder's Equity				
3410	Exchange difference on translation of foreign financial statements	(838,663)	(6)	(621,320)	(4)
31XX	The Company's Total Shareholder's Equity	9,423,372	65	9,774,150	65
36XX	Non-controlling interest	291,815	2	304,158	2
3XXX	TOTAL SHAREHOLDER'S EQUITY	9,715,187	67	10,078,308	67
	TOTAL LIABILITIS & SHAREHOLDER'S EQUITY	$ 14,482,790	100	$ 15,052,389	100

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

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

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

Consolidated Income Statement

for periods from January to December 30 of 2016 and 2017

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

		2017		2016	
Code		Amount	%	Amount	%
4000	OPEARTING REVENUE (Notes 4 and 30)	$ 6,404,342	100	$ 7,373,888	100
5000	OPERATING COSTS (Notes 4, 10, 22 and 30)	4,972,143	78	4,955,142	67
5900	OPERATING GROSS PROFIT	1,432,199	22	2,418,746	33
	OPERATING EXPENSES(Note 22)				
6100	Marketing expenses	406,421	6	496,660	7
6200	General & administrative expenses	567,153	9	590,688	8
6300	Research & development expenses	163,176	3	187,517	2
6000	Total Operating Expenses	1,136,750	18	1,274,865	17
6900	OPERATING NET PROFIT	295,449	4	1,143,881	16
	NON-OPEARTING INCOME & EXPENSES				
7100	Interest income	64,938	1	39,682	-
7110	Rent income(Note 30)	656	-	1,344	-
7190	Other income & losses(Note 4, 17 and 22)	77,749	1	66,047	1
7235	Financial product net profit (loss) at fair value through profit & loss (Notes 4, 5, 7 and 17)	25,461	1	(18,004)	-
7630	Foreign currency exchange net profit(loss) (Notes 22 and 32)	(54,013)	(1)	150,299	2
7510	Interest expenses(Note 17)	(68,473)	(1)	(58,591)	(1)
7000	Total Non-Operating Income & Expenses	46,318	1	180,777	2
7900	Pretax net profit	$ 341,767	5	$ 1,324,658	18
7950	Income tax(Notes 4 and 22)	83,843	1	327,239	5
8200	Current net profit	257,924	4	997,419	13
	Other Comprehensive Income				
8361	Exchange Differences on Translation of Foreign Financial Statements	(217,094)	(3)	(899,614)	(12)
8500	Current Total Comprehensive Income	$ 40,830	1	$ 97,805	1
	Net Profit Attributed to:				
8610	Shareholders	$ 270,474	4	$ 1,008,298	14
8620	Non-Controlling Interest	(12,550)	-	(10,879)	-
8600		$ 257,924	4	$ 997,419	14
	Comprehensive Income Attributed to:				
8710	Shareholders	$ 53,131	1	$ 114,169	1
8720	Non-Controlling Interest	(12,301)	-	(16,364)	-
8700		$ 40,830	1	$ 97,805	1
	Earnings Per Share(Note 23)				
9750	Basic	$ 2.28		$ 8.50	
9850	Diluted	$ 2.27		$ 7.89	

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

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

Yeong Guan Energy Technology Group Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
for periods from January 1st to December 31st of 2017 & 2016

Unit: in thousands of NTD

		EQUITY ATTRIBUTED TO SHAREHOLDERS (Notes 4, 17 and 21)												
			Capital Surplus				Retained Earnings							
Code		Common Share	Additional Paid-In Capital	Stock Option	Invalid Stock Option	total	Legal Reserve	Special Reserve	Retained Earnings	TOTAL	Exchange Differences on Translation of Foreign Financial Statements	The Company's Total Shareholder's Equity	Non-Controlling Interests (Notes 4 & 21)	Total Shareholder's Equity
A1	Balance, January 1st, 2016	$ 1,179,796	$ 5,928,934	$ 162,717	$ -	$ 6,091,651	$ 224,123	$ 8,214	$ 2,766,074	$ 2,998,411	$ 272,809	$10,542,667	$ 111,775	$10,654,442
	Appropriation & distribution Of 2015 earnings:													
B1	Legal reserve	-	-	-	-	-	135,072	-	(135,072)	-	-	-	-	-
B5	Cash dividend	-	-	-	-	-	-	-	(1,004,188)	(1,004,188)	-	(1,004,188)	-	(1,004,188)
	Sub-total	-	-	-	-	-	135,072	-	(1,139,260)	(1,004,188)	-	(1,004,188)	-	(1,004,188)
D1	2016 Net profit	-	-	-	-	-	-	-	1,008,298	1,008,298	-	1,008,298	(10,879)	997,419
D3	2016 Other consolidated income	-	-	-	-	-	-	-	-	-	(894,129)	(894,129)	(5,485)	(899,614)
D5	2016 Total consolidated income	-	-	-	-	-	-	-	1,008,298	1,008,298	(894,129)	114,169	(16,364)	97,805
I1	Convertible corporate bond converted	8,379	118,827	(5,704)	-	113,123	-	-	-	-	-	121,502	-	121,502
O1	Non-controlling Interest change	-	-	-	-	-	-	-	-	-	-	-	208,747	208,747
Z1	Balance, Dec. 31, 2016	1,188,175	6,047,761	157,013	-	6,204,774	359,195	8,214	2,635,112	3,002,521	(621,320)	9,774,150	304,158	10,078,308
	2016 Earnings appropriation and distribution:													
B1	Legal reserve	-	-	-	-	-	100,830	-	(100,830)	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	612,634	(612,634)	-	-	-	-	-
B5	Cash dividend	-	-	-	-	-	-	-	(386,157)	(386,157)	-	(386,157)	-	(386,157)
	Sub-total	-	-	-	-	-	100,830	612,634	(1,099,621)	(386,157)	-	(386,157)	-	(386,157)
D1	2017 Net profit	-	-	-	-	-	-	-	270,474	270,474	-	270,474	(12,550)	257,924
D3	2017 Other consolidated income	-	-	-	-	-	-	-	-	-	(217,343)	(217,343)	249	(217,094)
D5	2017 Total consolidated income	-	-	-	-	-	-	-	270,474	270,474	(217,343)	53,131	(12,301)	40,830
T1	Convertible corporate bond sold back	-	-	(6,562)	6,562	-	-	-	-	-	-	-	-	-
O1	Controlling Interest change	-	-	-	-	-	-	-	(17,752)	(17,752)	-	(17,752)	(42)	(17,794)
Z1	Balance, Dec. 31, 2017	$ 1,188,175	$ 6,047,761	$ 150,451	$ 6,562	$ 6,204,774	$ 460,025	$ 620,848	$ 1,788,213	$ 2,869,086	($ 838,663)	$ 9,423,372	$ 291,815	$ 9,715,187

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

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

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

Consolidated Statement of Cash Flows

For periods from January 1 to Dec. 31 of 2017 & 2016

Unit: in thousands of NTD

Codes		2017	2016
	Cash Flows from Operating Activities		
A10000	Pre-tax net profit	$ 341,767	$ 1,324,658
A20010	Income/Expense item not affecting cash flows		
A20100	Depreciation expense	491,223	467,847
A20200	Amortization expense	8,583	5,617
A20300	Gain on reversal of bad debts	6,826	3,087
A20400	Financial instrument net profit at fair value through profit and loss	(10,635)	14,304
A20900	Interest expense	68,473	58,591
A21200	Interest income	(64,938)	(39,682)
A22500	Net loss from disposal & abolishment of property, factory and equipment	10,200	2,773
A22900	Net profit from disposal of subsidiary	(584)	-
A23800	Inventory devaluation & obsolescence loss (price recovery gain)	40,128	31,371
A24100	Unrealized foreign currency exchange net profit	(1,685)	(7,427)
A24200	Loss from corporate bond payable sold back	2,944	-
A29900	Amortization of prepaid lease payment	10,588	9,037
A30000	Net change on operating assets and liabilities		
A31130	Notes receivable	(33,307)	(20,058)
A31150	Account receivable	143,014	134,324
A31200	Inventory	(58,912)	(56,449)
A31230	Advance payments	(30,782)	(90,654)
A31240	Other current assets	(60,666)	96,426
A32110	Financial instrument at fair value through profit and loss	6,196	(2,971)
A32130	Notes payable	24,668	(33,419)
A32150	Account payable	34,407	(60,464)
A32180	Other payables	(58,954)	(54,285)
A32230	Other Current Liabilities	(50,208)	(8,010)
A33000	Operating net cash inflows	818,346	1,774,616
A33300	Interest paid	(21,795)	(19,882)
A33500	Income tax paid	(124,359)	(415,523)
AAAA	Operating Activity Net Cash Inflows	672,192	1,339,211

(to be continued)

(brought forward)

Codes		2017	from January 1 30, 2016	fro J
	Investment Activity Cash Flows			
B02300	Disposal of subsidiaries	$ 3,005	$ -	
B00600	Investments in Debt Securities with No Active Market	(178,210)	-	
B02200	Acquisition of subsidiaries	-	935	
B02700	Purchase of property, plant and equipment	(766,735)	(326,794)	
B02800	Disposal of property, plant and equipment	27,904	24,296	
B04500	Payment for intangible assets	(17,898)	(12,142)	
B06700	Increase in other non-current assets	(5,018)	(767)	
B07100	Increase in equipment prepayments	16,450	(594,237)	
B07300	Long term lease prepayments	(51,846)	11,056	
B07500	Interests collected	63,796	40,532	
BBBB	Investment Activity Net Cash Outflow	(908,552)	(857,121)	
	Financing Activity Cash Flows			
C00100	Increase in short term loan	12,679	-	
C00200	Decrease in short term loan	-	(227,739)	
C01200	Issuance of Corporate Bond	(147,333)	-	
C01600	Long term loan	88,229	-	
C01700	Long term loan repayment	(93,668)	(129,121)	
C03000	Increase in deposit received	-	3	
C04500	Cash dividend	(386,157)	(1,004,188)	
C05800	Non-controlling Interest change	(17,794)	-	
CCCC	Financing Activity Net Cash Inflow (Outflow)	(544,044)	(1,361,045)	
DDDD	Exchange rate change effects on cash & cash equivalents	(144,129)	(288,036)	
EEEE	Cash & cash equivalents increase (decrease)	(924,533)	(1,166,991)	
E00100	Cash & cash equivalents, beginning of the period	4,240,818	5,407,809	
E00200	Cash & cash equivalents, end of the period	$ 3,316,285	$ 4,240,818	

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

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

Yeong Guan Energy Technology Group Co., Ltd. & Subsidiaries
Notes to Consolidated Financial Statements
for periods from January 1st to Dec. 31st of 2017 & 2016
(Unless otherwise specified, all amounts are in thousands of NTD.)

1. History of Company

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

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

Consolidated financial statements hereto are presented in the Company's functional currency of NTD.

2. Date & Process for Financial Statement Approval

The consolidated statements were approved by the Board of Directors on March 8, 2018.

3. Application of Newly Promulgated & Modified Guidelines and Explanation

(1) This is the first application of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Financial Reporting Standard (IFRS), International Accounting Standard (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations (herein after referred to as "IFRSs") recognized and published by the Financial Supervisory Commission (hereinafter referred to as "FSC").

With the exception of explanations prescribed hereunder, application of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs recognized and published by FSC is not expected to cause major changes to the consolidated company's accounting policy

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

Modification of IAS 36 is to clarify that the consolidated company only needs to disclose recoverable amounts when recognizing or reversing assets, or in the period when impaired losses are incurred to cash generating unit. Furthermore, in the event that recoverable amount for real property, factory and equipment already recognized or reversed is measured using fair value deducted by disposal cost, the consolidated company shall disclose fair value level, and valuation technique as well as every key assumption for fair value measurement shall also be disclosed in the event of level 2 or level 3 fair value measurement. In the event that present value is used to measure fair value deducted by disposal cost, an additional disclosure of discount rate used shall be made accordingly.

2. ***Annual Improvement for 2010-2012 Period***

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

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

IFRS 3 modification clarifies that corporate merger contingent consideration, no matter if it falls within application scopes of IAS 39 or IFRS 9, shall be measured in fair value and changes in fair value is recognized in profit & loss statements. Aforementioned modifications shall be applied to business merger transaction with purchase date after 2017.

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

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

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

3. Annual Improvement for 2011-2013 Period

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

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

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

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

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

With respect of modification of IAS 16 "property, plant and equipment", income is not an appropriate basis for measuring depreciation expense of property, plant and equipment, and the modification does not provide exceptional requirements for recognition of depreciation expense using income as a basis.

5. ***Annual Improvement for 2012-2014 Period***

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

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

In addition to compliance with newly added certain accounting items and non-financial asset impairment disclosure requirements from IFRSs which are recognized and published to become effective by FSC, this modification also emphasizes some recognition and survey requirements and adds disclosure of stakeholder transaction and goodwill in order to work with domestic IFRSs practices.

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

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

(2) 2018 applications of Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as International Financial Reporting Standard (IFRS), International Accounting Standard (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations (herein after referred to as “IFRSs”) recognized by the Financial Supervisory Commission (hereinafter referred to as “FSC”)

Newly Published / Rectified / Modified Guidelines & Explanations	Effective Dates Published by IASB(Note1)
“Annual Improvement for 2014-2016 Period”	note 2
IFRS 2 modification of “Classification and measurement of share-based payment transactions”	January 1st, 2018
Modification of IFRS 4 “Application of IFRS 9 ‘Financial Instrument’ under IFRS4 ‘Insurance Contract’”	January 1st, 2018
IFRS 9 “Financial Instrument”	January 1st, 2018
IFRS 9 and IFRS 7’s modification of “Mandatory Effective Date & Transition Disclosure”	January 1st, 2018
IFRS 15 “Revenue from contract with customer”	January 1st, 2018
IFRS 15 modification of “IFRS 15 Explanations”	January 1st, 2018
IFRS 7 modification of “Disclosure Initiative”	January 1st, 2017
IAS 12 modification of “Recognition of Unrealized Loss related to Deferred Income Tax Asset”	January 1st, 2017
IAS 40 modification of “Transfers of Investment Property”	January 1st, 2018
	January 1st, 2018

IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

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

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

1. IFRS 9 “Financial Instruments”

Recognition & Measurement of Financial Assets

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

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

(1) For financial assets held under operation pattern which aims to collect contract cash flow, such financial assets shall be measured in amortized costs. Financial assets of this kind will later be recognized as interest income on profit & loss statements based on effective interest rates, and will be assessed continuously of their impairment. Impairment profit/loss will then be recognized accordingly on profit & loss statements.

(2) For financial assets held under operation pattern which achieves its goal by collecting contract cash flow and selling of financial assets, such financial assets are measured at fair value through other consolidated profit & loss. Financial assets of this kind will later be recognized as interest income on profit & loss statements based on effective interest rates, and will be assessed continuously of their impairment. Both impairment profit/loss and exchange profit/loss be recognized accordingly on profit & loss statements, while changes in other fair values will be recognized in other consolidated profit & loss statements. In the

event of de-recognition or re-categorization of such financial assets, fair value changes which originally accumulate in other consolidated profit & loss statements shall be re-categorized to profit & loss statements.

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

Based on financial assets held on December 31st, 2017 together with facts and circumstances existed on that day, the consolidated company assesses that classification and measurement of the following financial assets will change because of application of IFRS 9:

With respect to debt securities investment which is classified as investment in debt instrument with no active market and which is measured in amortized costs, the originally recognized contractual cash flow is completely for repayments of principal and interests for outstanding principal amount. The operation model is to collect contractual cash flow which shall then be classified in accordance with IFRS 9 as measurement based on amortized costs.

IFRS 9 adopts “expected credit loss model” to recognize financial asset impairment. Financial assets measured in amortized costs and lease payment receivable should appropriate allowance for losses. In the event that credit risks for financial assets have not increased substantially since they were originally recognized, allowance for losses shall therefore be measured based on expected credit loss for the upcoming 12 months. In the event that credit risks for financial assets have increased substantially since they were originally recognized and they are not low credit risks, allowance for losses shall therefore be measured based on expected credit loss for remaining existence period. However, account receivables excluding material financial components shall be measured based on expected credit loss for existence period.

In the meantime, with respect to financial assets with credit impairment incurred at the time of original appropriation, the consolidated company calculates post-credit adjustment effective interest rates under considerations of expected credit loss originally appropriated. As for subsequent allowance for losses, it will be measured based on accumulated variables for subsequent expected credit loss.

The consolidated company assesses application of simplified methods to account receivable and lease payment receivable, and measures allowance for losses using expected credit loss for existence period. The consolidated company assesses if credit risks for deb instrument investment and financial guarantee contract have increased substantially after original appropriation in order to determine if allowance for losses should be measured based on expected credit loss for 12 months or remaining existence period. The consolidated company expects to apply IFRS 9 expected credit loss model to ensure earlier recognition of credit losses for financial assets.

The consolidated company decides not to re-compile 2017 comparative information when applying IFRS 9 financial asset classification, measurement and impairment requirements. Cumulative effect for initial application will be recognized on the day of first application. Information for changes and adjustments from application of IFRS 9 classification will also be disclosed.

Expected impact to asset, liability and equity dated January 1st, 2018 from retrospective application of IFRS 9 financial asset classification, measurement and impairment requirement is as follows:

	Dec. 31st, 2017 Book Value	First Application Adjustment	Jan. 1st, 2018 Adjusted Book Value
Impact to Asset and Equity			
Financial Asset Measured Based on Amortized Cost – Current	$ -	$ 180,515	$ 180,515
Debt Instrument Investment with No Active Market －Current	180,515	(180,515)	-
Impact to Asset	$ 180,515	$ -	$ 180,515

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

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

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

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

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

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

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

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

Upon assessment of deferred income tax asset, the consolidated company originally used book value as asset recovery amount to assess future taxable income. Aforementioned amendments shall be applied retrospectively in 2018.

4. Annual Improvement for 2014-2016 Period

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

5. Modification of IAS 40 “Investment Property Conversion”

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

The consolidated company will follow circumstances existed on January 1st, 2018 and comply with aforementioned amendments in making necessary re-classification over real estate. Additionally, the consolidated company in 2018 will have an additional disclosure on re-classification amounts, and will integrate January 1st, 2018 re-classification into adjustments for investment real property book value.

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

IAS 21 mandates that original recognition of foreign currency transaction shall be recorded in functional currency which is converted from sport exchange rate between functional currency and foreign currency based on foreign currency amount on the transaction day. IFRIC 22 further explains that in the event that an enterprise originally recognized non-functional currency asset, or consideration has already been prepaid or received prior to being indebted, original recognition day when consideration is prepaid or received shall serve as the transaction day. In the event that prepaid or pre-received consideration is conducted by enterprise in multiple times, transaction day for each prepaid or pre-received consideration shall be determined.

The consolidated company will have a prospective application of IFRIC 22 starting from January 1st, 2018.

In addition to aforementioned impact and as of the day for the approval and publish of this consolidated financial statement, the consolidated company assesses and determines that amendments of other guidelines and interpretations are not expected to cause major impact to financial status or financial performance.

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

"Annual Improvement for 2015-2017 Period"	July 1st, 2019
IFRS 9's modification of "Prepayment Features with Negative Compensation"	January 1st, 2019 (note 2)
IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	-
IFRS 16- Leases	January 1st, 2019 (note 3)
IFRS 17- Insurance Contracts	January 1st, 2021
IAS 19's modification of "Defined Benefit Plan: Employee Contribution"	January 1st, 2019 (note 4)
IAS 28's modification of "Long-term Interests in Associates and Joint Ventures"	January 1st, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1st, 2019

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

Note 2: FSC allows the consolidated company to choose early application of this amendment on January 1st, 2018.

Note3: FSC announced on December 19th, 2017 that enterprises of this country shall apply IFRS 16 starting from January 1st, 2019.

Note4: Planned modification, reduction or repayment occurred after January 1st, 2019 shall apply this amendment.

I. IFRS 16 "Lease"

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

Upon application of IFRS 16 and in the event that the consolidated company serves as a lessee, with the exceptions that handling similar to the IAS 17 business lease can be adopted and used on small amount lease and short term lease, other leases shall all be recognized as utilization rights assets and lease liabilities on the consolidated balance sheet. The consolidated income statement shall respectively illustrate depreciation expenses for utilization rights assets as well as interest expenses incurred from lease liability under effective interest rate. With respect to consolidated cash flow statement, repayment amount for lease liability principal shall be illustrated as capital-raise activities, while amount for interest repayment shall be recognized as business activities.

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

II. IFRIC 23 "Uncertainty over Income Tax Treatment"

IFRIC 23 clarifies that when there is an uncertainty existed in income tax processing, the consolidated company must therefore assume tax competent authority is able to retrieve all related materials for review. In the event that processing for reported income tax is assessed to be likely accepted by tax competent authority, the consolidated company's decisions over taxable income, taxable base, unused tax loss, unused tax credit and tax rate must therefore be consistent with income tax processing adopted for income tax reporting. In the event that tax competent authority is not very likely to accept income tax processing reported, the consolidated company must therefore adopt assessments of the most likely amount or expected value (method capable of better predicting uncertainty final result among these two shall be adopted accordingly). In the event of changes to facts or circumstances, the consolidated company must re-assess its judgement and assessment.

Under the premise of not using hindsight, the consolidated company may apply IFRIC 23 retrospectively and recompile information for the compared period, or recognize first application cumulative effect on the day of first application.

III. Amendment of IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 prescribes that if agreement terms allow issuer (i.e. the debtor) to repay debt instrument prior to maturity, or, allow owner (i.e., creditor) to sell debt instrument back to issuer prior to maturity and early repayment amount almost represents unpaid principal, interest for outstanding principal and reasonable compensation for early agreement termination, the contract cash flow shall therefore be totally for payments of principal and interests for outstanding principal amount. Such amendment further explains that aforementioned reasonable compensation may be paid or collected by either party of the agreement. This means the party raising early repayment request may also collect reasonable compensation.

When aforementioned amendment takes effect, the consolidated company shall apply retrospectively. However, it may choose to recognize cumulative effect from retrospective application on the first application date, or, recompile information for the compared period under the premise of not using hindsight.

IV. Annual improvement for 2015-2017 Cycle

Annual improvement for 2015-2017 cycle amends IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs." Specifically, IAS 23 amendment clarifies that if a specifically borrowed loan still remains outstanding after related asset reaches expected utilization or selling status, this loan shall therefore be included in capitalization interest rate calculation for average loan. Aforementioned amendments will be applied prospectively.

In addition to aforementioned influences and as of the day when this consolidated statement was approved and published, the consolidated company will continue to assess influences to financial status and financial performance from other guideline or interpretation's amendments. Related influences will be disclosed after assessment is completed.

4. Explanation of Summarized Significant Accounting Policy

(1) Compliance Announcement

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

(2) Consolidation Basis

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

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

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

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

1. Assets held mainly for the purpose of transaction;
2. Assets realized within twelve (12) months after the balance sheet date; and

3. Cash and cash equivalents (but excluding the ones which have been restricted as a result of being used for liability exchange or repayment exceeding twelve (12) months after balance sheet date).

Current liabilities include:

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

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

(4) Consolidation Basis

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

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

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between: (1)the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

For details of subsidiaries, shareholding percentages and business items, please refer to note 11 “Subsidiary”, Appendix 5 and Appendix 6.

(5) Business Merge

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

Goodwill is measured over the net amount which is the sum of transfer consideration fair value and non-controlling interest amount of the purchased party exceeding the sum of identifiable assets obtained and liabilities assumed on the merger day. Current ownership interest over the purchased party as well as non-controlling interest, which is entitled to the purchased party’s net assets during liquidation, are measured over the percentage of rights on the purchased party’s identifiable net asset amounts already recognized.

(6) Foreign Currency

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

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

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

During preparation of consolidated financial statements, assets and liabilities of consolidated company's offshore operating institutions (including subsidiaries or branches with operating locations or currencies used different from the ones for the Company) have been translated in New Taiwan Dollar based on exchange rates for each balance sheet day. Items of income and expense impairment are translated based on current average exchange rates, and exchange differences incurred accordingly have been recognized as other consolidated profit or loss.

(7) Inventory

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

(8) Property, Factory and Equipment

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

Depreciation for property, factory and equipment is based on linear basis, while depreciation for every significant portion is incurred separately. The consolidated company reviews service life, residual value and depreciation method on fiscal year

ending day at least for each fiscal year. Influence from changes in accounting estimates is processed using prospective application.
Gain or loss amounts generated from the de-recognition of property, factory and equipment are differences between such assets' net disposal proceeds and book values, and these amounts are recognized as current income (loss).

(9) Investment Property

Investment property is property held for the purposes of earning rents, or increasing capital, or both. Investment property also includes lands held with future purpose yet to be determined as of now.
Originally, investment property is measured in costs (including transaction costs), and going forward will be measured in amounts from cost's deducting of accumulated depreciation and accumulated impairment loss. The consolidated company adopts linear basis to recognize depreciation.
Gain or loss amounts generated from de-recognition of investment property are differences between such assets' net disposal proceeds and book values, and these amounts are recognized as current income (loss).

(10) Goodwill

Goodwill obtained from corporate merger adopts goodwill amounts recognized on the purchase day as costs, and going forward it will be measured in amounts from cost's deducting of accumulated impairment loss.

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

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

(11) Intangible Assets

1. Separate Acquisition

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

2. De-Recognition

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

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

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

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

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

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

(13) Financial Instruments

In the event that consolidated company becomes a party for such instrument contract, both financial assets and financial liabilities are recognized in balance sheet.
During original recognition of financial assets and financial liabilities, in the event that financial assets and financial liabilities are not measured at fair value through profit and loss, they should therefore be measured at fair value plus transaction costs which can be directly attributed to the acquisition or issuing of financial assets or financial liabilities. Transaction costs which can be directly attributed to the acquisition or issuing financial assets or financial liabilities measured at fair value through profit and loss are immediately recognized in profit and loss.

1. Financial Assets

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

(1) Types of Measurements

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

A. Financial Assets at Fair Value through Profit and Loss

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

Financial assets at fair value through profit and loss are measured at fair value. Profit or loss generated from re-measurement will be recognized in income. Method for measuring the fair value, please refer to Note 29.

B. Loans & Account Receivables

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

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

(2) Impairment of Financial Assets

In addition to financial assets at fair value through profit and loss, consolidated company assesses other financial assets on each balance sheet day to clarify if there are objective evidences for impairment. If there is an objective evidence indicating that single or multiple items generated after financial asset's original recognition has/have caused losses to financial asset's estimated future cash flow, financial asset under such circumstances has already suffered from impairment.

For financial assets such as account receivables which are recognized in amortized costs, there will be another collective assessment on impairment if there is no objective impairment evidence for such assets. Collectively existed objective impairment evidence for account receivables may include consolidated company's previous payment collection experience, increased cases of delayed payments which collectively exceed average credit extension period of ninety (90) days, and observable national or regional economic situation changes which are related to default in account receivables.

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

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

Financial assets' other objective impairment evidences include issuer's or debtor's major financial difficulty, default (such as delay or suspension of interest or principal payment), or increased possibilities of debtor's entering into bankruptcy or other financial restructuring.

All of financial assets' impairment losses are deducted directly from such financial assets' book values. For account receivables, however, it will be by lowering their book values through allowance accounts. In the event that account receivables are determined to be unrecoverable, allowance accounts in such cases will be offset accordingly. Payment which was originally offset but later recovered will be credited in allowance accounts. With the exception that account receivables are unrecoverable and are therefore offset against allowance accounts, changes in allowance account book value amounts shall be recognized in income.

(3) De-Recognition of Financial Assets

Financial assets shall only be de-recognized if the consolidated company's cash flow contract rights from such financial assets have become invalid, or when such financial assets have already been transferred and almost all risks and remuneration from such assets' ownership have already been transferred to other enterprise.

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

2. Equity Instruments

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

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

3. Financial Liabilities

(1) Subsequent Measurement

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

A. <u>Financial Liabilities at Fair Value through Profit and Loss</u>

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

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

(2) De-Recognition of Financial Liabilities

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

4. Convertible Corporate Bond

During original recognition, components of compound financial instruments (convertible corporate bonds) issued by the consolidated company are categorized into financial liabilities and equities based on nature of contract agreement and definitions for financial liabilities and equity instruments.

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

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

Related transaction costs to issue convertible corporate bonds will be amortized to such instrument's liabilities (as liability book value) and equity components (as equities) based on amortization percentage for total payment.

5. Derivatives

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

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

(14) Income Recognition

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

1. Sale of Products

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

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

(5) Transaction related costs already incurred or about to incur can be measured in a reliable way.

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

2. Provision of Labor

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

3. Interest Income

Financial asset interest income is recognized when it is possible for economic efficiency to flow into the consolidated company and income amounts can be measured in a reliable way. Interest income is recognized based on outstanding principal, which depends on the time lapsed, and effective interest rates applied under accrual basis.

(15) Lease

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

1. Consolidated Company as Lessor

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

2. Consolidated Company as Lessee

For financial leasing, the lowest lease payment present value total amount among respective installments or lease asset fair value on the day of lease commencement, which ever is lower, shall be recognized as costs and lease payable liability shall also be recognized accordingly.

Interest implied in each installment lease payment is recognized as current finance expense, and it will be capitalized if it can be directly attributed to assets which meet requirements

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

3. Leased Land

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

(16) Borrowing Costs

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

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

(17) Government Subsidy

Government subsidy shall only be recognized in the event that it is reasonably assured that the consolidated company shall comply with conditions attached to government subsidy and the subsidy will be received.

During the period when related costs, which are to be compensated by government subsidy, are recognized by the consolidated company as expenses, government subsidy is then recognized as profit/loss under systematic basis. Government subsidy, which are under the terms that the consolidated company shall purchase, build or via other measures in order to obtain non-current assets, is recognized as deferred income, and is transferred to profit/loss during related asset's durable period under reasonable and systematic basis.

In the event that government subsidy is used to compensate expenses or losses already incurred, or, is provided under the purpose of giving immediate financial support to the consolidated company and there is no future related costs, it will therefore be recognized as profit/loss during the period when it can be received.

(18) Post-Employment Benefits

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

(19) Income Tax

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

1. Current Income Tax

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

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

2. Deferred Income Tax

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

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

Deferred income tax book values are reviewed on each balance sheet day. Adjustment and reduction of book values will be made on those that it is impossible for them to have enough taxable income to retrieve all or partial assets. For those which have not been recognized as deferred income tax assets, they will also be reviewed on each balance sheet day. Adjustment and increase of book values for these items will be made in the future when it is possible for them to generate taxable income to retrieve all or partial assets.

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

3. Current & Deferred Income Tax for This Year

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

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

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

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

(1) Estimated Goodwill Impairment

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

(2) Income Tax

As of Dec. 31 for both 2017 and 2016, deferred income tax related to tax loss are NTD100,380,000 and NTD72,066,000 respectively. Given the unforeseeability of future profit, consolidated company still has tax losses of NTD93,258,000 and NTD193,171,000 not recognized as deferred income tax assets as of Dec. 31, 2016 and 2017 respectively . Realization of deferred income tax assets mainly depends on whether there are sufficient profits or taxable temporary differences in the future. In the event that profits generated in the future are less than anticipated ones, it will be possible to have a reversal incurred on deferred income tax assets. Such reversal will be recognized as profit or loss for the period of occurrence.

(3) Account Receivable Estimated Impairment

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

(4) Fair Value Measurement and Assessment Process

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

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

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

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

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

6. Cash & Cash Equivalents

Mortgaged or Pledged Assets

	Dec. 31, 2017	Dec. 31, 2016
Cash On Hand	$ 3,261	$ 3,701
Bank Check & Demand Deposit	2,162,845	2,827,824
Cash Equivalents		
Time Deposit with Original Maturity within 3 months	1,150,179	1,409,293
	$ 3,316,285	$ 4,240,818

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

	Dec. 31, 2017	Dec. 31, 2016
Bank Deposit	0.01%~5.1%	0.01%~4.5%

7. Financial Instruments at Fair Value through Profit & Loss

	Dec. 31, 2017	Dec. 31, 2016
Financial Assets Held for Transaction: Current		

Derivatives		
Forward Exchange Contract	$ 17,121	$ 8,342
Domestic First Convertible Corporate Bond (Note 17)	-	44
	$ 17,121	$ 8,386

Financial Liabilities Held for Transaction: Current

Derivatives		
Forward Exchange Contract	$ -	$ 2,190
Domestic Second Convertible Corporate Bond (Note 17)	27,000	-
	$ 27,000	$ 2,190

Financial Liabilities Held for Transaction: Non-current

Derivatives		
Domestic Second Convertible Corporate Bond (Note 17)	$ -	$ 20,500

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

Dec. 31, 2017

	Currency	Periods of Maturity	Contract Amounts (in thousands)
Forward Exchange Sold	USD/RMB	107.01.08-107.06.14	USD 10,300/RMB 69,231
Forward Exchange Sold	EUR/RMB	107.01.04-107.05.14	EUR 10,100/RMB 80,518
Forward Exchange Sold	EUR/USD	107.01.04	EUR 200/USD 241

Dec. 31, 2016

	Currency	Periods of Maturity	Contract Amounts (in thousands)
Forward Exchange Sold	USD/RMB	106.01.10-106.02.24	USD 2,600/RMB 17,784
Forward Exchange Sold	EUR/RMB	106.01.09-106.04.06	EUR 1,500/RMB 11,232
Forward Exchange Sold	EUR/USD	106.01.03-106.06.28	EUR 3,900/USD 4,359

Purpose of consolidated company's forward exchange transactions in 2017 is mainly for avoiding exchange rate fluctuation risks incurred from foreign currency assets and liabilities.

8. Debt Instrument Investment with No Active Market

	Dec. 31st, 2017	Dec. 31st, 2016
Current		
Time Deposits with Original Maturity Exceeding 3 Months	$180,515	$ -

As of December 31st, 2017, annual interest rates for time deposits with original maturity exceeding 3 months range from 1.8% to 5.1%.

9. Account Receivables

	Dec. 31, 2017	Dec. 31, 2016
Account Receivables	$ 1,743,207	$ 1,927,320
Less: Bad Debt Reserves	(24,625)	(19,751)
	$ 1,718,582	$ 1,907,569

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

Aging analysis for account receivables is as follows:

	Dec. 31, 2017	Dec. 31, 2016
Non-Overdue	$ 1,587,518	$ 1,831,096
Below 90	122,158	79,754
90 ~ 180 Days	21,610	257
Over 180 Days	11,921	16,213
Total	$ 1,743,207	$ 1,927,320

Aforementioned aging analysis is conducted based on the number of overdue days. Information of changes in account receivables bad debt reserves is as follows:

	Group Estimated Impairment Loss
Balance, January 1st, 2016	$ 9,878
Plus: Current Bad Debt Reversal Expense	3,087
Less: Current Actual Write-Off Amount	(5,095)
Acquisition from Business Merge	13,679
Foreign Exchange Difference	(1,798)
Balance, Dec. 31st, 2016	19,751
Plus: Current Bad Debt Reversal Expense	6,826
Less: Current Actual Write-Off Amount	(1,661)
Foreign Exchange Difference	(291)
Balance, Dec. 31st, 2017	$ 24,625

10. Net Inventory

	Dec. 31, 2017	Dec. 31, 2016
Finished Goods	$ 527,556	$ 501,015
Work-In-Progress	321,242	366,387
Raw Materials	407,383	393,835
	$ 1,256,181	$ 1,261,237

Operating costs related to inventory for 2017 and 2016 are NTD 4,972,143,000 and NTD 4,955,142,000 respectively. Operating cost includes reduction of inventory to market of NTD40,128,000 and NTD31,371,000.

11. Subsidiaries

Subsidiaries included in this consolidated financial statement

Subjects for this consolidated financial statement are as follows:

Investor Company	Subsidiary	Nature of Business	2017 Dec. 31	2016 Dec. 31
Yeong Guan Energy Technology Group Co., Ltd.	Yeong Guan Holding Co. , Ltd. (Yeong Guan Holding Company)	Investment	100	100
	Yeong Guan Heavy Industry (Thailand) Co., Ltd. (Yeong Guan Heavy Industry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	75	75
Yeong Guan Holding Co., Ltd.	Yeong Guan International Co., Ltd. (Yeong Guan International Company)	Investment	100	100

Investor Company	Subsidiary	Nature of Business	2017 Dec. 31	2016 Dec. 31
	Shin Shang Trade Co., Ltd. (Shin Shang Trade Company)	Transaction of various steel castings and casting molds as well as related import/export businesses	100	100
	Yeong Chen Asia Pacific Co., Ltd. (Yeong Chen Asia Pacific Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	New Power Team Technology Co., Ltd. (New Power Company)	Processing, manufacturing and selling of various of machinery & hardware	52	52 (Note 1)
Yeong Guan International Co., Ltd.	Ningbo Yeong Shang Casting Iron Co., Ltd. (Yeong Shang Casting Iron Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Ningbo Lu Lin Machine Tool Foundry Co., Ltd. (Lu Lin Machine Tool Foundry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Dongguan Yeong Guan Mould Factory Co., Ltd. (Dongguan Yeong Guan Mould Factory Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	100	100
	Jiangsu Bright Steel Fine Machinery Co., Ltd. (Bright Steel Fine Machinery Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	80	80
	Ningbo Yeong Chia Mei Trade Co., Ltd. (Yeong Chia Mei Trade Company)	Transaction of various steel castings and casting molds as well as related import/export businesses	100	100
	Shanghai No. 1 Machine Tool Foundry (Su zhou) Co., Ltd.(Shanghai No. 1 Machine Tool Foundry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	53 (Note 3)	50 (Note 2)
Yeong Shang Casting Iron Co., Ltd.	Jiangsu Bright Steel Fine Machinery Co., Ltd. (Bright Steel Fine Machinery Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	20	20
Dongguan Yeong Guan Mould Factory Co., Ltd.	Shanghai No. 1 Machine Tool Foundry (Su zhou) Co., Ltd. (Shanghai No. 1 Machine Tool Foundry Company)	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	40	-40 (Note 2)
Shanghai No. 1 Machine Tool Foundry Co., Ltd.	Shanghai No. 1 Foundry Trading Co., Ltd.(Shanghai Trading Company)	Trading, importing and exporting of various steel and iron castings and casting mold	- (Note 5)	100
New Power Team Technology Co., Ltd.	Lizhan Limited (Lizhan Company)	Investment	100	100 (Note 1)
Lizhan Limited	Ningbo New Power Team Technology Co., Ltd. (Ningbo New Power Company)	Manufacturing of base of medical equipment, wind turbine hub and semiconductor equipment products	100	100 (Note 4)

Note 1: Yeong Guan Holding Company acquired the control of 52% shares of New Power Company on January 7th, 2017 and therefore this company is merged accordingly.

Note 2: Yeong Guan International Company And Dongguan Yeong Guan Mould Factory Company acquired 50% and 40% of shares of Shanghai No. 1

Machine Tool Foundry Company respectively on January 25th, 2016. This Group is capable of controlling the company and therefore this company is merged accordingly.

Note 3: Yeong Guan International Company acquired 3% shares of Shanghai No.1 Machine Tool Foundry Company on March 1st, 2017.

Note 4: Lizhan Company established Ningbo New Power Company, which was integrated into the consolidated entity based on 100% ownership, on July 5th, 2016 through seasoned equity offerings.

Note 5: Shanghai No.1 Machine Tool Foundry Company disposed 100% shares of its subsidiary Shanghai Trading Company on August 3rd, 2017.

12. Property, Factory and Equipment

	Self-Owned Land	Building	Machine Equipment	Transportation Equipment	Other Equipment	Leased Asset	Work-in-Progress Property	Total
Cost								
Balance, Jan. 1st, 2016	$ 533,005	$ 3,092,713	$ 3,434,044	$ 65,841	$ 509,051	$ -	$ 777,909	$ 8,412,563
Addition	-	17,172	125,031	6,102	32,171	1,847	165,458	347,781
Disposal	-	(11,270)	(39,997)	(4,033)	(9,177)	-	(2,059)	(66,536)
Acquisition from Business Merge	180,658	203,695	113,476	10,870	4,960	-	389,076	902,735
Reclassification	(6,729)	(14,621)	131,225	-	20,965	-	79,951	210,791
Net Exchange Difference	(13,073)	(253,484)	(294,159)	(5,387)	(42,598)	(80)	(77,779)	(686,560)
Balance, Dec. 31st, 2016	$ 693,861	$ 3,034,205	$ 3,469,620	$ 73,393	$ 515,372	$ 1,767	$ 1,332,556	$ 9,120,774
Accumulated Depreciation and Impairment								
Balance, Jan. 1st, 2016	$ -	$ 972,684	$ 1,818,599	$ 39,947	$ 329,510	$ -	$ -	$ 3,160,740
Disposal	-	(11,270)	(16,623)	(3,592)	(7,982)	-	-	(39,467)
Depreciation Expense	-	148,843	261,015	6,973	49,998	166	-	466,995
Acquisition from Business Merge	-	39,632	64,818	6,171	2,514	-	-	113,135
Reclassification	-	(1,493)	(3,224)	-	3,224	-	-	(1,493)
Net Exchange Difference	-	(85,142)	(163,030)	(3,438)	(28,200)	(7)	-	(279,817)
Balance, Dec. 31st, 2016	$ -	$ 1,063,254	$ 1,961,555	$ 46,061	$ 349,064	$ 159	$ -	$ 3,420,093
Net amount, Dec. 31st, 2016	$ 693,861	$ 1,970,951	$ 1,508,065	$ 27,332	$ 166,308	$ 1,608	$ 1,332,556	$ 5,700,681
Cost								
Balance, Jan. 1st, 2017	$ 693,861	$ 3,034,205	$ 3,469,620	$ 73,393	$ 515,372	$ 1,767	$ 1,332,556	$ 9,120,774
Addition	-	-	-	(1,344)	(156)	(1,170)	-	(2,670)
Disposal	75,664	26,136	192,924	7,281	34,176	2,344	426,069	764,594
Acquisition from Business Merge	-	(16,254)	(69,723)	(10,296)	(38,866)	-	(11,700)	(146,839)
Reclassification	-	324,167	777,388	1,356	50,230	-	(730,330)	422,811
Net Exchange Difference	3,710	(52,436)	(54,779)	(1,250)	(9,076)	(22)	(22,780)	(136,633)
Balance, Dec. 31st, 2017	$ 773,235	$ 3,315,818	$ 4,315,430	$ 69,140	$ 551,680	$ 2,919	$ 993,815	$ 10,022,037
Accumulated Depreciation and Impairment								
Balance, Jan. 1st, 2017	$ -	$ 1,063,254	$ 1,961,555	$ 46,061	$ 349,064	$ 159	$ -	$ 3,420,093
Disposal	-	-	-	(1,318)	(8)	(19)	-	(1,345)
Depreciation Expense	-	(16,253)	(53,206)	(6,382)	(32,894)	-	-	(108,735)
Acquisition from Business Merge	-	146,945	290,814	6,496	46,070	444	-	490,769
Reclassification	-	4,235	(321)	-	(2,020)	-	-	1,894
Net Exchange Difference	-	(18,274)	(34,205)	(801)	(6,586)	2	-	(59,864)
Balance, Dec. 31st, 2017	$ -	$ 1,179,907	$ 2,164,637	$ 44,056	$ 353,626	$ 586	$ -	$ 3,742,812
Net amount, Dec. 31st, 2017	$ 773,235	$ 2,135,911	$ 2,150,793	$ 25,084	$ 198,054	$ 2,333	$ 993,815	$ 6,279,225

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

Building	5 to 20 years
Machine Equipment	3 to 10 years

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

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

Please refer to note 31 for property, factory and equipment amounts serve as loan collaterals during the consolidated company's creation of pledge.

13. Investment Property

	Total
Cost	
Balance, Jan. 1st, 2016	$ 13,385
Transfer-in for the current period	22,463
Transfer to Property, Factory, Equipment	(1,113)
Net Exchange Difference	(961)
Balance, Dec. 31st, 2016	$ 33,774
Accumulated Depreciation	
Balance, Jan. 1st, 2016	$ 4,392
Depreciation Expense	852
Transfer-in for the current period	1,731
Transfer to Property, Factory, Equipment	(238)
Net Exchange Difference	(368)
Balance, Dec. 31st, 2016	$ 6,369
Net Amount, Dec. 31st, 2016	$ 27,405
Cost	
Balance, Jan. 1st, 2017	$ 33,774
Transfer-out for the current period	(10,176)
Net Exchange Difference	(338)
Balance, Dec. 31st, 2017	$ 23,260

Accumulated Depreciation	
Balance, Jan. 1st, 2017	$ 6,369
Depreciation Expense	454
Transfer-out for the current period	(4,236)
Net Exchange Difference	(126)
Balance, Dec. 31st, 2017	$ 2,461
Net Amount, Dec. 31st, 2017	$ 20,799

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

Consolidated company's investment properties for end of 2017 are buildings and lands located in No. 575, Sec. 1, Cheng Gong Rd., Cao Ta Village, Guan Yin District, Taoyuang City and No. 9, Minquan Road, Dayuan District, Taoyuan City; Consolidated company's investment properties for end of 2016 are buildings and lands located in No. 95, Huang Hai Rd., Ningbo City, No. 575, Sec. 1, Cheng Gong Rd., Cao Ta Village, Guan Yin District, Taoyuang City and No. 9, Minquan Road, Dayuan District, Taoyuan City. Given the fact that this site is located within an industry zone, the comparable market transactions are less frequent and reliable assessments to replace fair values cannot be obtained. Therefore, fair values cannot be determined in a reliable manner. However, the consolidated company's management considers that inability to obtain fair value assessment report for aforementioned investment real property is not expected to incur significant influence.

All of consolidated company's investment properties are equity capitals. Please refer to note 31 for investment property amounts pledged by consolidated company as loan collaterals.

14. Goodwill

	2017	2016
Cost		
Balance, Beginning	$145,208	$133,214
Goodwill Incurred from Acquisition (Note 25)	-	17,491
Net Exchange Difference	(1,206)	(5,497)
Balance, Ending	$144,002	$145,208

Determination of goodwill recoverable amount is based on utilization value. Utilization value is estimated based on cash flow for future 5-year financial budget approved by consolidated company's management, and has been calculated based on annual discount rates of 9.63% and 8.69% in 2017 and 2016 respectively.

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

15. Lease Prepayment

	Dec. 31st, 2017	Dec. 31st, 2016
Current (included in other current assets)	$ 10,674	$ 9,696
Non-Current	413,696	380,547
	$424,370	$390,243

As of Dec. 31st for 2017 and 2016, prepaid lease is for land utilization rights in China. Please refer to note 31 for prepaid lease amounts pledged by consolidated company as loan collaterals.

16. Loans

(1) Short Term Loans

	Dec. 31st, 2017	Dec. 31st, 2016
Secured Loans (Note 31)		
－Bank Loan	$523,055	$521,950

Bank revolving loan interest rates on Dec. 31, 2017 and 2016 are 0.95%-2.69% and 1.10%-2.69% respectively.

(2) Long Term Loan

	Dec. 31st, 2017	Dec. 31st, 2016
Secure Loan (Note 31)		
Bank Loan	$ 89,370	$ 96,780
Less: Recognized Portion of Loan Due within One Year.	-	(96,780)
Long Term Loan	$ 89,370	$ -

As of Dec. 31st, 2017 and 2016, annual interest rates for long term loans are 2.31% and 2.61% respectively.

17. Corporate Bond Payable

	Dec. 31st, 2017	Dec. 31st, 2016
Domestic First Un-Secured Convertible Corporate Bond	$ 2,146	$ 145,360
Domestic Second Un-Secured Convertible Corporate Bond	2,438,634	2,392,775
	2,440,780	2,538,135
Minus: One-year Putable Bond	2,438,634	145,360
	$ 2,146	$ 2,392,775

(1) On June 3rd, 2014, the Company issued 15,000 units NTD denominated un-secured convertible corporate bond with 0% coupon rate and total principal amount of NTD1.5 billion.
Each unit corporate bond holder is entitled to convert the bond into the Company's common shares under the price of NTD158/share. After determination of conversion price, adjustments shall be made in accordance with conversion price adjustment formula in the event of ex-right or ex-dividend. As of Dec. 31st, 2017, conversion price has been adjusted to NTD137.2 and conversion period starts from September 4th, 2014 to May 24th, 2019. In the event of unconverted corporate bond upon expiration of aforementioned period, onetime cash repayment of bond face value plus interest compensation will be made on June 3rd, 2019. Interest compensation upon maturity is 5.01% of face value for creditor's rights. In the event that conditions are met, the Company shall be entitled to request to redeem this convertible corporate bond from creditors based on agreed prices.

During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event the Company's common share closing prices in Taiwan Stock Exchange exceed this bond's conversion price at that time over 30% (included) for 30 consecutive business days, the Company will be entitled to send out a 30-day-expiration "Bond Redemption Notice" within subsequent 30 business days, and redeem all bonds in cash calculated based on face value upon expiration of aforementioned period. During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event that this bond's outstanding balance is lower than 10% of original total issue amount, the Company will therefore be entitled to send out a 30-day-expiration "Bond

Redemption Notice" based on names recorded on bondholder's name list 5 business days prior to the mailing day, and redeem outstanding bond in cash calculated based on face value upon expiration of aforementioned period.

Respective expiration dates of 2-year and 3-year periods after issuance are pre-mature sell back record dates for bondholders of this bond. Bondholders are entitled to send out notice in writing to the Company's share agent within 30 days prior to aforementioned sell back record dates requesting the Company to redeem bond held by them in cash and in 102.015% and 103.03% of face value.

This convertible corporate bond include liability and equity components. Equity components are presented as Additional Paid-In Capital - Share Subscription Right under equities. Liability components, on the other hand, are cognized as liabilities of embedded derivative financial instruments and non-derivative products. Such embedded derivative financial instrument has been assessed at fair value of thousand and NTD(44) thousands respectively on Dec. 31st, 2017 and 2016. Non-derivative product liability has been measured on Dec. 31st, 2017 and 2016 as NTD2,146 thousands and NTD145,360 thousands based on amortized cost and its effective interest rate originally recognized is 1.0715%.

Issuance Proceeds (less transaction cost of NTD3,714 thousands)	$ 1,496,286
Equity Components	(68,829)
Net Liability Components on Issue Day (including NTD1,427,607 thousands of corporate bond payable and NTD150 thousands of financial assets at fair value – noncurrent)	1,427,457
Interest Calculated in Effective Interest Rate	36,949
Corporate bond payable converted to common stock	(1,318,006)
Corporate bond payable - put option exercised	(144,389)
Loss on Valuation of Financial Instrument	135
Liability Components on Dec. 31st, 2017	$ 2,146

Holder of this bond redeemed 1st unsecured convertible bond with face value of NTD143,000 thousand dollars (with NTD4,333 thousand dollars of interest and compensation added) in May and June of 2017. This incurred a sell-back loss of NTD2,944 thousand dollars (included under the item of other gains and losses).

As of Dec. 31st, 2017, 1st unsecured convertible corporate bonds with face value of NTD1,354,900 thousand dollars have already been converted into the Company's shares of 8,929,000 shares.

(2) On August 18th, 2015, the Company issued 25,000 units NTD denominated unsecured convertible corporate bond with 0% coupon rate and total principal amount of NT$2.5 billion.

Each unit corporate bond holder is entitled to convert the bond into the Company's common shares under the price of NTD217/share. After determination of conversion price, adjustments shall be made in accordance with conversion price adjustment formula in the event of ex-right or ex-dividend. As of Dec. 31st, 2017, conversion price has been adjusted to NTD199.9 and conversion period starts from November 18th, 2015 to August 18th, 2020. In the event of unconverted corporate bond upon expiration of aforementioned period, onetime cash repayment of bond face value plus interest compensation will be made on August 18th, 2020. Interest compensation upon maturity is 2.53% of face value for creditor's rights. In the event that conditions are met, the Company shall be entitled to request to redeem this convertible corporate bond from creditors based on agreed prices.

During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event the Company's common share closing prices in Taiwan Stock Exchange exceed this bond's conversion price at that time over 30% (included) for 30 consecutive business days, the Company will be entitled to send out a 30-day-expiration "Bond Redemption Notice" within subsequent 30 business days, and redeem all bonds in cash calculated based on face value upon expiration of aforementioned period. During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event that this bond's outstanding balance is lower than 10% of original total issue amount, the Company will therefore be entitled to send out a 30-day-expiration "Bond Redemption Notice" based on names recorded on bondholder's name list 5 business days prior to the mailing day, and redeem outstanding bond in cash calculated based on face value upon expiration of aforementioned period.

Respective expiration dates of 3-year and 4-year periods after issuance are pre-mature sell back record dates for bondholders of this bond. Bondholders are entitled to send out notice in writing to the Company's share agent within 30 days prior to aforementioned sell back record dates requesting the Company to redeem bond held by them in cash and in 101.51% and 102.02% of face value.

This convertible corporate bond include liability and equity components. Equity components are presented as Additional Paid-In Capital - Share Subscription Right under equities. Liability components, on the other hand, are cognized as liabilities of embedded derivative financial instruments and non-derivative products. Such embedded derivative financial instrument have been assessed at fair value of NT$27,000 and NTD20,500 thousands respectively on Dec. 31st, 2017 and 2016. Non-derivative product liability have been measured on Dec. 31st, 2017 and 2016 and NTD2,438,634 thousands NTD2,392,775 thousands respectively based on amortized cost and its effective interest rate originally recognized is 0.8351%

Issuance Proceeds (less transaction cost of NTD6,546 thousands)	$ 2,493,454
Equity Components	(150,355)
Net Liability Components on Issue Day (including NTD2,331,130 thousands of corporate bond payable and NTD11,969 thousands of financial assets at fair value – noncurrent)	2,343,099
Interest Calculated in Effective Interest Rate	107,504
Gain on Valuation of Financial Instrument	15,031
Liability Components on Dec. 31, 2017	$ 2,465,634

All of the second unsecured convertible corporate bonds have not yet been converted as of Dec. 31st, 2017.

18. **Lease Payable**

	Dec. 31, 2017	Dec. 31, 2016
Mimimum Lease Payment		
Less Than 1 Year	$ 1,079	$ 528
1～5 Years	878	865
	1,957	1,393
Less: Future Finance Expense	534	297
Minimum Lease Payment Present Value	$ 1,423	$ 1,096

Mimimum Lease Payment Present Value

	Dec. 31, 2017	Dec. 31, 2016
Less Than 1 Year（included in other current liabilities）	$ 709	$ 361
1～5 Years	714	735
	$ 1,423	$ 1,096

The consolidated company leased transportation equipment via finance leasing in April 2017 and June 2016, with a lease period of 3 years. Ownership of such transportation equipment will be transferred to the consolidated company without consideration upon expiration of the lease period. Interest rate for the lease are 43.31% and 20.13%.

19. Other Account Payables

	Dec. 31, 2017	Dec. 31, 2016
Salary Payable	$226,859	$243,928
Freight Payable	29,016	48,511
Payables on Equipment	22,112	21,722
Tax Payable	40,691	44,888
Interest Payable	609	1,003
Others	128,661	168,125
	$447,948	$528,177

20. Post-Employment Benefit Plan

Pension system of “Labor Pension Act” applied by consolidated company’s Yeong Chen Asia Pacific Co., Ltd. and New Power Team Technology Co., Ltd. is a defined contribution pension plan managed by government. 6% of employee’s monthly salary will be contributed to personal account in Bureau of Labor Insurance.

Consolidated company’s subsidiaries in China apply defined contribution pension regulation. A certain percentage of contribution from pension contributed in accordance with employee salary will be contributed, together with the pension, into pension fund accounts managed by local insurance institution designated by law. Upon employee’s retirement, deposits form employee him/herself and deposits from company’s contribution together interests incurred can be withdrawn from such pension fund account.

21. Equities

(1) Share Capital

	Dec. 31,	Dec. 31,

	2017	2016
Number of Shares Authorized (in thousands)	300,000	300,000
Amount of Capital Authorized	$ 3,000,000	$ 3,000,000
Number of Outstanding Shares with Share Payment Fully Collected (in thousands)	$ 118,818	$ 118,818
Outstanding Share Capital	$ 1,188,175	$ 1,188,175

Par value for each outstanding common share is NTD10 and each share enjoys one voting rights as well as rights to collect dividend.

(2) Additional Paid-In Capital

Proceeds form share premium issuance, which exceeds par value, of Additional paid-in capital can be used to compensate losses. They can also be used to distribute cash dividend, or to be contributed as share capital, when there is no loss incurred to the Company. However, contribution of share capital is limited to certain percentages of paid-in capital each year.

Additional paid-in capital generated from convertible bond stock option shall not be utilized for any purpose；

Additional paid-in capital generated from failed stock option can only be used to compensate losses.

(3) Policy for Retained Earnings and Dividends

Based on modifications of the Company Act in May, 2015, distribution of dividend and bonus shall be limited to shareholders, and employees are not the subject for dividend distribution. The Company has already passed modifications on the Articles of Incorporation and Dividend Distribution Policy via shareholders' Meeting Resolution on June 7th, 2016, and has drafted a separate employee compensation distribution policy in the Articles of Incorporation.

As per surplus distribution policy requirements of the modified Articles of Incorporation, in the event that the Company enjoys surplus after annual final account settlement, surplus shall first be used to pay for tax as required by laws and make up for accumulated losses before appropriating 10% as legal reserve. Special reserve shall then be recognized or reversed from the balance as required by laws. In the event that there is still surplus, the Board of Directors Meeting shall then stipulate surplus distribution proposal over such surplus and accumulated retained earnings and submit the proposal to the Shareholder's Meeting for resolution over distribution of dividend and bonus to shareholders. Please refer to Note 22(2) Employee Benefit

Expense on the compensation policy for employees and directors/supervisors before and after modification of Articles of Incorporation.

Distribution of shareholder dividend and employee bonus can be distributed, pursuant to Board of Director's Meeting determination, to employees or shareholders in cash, proceeds from fully paid shares not yet issued, or both cash and aforementioned proceeds. For shareholder dividend, however, cash dividend distributed shall not be less than 10% of all dividends. The Company will not pay for interest on undistributed dividend or bonus.

The Company appropriates and reverses special reserve in accordance with letters of Gin-Guan-Zheng-Fa-Tze No. 1010012865 and Gin-Guan-Zheng-Fa-Tze No. 1010047490 as well as "Application Q & A on Special Reserve Appropriation after Adoption of IFRSs" guideline. In the event of subsequent reversal on other shareholder equity deduction balance, the reversal portion can be used to distribute earnings.

Legal reserve shall be appropriated until its balance equals the Company's paid-in capital total amount. Legal reserve can be used to compensate losses. In the event of no losses incurred to the Company, except that legal reserve exceeding 25% of paid-in capital total amount shall be appropriated as share capital, legal reserve can be distributed in cash.

The Company held shareholder meetings on June 13, 2017 and June 7, 2016 respectively, and approved, through resolutions, earnings distribution, employee bonus and director/supervisor remuneration for 2016 and 2015 as follows:

	Earnings Distribution		Earnings Per Share (dollar)	
	2016	2015	2016	2015
Legal Reserve	$ 100,830	$ 135,072		
Special Reserve	612,634	-		
Cash Dividend	386,157	1,004,188	$ 3.2	$ 8.5

2017 Earnings Distribution Proposed by the the Company's Board of Directors' Meeting on March 8th, 2017 is as follows:

	Earnings Distribution Proposal	Earnings Per Share (dollar)
Legal Reserve	$ 27,047	
Special Reserve	218,681	
Cash Dividend	171,187	$ 1.5

2017 Earnings Distribution proposal is pending for resolution from the shareholders' meeting which is expected to be held on June 5th, 2017.

(4) Special Reserve

	2017	2016
Balance, Beginning of Year	$ 8,214	$ 8,214
Special Reserve		
Exchange Difference on Translation of Foreign Financial Statement	612,634	-
Balance, End of Year	$620,848	$ 8,214

Upon the Company's first adoption of IFRSs, accumulated conversion adjustment amount transferred into retained earnings was NTD8,214 thousand dollars. The same amount of special reserve has already been appropriated accordingly. Upon earnings distribution, other shareholder's equity deduction as of the ending day of reporting period as well as special reserve appropriated during first adoption of IFRSs shall also be recognized. In the event that there is a subsequent reversal on other shareholder's equity reduction balance, distribution of earnings can then be conducted on the reserval portion.

(5) Non-Controlling Interest

	2017	2016
Balance, Beginning of Year	$304,158	$111,775
Portion for Non-Controlling Interest		
Current Net Loss	(12,550)	(10,879)
Exchange Difference on Translation of Foreign Financial Statement	249	(5,485)
Non-Controlling Interest Increased by Acquisition of New Power Team Technology Inc.	-	204,000
Non-Controlling Interest Increased(decreased) by	(42)	4,747

Acquisition of Shanghai No.
1 Machine Tool Co., Ltd.

Balance, End of Year	$291,815	$304,158

22. Net Profit

(1) Other profit and loss:

	2017	2016
Subsidy Income	$ 77,551	$ 65,434
Net Loss on Disposal of property, plant and equipment	(10,200)	(2,773)
Other	10,398	3,386
	$ 77,749	$ 66,047

(2) Depreciation, Amortization & Employee Benefit Expense

	2017			2016		
	Business Cost	Business Expense	Total	Business Cost	Business Expense	Total
Employment Benefit Expense	$ 43,131	$ 13,376	$ 56,507	$ 43,441	$ 15,327	$ 58,768
Post-Employment Benefit	808,802	337,460	1,146,262	830,467	406,274	1,236,741
Other Employment Benefit	$ 851,933	$ 350,836	$ 1,202,769	$ 873,908	$ 421,601	$ 1,295,509
Depreciation	$ 433,695	$ 57,074	$ 490,769	$ 406,958	$ 60,037	$ 466,995
Amortization	$ 23	$ 8,560	$ 8,583	$ -	$ 5,617	$ 5,617

Aforementioned depreciation expense does not include depreciation expenses of NTD454,000 and NTD852,000 for investment real property for 2017 & 2016 (included under non-operating revenue and expense – other benefits and losses).

(3) Employee Compensation and Director/Supervisor Compensation
The Company shall appropriate employee compensation and director/supervisor compensation in accordance with respective distribution zones of 2%~15% and no higher than 3% after current year pre-tax benefits prior to the distribution of employee and director/supervisor compensation are deducted. This Company held regular shareholder’s meeting on March 8, 2018 and March 9, 2017 respectively, resolutions for employee bonus/compensation and director/supervisor compensation were passed during the meetings as follows:

Ratio

	2017	2016
Employee Compensation	6%	2%
Director/Supervisor Compensation	-	-

	2017		2016	
	Cash Bonus	Share Bonus	Cash Bonus	Share Bonus
Employee Compensation	$ 18,000	$ -	$ 21,000	$ -
Director/Supervisor Compensation	-	-	-	-

Changes in amounts after annual consolidated financial statement approval and release date shall be processed in accordance with changes in accounting estimates and adjustment entry shall be made accordingly in the next year.

There are no differences between employee bonus and director/supervisor compensation to be distributed through resolutions from shareholder's meetings in 2016 and 2015 and employee bonus and director/supervisor compensation recognized on 2016 and 2015 consolidated statements.

For information regarding the Company's employee and director/supervisor compensation approved by Board of Director meeting in 2018 and 2017, please refer to "Market Observation Post System" of Taiwan Stock Exchange.

(4) Foreign Currency Exchange Profit/Loss

	2017	2016
Foreign Currency Exchange Profit Total Amount	$ 639,017	$ 612,511
Foreign Currency Exchange Loss Total Amount	(693,030)	(462,212)
Net Profit (Loss)	($ 54,013)	$ 150,299

23. Income Tax

(1) Income Tax Recognized As Profit/Loss

Major items for income tax expense are as follows:

	2017	2016
Current Income Tax		
Income tax incurred in current year	$132,809	$369,146
Undistributed Earnings Taxed	13,302	13,106
Previous Adjustments	(37,749)	3,569
	108,362	385,821
Deferred Income Tax		

Income tax incurred in current year	(24,519)	(58,582)
Income Tax Expense Recognized in Profit/Loss	$ 83,843	$ 327,239

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

	2017	2016
Pre-tax net profit	$ 341,767	$ 1,324,658
Income tax expense calculated from pre-tax net profit under mandatory tax rate	$ 113,282	$ 337,800
Undeductible expense of tax	(1,886)	(3,189)
Unrecognized deductible temporary difference	3,809	4,644
R&D tax credit	(2,590)	(3,627)
Loss carry-forward	-	(24,662)
Undistributed earnings taxed	13,302	13,106
Tax Rate Change	(4,325)	-
Current adjustment using previous year's current income tax expense	(37,749)	3,569
Others	-	(402)
Income Tax Expense Recognized in Profit / Loss	$ 83,843	$ 327,239

The consolidated company applies 17% tax rate which is applied to entity prescribed in the Income Tax Act of the Republic of China. As for subsidiaries in China, with the exception of Gunri Machinery Company which applies 15% of tax rate due to its acquisition of new and high technology enterprise certificate in China, tax rate applied to the remaining subsidiaries is 25%.

The Republic of China Income Tax Act amendments, which were published by the President in February of 2018, adjusted profit-seeking enterprise income tax rate from 17% to 20% which will be implemented starting from 2018. Additionally, tax rate applied to 2018 undistributed surplus earnings will be lowered down from 10% to 5%. Deferred income tax asset and deferred income tax liabilities had already been recognized on December 31st, 2017. It is therefore expected that respective adjustment increases of NTD924 thousand dollars and NTD1,502 thousand dollars for 2018 will be incurred accordingly from tax rate changes.

Given the uncertainty over 2018 shareholder meeting's determination on earnings distribution, it is impossible to determine, in a reliable way, potential income tax consequences if 10% income tax is imposed on 2017 undistributed earnings.

(2) Current Income Tax Liability

	Dec. 31st, 2017	Dec. 31st, 2016
Current Income Tax Liability (included in other Current Assets)		
Income Tax Refund Receivable	$ 6,753	$ 268
Income Tax Liabilities in Current Period		
Income Tax Payable	$ 75,690	$ 93,153

(3) Deferred Income Tax Assets & Liabilities

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

2017

	Beginning Balance	Recognized in P/L	Exchange Difference	Other	Ending Balance
Deferred Income Tax Assets					
Temporary Difference					
Allowance for Inventory Valuation and Obsolescence Loss	$ 16,182	$ 6,090	($ 126)	$ 4,150	$ 26,296
Bad Loan Allowances	4,123	(439)	(65)	153	3,772
Loss Carry forward	45,047	22,619	(592)	-	67,074
Others	6,714	(1,591)	(37)	(1,848)	3,238
	$ 72,066	$ 26,679	($ 820)	$ 2,455	$ 100,380
Deferred Income Tax Liability					
Temporary Difference					
Adjustments of Unrealized Financial Instrument Evaluation Gain or Loss	$ 1,415	$ 1,185	$ 4	$ -	$ 2,604
Unrealized Exchange Net Profit	585	6,721	(293)	-	7,013
Capitalized Interest	10,821	(643)	(245)	(1,864)	8,069
Others	1,225	(778)	(34)	(6)	407
	$ 14,046	$ 6,485	($ 568)	($ 1,870)	$ 18,093

2016

	Beginning Balance	Recognized in P/L	Exchange Difference	Other	Ending Balance
Deferred Income Tax Assets					
Temporary Difference					
Allowance for Inventory Valuation and Obsolescence Loss	$ 6,790	$ 8,548	($ 814)	$ 1,658	$ 16,182
Bad Loan Allowances	2,107	2,259	(266)	23	4,123

	Beginning Balance	Recognized in P/L	Exchange Difference	Other	Ending Balance
Loss Carry forward	777	47,089	(2,042)	(777)	45,047
Others	3,205	3,551	(129)	87	6,714
	$ 12,879	$ 61,447	($ 3,251)	$ 991	$ 72,066
Deferred Income Tax Liability					
Temporary Difference					
Adjustments of Unrealized Financial Instrument Evaluation Gain or Loss	$ -	$ 1,418	($ 3)	$ -	$ 1,415
Unrealized Exchange Net Profit	980	(414)	19	-	585
Capitalized Interest	10,485	1,230	(894)	-	10,821
Others	675	631	(81)	-	1,225
	$ 12,140	$ 2,865	($ 959)	$ -	$ 14,046

(4) Items not Recognized as Deferred Income Tax Asset

	Dec. 31st, 2017	Dec. 31st, 2016
Loss Carry-Forward		
Due in 2017	$ -	$ 9,529
Due in 2018	12,361	22,655
Due in 2019	828	5,091
Due in 2020	1,424	3,279
Due in 2021	2,826	4,644
Due in 2022	2,673	-
	$ 20,112	$ 45,198

(5) Related Information of Unused Loss Carry-Forwards & Tax Exemption

As of December 31st, 2017, related information on loss carry-forward is as follows:

Last Carry-Forward Year	Balance yet to be credited against
2018	$ 50,084
2019	64,501
2020	39,962
2021	100,727
2022	107,282
	$362,556

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

	Dec. 31st, 2017	Dec. 31st, 2016
Undistributed Earnings		
Undistributed Earnings Before 1997	(Note)	$ -
Undistributed Earnings Before 1998	(Note)	678,041

		$678,041
Shareholder Deductible Tax Account	(Note)	$162,030

	2017 (estimated)	2016 (actual)
Earnings Distribution Tax Deduction Rate	(Note)	28.95%

Note：The Republic of China Income Tax Act amendments, which was promulgated and took effect in February, 2018, have already abolished imputation system which is no longer applicable to related information of 2017.

(7) Income Tax Approval

Yeong Chen Asia Pacific Co., Ltd., New Power Team Technology Co., Ltd., Yeong Guan Holdings Co., Ltd.'s filings prior to 2015 have all been approved by tax bureau.

24. Earnings per Share

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

Current Net Profit

	2017	2016
Potential common share influence which has dilution effect and is used to calculate net profit for basic earnings per share:	$ 270,474	$1,008,298
Convertible corporate bond	-	34,414
Net profit used to calculate diluted earnings per share	$ 270,474	$1,042,712

Number of Shares

Unit: in thousands

	2017	2016
Weighted average common shares used to calculate basic earnings per share	118,818	118,673

Potential common share influence with dilution effect :		
Employee Bonus or Compensation	314	311
Convertible Corporate Bond	-	13,224
Weighted average common shares used to calculate diluted earnings per share	119,132	132,208

When calculating diluted earnings per share, if the consolidated company is entitled to choose to distribute employee bonus in stock or cash and if stocks will be distributed as employee bonus, then weighted average outstanding shares will be added when such potential common shares come with dilution effect for the purpose of calculating diluted earnings per share. When calculating diluted earnings per share prior to next year shareholder meeting's resolution over the number of shares to be distributed as employee bonus, such potential common share dilution will continue to be considered.

The consolidated company's 1st and 2nd outstanding domestic unsecured convertible bonds are potential common shares. However, given the counter-dilution effect from such potential common shares of 2017, they are not included in the calculation of diluted earnings per share.

25. **Business Merger & Acquisitions**

(1) Acquisition of Subsidiary

	Major Operation Activities	Acquisition Date	Voting Rights Interest /Acquisition Percentage (%)	Transfer Consideration
New Power Team Technology Co., Ltd.	Processing, Manufacturing and Transaction of Various Machinery Hardware	January 7th, 2016	52%	$ 221,000
Shanghai No. 1 Machine Tool Foundry(Su Zhou)Co., Ltd.	Manufacturing & Selling of High Quality Casting Products of Spherical Graphite Cast Iron and Grey Cast Iron	January 25th, 2016	90%	$ 56,502

The consolidated company acquired New Power Team Technology Incorporation and Shanghai No. 1 Machine Tool Co., Ltd. Limited respectively in 2016 for the purpose of continuous expansion of the consolidated company's production capacity.

(2) Considerations of Transfer

	New Power Team Technology Co.,Ltd.	Shanghai No. 1 Machine Tool Foundry(Su Zhou)Co., Ltd.
Cash	$ 221,000	$ 56,502

(3) Assets Obtained and Liabilities Assumed on Acquisition Day

	New Power Team Technology Co.,Ltd	Shanghai No. 1 Machine Tool Foundry(Su Zhou)Co., Ltd.
Current Assets		
Cash and Cash Equivalent	$ 257,857	$ 20,580
Notes Receivables and Net Account Receivables	9,508	-
Net Inventory	35,586	4,174
Prepaid Payment	210	15,413
Other Current Assets	880	87,288
Non-Current Assets		
Real Property, Factory & Equipment	280,127	509,473
Other Non-Current Assets	2,796	96,434
Current Liabilities		
Short Term Loan	-	(11,469)
Notes Payable and Account Payable	(4,000)	(148,062)
Other Account Payables	(14,220)	(525,965)
Other Current Liabilities	(32,771)	(400)
Non-Current Liabilities		
Long Term Loan	(114,681)	-
	$ 421,292	$ 47,466

(4) Goodwill Incurred from Acquisition

	New Power Team Technology Co.,Ltd	Shanghai No. 1 Machine Tool Foundry(Su Zhou)Co., Ltd.
Transfer Consideration	$ 221,000	$ 56,502
Plus: Non-Controlling Interest	204,000	4,747
Minus: Fair Value for Identifiable Net Assets Obtained	(421,292)	(47,466)
Goodwill Incurred from Acquisition	$ 3,708	$ 13,783

Goodwill incurred from acquisition of New Power Team Technology Co.,Ltd. and Shanghai No. 1 Machine Tool Foundry(Su Zhou)Co., Ltd. mainly comes from control premium. Additionally, consideration paid for the merger includes consolidated synergy, revenue growth, future market development expected to be incurred, New Power Team Technology Co., Ltd. and Shanghai No. 1 Machine Tool Foundry(Su Zhou)Co., Ltd. Limited employees' value. Nevertheless, such benefits do not fit with recognition terms for identifiable intangible assets. As such, there is no need for a separate recognition.

Goodwill incurred from merger is not expected to serve as a tax deductible item.

(5) Net Cash Outflow from Acquisition of Subsidiary

	New Power Team Technology Co.,Ltd	Shanghai No. 1 Machine Tool Foundry(Su Zhou)Co., Ltd.
Cash Payment Consideration	$ 221,000	$ 56,502
Minus: Balance of Cash and Cash Equivalent Obtained	(257,857)	(20,580)
	($ 36,857)	$ 35,922

(6) Business Merger's Impact on Operation Result

Operating result from the acquisitioned company starting from the day of acquisition is as follows:

	New Power Team Technology Co.,Ltd	Shanghai No. 1 Machine Tool Foundry(Su Zhou)Co., Ltd.
Business Revenue	$ 67,800	$ -
Current Net Loss	($ 7,961)	($ 28,308)

In the event that business merger occurred on the beginning day of accounting year for the acquisition day, the consolidated company's constructive operating revenues from 2016 shall therefore be NTD67,800,000 and NTD0, and constructive losses of NTD7,961,000 and NTD31,453,000 respectively. Such amounts cannot reflect the consolidated company's revenue and operating result which can actually be generated if business merger completes on the beginning day of the year of acquisition. Neither shall they be used to forecast future operating results.

26. Disposal of Subsidiary

The consolidated company entered an agreement to dispose Shanghai Sales Company on August 3rd, 2017. Shanghai Sales Company is engaged in transactions of various steel casting components and casting molds as well as related import/export businesses. The consolidated company completed this disposal on August 3rd, 2017 and lost control over subsidiary accordingly.

(1) Consideration Collected

	Shanghai Trading Company
Cash & Cash Equivalent	$ 7,322
Disposal of Investment Receivables	(10,327)
Total Consideration Collected	($ 3,005)

(2) Analysis of Assets & Liabilities of Which Control Is Lost

	Shanghai Trading Company
Current Asset	
Cash & Cash Equivalent	$ 7,322
Other Current Assets	67
Prepaid Payments	2,522
Non-Current Asset	
Real Property, Factory & Equipment	1,325
Other Non-Current Assets	117
Current Liability	
Account Payable	(112)
Other Account Payables	(692)
Other Current Liabilities	(199)
Non-Current Liability	
Lease Payment Payable — Non-Current	(607)
Disposed Net Assets	$ 9,743

(3) Disposal of Subsidiary's Interest

	Shanghai Trading Company
Consideration Collected	$ 10,327
Disposed Net Assets	(9,743)
Disposal Profit	$ 584

(4) Net Cash Inflow from Disposal of Subsidiary

	Shanghai Trading Company

Consideration Collected in Cash and Cash Equivalent	$ 10,327
Minus: Disposed Cash and Cash Equivalent Balance	(7,322)
	$ 3,005

27. Business Lease Agreement

(1) Consolidated Company as Lessee

Business lease shall mean and refer to leasing of land building with lease term from 1 to 5 years. Consolidated company does not enjoy favorable purchase rights over leased land/building when lease term expires.

Irrevocable Business Lease Future Minimum Lease Payment Total Amount:

	Dec. 31st, 2017	Dec. 31st, 2016
Less than 1 year	$ 6,777	$ 3,513
1～5 years	12,856	1,810
	$ 19,633	$ 5,323

(2) Consolidated Company as Lessor

Business lease shall mean and refer to consolidated company's renting out of its investment property with lease term from 1 to 5 years. Lessee does not enjoy favorable purchase rights over such property when lease term expires.

Irrevocable Business Lease Future Minimum Lease Payment Total Amount:

	Dec. 31st, 2017	Dec. 31st, 2016
Less than 1 year	$ 114	$ 477
1～5 years	-	60
	$ 114	$ 537

28. Capital Risk Management

Consolidated company engages itself in capital management to ensure necessary finance resources and operation plan for the purpose of meeting the needs for future 12-month operation capital, capital expenditure, debt repayment as well as dividend payment. Under the premise that respective enterprise of the Group will be able to operate continuously, shareholder's compensation will be maximized through optimization of debt and equity balances.

Consolidated company's major management regularly review the Group's capital structure. Contents of review include consideration of various capital costs as well as their related risks. With major management's suggestions, the consolidated company balances its overall capital structure through dividend payment, new share issuance, new debt issuance or repayment of existing debt.

29. Financial Instruments

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

With respect to financial liabilities not measured at fair value, material differences between book value and fair value are as follows:

	Dec. 31, 2017		Dec. 31, 2016	
	Book Value	Fair Value	Book Value	Fair Value
Financial Liability				
Liability Measured in Amortized Costs:				
-Convertible Corporate Bond	$ 2,440,780	$ 2,486,904	$ 2,538,135	$ 2,684,265

Levels for aforementioned fair values are as follows:

Dec. 31st, 2017

	Level 1	Level 2	Level 3	Total
Financial Liability				
Liability Measured in Amortized Costs:				
-Convertible Corporate Bond	$ 2,486,904	$ -	$ -	$ 2,486,904

Dec. 31st, 2016

	Level 1	Level 2	Level 3	Total
Financial Liability				
Liability Measured in Amortized Costs:				
-Convertible Corporate Bond	$ 2,684,265	$ -	$ -	$ 2,684,265

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

1. Fair Value Levels

Dec. 31, 2017

	Level 1	Level 2	Level 3	Total
Financial Assets Held for Trading with Profit/Loss Measured at Fair Value	$ -	$ 17,121	$ -	$ 17,12 1
Financial Liabilities Held for Trading with Profit/Loss Measured at Fair Value	$ -	$ 27,000	$ -	$ 27,00 00

Dec. 31st, 2016

	Level 1	Level 2	Level 3	Total
Financial Assets Held for Trading with Profit/Loss Measured at Fair Value	$ -	$ 8,386	$ -	$ 8,386
Financial Liabilities Held for Trading with Profit/Loss Measured at Fair Value	$ -	$ 22,690	$ -	$ 22,690

There are no cases of transfer of fair value measurements between Level 1 and Level 2 for 2017 and 2016.

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

Types of Financial Instruments	Assement Techniques & Input Values
Forward Exchange Contract	This is measured by forward exchange contract quotation and yield rate curve which is inferred from quotation interest rate matching contract expiring period.
Domestic First Unsecured Convertible Corporate Bond	Under the assumption that corporate bond will be redeemed on April 24th, 2019, discount rate adopted is calculated via interpolation method using government bond yield rates from public offer 2-year and 5-year period.
Domestic Second Unsecured Convertible Corporate Bond	Under the assumption that corporate bond will be redeemed on August 18th, 2020, discount rate adopted is calculated via interpolation method using government bond yield rates from public offer 5-year and 10-year period.

(II) Types of Financial Instruments

	Dec. 31st, 2017	Dec. 31st, 2016
Financial Asset		
Loans & account receivables (note 1)	$ 5,593,551	$6,485,758
Financial assets at fair value through profit and loss	17,121	8,386
Financial Liability		
Measured in amortized costs (note 2)	4,637,484	4,783,148
Financial liabilities at fair value through profit and loss	27,000	22,690

Note. 1: Balance includes loans and account receivables of cash & cash equivalents, bond investments without active market-current, note receivables, account receivables, other account receivables and refundable deposits, all of which are measured in amortized costs.

Note. 2: Balance includes financial liabilities of short term loan, notes payable, account payable, other account payable, corporate bond payable, long term loan and deposit, all of which are measured in amortized costs.

(IV) Purpose and Policy of Finance Risk Management

Consolidated company's major financial instruments include cash & cash equivalents, account receivable, account payable, corporate bond payable, and loan. Consolidated company's finance management department provides services to respective business units, and coordinates practices to enter domestic and international financial markets, and supervise and manage financial risks related to consolidated company's operation through internal risk reports which are based on exposure analysis over risk levels and scope. Such risks include market risks (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

Consolidated company avoids risk exposure through derivative financial instruments in order to mitigate influences from such risks. Utilization of derivative financial instruments is regulated by policies approved by the Company's Board of Directors Meeting. Such policies are principles in writing for exchange rate risk, interest rate risk, credit risk, utilization of derivative financial instruments and non-derivative financial instruments as well as investments of residual current capital. Internal audit staff shall continuously conduct audits over policy compliance and exposure amounts. Consolidated company is not engaged in financial instrument (including derivative financial instruments) transactions out of speculation purpose. After completion of derivative financial instrument transaction, finance department will file report to the Board of Directors Meeting accordingly.

1. Market Risk

Consolidated company's operation activities result in the Company's assuming of major financial risks of foreign currency exchange rate change risk (please refer to note 1 below) and interest rate change risk (please refer to note 2 below).

There are no changes as to consolidated company's exposure related to financial instrument market as well as its methodologies to manage and measure such exposure.

(1) Exchange Rate Risk

Several of the Company's subsidiaries are engaged in foreign currency denominated purchase and sales transactions. This has exposed the consolidated company to exchange rate change risks. The consolidated company's exchange rate exposure management is to utilize forward exchange contract to manage risks within the scope permitted by policies.

Please refer to notes 7 and 32 for the consolidated company's non-functional currency denominated currency assets and currency liabilities (including non-functional currency denominated currency items already offset on consolidated financial statement) book values as well as book values for derivative financial instruments with exchange rate risk exposure on the balance sheet day.

Sensitivity Analysis

Consolidated company is mainly affected by fluctuations in USD and EUR exchange rates.

The table below offers a detail explanation on consolidated company's sensitivity analysis when NTD (functional currency) appreciates or depreciates 1% against respective relevant foreign currency exchange rates. 1% is the sensitivity percentage utilized by group internal units to report exchange rate risks to major managements. It also represents management's estimate over the scope of possible changes for foreign currency exchange rates. Sensitivity analysis only includes outstanding foreign currency items and forward exchange contracts designated for cash flow hedge. Adjustments over year-end exchange will be made accordingly based on changes in exchange rates. Positive numbers in the table below refer to increases of pre-tax net profit amounts when NTD appreciates 1% against respective relevant currencies. When NTD depreciates 1% against respective relevant foreign currencies, influences over pre-tax net profit are shown as negative numbers of the same amounts.

	USD Influence		EUR Influence	
	2017	2016	2017	2016
Profit or Loss	($ 23,528)	($ 26,030)	($ 13,200)	($ 6,854)

Aforementioned foreign currency's influence over profit or loss mainly comes from fair value changes, on the balance sheet day, of consolidated company's outstanding USD and EUR denominated account receivables/payables without cash flow hedge as well as total amount investment hedge derivatives.

Management doesn't think sensitivity analysis will be able to represent exchange rate inherent risks because foreign currency exposure on balance sheet day cannot reflect exposure during mid-year.

(2) Interest Rate Risk

Interest rate exposure results from an entity's, which is within consolidated company, borrowing of funds in fixed and floating interest rates at the same time.

Book values for consolidated company's financial assets and financial liabilities affected by interest rate exposure on balance sheet day are as follows:

	Dec. 31, 2017	Dec. 31, 2016
Fair Value Interest Rate Risks		
-Financial Assets	$ 1,093,102	$ 616,152
-Financial Liabilities	2,872,100	2,925,100
Cash Flow Interest Rate Risks		
-Financial Assets	2,584,478	3,754,478
-Financial Liabilities	242,425	338,730

Sensitivity Analysis

Sensitivity analysis below is determined based on derivatives and non-derivatives' interest rate exposures on balance sheet day. As for liabilities with floating interest rates, analysis assumes that outstanding liability amounts on balance sheet day all remain outstanding during report period. Variable rates utilized by Group internal units when reporting interest rates to management will be plus or minus 100 basis points over interest rates. This also represents management's assessment of reasonable and possible range for interest rate changes.

In the event of plus/minus 100 basis points over interest rate while other variables remain unchanged, consolidated company's pre-tax net profit for 2017 and 2016 will decrease/increase NTD23,421,000 and NTD34,157,000 respectively. This mainly comes from consolidated company's variable interest rate loans.

2. Credit Risk

Credit risk means the risk of group's financial loss from transaction counterparty's default of contract obligation. As of balance sheet day, consolidated company's biggest credit risk exposure from transaction counterparty's possible failure of obligation performance which leads to financial loss mainly comes from financial asset book values recognized on consolidated financial statement.

To mitigate credit risk, management of consolidated company assigns a specific team responsible for credit extension amount determination, credit extension approval as well as other monitoring processes to ensure that appropriate actions have been taken to recover overdue account receivables. Additionally, consolidated company will, on balance sheet day, re-verify each account receivable recoverable amount to ensure unrecoverable account receivables have already been recognized as appropriate impairment losses. With this, the Company’s management considers that consolidated company’s credit risks have been reduced dramatically.

Account receivable entity encompasses numerous clients scattered in different industries and geographical areas. Consolidated company continues to conduct assessment over account receivable client’s financial status.

Current capital transaction counterparties are financial institutions and company organizations with good credit ratings, and therefore their credit risks are limited.

Consolidated company has a big clientele without inter-relations to one another. Therefore, degree of credit risk aggregation is not high.

3. Liquidity Risk

Through management and maintenance of sufficient positions of cash & cash equivalents, consolidated company is able to pay for the Group’s operations and mitigate impact from cash flow fluctuation. Management of consolidated company monitors utilization of bank financial facility and ensures compliance with loan agreement terms.

For consolidated company, bank loan is an important source of liquidity. As of Dec. 31, 2017 and 2016 respectively, consolidated company’s short term bank financing amounts are listed bellow, please see (3) Credit Line.

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

Non-derivative financial liability residual contract maturity analysis is prepared based on the earliest possible repayment date the consolidated company will be requested as well as financial liability’s undiscounted cash flow (including principal and estimated interest). Therefore, bank loans which consolidated company may be requested to repay immediately are listed in the earliest periods of the following table, with the possibility of bank’s immediate execution of such rights not considered. Maturity analysis for other non-derivative financial liabilities is prepared in accordance with agreed repayment dates.

For interest cash flow paid in floating interest rates, its undiscounted interest amounts are derived from yield rate curve on the balance sheet day.

Dec. 31st, 2017

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year	Payment in 1 to 5 years	Payment in more than 5 years
Non-derivative financial liability					
Interest-free liability	$ 624,891	$ 510,456	$ 221,826	$ 244	$ -
Floating interest rate instrument	59,580	7,000	86,475	89,370	-
Fixed interest rate instrument	370,000	-	-	2,502,100	-
	$ 1,054,471	$ 517,456	$ 308,301	$ 2,591,714	$ -

Dec. 31st, 2016

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year	Payment in 1 to 5 years	Payment in more than 5 years
Non-derivative financial liability					
Interest-free liability	$ 610,662	$ 486,550	$ 285,140	$ -	$ -
Floating interest rate instrument	64,520	96,780	177,430	-	-
Fixed interest rate instrument	280,000	-	145,100	2,500,000	-
	$ 955,182	$ 583,330	$ 607,670	$2,500,000	$ -

Differences between floating interest rate and interest rate estimated on balance sheet day will lead to changes in floating interest rate instrument amounts for aforementioned non-derivative financial liability.

(2) Liquidity and Interest Rate Risk Table for Derivative Financial Liability

Liquidity analysis on derivative financial instrument is, as far as derivative instrument adopting net amount settlement is concerned, prepared based on undiscounted contract net cash inflow and outflow. As for derivative instrument adopting gross amount settlement, it is prepared based on undiscounted total cash inflow and outflow. When payable or receivable amounts are not fixed, amounts disclosed are determined based on estimated interest rate derived from balance sheet day yield rate curve.

Dec. 31st, 2017

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year

Gross Amount Settlement Forward Exchange Contract			
- Inflow	$ 236,188	$ 290,977	$ 161,914
- Outflow	226,275	285,963	159,720
	$ 9,913	$ 5,014	$ 2,194

Dec. 31st, 2016

	Immediate payment or payment in less than 1 month	Payment in 1 to 3 months	Payment in 3 months to 1 year
Gross Amount Settlement Forward Exchange Contract			
- Inflow	$ 132,961	$ 90,975	$ 49,516
- Outflow	129,762	90,015	47,523
	$ 3,199	$ 960	$ 1,993

(3) Credit Line

	Dec. 31st, 2017	Dec. 31st, 2016
Secured Bank Credit Line (Extendable If Agreed by the Parties)		
－Amount Drawn	$ 612,425	$ 618,730
－Amount Not Drawn	4,720,966	4,405,856
	$ 5,333,391	$ 5,024,586

30. Related Party Transaction

Transaction, account balance, profit and expense impairment between the Company and its subsidiaries (the Company's related party) have all been cancelled during consolidation. That is why they are not disclosed in this note. Transactions between consolidated company and other related parties are as follows:

(1) Name of Related Party & Relationship

Name of Related Party	Relationship between Consolidated Company and Related Party
Dongguan Yeong Guan Mould Factory Co., Ltd.	Substantial related-party
San Ho Electric Machinery Industry Co., Ltd.	Substantial related-party
Xin Chun Technology Co., Ltd.	Substantial related-party

Chang, Wen-Long	Substantial related-party

(2) Operating Income

Item Recognized	Type of Related Party	2017	2016
Sales Revenue	Substantial related-party	$ 1,946	$ 469

Sales prices for transactions between consolidated company and related party are not obviously different from the ones for transactions between consolidated company and non-related party.

(3) Purchase

Type of Related Party	2017	2016
Substantial related-party	$ 2,166	$ 2,870

Purchase prices for transactions between consolidated company and related party are not obviously different from the ones for transactions between consolidated company and non-related party.

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

Item Recognized	Type of Related Party	Dec. 31st, 2017	Dec. 31st, 2016
Notes Receivable	Substantial related-party	$ -	$ 325
Account Receivable	Substantial related-party	156	79
Other Account Payable (included in other current assets)	Substantial related-party	11	5
		$ 167	$ 409

Payment collection terms between consolidated company and related party are not obviously different from the ones between consolidated company and non-related party. No guarantees have been obtained on outstanding account receivable – related party. Bad debt expenses have not been appropriated for account receivable-related party for periods from January 1st to December 31st of 2017 and 2016.

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

Item Recognized	Type of Related Party	Dec. 31st, 2017	Dec. 31st, 2016
Notes Payable	Substantial related-party	$ 949	$ 1,139
Account Payable	Substantial related-party	-	44
Other Account Payable	Substantial related-party	119	284
		$ 1,068	$ 1,467

Payment delivery terms between consolidated company and related party are not obviously different from the ones between consolidated company and non-related party. No guarantees have been obtained on balances of outstanding account payable – related party.

(6) Purchasing of Real Property, Factory and Equipment

	Purchasing Price	
Type of Related Party	2017	2016
Substantial related-party	$ 842	$ -

(7) Others

Item Recognized	Type of Related Party	2017	2016
Manufacturing Expense	Substantial related-party	$ 1,260	$ 1,128
	Xin Chun Technology Co., Ltd.	508	456
	Other Substantial related-party	$ 60	$ 60
Rent Income	Substantial related-party	$ 568	$ 516

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

Item Recognized	Type of Related Party	Dec. 31st, 2017	Dec. 31st, 2016
Refundable Deposits (included in other non-current assets)	Major Management Levels	$ 20	$ 20

(8) Major Management Remuneration

	2017	2016
Short-term Employee Benefit	$ 45,298	$ 46,079
Post-Employment Benefit	458	458

	$ 45,756	$ 46,537

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

31. Assets Pledged

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

	Dec. 31st, 2017	Dec. 31st, 2016
Property, Factory and Equipment Net Amount	$ 709,885	$ 1,106,831
Prepaid Lease Payment	107,749	101,546
Investment Property Net Amount	20,799	17,319
Other Financial Assets – Current (included in other current assets)	185,287	135,844
	$ 1,023,720	$ 1,361,540

32. Information of Foreign Currency Financial Assets and Liabilities with Significant Influences

The following information is presented under foreign currency summary other than the consolidated company respective entities' functional currencies. Exchange rates disclosed shall mean exchange rates to exchange such foreign currencies into functional currencies. Information of foreign currency asset and liability with significant influences is as follows:

Dec. 31st, 2017

	Foreign Currency	Exchange Rate		Book Value
Financial Assets				
Currency Item				
USD	$ 117,399	6.534	(USD: RMB)	$ 3,497,316
USD	24,445	29.79	(USD: NTD)	728,217
EUR	27,043	7.8023	(EUR: RMB)	962,731
EUR	2,232	1.195	(EUR: USD)	79,459
EUR	16,437	35.60	(EUR: NTD)	585,157
Financial Liability				
Currency Item				
USD	37,817	6.534	(USD: RMB)	1,126,568
USD	25,165	29.79	(USD: NTD)	749,665

EUR	164	7.8023	(EUR: RMB)	5,838
EUR	1,877	1.195	(EUR: USD)	66,821
EUR	6,975	35.60	(EUR: NTD)	248,310

Dec. 31st, 2016

	Foreign Currency	Exchange Rate		Book Value
Financial Assets				
Currency Item				
USD	$ 100,820	6.937	(USD: RMB)	$ 3,252,453
USD	42,337	32.26	(USD: NTD)	1,365,792
EUR	7,348	7.3068	(EUR: RMB)	249,024
EUR	2,820	1.051	(EUR: USD)	95,570
EUR	16,243	33.89	(EUR: NTD)	550,475
Financial Liability				
Currency Item				
USD	36,873	6.937	(USD: RMB)	1,189,523
USD	25,528	32.26	(USD: NTD)	823,533
EUR	366	1.051	(EUR: USD)	12,404
EUR	6,065	33.89	(EUR: NTD)	205,543

The consolidated company's realized and un-realized foreign currency exchange net profits (losses) for 2017 and 2016 are (NTD54,013,000) and NTD150,299,000 respectively. Given the fact that there are numerous kinds of foreign currency transactions and Group individual entities' functional currencies, it is therefore impossible to disclose exchange profit/loss based on respective foreign currencies of material impact.

33. Note Disclosure

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

1. Capital lending to others: Appendix 1.
2. Endorsement/Guarantee for Others: Appendix 2.
3. Securities on Hand (excluding investments in subsidiary, affiliate enterprise and controlling portion in a joint venture), Ending: None.
4. Purchase or selling of the same securities with accumulated amount exceeding NTD300 million or 20% of paid-in capital: None.
5. Property acquisition amount exceeding NTD300 million or 20% of paid-in capital: None
6. Property disposal amount exceeding NTD300 million or 20% of paid-in capital: None.

7. Purchase/sales amount with related party exceeding NTD100 million or 20% of paid-in capital: Appendix 3.
8. Account receivable – related party exceeding NTD100 million or 20% of paid-in capital: Appendix 4.
9. Derivatives Transaction: Note 7 "Financial Instruments at Fair Value through Profit and Loss."
10. Others: Business relationship and critical transaction/amount between parent company and subsidiaries and among subsidiaries: Appendix 7.
11. Information of invested company: Appendix 5.

(III) Information of investment in China:

1. Name, major business item, paid-in capital, investment method, capital remittance, ownership percentage, investment profit/loss, investment book value-ending and investment profit/loss already remitted for invested companies in China as well as investment limits for investing in China: Appendix 6.
2. Major transactions, prices, payment terms and unrealized profit/loss from direct or indirect transactions with invested companies in China, or transaction through third region: Appendix 1 through 7.
   (1) Purchase amount and percentage, and related account payable ending balance and percentage;
   (2) Sales amount and percentage, and related account receivable ending balance and percentage;
   (3) Property transaction amount and profit/loss amount incurred accordingly;
   (4) Ending balance and purpose for notes endorsement/guarantee or provision of collateral;
   (5) Maximum balance, ending balance, interest rate range and current interest total amount for capital financing;
   (6) Other transactions with major impact on current profit/loss or financial status, such as provision or accepting labor.

34. SEGMENT INFORMATION

Consolidated company provides information to major operating decision makers for them to distribute resources and assess department performance. Such information is focused on product and service types provided. Departments shall be reported by consolidated company are casting processing and other.

(1) Department Income and Operating Result

Income and operating results for consolidated company's continuous operating units are analyzed based on departments to be reported as follows:

	Department Income		Department Profit	
	2017	2016	2017	2016
Casting Processing Dept.	$ 6,145,854	$ 7,304,920	$ 868,782	$ 1,749,104
Other	258,488	68,968	(6,180)	(14,535)
Continuous Operating Unit Net Amount	$ 6,404,342	$ 7,373,888	862,602	1,734,569
Other Profit & Loss			77,749	66,047
Interest Income			64,938	39,682
Financial Product Net Profit(Loss) at Fair Value through Profit and Loss			25,461	(18,004)
Rent Income			656	1,344
Foreign Currency Exchange Net Profit (Loss)			(54,013)	150,299
Interest Expense			(68,473)	(58,591)
Management & Administration Expense			(567,153)	(590,688)
Pre-tax Net Profit			$ 341,767	$ 1,324,658

Income for aforementioned departments reported are all generated from transactions with exterior clients. There were no inter-department sales for 2017 and 2016.

Department profit means profits made by respective departments, excluding amortized management & administration expense, interest income, financial product net profit (loss) at fair value through profit and loss, rent income, other profits or loss, interest expense, foreign currency exchange net loss as well as income tax expense. This measurement amount is mainly provided to operating decision makers for the purpose of distributing resources to departments as well as assessing department performance.

(2) Department Asset

Measurement of consolidated company's assets is not provided to operating decision makers, and therefore measurement amount for assets is zero.

(3) Other Department Information

Depreciation & Amortization

	2017	2016
Casting Processing Dept.	$484,220	$456,751
Other	15,132	15,861
	$499,352	$472,612

(4) Major Product Income

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

	2017	2016
Energy Castings	$ 2,241,585	$ 3,893,540
Injection Molding Machine Castings	2,173,747	1,863,685
Industry Machine Castings	1,701,358	1,419,404
Medical Devices Castings	287,652	197,259
	$ 6,404,342	$ 7,373,888

(5) Information of Regions

Two major business regions for consolidated company – China and Taiwan

Information of consolidated company's operating unit income from exterior clients is classified as follows based on operating regions as well as asset locations for non-current assets:

	Income from Exterior Clients		Non-Current Assets	
	2017	2016	Dec. 31st, 2017	Dec. 31st, 2016
China	$ 2,300,344	$ 3,077,524	$ 5,709,330	$ 5,458,935
Taiwan	3,675,908	3,862,981	599,872	631,538
Other	428,090	433,383	760,361	762,084
	$ 6,404,342	$ 7,373,888	$ 7,069,563	$ 6,852,557

Non-current assets do not include assets classified as financial instrument or deferred income tax asset.

(6) Information of Major Clients

Information of income from a single client exceeding 10% of consolidated company's total income is as follows:

	2017	2016
Client A	$ 977,790	$ 1,270,743
Client B	Note	1,065,662

Note: Income is less than 10% of total income.

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

Capital Lending to Others

Year 2017

Appendix 1

Unit: NTD in thousands unless otherwise prescribed

Serial No	Financing Company	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Balance Used	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Bad Debt Allowance	Collateral		Financing limit for each borrowing company	Financing Amount Limits	Note
													Item	Value			
1	Yeong Guan Holding Company	Yeong Guan International Company.	Other Account Receivable－Related Party	Yes	$ 148,950 (USD 5,000 thousands)	$ 148,950 (USD 5,000 thousands)	$ 148,950 (USD 5,000 thousands)	1	Short Term Financing Capital	$ -	Business Turnover	$ -	－	－	$ 12,041,542	$ 12,041,542	
		Yeong Guan International Company	Other Account Receivable－Related Party	Yes	714,960 (USD 24,000 thousands)	604,488 (USD 20,292 thousands)	604,488 (USD 20,292 thousands)	-	Short Term Financing Capital	-	Business Turnover	-	－	－	12,041,542	12,041,542	
		Yeong Guan International Company	Other Account Receivable－Related Party	Yes	159,568 (RMB 35,000 thousands)	159,568 (RMB 35,000 thousands)	159,568 (RMB 35,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	－	－	12,041,542	12,041,542	
		Yeong Chen Asia Pacific Company	Other Account Receivable－Related Party	Yes	148,950 (USD 5,000 thousands)	-	-	-	Short Term Financing Capital	-	Business Turnover	-	－	－	12,041,542	12,041,542	
		Yeong Guan Energy Company	Other Account Receivable－Related Party	Yes	342,585 (USD 11,500 thousands)	342,585 (USD 11,500 thousands)	342,585 (USD 11,500 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	－	－	12,041,542	12,041,542	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	351,050 (RMB 77,000 thousands)	-	-	1	Short Term Financing Capital	-	Business Turnover	-	－	－	3,612,463	12,041,542	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	22,795 (RMB 5,000 thousands)	22,795 (RMB 5,000 thousands)	22,795 (RMB 5,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	－	－	3,612,463	12,041,542	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	113,977 (RMB 25,000 thousands)	113,977 (RMB 25,000 thousands)	113,977 (RMB 25,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	－	－	3,612,463	12,041,542	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	168,686 (RMB 37,000 thousands)	168,686 (RMB 37,000 thousands)	168,686 (RMB 37,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	－	－	3,612,463	12,041,542	
2	Yeong Guan International Company	Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	-	-	1	Short Term Financing Capital	-	Business Turnover	-	－	－	2,605,689	17,371,262	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	-	-	1	Short Term Financing Capital	-	Business Turnover	-	－	－	2,605,689	17,371,262	
3	Dongguan Yeong Guan Mould Factory Company	Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	155,009 (RMB 34,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	－	－	198,138	1,320,918	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	－	－	198,138	1,320,918	
4	Yeong Shang Casting Iron Company	Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	－	－	921,258	6,141,718	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	91,182 (RMB 20,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	－	－	921,258	6,141,718	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	173,245 (RMB 38,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	－	－	921,258	6,141,718	
5	Lu Lin Machine Tool Foundry Company	Bright Steel Fine Machinery Company.	Other Account Receivable－Related Party	Yes	91,182 (RMB 20,000 thousands)	-	-	4.2	Short Term Financing Capital	-	Business Turnover	-	－	－	3,904,214	3,904,214	
		Yeong Shang Casting Iron Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	－	－	3,904,214	3,904,214	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	-	-	4	Short Term Financing Capital	-	Business Turnover	-	－	－	585,632	3,904,214	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	86,623 (RMB 19,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	－	－	585,632	3,904,214	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	－	－	585,632	3,904,214	
		Shanghai No. 1 Machine Tool Foundry Company	Other Account Receivable－Related Party	Yes	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	182,364 (RMB 40,000 thousands)	4	Short Term Financing Capital	-	Business Turnover	-	－	－	585,632	3,904,214	
6	Yeong Chen Asia Pacific Company	Yeong Guan Energy Company	Other Account Receivable－Related Party	Yes	148,950 (USD 5,000 thousands)	148,950 (USD 5,000 thousands)	89,370 (USD 3,000 thousands)	1	Short Term Financing Capital	-	Business Turnover	-	－	－	1,883,294	1,883,294	

Note 1: Maximum balance and ending balance for this year are calculated based on exchange rate on Dec. 31, 2017.

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

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

Endorsement/Guarantee for Others

Year 2017

Appendix 2

Unit: NTD in thousands unless otherwise prescribed

Serial No.	Endorsement / Guarantee Provider	Guaranteed Party: Name	Guaranteed Party: Relationship	Endorsement /guarantee amount limit to each company	Maximum endorsement /guarantee balance for this year	Ending Endorsement /guarantee balance	Balance Used	Endorsement /guarantee amount collateralized by property	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Endorsement /guarantee amount limit	Parent company's endorsement /guarantee for subsidiary	Subsidiary's endorsement /guarantee for Parent company	endorsement /guarantee for China region	Note
0	Yeong Shang Casting Iron Company	Yeong Chia Mei Trade Company	Same parent company	$ 30,708,590	$ 221,526 (RMB 48,590 thousands)	$ 221,526 (RMB 48,590 thousands)	$ -	$ -	2.35%	$ 30,708,590	No	No	Yes	
1	Yeong Guan Energy Company	Shin Shang Trade Company	Sub-subsidiary	4,711,686	3,067 (JPY 11,600 thousands)	-	-	-	-	7,538,698	Yes	No	No	
		Shin Shang Trade Company	Sub-subsidiary	4,711,686	15,864 (JPY 60,000 thousands)	-	-	-	-	7,538,698	Yes	No	No	
		Shin Shang Trade Company	Sub-subsidiary	4,711,686	80,433 (USD 2,700 thousands)	-	-	-	-	7,538,698	Yes	No	No	
		Shin Shang Trade Company	Sub-subsidiary	4,711,686	80,433 (USD 2,700 thousands)	80,433 (USD 2,700 thousands)	-	-	0.85%	7,538,698	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	50,000	-	-	-	-	7,538,698	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	148,950	-	-	-	-	7,538,698	Yes	No	No	
			Sub-subsidiary	4,711,686	(USD 5,000 thousands)									
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686		-	-	-	-	7,538,698	Yes 148,950 (USD 5,000 thousands)	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	200,000	-	-	-	-	7,538,698	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	238,320 (USD 8,000 thousands)	-	-	-	-	7,538,698	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	148,950 (USD 5,000 thousands)	148,950 (USD 5,000 thousands)	40,000 (USD 1,343 thousands)	-	1.58%	7,538,698	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	148,950 (USD 5,000 thousands)	148,950 (USD 5,000 thousands)	50,000 (USD 1,678 thousands)	-	1.58%	7,538,698	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	200,000	200,000	-	-	2.12%	7,538,698	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	238,320 (USD 8,000 thousands)	238,320 (USD 8,000 thousands)	-	-	2.53%	7,538,698	Yes	No	No	
		Yeong Chen Asia Pacific Company	Sub-subsidiary	4,711,686	446,850 (USD 15,000 thousands)	446,850 (USD 15,000 thousands)	-	-	4.74%	7,538,698	Yes	No	No	
		Yeong Guan Holding Company	Subsidiary	4,711,686	135,000	-	-	-	-	7,538,698	Yes	No	No	
		Yeong Guan Holding Company	Subsidiary	4,711,686	845,000	-	-	-	-	7,538,698	Yes	No	No	
		Yeong Guan Holding Company	Subsidiary	4,711,686	135,000	135,000	-	-	1.43%	7,538,698	Yes	No	No	
		Yeong Guan Holding Company	Subsidiary	4,711,686	845,000	845,000	-	-	8.97%	7,538,698	Yes	No	No	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	59,580 (USD 2,000 thousands)	-	-	-	-	7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	89,370 (USD 3,000 thousands)	-	-	-	-	7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	119,160 (USD 4,000 thousands)	-	-	-	-	7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	$ 4,711,686	$ 134,055 (USD 4,500 thousands)	$ -	$ -	$ -	-	$ 7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	148,950 (USD 5,000 thousands)	-	-	-	-	7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	59,580 (USD 2,000 thousands)	59,580 (USD 2,000 thousands)	59,580 (USD 2,000 thousands)	-	0.63%	7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	89,370 (USD 3,000 thousands)	89,370 (USD 3,000 thousands)	-	-	0.95%	7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	119,160 (USD 4,000 thousands)	119,160 (USD 4,000 thousands)	-	-	1.26%	7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	148,950 (USD 5,000 thousands)	148,950 (USD 5,000 thousands)	-	-	1.58%	7,538,698	Yes	No	Yes	
		Bright Steel Fine Machinery Company	Subsidiary of Sub-subsidiary	4,711,686	148,950 (USD 5,000 thousands)	148,950 (USD 5,000 thousands)	74,475 (USD 2,500 thousands)	-	1.58%	7,538,698	Yes	No	Yes	

Serial No.	Endorsement / Guarantee Provider	Guaranteed Party		Endorsement /guarantee amount limit to each company	Maximum endorsement /guarantee balance for this year	Ending Endorsement /guarantee balance	Balance Used	Endorsement /guarantee amount collateralized by property	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Endorsement /guarantee amount limit	Parent company's endorsement /guarantee for subsidiary	Subsidiary's endorsement /guarantee for Parent company	endorsement /guarantee for China region	Note
		Name	Relationship											
		Yeong Shang Casting Iron Company	Subsidiary of Sub-subsidiary	4,711,686	89,370 (USD 3,000 thousands)	-	-	-	-	7,538,698	Yes	No	Yes	
		Yeong Shang Casting Iron Company	Subsidiary of Sub-subsidiary	4,711,686	89,370 (USD 3,000 thousands)	-	-	-	-	7,538,698	Yes	No	Yes	
		Yeong Shang Casting Iron Company	Subsidiary of Sub-subsidiary	4,711,686	89,370 (USD 3,000 thousands)	89,370 (USD 3,000 thousands)	-	-	0.95%	7,538,698	Yes	No	Yes	
		Yeong Shang Casting Iron Company	Subsidiary of Sub-subsidiary	4,711,686	89,370 (USD 3,000 thousands)	89,370 (USD 3,000 thousands)	89,370 (USD 3,000 thousands)	-	0.95%	7,538,698	Yes	No	Yes	
		Shanghai No. 1 Machine Tool Foundry Company	Subsidiary of Sub-subsidiary	942,337	118,536 (RMB 26,000 thousands)	118,536 (RMB 26,000 thousands)	-	-	1.26%	7,538,698	Yes	No	Yes	
		Shanghai No. 1 Machine Tool Foundry Company	Subsidiary of Sub-subsidiary	942,337	148,950 (USD 5,000 thousands)	148,950 (USD 5,000 thousands)	-	-	1.58%	7,538,698	Yes	No	Yes	
		Shanghai No. 1 Machine Tool Foundry Company	Subsidiary of Sub-subsidiary	942,337	148,950 (USD 5,000 thousands)	148,950 (USD 5,000 thousands)	-	-	1.58%	7,538,698	Yes	No	Yes	

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

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

Year 2017

Appendix 3

Unit: NTD thousands

Purchase (Sales) Company	Transaction Counterpart	Relationship	Transaction Details				Cases and Reasons for Transaction Terms Different Those of Average Transactions		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sales)	Amounts	Percentage of Total Purchase (Sales)	Credit Extension Period	Unit Price	Credit Extension Period	Balance	Percentage of Total Notes/Accounts Receivables (Payables)	
Yeong Shang Casting Iron Company	Lu Lin Machine Tool Foundry Company	Same parent company	Purchase	$ 278,600	15%	(Note 1)	$ -	-	($ 112,099)	24%	
Bright Steel Fine Machinery Company	Shanghai No. 1 Machine Tool Foundry Company	Same parent company	Purchase	157,160	7%	(Note 1)	-	-	(33,021)	6%	
Bright Steel Fine Machinery Machine Tool Foundry Company	Yeong Shang Casting Iron Machine Tool Foundry Company	Same parent company	Purchase	100,575	4%	(Note 1)	-	-	(40,581)	8%	
Shin Shang Trade Company	Dongguan Yeong Guan Mould Factory Company	Same parent company	Purchase	262,940	67%	(Note 1)	-	-	(88,056)	69%	
Shin Shang Trade Company	Yeong Shang Casting Iron Company	Same parent company	Purchase	104,065	26%	(Note 1)	-	-	(32,010)	3%	
Yeong Chen Asia Pacific Company	Dongguan Yeong Guan Mould Factory Company	Same parent company	Purchase	102,441	3%	(Note 1)	-	-	(17,065)	3%	
Yeong Chen Asia Pacific Company	Yeong Shang Casting Iron Company	Same parent company	Purchase	816,760	24%	(Note 1)	-	-	(227,858)	34%	
Yeong Chen Asia Pacific Company	Bright Steel Fine Machinery Company	Same parent company	Purchase	1,667,725	50%	(Note 1)	-	-	(267,230)	39%	
Yeong Chen Asia Pacific Company	Lu Lin Machine Tool Foundry Company	Same parent company	Purchase	305,284	9%	(Note 1)	-	-	(77,495)	11%	
Shanghai No. 1 Machine Tool Foundry Company	Bright Steel Fine Machinery Company	Same parent company	Purchase	129,955	44%	(Note 1)	-	-	-	-	
Yeong Shang Casting Iron Company	Bright Steel Fine Machinery Company	Same parent company	(Sales)	(100,575)	5%	(Note 1)	-	-	40,581	5%	
Yeong Shang Casting Iron Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(816,760)	38%	(Note 1)	-	-	227,858	30%	
Yeong Shang Casting Iron Company	Shin Shang Trade Company	Same parent company	(Sales)	(104,065)	5%	(Note 1)	-	-	32,010	4%	
Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	Same parent company	(Sales)	(278,600)	30%	(Note 1)	-	-	112,099	32%	
Lu Lin Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(305,284)	32%	(Note 1)	-	-	77,495	22%	
Bright Steel Fine Machinery Company	Shanghai No. 1 Machine Tool Foundry Company	Same parent company	(Sales)	(129,955)	5%	(Note 1)	-	-	-	-	
Bright Steel Fine Machinery Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(1,667,725)	60%	(Note 1)	-	-	267,230	39%	
Dongguan Yeong Guan Mould Factory Company	Yeong Chen Asia Pacific Company	Same parent company	(Sales)	(102,441)	18%	(Note 1)	-	-	17,065	9%	
Dongguan Yeong Guan Mould Factory Company	Shin Shang Trade Company	Same parent company	(Sales)	(262,940)	47%	(Note 1)	-	-	88,056	44%	
Shanghai No. 1 Machine Tool Foundry Company	Bright Steel Fine Machinery Company	Same parent company	(Sales)	(157,160)	56%	(Note 1)	-	-	33,021	30%	

Note 1: Price and payment terms for transactions with related party are determined in accordance with the parties’ agreement.

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

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

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

December 31, 2017

Appendix 4

Unit: NTD thousands

Account Receivable Recognizing Company	Transaction Counterparty	Relationship	Account Receivable – Related Party Balance		Turnover Rate	Overdue Account Receivable – Related Party		Account Receivable – Related Party Subsequent Recovered Amount	Bad Debt Allowance
						Amount	Processing Method		
Yeong Shang Casting Iron Company	Yeong Chen Asia Pacific Company	Same ultimate parent company	$ 227,858		-	$ -	—	$ -	$ -
Yeong Shang Casting Iron Company	Shanghai No. 1 Machine Tool Foundry Company	Same ultimate parent company	267,072	Note 1	-	-	—	-	-
Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	Same ultimate parent company	295,873	Note 2	-	-	—	-	-
Lu Lin Machine Tool Foundry Company	Shanghai No. 1 Machine Tool Foundry Company	Same ultimate parent company	461,517	Note 3	-	-	—	-	-
Bright Steel Fine Machinery Company	Yeong Chen Asia Pacific Company	Same ultimate parent company	267,230		-	-	—	-	-
Dongguan Yeong Guan Mould Factory Company	Shanghai No. 1 Machine Tool Foundry Company	Same ultimate parent company	185,697	Note 4	-	-	—	-	-
Yeong Guan Holding Company	Yeong Guan International Company	Subsidiary	914,515	Note 5	-	-	—	-	-
Yeong Guan Holding Company	Yeong Guan Energy Company	Parent company	344,012	Note 6	-	-	—	-	-
Yeong Guan Holding Company	Shanghai No. 1 Machine Tool Foundry Company	Same ultimate parent company	306,325	Note 7	-	-	—	-	-

Note 1: This includes financing amount NTD 264,427(thousands) and interest receivable of NTD 2,645(thousands).

Note 2: This includes Account Receivable –Related Party NTD 112,099 (thousands), financing amount of NTD 182,364(thousands) and interest receivable of NTD 1,410(thousands).

Note 3: This includes financing amount NTD 451,351(thousands) and interest receivable of NTD 10,166(thousands).

Note 4: This includes financing amount NTD 182,364(thousands) and interest receivable of NTD 3,333 (thousands).

Note 5: This includes financing amount NTD 913,006(thousands) and interest receivable of NTD 1,509 (thousands).

Note 6: This includes financing amount NTD 342,585(thousands) and interest receivable of NTD 1,427 (thousands).

Note 7: This includes financing amount NTD 305,458(thousands) and interest receivable of NTD 867 (thousands).

Note 8: Aforementioned transactions have all been cancelled during preparation of consolidated financial statement.

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

Related Information of Invested Company Information and Location

Year 2017

Appendix 5

Unit: NTD thousands

Name of Investing Company	Name of Invested Company	Location	Major Business Items	Original Investment Amount		Year End Ownership			Current (Loss) Profit for Invested Company	Recognized Current Investment (Loss) Profit	Note
				Dec. 31st, 2017	Dec. 31st, 2016	Number of Shares	Percentage (%)	Book Value			
Yeong Guan Energy Company	Yeong Guan Holding Company	British Virgin Islands	Investment Holding Business	$ 4,525,878	$ 4,525,878	146,000,000	100.00	$ 12,041,542	$ 369,925	$ 369,925	Note 1
	Yeong Guan Heavy Industry (Thailand) Company	Thailand	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	348,375	348,375	37,500,000	75.00	334,488	(1,173)	(880)	Note 1
Yeong Guan Holding Company	Yeong Guan International Co. , Ltd.	Hong Kong	Investment Holding Business	4,137,489	4,137,489	506,000,000	100.00	8,685,098	320,501	320,716	Note 1
	Shin Shang Trade Company	British Virgin Islands	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	226,069	226,069	50,000	100.00	116,612	7,033	9,019	Note 1
	Yeong Chen Asia Pacific Company	Taiwan	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	95,000	95,000	-	100.00	940,495	133,629	113,458	Note 1
	New Power Company	Taiwan	Processing, manufacturing and selling of various of machinery & hardware	221,000	221,000	13,000,000	52.00	196,972	(16,863)	(10,339)	Note 1
New Power Company	Lizhan Limited	Samoa	Investment Holding Business	32,237	32,237	-	100.00	27,726	451	445	Note 1

Note 1: Calculation is based on invested company's CPA certified financial statement in the same period and the Company's ownership percentage.

Note 2: Investment profit/loss among invested companies, investment company's long term equity investment and equity net value among invested companies have all been cancelled during preparation of consolidated financial statement.

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

China Investment Information

Year 2017

Appendix 6

Unit: NTD thousands

Names of Invested Companies in China	Main Business Items	Paid-In Capital	Investment Methods (Note 1)	Accumulated Investment Amounts Remitted from Taiwan, Beginning of This Year	Current Year Investment Amounts Remitted Out or Retrieved Back		Current Year End Accumulated Investment Amount Remitted from Taiwan	Invested Company's Profit/Loss for Current Year	The Company's Direct or Indirect Ownership Percentage	Current Investment Profit (Loss) Recognized (note 2)	Year End Investment Book Value	Investment Yield Remitted Back as of Year End	Note
					Remitted Out	Retrieved Back							
Ningbo Yeong Shang Casting Iron Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	$ 1,283,949	(5)	$ -	$ -	$ -	$ -	$ 83,727	100%	$ 85,153	$ 3,101,923	$ -	
Dongguan Yeong Guan Casting Iron Factory Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	118,141	(5)	-	-	-	-	42,090	100%	40,998	653,836	-	
Ningbo Lu Lin Machine Tool Foundry Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	408,272	(5)	-	-	-	-	59,329	100%	67,566	1,946,096	-	
Jiangsu Bright Steel Fine Machinery Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	3,093,974	(5)	-	-	-	-	168,601	100%	142,051	4,797,349	-	
Ningbo Yeong Chia Mei Trade Company	Transaction of various steel castings and casting molds as well as related import/export businesses	29,790	(5)	-	-	-	-	910	100%	916	34,984	-	
Shanghai No. 1 Machine Tool (Suzhou) Company	Manufacturing and selling of high quality casting products of spherical graphite cast iron and grey cast iron	701,257	(5)	-	-	-	-	(67,963)	93%	(51,972)	(28,681)	-	
Shanghai No. 1 Machine Tool & Marketing Company	Trading, importing and exporting of various steel and iron castings and casting mold	-	(2)	-	-	-	-	-	-	(2,299)	-	-	Note 4
Ningbo New Power Company	Manufacturing and selling of medial equipment, wind turbine hub and semiconductor equipment products	29,790		29,790	-	-	29,790	447	52%	447	27,724	-	

Year End Accumulated Investment Amount Remitted from Taiwan to China	Investment Amount Approved by Investment Commission of the Ministry of Economic Affairs	Limits for Investment in China Stipulated by Investment Commission of the Ministry of Economic Affairs
NT$29,790 (US$1,000)	NT$29,790 (US$1,000)	NT$5,829,112

Note 1: Methods of investments are classified into the following 5 types. A simple mark on type will do:

(1) Investment in company in China through remittance from third party region;

(2) Investing companies in China through setting up a company in third party region first;

(3) Investing companies in China through investments in an existing company in the third party region;

(4) Direct investment in companies in China;

(5) Others

Note 2: Calculation is based on Taiwan parent company CPA certified financial statement and the Company's ownership percentage.

Note 3: Investment profit/loss among invested companies, investment company's long term equity investment and equity net value among invested companies have all been cancelled during preparation of consolidated financial statement.

Note 4: Shanghai No.1 Machine Tool Foundry Company disposed 100% shares of its subsidiary Shanghai Sales Company on August 3rd, 2017.

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

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

Year 2017

Appendix 7 Unit: NTD thousands

Serial No. (Note 1)	Name of Transaction Entity	Transaction Counterparty	Relationship with Transaction Counterparty (Note 2)	Details of Transactions			
				Items	Amounts	Transaction Terms	Percentage of Consolidated Total Revenue or Total Assets (Note 3)
1	Yeong Shang Casting Iron Company	Bright Steel Fine Machinery Company	3	Account Receivable －Related Party	$ 40,581	Based on the parties' agreement	-
1	Yeong Shang Casting Iron Company	Yeong Chen Asia Pacific Company	3	Account Receivable －Related Party	227,858	Based on the parties' agreement	2%
1	Yeong Shang Casting Iron Company	Shin Shang Trade Company	3	Account Receivable －Related Party	32,010	Based on the parties' agreement	-
1	Yeong Shang Casting Iron Company	Shanghai No. 1 Machine Tool Foundry Company	3	Other Account Receivable－Related Party	267,072	Based on the parties' agreement	2%
1	Yeong Shang Casting Iron Company	Bright Steel Fine Machinery Company	3	Operating Revenue	100,575	Based on the parties' agreement	2%
1	Yeong Shang Casting Iron Company	Lu Lin Machine Tool Foundry Company.	3	Operating Revenue	25,378	Based on the parties' agreement	-
1	Yeong Shang Casting Iron Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	816,760	Based on the parties' agreement	13%
1	Yeong Shang Casting Iron Company	Shin Shang Trade Company	3	Operating Revenue	104,065	Based on the parties' agreement	2%
2	Lu Lin Machine Tool Foundry Company	Dongguan Yeong Guan Mould Factory Company	3	Account Receivable －Related Party	15,642	Based on the parties' agreement	-
2	Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	3	Account Receivable －Related Party	112,099	Based on the parties' agreement	1%
2	Lu Lin Machine Tool Foundry Company	Bright Steel Fine Machinery Company	3	Account Receivable －Related Party	22,281	Based on the parties' agreement	-
2	Lu Lin Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	3	Account Receivable －Related Party	77,495	Based on the parties' agreement	1%
2	Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	3	Other Account Receivable－Related Party	183,774	Based on the parties' agreement	1%
2	Lu Lin Machine Tool Foundry Company	Shanghai No. 1 Machine Tool Foundry Company	3	Other Account Receivable－Related Party	461,517	Based on the parties' agreement	3%
2	Lu Lin Machine Tool Foundry Company	Dongguan Yeong Guan Mould Factory Company	3	Operating Revenue	16,491	Based on the parties' agreement	-
2	Lu Lin Machine Tool Foundry Company	Yeong Shang Casting Iron Company	3	Operating Revenue	278,600	Based on the parties' agreement	4%
2	Lu Lin Machine Tool Foundry Company	Bright Steel Fine Machinery Company	3	Operating Revenue	79,453	Based on the parties' agreement	1%
2	Lu Lin Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	305,284	Based on the parties' agreement	5%
2	Lu Lin Machine Tool Foundry Company	Shin Shang Trade Company	3	Operating Revenue	22,086	Based on the parties' agreement	-
2	Lu Lin Machine Tool Foundry Company	Shanghai No. 1 Machine Tool Foundry Company	3	利息收入	14,976	Based on the parties' agreement	-
3	Bright Steel Fine Machinery Company	Yeong Shang Casting Iron Company	3	Account Receivable －Related Party	29,964	Based on the parties' agreement	-
3	Bright Steel Fine Machinery Company	Yeong Chen Asia Pacific Company	3	Account Receivable －Related Party	267,230	Based on the parties' agreement	2%
3	Bright Steel Fine Machinery Company	Yeong Shang Casting Iron Company	3	Operating Revenue	97,131	Based on the parties' agreement	2%
3	Bright Steel Fine Machinery Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	1,667,725	Based on the parties' agreement	26%
3	Bright Steel Fine Machinery Company	Shanghai No. 1 Machine Tool Foundry Company	3	Operating Revenue	129,955	Based on the parties' agreement	2%
4	Dongguan Yeong Guan Mould Factory Company	Yeong Shang Casting Iron Company	3	Account Receivable －Related Party	17,764	Based on the parties' agreement	-
4	Dongguan Yeong Guan Mould Factory Company	Yeong Chen Asia Pacific Company	3	Account Receivable －Related Party	17,065	Based on the parties' agreement	-
4	Dongguan Yeong Guan Mould Factory Company	Shin Shang Trade Company	3	Account Receivable －Related Party	88,056	Based on the parties' agreement	1%
4	Dongguan Yeong Guan Mould Factory Company	Shanghai No. 1 Machine Tool Foundry Company	3	Other Account Receivable－Related Party	185,697	Based on the parties' agreement	1%
4	Dongguan Yeong Guan Mould Factory Company	Yeong Shang Casting Iron Company	3	Operating Revenue	30,040	Based on the parties' agreement	-
4	Dongguan Yeong Guan Mould Factory Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	$ 102,441	Based on the parties' agreement	2%
4	Dongguan Yeong Guan Mould Factory Company	Shin Shang Trade Company	3	Operating Revenue	262,940	Based on the parties' agreement	4%

Serial No. (Note 1)	Name of Transaction Entity	Transaction Counterparty	Relationship with Transaction Counterparty (Note 2)	Details of Transactions			
				Items	Amounts	Transaction Terms	Percentage of Consolidated Total Revenue or Total Assets (Note 3)
5	Shanghai No. 1 Machine Tool Foundry Company	Bright Steel Fine Machinery Company	3	Account Receivable －Related Party	33,021	Based on the parties' agreement	-
5	Shanghai No. 1 Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	3	Account Receivable －Related Party	21,448	Based on the parties' agreement	-
5	Shanghai No. 1 Machine Tool Foundry Company	Yeong Shang Casting Iron Company	3	Operating Revenue	26,071	Based on the parties' agreement	-
5	Shanghai No. 1 Machine Tool Foundry Company	Bright Steel Fine Machinery Company	3	Operating Revenue	157,160	Based on the parties' agreement	2%
5	Shanghai No. 1 Machine Tool Foundry Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	42,601	Based on the parties' agreement	1%
6	Ningbo New Power Company	Yeong Shang Casting Iron Company	3	Operating Revenue	23,640	Based on the parties' agreement	-
6	Ningbo New Power Company	Yeong Chen Asia Pacific Company	3	Operating Revenue	14,091	Based on the parties' agreement	-
7	Yeong Chen Asia Pacific Company	Yeong Shang Casting Iron Company	3	Account Receivable －Related Party	16,350	Based on the parties' agreement	-
7	Yeong Chen Asia Pacific Company	Yeong Guan Energy Company	2	Other Account Receivable－Related Party	92,601	Based on the parties' agreement	1%
7	Yeong Chen Asia Pacific Company	Yeong Shang Casting Iron Company	3	Operating Revenue	32,629	Based on the parties' agreement	1%
8	Yeong Guan Holding Company	Shanghai No. 1 Machine Tool Foundry Company	3	Other Account Receivable－Related Party	306,325	Based on the parties' agreement	2%
8	Yeong Guan Holding Company	Yeong Guan International Company	3	Other Account Receivable－Related Party	914,515	Based on the parties' agreement	6%
8	Yeong Guan Holding Company	Yeong Guan Energy Company	2	Other Account Receivable－Related Party	344,012	Based on the parties' agreement	2%

Note 1: 0 represents parent company, while serial numbers for subsidiaries start from 1 based on respective company categories.

Note 2: 1 represents transaction entered by parent company with subsidiary; 2 represents transaction entered by subsidiary with parent company; 3 represents transactions between subsidiaries.

Note 3: With respect to calculation for transaction amount's percentage of consolidated total revenue or total assets, asset/liability items are based on ending balance's percentage of consolidated total assets and liabilities, while income items are based on ending accumulated amount's percentage over consolidated total revenue.

Note 4: All transactions on aforementioned appendix have already been written-off when consolidated financial statements are prepared.