



# **TUNG HO STEEL ENTERPRISE CORPORATION**

Annual Report  
2017

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Annual Report Website:

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The Company Website: [www.tunghosteel.com](http://www.tunghosteel.com)

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## **I. Letter to shareholders**

In 2017, stimulated by the EQ measures and extra-low interest rate operated by central banks for many years, also with the launch of positive fiscal policy, expand of the governments expenditure, ambition the growth of consumer investment and foreign trade, got rid of the gloomy deflation, and the global economy is on the track of stable recovery. Although the US economy has long been leading the strong recovery of all countries, the unemployment rate has even dropped to an unprecedented low, prices have also risen to reach inflation targets, and it has driven the Fed's plan to start a gradual rate hike. The pace of recovery in Japan and the euro zone has accelerated this year. The price performance has turned positive. The threat of persistent deflation has been lifted. Optimistic signs of economic growth are gradually emerging. The severe credit crisis in China is not like the local financial turmoil that many people are worried about. After a sound economic restructuring, strict control on credit growth, the elimination of excess production capacity in many industries, and the restrict production of polluting industries to improve the quality of the environment. Many policies have already received results, effectively promoting the development of the Chinese economy toward the quality than quantity, and the economic outlook is optimistic.

Generally speaking, compared with the year before last, the global economy performance last year has made significant progress, which brought improving signs to the foreign trade-oriented Taiwan economy in export and the industrial production figures. However, due to the aging of the population and the stagnation of salary growth, and no improvement in cross-strait relations, the domestic demand for tourists has continued to decline, and consumer spending has remained weak. On the other hand, due to the difficulties of economic transition and the lack of a major public investment plan, private investment will be low, and the prosperity of the locomotive industry's construction industry is still weak. The cycle of falling house prices cannot be reversed, and there is no obvious increase in the number of bidders. Drive the overall economic performance of the country with greater highlights.

In the iron and steel industry, benefiting from the strict implementation of the policy of removing inefficient production capacity and the elimination of poor quality steel bars in mainland China, and restricting the production of steel in the steel city of Hebei Province in the winter in order to control the air pollution in Beijing, caused the mainland's iron and steel industry to suffer from a reversal of the situation where production exceeded sales in recent years, steel prices can be maintained at a high level, and steel companies are highly profitable. The domestic steel industry also benefited from the favorable situation on the mainland, and the production and sales conditions improved slightly. Although the construction industry was still depressed and the investment was still weak, the demand for steel products did not increase. However, the price benefited from the fact that the mainland's high steel prices were able to maintain a stable rise. It is conducive to the overall operation of the steel industry in Taiwan.

The Company was affected by the favorable conditions of the iron and steel industry, and its production, sales, purchase, and financial integration were well-controlled and coordinated. In addition, the production and sales of the reinvested Vietnam plant were on track to contribute revenue and profit, resulting in revenue and operating profit for the industry last year. There is no small growth. However, due to the poor operation of some of the reinvested businesses, which resulted in a loss drag, the pre-tax profit growth rate is not so bright. It needs to be improved this year. Here is the Company's 2017 Consolidated Business Overview and Results:

### **1. Implementation of production and sale plan**

Unit : NTD Thousand

	Production			Sale		
	2017	2016	Growth Rate	2017	2016	Growth Rate
Steel Billets	23,902,710	17,310,382	38.08%	6,096,245	2,352,827	159.10%
Rebar	9,327,224	7,825,836	19.19%	11,426,428	9,105,280	25.49%
H-Beam Products	7,111,435	7,353,300	-3.29%	8,647,207	8,828,166	-2.05%
Steel Plate (Self-manufacture)	904,220	537,007	68.38%	631,426	223,691	183.31%
Steel Plate (Trading)	0	0	0%	4,344	95,819	-97.89%
Channel Steel	1,112,139	580,315	91.64%	1,203,327	645,168	86.51%
I Steel	36,837	42,074	-12.45%	50,141	58,953	-14.95%
Steel Structure	2,909,164	3,864,360	-24.72%	2,875,482	3,522,218	-18.36%
Steel Trading	0	0	0%	8,915	41,377	-78.45%
Environmental Treatment	242,790	225,483	7.68%	257,648	261,495	-1.47%
Steel Sheet Pile	9,585	590	1,524.58%	10,000	1,057	845.81%
Wind Power	51,517	26,278	96.05%	51,517	26,278	96.04%
Others	0	4,934	-100.00%	486,592	47,229	930.29%
Total	45,607,621	37,770,559	20.75%	31,749,271	25,209,558	25.94%

## 2. Comparison of Profitability

Unit: NTD Thousand

	2017	2016	Growth Rate
Operating Income	31,749,271	25,209,558	25.94%
Operating Cost	27,947,410	22,239,296	25.67%
Operating Gross Margin	3,801,861	2,970,262	28.00%
Operating Expenses	1,959,871	1,478,605	32.55%
Operating Net Profit	1,841,990	1,491,657	23.49%
Net Profit before Tax	1,999,083	1,682,230	18.84%
Net Profit after Tax	1,700,734	1,479,564	14.95%

## 3. Analysis of financial structure and profitability

Analysis Items		Year		2017	2016
Financial Structure(%)	Debt to asset ratio (%)			41.80	35.65
	Long-term capital to fixed assets ratio			136.18	156.47
Profitability	Return on assets(%)			4.58	4.28
	Shareholders' return on equity(%)			7.15	6.35
	To paid-up capital ratios (%)	18.35		14.94	15.14
		19.91		16.85	15.17
	Rate of Return%			5.36	5.87
	Earnings per share (NT\$)			1.72	1.49

## 4. The status of technology, research and development

In 2017 the Company's Research and Development expenses was NT\$36,789,834, reaching 0.12% of the revenue. Major R&D achievements in steelmaking include the development of high-grade marine steel grades and the development of high-strength steels. Major R&D achievements in rolling steel include development of high-strength rebars, development of high-strength splicing splicers, development of new gradient slat-type steel new technologies and new products, development of ultra-thick H-shaped steels, and development Various kinds of steels with different specifications and shapes, oversized hot-rolled H-beams new technology and new product research and development plans to diversify products to enhance technical capabilities and increase the company's revenue and profit. The main research and development plans for the year of 2018 are: 1. H-beam steel (Universal Edger) new rolling technology development case (completion of simulated test rolling to confirm the feasibility of new technology). 2. Development of angle steel and flat steel H/V (horizontal/vertical roll) co-roller development (completion of lead block simulation test rolling, confirming that the innovative hole design concept of this case is indeed feasible, etc.).

The Company's operation strategies include continuous efforts in improving our technical capability and management efficiency, production cost reduction, and collaboration of production, sales and purchases, integrated operation, so that the Company's competitive advantages can be improved home and abroad, and also an aggressive expansion of our overseas market and new customer development can be carried out. Meanwhile, the Company's another important strategy is the continual research and development on new steel products and applications, environmental protection, and reduction of greenhouse gas emission to strengthen the foundation of the Company's sustainable operation and management.

Looking to 2018, the economies of Europe, the United States, Japan, and other countries are expected to continue to strengthen, and the United States will reduce taxes and expand basic infrastructure design. Planning can further promote the strong economic growth, which in turn will drive the world economy and Taiwan's foreign trade growth and economic recovery. In addition, the economic physique of the Mainland China has been successfully adjusted, and the issue of controlling steel production capacity excess has seen remarkable results. Both are favorable. This year, the steel market at home and abroad has regained strength. In domestic market, after several years the housing price downward adjustment or will come to an end. Taiwan's construction market can be recovered to the normal growth. With the promotion of the government's prospective infrastructure plan, the demand for steel will be rapidly increased, which drives the market recovery of Taiwan's iron and steel industry. However, some recent influence on the global economy unfavorable factors gradually emerged, such as the resumption of inflation caused by continued rise in oil prices, and the accelerated rate of US interest rate increase may lead to Financial market turmoil, which affects the performance of the real economy and the impact of Trump's government trade protection policies on the global economy, etc. Apart from the optimism, care must still be taken. With the improvement of economy environmental conditions home and abroad, all of the employees of the Company should grasp the opportunity, strongly believe the consistent opt mission and continuous improvement, try to strengthen the competitiveness, reduce the production cost, improve the internal control, devote to develop the new markets and new products, to improve the performance and create the maximum value of the shareholders, never live up to the shareholders' expectation.

Lastly, I would like to wish all our shareholders

health and prosperity

Chairman: Henry C.T.Ho

## II. Company Profile

### 1. Date of incorporation

May 30, 1962

### 2. Company History

#### A. 最近年度及截至年報刊印日止辦理公司併購、轉投資關係企業之情形

May 1962	Founded by Mr. Chin-Tui Ho in Chiayi County Taiwan Province, paid-in capital NT\$4,500,000, engaged in ship disintegration, trading of old ships, metal iron and mechanical materials
May 1965	Purchased reclaimed land in Kaohsiung Harbor and built Qianzhen Rolled Steel Works
Sep 1974	Purchased industrial land in Linhai Industrial Park Xiaogang District Kaohsiung, constructed the office building and steel making works
Jan 1975	The Board of Director a recommended Mr. Cheng-Ting Ho as the Chairman, Mr. Chen-Hsiung Ho as the General Manager
Sep 1977	Set up the first continuous casting machine at Kaohsiung works in Taiwan
Jun 1986	Purchased Bade works in Taoyuan with 2 50-ton arc furnaces and ceased the transactions of ship disintegration in the same year
Jul 1988	Arc furnace at Bade Works (Taoyuan) was set up to produce, the Company's stock was list in Category I
Apr 1990	The Board of Directors recommended Mr. Chen-Hsiung Ho as the Chairman, concurrent as the General Manager, Mr. Cheng-Ting Ho as the Honorary Chairman
Jan 1991	Set up Miaoli Works approved by Department of Reconstruction Taiwan Province Government
Nov. 1993	Held the H-Beam Products Presentation
Jan 1996	Honored as the 3 <sup>rd</sup> Atomic Safety Special Award for Groups by the Atomic Energy Council of Executive Yuan
May 1996	Expansion project for Kaohsiung steel works officially began
Mar 2007	Kaohsiung Works obtained OHSAS 18001 by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs and TOSHMS(Taiwan Occupational Safe and Health Management System), approved to log in
Oct 2009	The Board of Directors appointed Mr. Teng-Chieh Ho to the General Manager
Jun 2010	Taoyuan Works construction completed
Jul 2010	Taoyuan Works steel mill succeeded in the hot test of directly rolling steel system and put it into manufacture, which became the first steel works in Taiwan without



	heating furnace, with hot billet direct rolling process
Nov 2011	Miaoli Works steel and steel plate products' carbon footprint obtained BV(Company)'s Certification Statement
May 2012	Held product presentation for deformed rebar and rebar coupler Established Tung Ho Steel Foundation
Aug 2012	Taoyuan Works obtained OHSAS 18001 by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs and was approved by Occupational Safety and Health Management System to log in
Sep 2013	Taoyuan Works and Miaoli Works obtained Made in Taiwan Smile MIT logo authorized by the Ministry of Economic Affairs
Jun 2014	The Board of Directors appointed Mr. Chieh-Teng Ho to the Chairman and General Manager, and sincerely invited Mr. Chen-Hsiung Ho to the honorary chairman
Nov 2014	Kaohsiung Works steel, rebar and total five products' carbon footprint obtained BV(Company)'s Certification Statement and "Glass Award" by the Industrial Technology Research Institute, which became the first steel works who obtained the carbon footprint in Taiwan rebar industry
Dec 2014	Taoyuan Works obtained TOSHMS by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs and was approved to log in
Jun 2015	Held steel sheet pile product presentation
Jul 2015	Was invited to take participate in the flag presentation ceremony for energy conservation taskforces in 2015 by Bureau of Energy, Ministry of Economic Affairs
Sep 2015	Taoyuan Works total five products including rebar's carbon footprint obtained BV (Company)'s Certification Statement
Jan 2016	Invested and acquired Vietnam Fuco Steel Company and establish the rolling mill expansion committee
Aug 2016	Tung Kang Wind Power Corp obtained the 25-year business electrical license by Bureau of Energy, Ministry of Economic Affairs and began to wholesale the electricity force.
Sep 2016	Miaoli Works and Kaohsiung Works' H-Beam Products have been certificated by KS ( Korean Industrial Standards)
Sep 2016	Vietnam Fuco Steel Company was renamed as Tung Ho Steel Vietnam Corporation Limited, abbr. THSVC.
Oct 2016	Was awarded the 17th National Standardization Prize(Positive character Promotion CNS trademark certification) by the Bureau of Standards, Metrology and Inspection (BSMI) of the Ministry of Economic Affairs
Nov 2016	Was honored 2016 TCSA, Taiwan Corporation Sustainable Award, Corporate

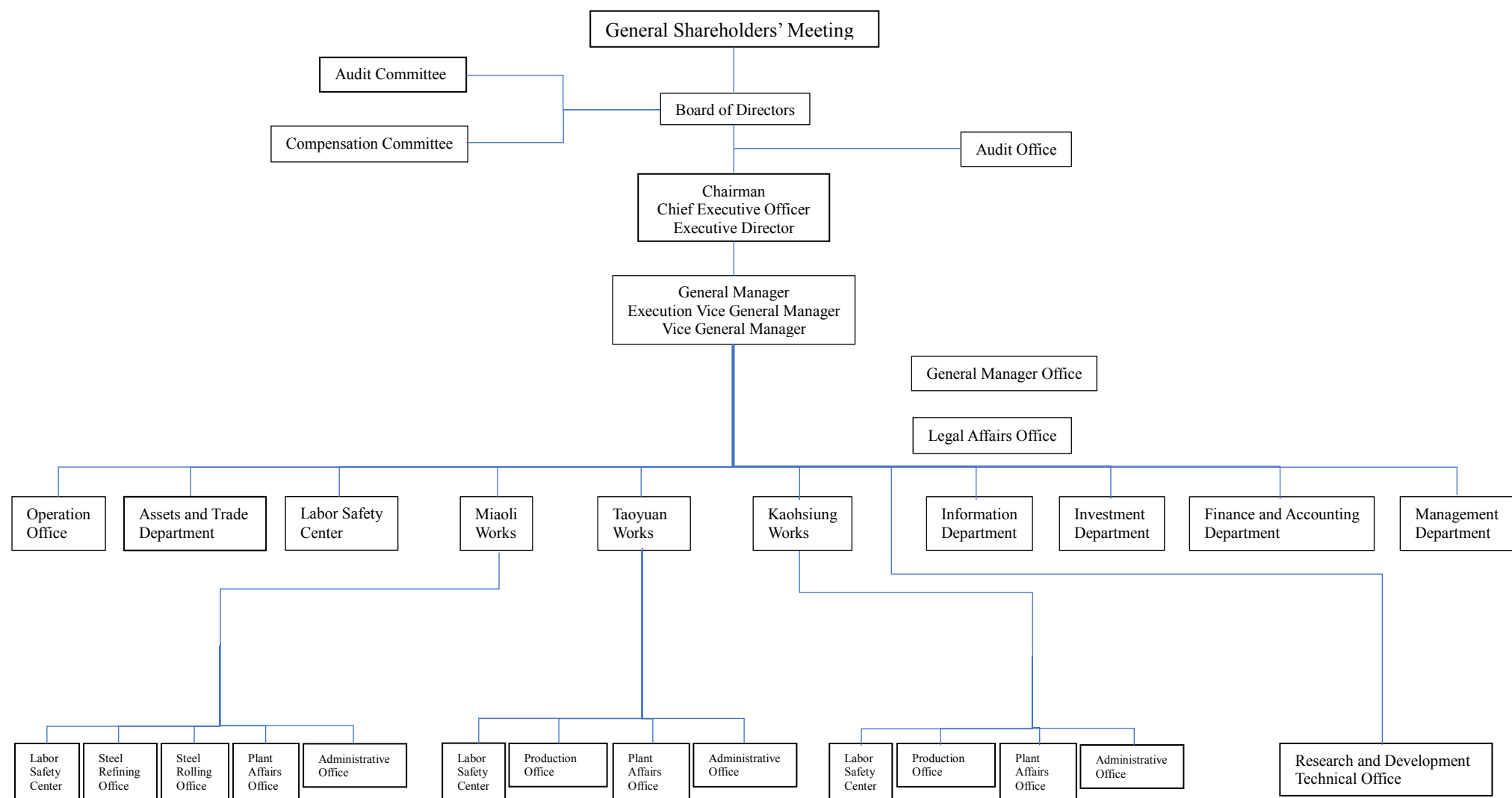
	Sustainability Report (Traditional Manufacture Industry) Silver Award
July 2017	The shape steel and steel products of Miaoli Plant were verified by BV and obtained the “Water Footprint Verification Statement”.
Spet 2017	The second-line expansion project of the Taoyuan rolling mill was completed and started production.
Nov 2017	Taoyuan Plant is certified by the ISO 50001 Energy Resource Management System.
Nov 2017	Was honored 2017 TCSA, Taiwan Corporation Sustainable Award, Corporate Sustainability Report (Traditional Manufacture Industry) Silver Award
Dec 2017	Conversion of corporate bonds with capital of NT\$10,002,240,690.
Jan 2018	Steel embryo from Miaoli plant electric furnace carbon steel passed and obtained "resource regeneration green product certification."
Jan 2018	The company became a full member of the WSA (World Steel Association).
Mar 2018	Conversion of corporate bonds with capital of NT\$10,040,606,080.

- B. The situation of the company reorganization in the most recent year and up to the date of publication of the annual report: None.**
- C. Mass transfer or replacement of shares of directors, supervisors, or large shareholders holding more than 10% of the shares in the most recent year and up to the date of publication of the annual report: None.**
- D. Changes in the operating rights in the most recent year and up to and including the date of publication of the annual report: None.**
- E. Significant changes in the operating methods or business contents of the most recent year and up to the date of publication of the annual report: No.**
- F. Other important matters that may affect shareholders' equity and their impact on the company in the most recent year and up to the publication date of the annual report: Non**

III. Corporate Governance Report

1. Organizational system

A. Organizational Chart



**B. Tasks of the Company principal divisions.**

- i. President's Office: Handles matters relating to budget control, operational analysis, bonus systems, special project planning, credit management, and customer services and so on;
- ii. Legal Affairs Office: Handles matters relating to research, handling, and consulting for legal affairs.
- iii. Audit Office: Handles matters relating to establishing, promoting, and implementing the internal audit system.
- iv. Management Department: Handles matters relating to company organization, establishment of management systems, human resources, education and training, general affairs, and asset management.
- v. Finance and Accounting Department: Handles matters relating to establishing the company's accounting system, accounting, costs, finance, foreign exchange, investments in negotiable securities, and stock affairs.
- vi. Investment Department: Handles matters relating to short-term, mid-term, and long-term investment strategies and planning as well as reinvestment management.
- vii. System Engineering Department: Handles matters relating to information management and computer work planning, development, and maintenance, as well as efficiency improvements.
- viii. Operations Department: Handles matters relating to internal and external customer quotes, bid tenders, and sales.
- ix. Assets and Trade Department: Handles matters relating to commodities and raw materials, in addition to machinery and equipment procurement.
- x. Miaoli Works: Handles matters relating to H-beam steel and steel plate production and other plant management work.
- xi. Taoyuan Works: Handles matters relating to steel rebar production and other plant management work.
- xii. Kaohsiung Works: Handles matters relating to rebar and H-beam steel production and other plant management work.
- xiii. Research and Development Technical Office: Handles matters relating to metallurgical technology, product development, and special project technology research and development.
- xiv. Labor Safety Center: Handles and oversees matters relating to safety and hygiene in various departments (factory areas).

## 2. Information on the company's directors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

### (1) Information on the company's directors

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Institutional Director	Taiwan	Shen Yuan Investment Co., Ltd	Not Applicable	2017.06.16	3years	1988.08.18	120,199,779	12.04%	120,199,779	11.97%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None
Institutional Director	Taiwan	Mao Sheng Investment Co., Ltd.	Not Applicable	2017.06.16	3years	2017.06.16	51888877	5.20%	52673877	5.25%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None
Chairman (note 1)	Taiwan	Mao Sheng Investment Co., Ltd Representative: Henry C.T. Ho	Male	2017.06.16	3Years	2002.06.27	142,426	0.01%	142,426	0.01%	98,000	0.01%	0	0%	Graduated from Department of Economics, Harvard University	General manager of Tung Ho Steel Enterprise Corporation Director of Tung Kang Steel Structure Co., Ltd. Chairman of Far East Steel Enterprise Co., Ltd. Director of Katec Creative Resources Corp. Director of Katec R&D Corporation Chairman of Tung Kang Wind Power Corp. Director of Tung Kang Engineering & Construction Co., Ltd. Director of Fata Xingye Co. Ltd.	Vice Chairman Director	Shu-Chau Wang Ho	Mother/Son Brothers

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
																Director of Taiwan High Speed Rail Inc. Director of Hexawave Inc. Supervisor of Delta Design Corp. Director of Tung Ho Steel Vietnam Corp. Ltd. Director of Goldham Development Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Fujian Sino-Japan Metal Corp.			
Vice Chairman	R.O.C	Shen Yuan Investment Co., Ltd Representative: Shu-Chau Wang Ho	Female	2017.06.16	3Years	1988.08.18	5,021,191	0.50%	10,695,847	1.07%	20,429,294	2.05%	0	0%	Graduated from Ming Chuan College of Business Advanced studies at Education Dept. of Utah State University	Chief Executive Officer of Tung Ho Steel Enterprise Corp. Chairman of Tung Kang Steel Structure Co., Ltd. Director of Far East Steel Enterprise Co., Ltd. Director of Tung Kang Wind Power Corp. Chairman of Delta Design Corp. Director of Shen Yuan Investment Co., Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman of Shang Fu Industrial Inc. Director of Goldham Development Ltd. Director of Tung Yuan International Corp.	Chairman Director	Henry C.T. Ho George Y. S. Ho	Mother/Son Mother/Son

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Director (note 2)	R.O.C.	Mao Sheng Investment Co., Ltd Representative: George Y. S. Ho	Male	2017.06.16	3 Years	1996.05.23	100,000	0.01%	100,000	0.01%	0	0%	0	0%	Graduated from the Department of Environment and Visual Arts, Harvard University, USA	Supervisor of Shen Yuan Investment Director of Wan Nian Department Stores Co., Ltd.	Chairman Vice Chairman	Henry C.T. Ho Shu-Chau Wang Ho	Brothers Mother/Son
Director	R.O.C.	Shen Yuan Investment Co., Ltd Representative: Hui-Ming Wu	Male	2017.06.16	3 Years	2014.06.18	128,432	0.01%	128,432	0.01%	0	0%	0	0%	Graduated from Taipei Engineering Professional School, Mining and Metallurgical Engineering	Not Applicable	None	None	None
Institutional Director	Taiwan	Episil Holding Incorporation	Not Applicable	2017.06.16	3 Years	2014.06.18	5,055,649	0.51%	5,055,649	0.51%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None
Director (note 3)	R.O.C.	Episil Holding Incorporation: Chih-Ming Huang	Male	2017.06.16	3 years	1988.08.18	4,591,397	0.46%	4,591,397	0.46%	0	0%	0	0%	MBA, Graduated from California State University,	Director of Chi-te Technology Inc. Chairman of Episil Holding Incorporation Supervisor of Far East Steel Inc.	None	None	None
Institutional	Taiwan	Liang	Not	2017.06.16	3 Years	2014.06.1	11,185	1.12%	11,185	1.12%	Not	Not	0	0%	Not	Not Applicable	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
onal Director	n	Cheng Investment Co., Ltd.	Applicable		ars	8	973		,973		Applicable	Applicable			Applicable				
Director (note 4)	R.O.C	Liang Cheng Investment Co., Ltd Representative: Pao-He Chen	Male	2017.06.16	3Years	77.08.18	4,533,205	0.45%	4,533,205	0.45%	173,689	0.02%	0	0%	MBA, Canada Royal University	Chairman of He-Cheng Investment Inc. Chairman of Chi-cheng Investment Inc. Chairman of Jian-qing Investment Inc. Chairman of Liang Cheng Investment Co., Ltd. Chairman of Fu Bao Jiu Industrial Co., Ltd. Chairman of Ching Beauty Biology Co., Ltd.	None	None	None
Director	R.O.C	Yen-Liang Ho	Male	2017.06.16	3Years	1999.05.23	361,670	0.04%	361,670	0.04%	0	0%	0	0%	Graduated from the Dept. of Business Management, the University of Southern California, USA	Chairman of Hao-Han Investment Co., Ltd. Chairman of Enzen GS Chemical Co., Ltd.	None	None	None
Institutional Director	Taiwan	Taiwan Zhi Di Co. Ltd	Not Applicable	2017.06.16	3Years	2014.06.18	65,000	0.01%	65,000	0.01%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None
Director (note 5)	R.O.C	Taiwan Zhi Di Co. Ltd.	Male	2017.06.16	3Years	2014.06.24	318,887	0.03%	318,887	0.03%	0	0%	0	0%	Graduated from Department	Chairman of Rui Nian Management & Consulting Co., Ltd.	None	None	None



Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
		Representative : Chao-He Lin													of Economics, Soochow University				
Independent Director	R.O.C	I-Chi Liu	Male	2017.06.16	3Years	2014.06.18	0	0%	0	0%	0	0%	0	0%	Master Degree Graduated the Dept. of Accounting, College of UCCU	Supervisor of Tah Tong Textile Co., Ltd.	None	None	None
Independent Director	R.O.C	Chuang-Hsi Chang	Male	2017.06.16	3Years	2014.06.18	6,685	0%	6,685	0%	6,685	0%	0	0%	PhD in Law and political science at the Pantheon-Assas University	None	None	None	None
Independent Director	R.O.C	De-Ming Liu	Male	2017.06.16	2017.06.16	2017.06.16	0	0%	0	0%	0	0%	0	0%	PhD in Economics, Ohio State University	Lasertek Co., Ltd. Independent Director CSBC Co., Taiwan Independent Director	None	None	None

(Note 1): Henry C.T. Ho was elected as a director for the first time on 2002.06.27, was elected as the chairman of the board on June 16, 2014, and was appointed as the legal representative of the board of directors of Mao Sheng Investment Co., Ltd on 2017.06.16.

(Note 2): George Y. S. Ho first elected a director on 1996.05.23, and was appointed as a director of a legal representative of Mao Sheng Investment Co., Ltd on 2017.06.16.

(Note 3): Chih-Ming Huang was elected as a director for the first time on 1988.08.18, and was transferred to the director of the legal representative of Episil Holding Incorporation for 2014.06.18, and was reappointed for 2017.06.16.

(Note 4): Pao-He Chen was elected as a director for the first time on 1988.08.18, and he was appointed as a director of the legal representative of Liang Cheng Investment Co., Ltd. for 2014.06.18, and he was reappointed for 2017.06.16.

(Note 5): Chao-He Lin first elected a director on 2011.06.24, and on the same day after the dismissal of 2014.06.18, he was appointed as supervisor of the legal representative of Taiwan Zhi Di Co. Ltd. On the same day after dismissal of 2017.06.16, he was elected as a legal person of Taiwan Zhi Di Co. Ltd. The representative's director.

Table 1: Major shareholders of the institutional shareholders

2018.03.31

Name of institutional shareholder (note 1)	Major Shareholders of Institutional Shareholders (note 2)
Mao Sheng Investment Co., Ltd. (note 3)	Shu-Chau Wang Ho41.78%、George Y. S. Ho12.93%、Henry C. T. Ho11.73%
Shen Yuan Investment Co., Ltd.	Shu-Chau Wang Ho78.92%
Episil Holding Incorporation	Chih-Ming Huang25%、Mei-Chu Cheng 25%
Liang Cheng Investment Co., Ltd.	British Virgin Island JUSTIN investment management 100%
He Zhao Investment Co., Ltd. (note 4)(note 5)	Shu-Chau Wang Ho83.61%
Taiwan Zhi Di Co. Ltd.	Sheng-Yu Chen 52%、Shu-Chen Ho 46%

Note 1: Directors and supervisors are representatives of legal person shareholders and should fill in the name of the legal person shareholder.

Note 2: Fill in the name of the main shareholder of the legal person shareholder (its shareholding percentage in the top ten) and its shareholding percentage. If its main shareholder is a legal entity, the following table should be added.

Note 3: Take office on 2017.06.16.

Note 4: Dismissal on 2017.06.16.

Note 5: It was renamed as a company limited by 2017.04.01.

Table2: Major shareholders in Table 1 of the Company's major institutional shareholders

2018.03.31

Name of Institutional Shareholders	Major Shareholders
Not Applicable	None

## Information of Directors

2017.12.31

Name	Condition	Has at least 5 years of work experience and meet one of the following professional qualifications			Meeting the independence requirement (Note 1)										Number of companies the person serves as an independent director
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private College or University	Certified judge, prosecutor, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Mao Sheng Investment Co., Ltd. Representative: Henry C. T. Ho				✓			✓				✓		✓		0
Shen Yuan Investment Co., Ltd. Representative: Shu-Chau Wang Ho				✓							✓		✓		0
Mao Sheng Investment Co., Ltd. Representative: George Y. S. Ho					✓	✓	✓			✓	✓		✓		0
Shen Yuan Investment Co., Ltd. Representative: Hui-Ming Wu				✓			✓	✓	✓		✓	✓	✓		0
Episil Holding Incorporation Representative: Chih-Ming Huang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Liang Cheng Investment Co., Ltd. Representative: Pao-He Chen				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Yen-Liang Ho				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Taiwan Zhi Di Co. Ltd. Representative: Chao-He Lin				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director: I-Chi Liu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Name \ Condition	Has at least 5 years of work experience and meet one of the following professional qualifications			Meeting the independence requirement (Note 1)										Number of companies the person serves as an independent director
	An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private College or University	Certified judge, prosecutor, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Independent Director : Chuang-Hsi Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director : De-Ming Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: Directors and supervisors who, during the two years before being elected and during the terms of positions, meet the following criteria, please tick in the corresponding boxes.

1. Not an employee of the company or its affiliates.
2. Not a director or supervisor of any affiliated company (except for independent director of the parent company or subsidiary in accordance with the securities and exchange law or the local legislation).
3. Shareholders holding more than 1% of the total issued shares of the company under another name except him/herself, his/her spouse or children (minor). Those holding such amount of shares on behalf of others; or the top 10 natural person shareholders.
4. Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, or any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that owns more than 5% of the company's outstanding shares, and is not a director, supervisor, or employee of any of the top five corporate shareholders.
6. Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have a financial or business relationship with the company.
7. Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. Excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
8. Not a spouse or relative of second degree or closer to any other directors.
9. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.

10. Not an elect in the name of a government, institution, or its representative as defined in Article 27 of the Company Law

**(2) Information of general manager, vice general managers, assistant managers, and managers of various departments and branch offices**

2018.04.12

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
Chief Executive Officer	R.O.C.	Shu-Chau Wang Ho	Female	1995.05.15	10,695,847	1.07%	20,429,294	2.05%	0	0%	Graduated from Ming Chuan College of Business Advanced studies at Education Dept of Utah State University	Chairman of Tung Kang Steel Structure Co., Ltd. Director of of Far East Steel Enterprise Co., Ltd. Director of Tung Kang Wind Power Corp. Chairman of Delta Design Corp. Chairman of Shen Yuan Investment Co., Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman of Shang Fu Industrial Inc. Director of Goldham Development Ltd. Director of Tung Yuan International Corp.	General Manager	Henry C. T. Ho	Mother/Son

General Manager	R.O.C.	Henry C. T. Ho	Male	2009.10.16	142,426	0.01%	98,000	0.01%	0	0%	Graduated from Department of Economics, Harvard University	Director of Tung Kang Steel Structure Co., Ltd. Chairman of Far East Steel Enterprise Co., Ltd. Director of Katec Creative Resources Corp. Director of Katec R&D Corporation Chairman of Tung Kang Wind Power Corp. Director of Tung Kang Engineering & Construction Co., Ltd. Director of Fata Xingye Co. Ltd. Director of Taiwan High Speed Rail Inc. Chairman of Hexawave Inc. Supervisor of Delta Design Corp. Director of Tung Ho Steel Vietnam Corp. Ltd. Director of Goldham Development Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Fujian Sino-Japan Metal Corp.	Chief Executive Officer	Shu-Chau Wang Ho	Mother/Son
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Vice General Manager of Production Department	R.O.C.	Fu-Jin Chen	Male	2017.01.01	589	0%	0	0%	60,000	0.01%	Graduated from Kaohsiung Municipal Kaohsiung Industrial High School	Chairman of Katec Creative Resources Corp.	None	None	None
Vice General Manager of Operations Department	R.O.C.	Kuan-Ren Gu	Male	98.10.16	33,855	0%	100	0%	0	0%	Graduated from Department of Economics, Chinese Culture University	Director of Tung Kang Engineering & Construction Co., Ltd. Chairman of Fata Xingye Co. Ltd	None	None	None
Vice General Manager of Operations Department	R.O.C.	Bing-Hua Huang	Male	98.10.16	6,444	0%	642	0%	135,000	0.01%	Master degree from Material Development Institute of National Cheng Kung University	Director of Tung Kang Engineering & Construction Co., Ltd. Chairman of Fata Xingye Co. Ltd. Chairman of Tung Ho Steel General Manager of Tung Kang Steel Structure Co., Ltd. Director of Tung Kang Steel Structure Co., Ltd. Director of Dongjing Investment Co., Ltd. Director of Li-Yu Venture Capital Inc.	None	None	None



												Director of Tung Ho Steel Foundation			
Vice General Manager of Assets and Trade Department	R.O.C.	Qi-Xie Lin	Male	2009.10.16	21,799	0%	0	0%	0	0%	Graduated from Department of Materials Science and Engineering, Tsinghua University	Chairman of Fujian Sino-Japan Metal Corp. Director of 3 Oceans International Inc. Director of Xiaogang Warehousing Inc. Director of Chien Shing Harbour Service Co., Ltd. Director of Tung Ho Steel Vietnam Corp. Ltd. Director of Tung Ho Steel Foundation	None	None	None
Vice General Manager, Financial Department	R.O.C.	Bo-Xun Dong	Male	2014.07.10	23,381	0%	0	0%	100,000	0.01%	Graduated from the Department of Economics at National Taiwan University Master's degree in Business Management from the Business Institute,	Supervisor of Hexawave Inc. Director of Tung Kang Engineering & Construction Co., Ltd. Tung Yuan International Corp. Director of Goldham Development Ltd.	None	None	None

											National Chengchi University			
Assistant manager of the general manager's office	R.O.C.	Chang-Hong Li	Male	2011.10.01	3,137	0%	0	0%	0	0%	Master's degree from Institute of Management Science, Chiao Tung University	None	None	None
Assistant Manager of Operations Department	R.O.C.	Ru-Yin Fan	Female	2009.11.01	0	0%	0	0%	0	0%	International Trade Major, International Business Professional School	None	None	None
Assistant manager of the investment department	R.O.C.	Zhen-Yuan Chen	Male	2009.11.01	0	0%	0	0%	0	0%	Graduated from Department of International Trade, Feng Chia University		None	None
Assistant manager of the investment	R.O.C.	De-Xiu Chen	Male	2010.11.16	56,911	0.01%	0	0%	0	0%	Master's degree in Information, New Jersey	General Manager of Tung Ho Steel Vietnam Corp. Ltd.	None	None

department											Institute of Technology				
Assistant Manager of Assets and Trade Department	R.O.C.	Jun-Sheng Jian	Male	2009.11.01	870	0%	0	0%	0	0%	Master of College of Technology Management, TsingHua University Graduated with a Industrial Engineering Major, Taipei Engineering Professional School	Vice General Manager of Tung Ho Steel Vietnam Corp. Ltd. Director of Tung Ho Steel Foundation	None	None	None
Assistant Manager of Operations Department	R.O.C.	Zheng-Bin Qiu	Male	2010.06.01	5,027	0%	0	0%	0	0%	Mechanical Engineering Major, United Engineering Professional School	Chairman of Fujian Tung KangSteel Co., Ltd. General Manager of Fujian Tung KangSteel Co., Ltd.	None	None	None
Assistant manager of the investment	R.O.C.	Hsiu-Chih Chen	Male	2011.10.01	0	0%	0	0%	0	0%	Graduated from Department of	Supervisor of ung Kang Engineering & Construction Co., Ltd. Supervisor of Fata Xingye Co.	None	None	None

department											Accounting, National Chung Hsing University MA in Finance, College of Management, National Taiwan University	Ltd. Supevisor of Fujian Tung Kang Steel Co., Ltd Supervisor of Fujian Sino-Japan Metal Corp. Director of Katec Creative Resources Corp. Director of Tung Kang Wind Power Corp. Director, BySources Investment Inc. Director, Li-Shi Venture Capital Inc.			
Assistant manager of the management Department	R.O.C.	Ru-Yu He	Female	2011.10.01	2,000	0%	0	0%	0	0%	Master degree in Business Administratio n from Institute of Business, Chung Yuan Christian University	Director of Katec R&D Corporation Supervisor of Katec Creative Resources Corp. Supervisor of Tung Kang Wind Power Corp.	None	None	None
Assistant manager of the systems engineering department	R.O.C.	Zhe- Chong Lin	Male	2005.05.01	9,822	0%	0	0%	0	0%	Master degree in Information Management from Institute of	Director of Han-Jing Optoelectronics Inc. Director of Hexawave Inc.	None	None	None

											Management, National Sun Yat-sen University			
Manager of Work Safety Center	R.O.C.	Yi-Lin Wang	Male	2008.12.0 1	10,4 44	0%	6,242	0%	0	0%	Graduated from Department of Economics, Tamkang University	None	None	None
Manager of Legal Affairs Office	R.O.C.	Jun-Xian Zhao	Male	2012.09.0 1	4,31 8	0%	0	0%	0	0%	Graduated from Department of Law, Chinese Culture University	None	None	None
Assistant Deputy Manager, Auditing Office	R.O.C.	Yi-Ru Chen	Female	2011.10.0 1	0	0%	0	0%	0	0%	Graduated from Department of Statistics, Feng Chia University	None	None	None
Taoyuan Works director	R.O.C.	Yi-Zhi Xu	Male	2017.01.0 1	307	0%	0	0%	0	0%	EMBA National Tsing Hua University Master	Director of Taiwan Steel United Inc.	None	None

											Degree from Material Institute of ChengKung Univerity				
Miaoli Works director	R.O.C.	Ming- Zong Liu	Male	2008.09.0 1	3,11 2	0%	0	0%	0	0%	Master's in Materials Science and Engineering, National Taiwan University	Director of Taiwan Steel United Inc. Director of Fujian Sino-Japan Metal Corp. Director of DUCHOA International Joint Stock Company	None	None	None
Kaohsiung Works director	R.O.C.	Zong-Yu Wang	Male	2011.07.0 1	37	0%	0	0%	0	0%	Master's degree in Financial Management, National Sun Yat-sen University	None	None	None	None

### 3. Remuneration paid to directors, supervisors, and general manager and deputy general manager in the most recent fiscal year

#### (1) Remunerations of Directors (including independent directors)

2017.12.31

Title	Name	Compensation of Directors								Total Remuneration (A+B+C+D) as a % of Net Income		Remuneration received as the Company's employee								Total Remuneration (A+B+C+D+E+F+G) as a % of Net Income		Whether or not remuneration of investees were received from outside the subsidiaries
		Remunerations (A)		Pension (B)		Directors' remuneration (C)		Business execution expenses (D)				Salaries, bonuses, and special allowances (E)		Pension (F)		Employee remuneration (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report			
Chairman	Mao Sheng Investment Co., Ltd. Representative : Henry C. T. Ho	2,400,000	2,400,000	0	0	8,526,510	8,526,510	45,000	45,000	0.64%	0.64%	8,381,872	8,381,872	335,609	335,609	424,721	0	424,721	0	1.17%	1.17%	None
Vice Chairman	Shen Yuan Investment Co., Ltd. Representative : Shu-Chau Wang Ho	1,800,000	1,800,000	0	0	7,769,715	7,769,715	45,000	45,000	0.56%	0.56%	9,880,512	11,440,512	359,751	359,751	482,121	0	482,121	0	1.19%	1.28%	None

Dire ctor	Mao Sheng Investment Co., Ltd. Representati ve : George Y. S. Ho	360,00 0	360,00 0	0	0	8,526,5 10	8,526,5 10	45,000	45,000	0.52%	0.52%	0	0	0	0	0	0	0	0	0.52 %	0.52 %	None
Dire ctor	Shen Yuan Investment Co., Ltd. Representati ve : Hui- Ming Wu	360,00 0	360,00 0	0	0	7,769,7 15	7,769,7 15	45,000	45,000	0.48%	0.48%	0	0	0	0	0	0	0	0	0.48 %	0.48 %	None
Dire ctor	Episil Holding Incorporatio n Representati ve : Chih- Ming Huang	360,00 0	360,00 0	0	0	953,15 9	953,15 9	45,000	45,000	0.08%	0.08%	0	0	0	0	0	0	0	0	0.08 %	0.08 %	None
Dire ctor	Liang Cheng Investment Co., Ltd. Representati ve : Pao-He Chen	360,00 0	360,00 0	0	0	2,108,9 29	2,108,9 29	45,000	45,000	0.15%	0.15%	0	0	0	0	0	0	0	0	0.15 %	0.15 %	None
Dire ctor	Yen-Liang Ho	360,00 0	360,00 0	0	0	68,187	68,187	45,000	45,000	0.03%	0.03%	0	0	0	0	0	0	0	0	0.03 %	0.03 %	None
Dire ctor	Taiwan Zhi Di Co. Ltd. Representati ve : Chao- He Lin (note	195,00 0	195,00 0	0	0	6,638	6,638	25,000	25,000	0.01%	0.01%	0	0	0	0	0	0	0	0	0.01 %	0.01 %	None



	1)																					
Independent Director	I-Chi Liu	840,000	840,000	0	0	0	0	40,000	40,000	0.05%	0.05%	0	0	0	0	0	0	0	0	0.05%	0.05%	None
Independent Director	Chuang-Hsi Chang	840,000	840,000	0	0	0	0	45,000	45,000	0.05%	0.05%	0	0	0	0	0	0	0	0	0.05%	0.05%	None
Independent Director	De-Ming Liu	490,000	490,000	0	0	0	0	25,000	25,000	0.03%	0.03%	0	0	0	0	0	0	0	0	0.03%	0.03%	None

(Note 1): Representative of Taiwan Zhi Di Co. Ltd.: Chao-He Lin has served as a director since 2017.06.16.

(Note 2): The chairman of the board of directors is accompanied by a driver. The total remuneration for 2017 is 786,859 yuan. The vice chairman of the board of directors is accompanied by a driver. The total remuneration for 2017 is 712,862 yuan.

## (2) Remuneration Paid to Supervisors

2017.12.31

Title	Name	Supervisor's Remuneration						The total ratio of net income amount accounted by A, B, and C		Whether or not remuneration of investees were received from outside the subsidiaries
		Remuneration (A)		Compensation(B)		Business execution expenses (C)				
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	
Supervisor (note 1)	He Zhao Investment Co., Ltd. (note 2) Representative：Yuan-Yu Ke	300,000	300,000	5,840,365	5,840,365	10,000	10,000	0.36%	0.36%	None

Supervisor (note 1)	Taiwan Zhi Di Co. Ltd Representative : Chao- He Lin	275,000	275,000	5,617	5,617	20,000	20,000	0.02%	0.02%	None
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(Note 1): Since 2017.06.16, the supervisor dismissed and set up an audit committee to replace the supervisor.

(Note 2): It was renamed as a company limited by 2017.04.01.

### (3) Compensation Paid to General Manager and Vice General Manager

2017.12.31

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances, etc. (C)		Employee remuneration (D)				Total Remuneration (A+B+C+D) as a % of Net Income		Total Remuneration (A+B+C+D) as a % of Net Income
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash Amount	Share Value	Cash Amount	Share Value			
Chief Executive Officer	Shu-Chau Wang Ho	22,859,066	24,419,066	1,600,133	1,600,133	17,638,082	17,638,082	1,961,906	0	1,961,906	0	2.57%	2.66%	None
General Manager	Henry C. T. Ho													
Vice General Manager of Production Department	Fu-Jin Chen													
Vice General Manager	Kuan-Ren Gu													
Vice General Manager	Bing-Hua Huang													
Vice General Manager	Bo-Xun Dong													
Vice General Manager	Qi-Xie Lin													

**Remuneration Scale Table**

Levels of remuneration paid to General Manager and Vice General Manager	Name of General Manager and Vice General Manager	
	The Company	All companies in the financial report
Less than NT\$2,000,000	None	None
NT\$2,000,000 (inclusive)~NT\$5,000,000(exclusive)	Kuan-Ren Gu 、Bo-Xun Dong 、Qi-Xie Lin 、Fu-Jin Chen	Kuan-Ren Gu 、Bing-Hua Huang 、Bo-Xun Dong 、Qi-Xie Lin 、Fu-Jin Chen
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Henry C. T. Ho 、Bing-Hua Huang	Henry C. T. Ho
NT\$10,000,000 (inclusive)~NT\$15,000,000(exclusive)	Shu-Chau Wang Ho	Shu-Chau Wang Ho
NT\$15,000,000 (inclusive)~NT\$30,000,000(exclusive)	None	None
NT\$30,000,000 (inclusive)~NT\$50,000,000(exclusive)	None	None
NT\$50,000,000 (inclusive)~NT\$100,000,000(exclusive)	None	None
Over NT\$100,000,000	None	None
Total	7	7

**(4) Manager's name and the distribution of employee bonus**

2017.12.31

	Title	Name	Stock Value	Cash Amount	Total	Ratio (%) accounted to the Total Net Income After Tax %
<b>Manager</b>	Chief Executive Officer	Shu-Chau Wang Ho	0	3,649,147	3,649,147	0.21%
	General Manager	Henry C. T. Ho				
	Vice General Production Manager	Fu-Jin Chen				
	Vice General Manager	Kuan-Ren Gu				
	Vice General Manager	Bing-Hua Huang				
	Vice General Manager	Bo-Xun Dong				

	Vice General Manager	Qi-Xie Lin				
	Assistant Manager	Chang-Hong Li				
	Assistant Manager	Ru-Yin Fan				
	Assistant Manager	Zhen-Yuan Chen				
	Assistant Manager	De-Xiu Chen				
	Assistant Manager	Jun-Sheng Jian				
	Assistant Manager	Zheng-Bin Qiu				
	Assistant Manager	Hsiu-Chih Chen				
	Assistant Manager	Ru-Yu He				
	Assistant Manager	Zhe-Chong Lin				
	Works Director	Yi-Zhi Xu				
	Works Director	Ming-Zong Liu				
	Works Director	Zong-Yu Wang				

**(5) Comparison of compensation paid by the Company and all the consolidated entities in the last two years to the Company's directors, supervisors, general manager and vice general manager as a percentage to the next income of individual financial statement. Explanation on remuneration policies, standards and combination of the procedures in determining remuneration, and association with business performance and future risks**

1. Compensation paid by the Company and all the consolidated entities in the last two years to the Company's directors, supervisors, general manager and vice general manager as a percentage to the next income of individual financial statement

Title	2016	2017
Director	5.46%	5.63%
Supervisor		
General Manager, Vice General Manager		

2. Policies, standards and combinations of payment of remuneration, procedures for setting remuneration, relevance to business performance and future risks

(i) Directors' remuneration

The emoluments of the directors of the company are determined in accordance with the relevant provisions of the company's articles of association. In addition to the bonus of not more than 2% of the profit for the current year, an additional amount of remuneration may be provided each month. The salary and compensation committee shall refer to the relevant industry and related industries. Listed companies are provided with the situation and company operating performance, and the results of performance evaluation are considered, and the reasonableness of salary compensation is regularly evaluated and submitted to the board of directors for discussion.

(ii) Managers' remuneration

The company's manager salary policy is based on the company's overall salary in the market positioning, industry salary survey results, and based on comprehensive considerations such as the responsibilities of managers, personal performance, company operating performance, and future risks, including fixed salary. , Supervisors, fueling subsidies, allowances, bonuses, year-end bonuses, and employee compensation.

The setting of personal salary and compensation for managers shall be handled in accordance with relevant regulations of the company, and the salary and compensation committee shall regularly assess the reasonableness of salary and compensation.

## 4. Corporate Governance Practices

### (1) Board of Directors Operation Status

In the last year, board meetings were held 9 (A) times. The directors and supervisors' attendance status is as follows:

Title	Name	Number of actual attendee (B)	By Proxy	Actual attendance (participation) rate (%) 【B/A】	Note
Chairman	Shen Yuan Investment Co., Ltd. Representative : Henry C. T. Ho	4	100%	100%	Term of Office: 2014.06.18 ~ 2017.16.17
	Mao Sheng Investment Co., Ltd. Representative : Henry C. T. Ho	5	100%	100%	Term of office: 2017.06.16 ~ 2020.06.15
Vice Chairman	Shen Yuan Investment Co., Ltd. Representative : Shu-Chau Wang Ho	9	0	100%	None
Director	Shen Yuan Investment Co., Ltd. Representative : George Y. S. Ho	4	100%	100%	Term of Office: 2014.06.18 ~ 2017.16.17
	Mao Sheng Investment Co., Ltd. Representative : George Y. S. Ho	5	100%	100%	Term of office: 2017.06.16 ~ 2020.06.15
Director	Shen Yuan Investment Co., Ltd. Representative : Hui-Ming Wu	9	0	100%	None
Director	Episil Holding Incorporation Representative : Chih-Ming Huang	9	0	100%	None
Director	Taiwan Zhi Di Co. Ltd Representative : Chao-He Lin	9	0	100%	Newly appointed on 2017.06.16
Director	Liang Cheng Investment Co., Ltd. Representative : Pao-He Chen	9	0	100%%	None
Director	Yen-Liang Ho	9	0	100%	None
Independent Director	I-Chi Liu	8	1	88.89%	None
Independent Director	Chuang-Hsi Chang	9	0	100%	None
Independent Director	De-Ming Liu	5	0	100%	

Supervisor	He Zhao Investment Co., Ltd. (note 1) Representative : Yuan-Yu Ke	2	0	50%	Term of Office: 2014.06.18 ~ 2017.16.17 (Dismissal at the end of term on 2017.06.16)
Supervisor	Taiwan Zhi Di Co. Ltd Representative : Chao-He Lin	4	0	100%	Term of Office: 2014.06.18 ~ 2017.16.17 (Dismissal at the end of term on 2017.06.16)

Other matters that should be recorded:

1. During operations of the Board of Directors, the meeting date, period, content, qualified opinion and resolution made by any independent director should be specified if it is according to any of the following situations:
  - (1) Resolutions stated in Securities and Exchange Act §14-3: None happened in the current fiscal year.
  - (2) Except for the matters stated above, other resolutions by the Board of Directors opposite or reserved by the independent directors that are recorded or stated in paper: None happened in the current fiscal year
  - (3) 1. The 5<sup>th</sup> meeting of the 23<sup>rd</sup> board on 2017.12.18:
    - i. It is proposed to lease part of the plant and office of the company's Kaohsiung Plant to Far Eastern Steel Enterprise Co., Ltd. for discussion.  
 Opinion from Chuang-Hsi Chang independent director:  
 After investigating the land leasing market in the Central Industrial Zone, it is about 250-350 dollars per Ping per month depending on the location conditions, the rental price in this case should be fair and reasonable; the plant and office are currently idle, and the leased assets can increase income.  
 [Response on the opinions of independent director from the Company]  
 In this case, the chairman, vice chairman and director Chih-Ming Huang avoid the benefit according to the law and did not participate in the discussion and voting. The independent chairman of the board of directors I-Chi Liu presided over the discussion and voting of the case. The remaining attended directors passed without objection.
    - ii. Work report by audit office  
 Opinion from I-Chi Liu independent director:  
 In response to the company's upcoming self-assessment of directors, "Does the directors really assess and supervise the existence or potential risks of the company? Do the directors discuss the implementation and follow-up status of the internal control system?" Please ask the Audit Office to report on this topic at the next board meeting.  
 [Response on the opinions of independent director from the Company]  
 Chairman's deed: Please ask the audit office to submit a report at the next meeting according to the recommendations made by independent director Liu.
  2. The 2<sup>nd</sup> meeting of the 23<sup>rd</sup> board on 2017.07.10:  
 The company engaged in derivative commodity transaction and related profit and loss assessment report.  
 Opinion from De-Ming Liu independent director:  
 It is proposed to add three columns to the "Derivative Goods Profit and Loss Assessment Form" to convert the nominal capital to the total amount involved, and collect the relevant amount of the forward foreign exchange and the option assessment date respectively (based on delta conversion into Jordan futures Foreign exchange position) and total derivative goods risk amount (with direction), for reference to the board of directors for decision-making and evaluation.

[Response on the opinions of independent director from the Company]

Chairman's deed: Please ask the finance and accounting department to apply according to De-Ming Liu independent director.

2. In the implementation of the avoidance of the interest-related bills, the directors should clarify the names of the directors, the contents of the bills, the reasons for avoiding the benefits, and the participation in voting.
  - (1) The 1<sup>st</sup> meeting of the 23<sup>rd</sup> board on 2017.06.16: In the discussion on the remuneration of the 1<sup>st</sup> Audit Committee of the Company, three independent directors including Chuang-Hsi Chang, I-Chi Liu, and De-Ming Liu, who served as auditors, evaded participation in the interests according to law, and the remaining attended directors passed without objection.
  - (2) The 1<sup>st</sup> meeting of the 23<sup>rd</sup> board on 2017.06.16: In the case of the appointment of the members of the 3<sup>rd</sup> Remuneration Committee of the Company, two independent directors including Chuang-Hsi Chang and I-Chi Liu were resigned from the discussion due to the interests of the two independent directors as compensation committee members, and the remaining attended directors passed without objection.
  - (3) The 2<sup>nd</sup> meeting of the 23<sup>rd</sup> board on 2017.07.10: Chi-Yuan Huang and Jin-Cheng Ho were appointed as consultants of the Company. Director Chih-Ming Huang is the son of Chi-Yuang Huang and Yan-Liang Ho is the son of Jin-Cheng Ho. According to the law, the interests of the company were not involved in the discussion. The other attended directors passed without objection.
  - (4) The 2<sup>nd</sup> meeting of the 23<sup>rd</sup> board on 2017.07.10: In the donation case of the Dong Ho Steel Culture Foundation, the chairman of the foundation, Henry C. T. Ho was the spouse of the deputy director Yi-Wen Wang Ho, and Shu-Chau Wang Ho, the vice chairman of the foundation, served as the chairman of the foundation and evaded the interests according to law. The independent chairman of Chuang-Hsi Chang acted as the chairman to discuss the case and voting; Except for the directors mentioned above who evaded their interests, and the remaining attended directors passed without objection.
  - (5) The 5<sup>th</sup> meeting of the 23<sup>rd</sup> board on 2017.12.18: We leased part of the company's Kaohsiung plant and offices to the Far East Iron and Steel Enterprise Co., Ltd. Case, Henry C. T. Ho is the chairman of the board of directors of Far East Iron and Shu-Chau Wang Ho as deputy chairman, Chih-Ming Huang served as directors and supervisors of Far East Steel, respectively, and evaded the interests according to law. The independent chairman of I-Chi Liu acted as the chairman to discuss the case and voting; Except for the directors mentioned above who evaded their interests, and the remaining attended directors passed without objection.
3. The objectives of strengthening the functions of the board of directors during the year and the most recent year (such as setting up an audit committee, improving information transparency, etc.) and performance assessment:
  - (1) Set up the audit committee on 2017.06.16
  - (2) The 5<sup>th</sup> meeting of the 23<sup>rd</sup> board passed the Board of Directors performance evaluation on 2017.12.08, and was disclosed on the company's website, annual report, and public information observing stations according to regulations; and the performance evaluation of the board of directors will be conducted from 2017 onwards, and the results of the evaluation will be reviewed by the 3<sup>rd</sup> meeting of the 3<sup>rd</sup> Remuneration Committee on 2018.03.20, and submit the report of the 6<sup>th</sup> meeting of the 23<sup>rd</sup> board on 2018.03.22 for review and improvement.

(note 1): Renamed as a company limited by 2017.04.01.



## (2) Operation of the Audit Committee

The Company set up the Audit Committee on 2017.06.16 replacing supervisors, in 2017 fiscal year the audit committee meetings were held 4 (A) times. The independent directors' attendance status is as follows:

Title	Name	Attendance in person (B)	Delegate attendance number	Attendance rate (%) (B/A)	Note
Independent director	I-Chi Liu	4	0	100	None
Independent director	Chuang-Hsi Chang	3	1	75	None
Independent director	De-Ming Liu	4	0	100	None

### Other matters that should be recorded:

#### 1. If one of the following circumstances occurs during the operation of the audit committee, the date, period, the contents of the proposal, the resolution of the audit committee and the company's handling of the audit committee's opinions should be clarified:

- (1) Items listed in Article 14 of the Securities Exchange Act: None.
- (2) Except for the matters listed above, other matters that were not approved by the audit committee and agreed by more than two-thirds of all directors: None
- (3) The 1<sup>st</sup> meeting of the 1<sup>st</sup> audit committee: on 2017.07.05: Audit Office Work Report  
Opinion from Audit committee:  
It is recommended that the Audit Office will report the situation in the case of uncompleted audits in the past.  
[Response on the opinions of the audit committee from the Company]  
Chairman's deed: Audit office please execute the recommendations according to the audit committee

#### 2. In the case of an independent director's implementation of the avoidance of the interest resolution, the name of the independent director, the content of the proposal, the reason for the avoidance of the interest, and the participation in the voting shall be clarified:

- (1) The 1<sup>st</sup> meeting of the 23<sup>rd</sup> board: The remuneration review of the 1st Audit Committee of the Company, three independent directors Chuang-Hsi Chang, I-Chi Liu, and De-Ming Liu acted as auditors, evaded participation in the interests according to law, and the remaining attended directors passed without objection.
- (2) The 1<sup>st</sup> meeting of the 23<sup>rd</sup> board: The appointment of the members of the 3<sup>rd</sup> remuneration committee of the Company, two independent directors Chuang-Hsi Chang, I-Chi Liu acted as compensation committee members, evaded participation in the interests according to law, and the remaining attended directors passed without objection.

#### 3. Communication between independent directors, internal audit supervisors and accountants (should include major events, methods, and results in communicating with the company's financial and business conditions):

##### (1) Communication between independent directors and accountants:

The company's certified accountants communicated with the independent directors regarding the financial reports of the company and its subsidiaries from time to time. The communication went well and the related matters were all achieved through full communication and consensus.

##### Summary of previous communication situations:

- i. 2017.03.27: For the 2016 annual financial statements, the independent directors suggested the fourth part of the sixth paragraph of the accountant liability section of the Individual and Consolidated Financial Statements Opinions Opinion Section to be amended. After communicating with the accountants, the accountants agreed to amend the 2016 Individual and Consolidated Financial Reports Review Segment.
- ii. 2017.05.05: KPMG has changed its financial certified accountant since the first quarter of 2017 due to its internal position rotation policy. The new certified accountant held a discussion on 2017.05.05 and communicated and exchanged opinions with all directors and supervisors of the company.
- iii. 2017.07.05: The audit committee and certified accountant conducted the Kick-off Meeting of the

2<sup>nd</sup> quarter 2017 financial report.

- iv. 2017.08.11: The certified accountant communicated with the Audit Committee on the review of consolidated financial statements for the 2<sup>nd</sup> quarter of 2017.
- v. 2017.11.07: The certified accountant communicated with the Audit Committee on the review of consolidated financial statements for the 3<sup>rd</sup> quarter of 2017.

**(2) Communication between independent directors and internal audit:**

The company's internal audit supervisor regularly sends the relevant information of the internal audit verification report to the independent director for review. The independent directors provide guidance to the internal audit unit through this communication mechanism. In addition, the head of internal audit attends the board of directors and conducts business reports.

**Summary of previous communication situations:**

- i. 2017.02.07: In January 2017, the auditing executive report, independent directors and supervisors had no opinion on the contents of the report.
- ii. 2017.03.27: The Auditing Business Implementation Report for February and March 2017 and the 2016 Internal Control Self-Assessment Implementation Results Report, the independent directors and supervisors have no opinion on the contents of the report.
- iii. 2017.04.25: In the March-April 2017 audit report, the independent directors and supervisors did not have any opinion on the contents of the report.
- iv. 2017.07.05: The Audit Committee conducted an audit report on the audit of the company from May to June 2017. Independent directors did not have any opinion on the content of the report.
- v. 2017.08.11: The Audit Committee conducted the July 2017 auditing executive report, and the independent directors had no opinion on the contents of the report. The independent directors also learned about the manpower allocation in the auditing department and the tracking of the missing audits. The auditor's office had explained the problems raised by the independent directors in detail.
- vi. 2017.11.07: The Audit Committee conducted the report on the execution of the auditing business from August to October 2017. Independent directors did not have any opinion on the content of the report. The independent directors made suggestions on the contents of the report of the 2018 audit plan. The Audit Office submitted the resolutions of the Board of Directors after amending the 2018 audit plan.
- vii. 2017.12.18: The audit committee performed the audit report of the execution of the business in November 2017. Independent directors did not have any opinion on the content of the report.

**(3) Participation of supervisors in Board of Directors' operation**

In the year 2017, board meeting were held 4 (A) times. The supervisors' attendance status is as follows:

Title	Name	Attendance in person (B)	Delegate attendance number	Attendance rate (%) (B/A)	Note
Supervisor	He Zhao Investment Co., Ltd. (note 1) Representative: Yuan-Yu Ke	2	0	50	Term of office: 2014.06.18~2017.06.17 (2017.06.16 Dismissal at the end of term)
Supervisor	Taiwan Zhi Di Co. Ltd. Representative : Chao-He	4	1	100	Term of office: 2014.06.18~201

	Lin				7.06.17 (2017.06.16 Dismissal at the end of term
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**Other matters that should be recorded:**

**1 The composition and duties of the supervisor:**

- (1) Communication between the supervisor and the company's employees and shareholders (e.g. communication channels, methods, etc.): The supervisor has an office in the company and communicates well with employees and shareholders.
- (2) Communication between supervisors, internal audit supervisors and accountants (for example, matters concerning the company's financial and business conditions, methods and results, etc.):
  - i. The audit supervisor of the company shall be present in the board of directors, at least once every quarter to conduct the audit work report, and submit audit reports and supervisors to obtain relevant audit opinions.
  - ii. When the supervisor has doubts about the financial report of the company, he or she can communicate with the treasurer and the accountant in person or over the telephone.

**2. If the supervisor attends the board of directors, he or she should state the date, period, the contents of the resolution, the resolution of the board of directors, and the company's handling of the opinions expressed by the supervisor: None occur in the current year.**

(Note 1): Renamed as Corporation Limited on 2017.04.01

**(4). Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice for TWSE/TPEX Listed Companies”**

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?		✓	<p>The company did not establish corporate governance principles however, the company does comply with the spirit of the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" for its operations :</p> <p>(1) The Company complied with the spirit of the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and formulated and disclosed the following regulations on its website: Board Conference Rules, Critical Internal Material Information Processing Procedures, Ethical Code of Conduct for Directors, Supervisors and Managers, Ethical Corporate Management Principles, and Corporate Social Responsibility Best Practice Principles.</p> <p>(2) This company has established an effective internal control system based on its company's overall operation activities, and will conduct review when necessary to respond to the company's internal and external environment changes as well as ensure that the system design and execution remain effective.</p> <p>(3) Major financial business practices such as acquisition or disposition of assets, fund lending, and guarantee endorsements must be processed pursuant to the relevant laws and regulations. Formulate "Asset Acquisition or Disposition Handling", "Fund Lending", "Guarantee Endorsement", and "Derivative Transaction Processing" related procedures; and submit these procedures at shareholders' meetings for approval to safeguard the</p>	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>shareholders' rights.</p> <p>(4) According to Article 29, Item 5 of the "Listed Outstanding Corporate Governance Practices", the assessment of the independence and the adequacy of the appointment of an accountant shall be conducted at least once a year.</p> <p>(5) According to Article 39 of the Code of Practice for Corporate Governance of Listed OTC Companies, during the term of office of the directors, they shall be liable for the purchase of liability insurance in accordance with the legal liability for the scope of their business. In 2017, the Board of Supervisors and major staff liability insurance were put on record by the 4<sup>th</sup> meeting of the 23<sup>rd</sup> report on file on 2017.11.13.</p>	
<p>2. The Company Stock Equity Structure and Shareholders' Rights</p> <p>(1) Did the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly?</p> <p>(2) Does the company have in possession the list of major shareholders that have actual control over the company as well as the list of major shareholders with final control?</p> <p>(3) Did the company establish and execute risk control mechanism for affiliates, and firewall methods?</p>	✓		<p>(1) The company has appointed a spokesperson and deputy-spokesperson to announce and publicize important information and handle and respond to the inventor's suggestions. A special contact window has been set up for various types of external stakeholders, and is announced on the company's website. It accepts notifications, suggestions, complaints and reports against the company, and instructs special personnel to handle and reply.</p> <p>(2) The company has commissioned stock transfer agencies to handle the company's shareholder services and assigned dedicated personnel to taking charge of declaration processing and gathering relevance.</p> <p>(3) Guarantee endorsement and financing for affiliated enterprises are subjected to strict internal regulations. It also</p>	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?			<p>has a "Measures for the Management of Related Party Transactions" to improve the company's financial business dealings with related companies and prevent irregular transactions or inappropriate interests transfer.</p> <p>(4) The company has a Ethical Code of Conduct for Directors and Managers to prohibit anyone from using undisclosed information to engage in the transaction of marketable securities, and regularly conduct internal trading related laws and regulations</p>	
<p>3. The Board of Directors ‘compositions and responsibilities</p> <p>(1) Does the Board of Directors establish diverse goals based on its member compositions and realize such goals?</p> <p>(2) Does the Company voluntarily establish other functional committees in addition to compensation committee and audit committee?</p> <p>(3) Does the Company have Board of Directors performance assessment guidelines and assessment methods in place and perform the assessments periodically on a yearly basis?</p> <p>(4) Does the company evaluate the independence of CPAs on a regular basis?</p>	✓		<p>(1) The nomination and selection of the members of the board of directors of the company is based on the provisions of the company's articles of association. The candidate nomination system is adopted. According to the company's operation pattern and development plan, the members of the board of directors shall have a diversity of related to the steel industry, management, accounting and finance expertise to ensure the diversity and independence of board members.</p> <p>Members of the board of directors have extensive experience in related industries. There are female members in the membership and highly qualified management and management; other directors have relevant professional backgrounds, which are longer than leadership decisions, operational judgments, operations management, financial analysis, crisis management, production and sales, and unique industrial professionals and international markets. The eleven directors include three independent directors to ensure the independence of the board of directors; the independent directors have their</p>	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>own special talents, including Master of Accounting Institute, Doctor of Law-Economics-Social Sciences, Doctor of Economics, etc., with professional academic background and including accountants. , practical experience in related fields such as management and financial analysis, and implementing the diversity policy of the board of directors of the company.</p> <p>The Board of Directors of the Company already possesses the necessary professional knowledge, skills and qualities necessary for performing its duties. With diversified backgrounds and practical experience, it continuously strengthens the Company's governance and operation effectiveness. The board member diversity policy has been disclosed on the company website.</p> <p>(2) The Compensation Committee was set up on 2011.12.21. And the Audit Committee will be set up at 22<sup>nd</sup> board in June 2017 and has been in line with the current company needs, there is no other type of functional committee settings.</p> <p>(3) The Company determined the method for assessing the performance of the board of directors on the 5<sup>th</sup> meeting of the 23<sup>rd</sup> board on 2017.12.18 (please refer to page 38). Each year, an internal board performance appraisal is performed, and an external professional independent agency or team of external experts and scholars may be commissioned to perform assessments as required; and the company website, annual report, and public information observing stations are disclosed as required.</p> <p>Starting from 2017, we will implement the performance evaluation of the board of directors. The evaluation of the</p>	

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>board members' assessment self-assessment covers six major aspects: the company's objectives and tasks, the recognition of directors' responsibilities, the degree of participation in the company's operations, the internal relationship management and communication, and the professionalism and continuity further education and internal control of the directors. The evaluation of the board's self-evaluation of performance appraisal covers five major aspects: the degree of participation in the company's operations, the improvement of board decision-making quality, the composition and structure of the board of directors, the selection of directors, continuous education, and internal control.</p> <p>The results of the 2017 Board of Directors performance evaluation are “beyond the standard”. The overall performance of the board of directors of the Company meets the corporate governance requirements of the competent authority and related regulations. After being submitted to the salary and compensation committee for review, the report of the board of directors in March 2018 and the shareholders' meeting in 2018 will be submitted.</p> <p>(4) The Company evaluates the independence and the compliance of an appointed accountant once a year according to the “Code of Practice for Listed Companies’ Corporate Governance”:</p> <ol style="list-style-type: none"> <li>i. Certified accountants report to the Audit Committee on a quarterly basis for review/checking and independence compliance.</li> <li>ii. The regular rotation of certified accountants took place. Starting from the first quarter of</li> </ol>	



Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>2017, the company's financial visa accountants were replaced by Ci-Hui Li Certified Public Accountants and Hui-Zhi Yan Accountants as Hui-Zhi Yan Accountant and Xin-Yi Guo Accountant.</p> <p>iii. Certified accountants issue independent declaration letters each year.</p> <p>iv. With reference to the appraisal project established by the ROC Certified Public Accountants' Code of Ethics and Ethics Bulletin No. 10 “Integrity, Impartiality, Objectivity and Independence” and Article 47 of the Accountants Law, the Finance and Accounting Department initially evaluates the independence and the competence of the 106-year visa accountants and submits the evaluation reports. After discussion by the Audit Committee, it was passed by the 6<sup>th</sup> meeting of the 23<sup>rd</sup> board on 2018.03.22.</p>	
4. As a TWSE/TPEX listed company, does the Company have set corporate governance (concurrent) unit or personnel in responsible for the concerned affairs (including but not limited to offering necessary materials for the directors and supervisors, executing matters pursuant to board of directors' resolutions, executing the corporate registration and change of registration, proceedings for the board of directors and	✓		The Company's Management Department is responsible for corporate governance	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
shareholder meetings and so on )				
5. Does the Company establish communication channels and dedicate section for stakeholder ( including but not limited to the shareholders, employees, clients and suppliers ) on its website to respond to important issues of corporate social responsibility concerns?	✓		<p>The Tung Hong Steel Enterprise Co., Ltd. valued the rights and interests of the related persons, set up public relationship division for them to get the direct communications. Besides offering CSR management information about the Company, it continued to review and improve its CSR performance by understanding the issues concerned by the related parties.</p> <p>(1) The external interest parties include the shareholders, clients, distributors, suppliers, contractors, government agencies, media, residents in local community, steel industry peers and so on. The Company has the designated contact channel which is announced on the Company’s official website and can accept the notifications, suggestions, appeals and reports and has a designated person to handle and respond to them.</p> <p>(2) The internal interest parties include the employees, directors, supervisors and managers , noted that the Company has set up separate appeals channels on the website for different interest parties. In order to maintain the employee’s rights and interests. avoid others improper infringement of the interests of the company, the employees can use letters by paper or email, oral report face-to-face or by telephone to the dividend supervisors or the management departments of each works for appeals and report.</p> <p>(3) Internal and External email for appeals:</p> <ul style="list-style-type: none"> <li>i. <a href="mailto:tungho@tunghosteel.com">tungho@tunghosteel.com</a></li> <li>ii. Independent Director Public Message Box <ul style="list-style-type: none"> <li>1. I-Chi Liu: <a href="mailto:617ycliu@gmail.com">617ycliu@gmail.com</a></li> <li>2. Chuang-Hsi Chang: <a href="mailto:drachang@livemail.tw">drachang@livemail.tw</a></li> <li>3. De-Ming Liu: <a href="mailto:dmlieu@hotmail.com">dmlieu@hotmail.com</a></li> </ul> </li> </ul>	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			The company's website sets up a stakeholder consultation and appeals window in the stakeholder area and provides a contact window for various stakeholders: <a href="http://www.tunghosteel.com/csr/investment">http://www.tunghosteel.com/csr/investment</a>	
6. Does the company commit a professional shareholder service agency to deal with shareholder affairs?	✓		The company has commissioned professional stock agencies to handle matters related to the shareholders' meeting: Stock agency: Stock Agent Department, Yuanta Securities Co., Ltd. Address: B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 10366 Website : <a href="http://www.yuanta.com">www.yuanta.com</a> TEL : (02)2586-5859	No difference
7. Disclosure of information (1) Does the Company set up website to disclose financial operations and corporate governance information? (2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesperson system, the legal entities announcements uploaded to website, etc.) to disclose information?	✓		(1) In addition to disclosure of financial and business information on the Market Observation Post System as requested by law, the Company has dedicated an investor service section on its website ( <a href="http://www.tunghosteel.com">http://www.tunghosteel.com</a> ). (2) The company has established an English website, designated a spokesperson and deputy-spokesperson, formulated the "Company Spokesperson Statement Measures", disclosed company financial and business information on the Market Observation Post System and implemented the spokesperson system.	No difference
8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and	✓		(1) The Company's website has the investors section and Corporate Governance section to disclose crucial company codes, financial, business and corporate governance information as well as status of implementation.	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company’s directors and supervisors)? ?			<p>(2) The company has formulated Management Regulations for Transactions with Related Parties. Each related party and the Company have complied with such regulations and recused from matters of conflict of interests.</p> <p>(3) Directors must implement the continuing education as needed and will be disclosed on the Market Observation Post System.</p> <p>(4) The company has a systematic approach for collecting, analyzing and integrating business information pertaining to exchange rates, market situations and the economic environment and for formulating necessary strategies. Furthermore, the company convenes meetings to track and review such information to effectively identify risks so that necessary response measures can be taken.</p> <p>(5) The company has purchased liability insurances for directors and supervisors to reduce and disperse the risks of directors or supervisors from causing major damages to the Company and its shareholders due to their illegal actions.</p> <p>(6) Please reference the operations overview section of the annual report for related comments on labor and supplier relations</p>	
<p><b>9. Explanations about the improvement on the result of Corporate Governance Evaluation announced by the Corporate Governance Center of Taiwan Stock Exchange in the most recent years and giving priority measures to matters which have not yet been improved</b></p> <p>Explanations on the evaluation index that the Company has not gained the marks but has strengthened the improvement according to the result of the 4th Corporate Governance Evaluation will be shown as follows:</p> <p>(1) Index 3.7 : Does the company disclose the opinions of independent directors on the major proposals of the board of directors in the annual report and disclose the opinions of the independent directors?</p> <p>Improvement measures: In the Annual Report of the 2017 Shareholders' Annual Report on Corporate Governance Operations, the eleventh term of “Corporate Resolutions of Shareholders' Meetings and the Board of Directors” in the “Correspond Year and Date of Publication of the Annual</p>				

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>Report of the Company” and state the timing of each board meeting.</p> <p>(2) Index 3.16 : Does the company determine the policy of diversification of board members and disclose the implementation of the diversity policy in the annual report and company website?</p> <p>Improvement measures: The policy of diversification of the board of directors of the company has been disclosed on the company's website. In the second schedule of the 2017 annual report of the annual shareholders’ meeting, “The Differences and Causes of Corporate Governance Practices and Corporate Governance Practices with Listed Owned Companies”. It supplements the policy and implementation of the diversity of the board of directors of the company.</p> <p>(3) Index 3.30 : Does the company's board assess the independence of visa accountants on a regular basis (at least once a year) and disclose the assessment procedures in the annual report?</p> <p>Improvement measures : The Company has assessed the independence and the adequacy of the appointment of an accountant once a year in accordance with the "Code of Practice for Listing Companies in the Mainland"; In the Second Schedule of the 2017 Annual Report of the Annual General Meeting of Shareholders, “The Differences and Causes of Corporate Governance Practices and the Code of Practice for Corporate Governance with Listed Owned Companies” supplements the rules, procedures and evaluation criteria for evaluating the independence of the company’s accountants.</p> <p>(4) Index 5.12 : Is the company established and detailed on the company's website to expose the company's internal and external personnel's reporting system for illegal (including corruption) and unethical behavior?</p> <p>Improvement measures : The Company has disclosed in Article 10 of the Code of Ethics and Conduct for Directors and Managers that employees are encouraged to inspect sufficient warrants when they discover that a director or manager has violated laws and regulations or this Code of Ethics and report to the directors, members of the audit committee, managers, internal audit supervisors, or the heads of management departments will be rewarded after the case is confirmed to be true.</p>				

## **Board performance appraisal methods**

- Article 1 In order to implement corporate governance and enhance the functions of the board of directors of the company, establish performance targets to enhance the efficiency of the board of directors' operations, these measures are stipulated to be followed.
- Article 2 The performance appraisal methods of the board of directors of the company, the main evaluation cycle, assessment period, scope and method of assessment, evaluation of the implementation units, assessment procedures and other matters that should be followed should be handled in accordance with the provisions of these Measures.
- Article 3 The company shall implement internal board performance appraisal at least once a year and may, as required, be commissioned by an external professional independent agency or external expert scholar team to perform the assessment.
- Article 4 The scope of the assessment of the board of directors of the company includes the performance assessment of the overall board of directors and individual board members.
- The method of assessment may include self-assessment of board members, internal self-assessment of the board of directors, appointment of external professional bodies, team of experts and scholars, or other appropriate means.
- Article 5 The salary compensation committee of the company is the deliberative unit of the performance evaluation of the board of directors.
- Article 6 At the end of each year, the board of directors' affairs office collects information on the board's activities and issues the "Board Member Self-Assessment Questionnaire" (Annex 1). After the questionnaires are collected, they are evaluated according to the evaluation indicators of Article 8 and the assessment results are calculated according to the provisions of Article 9 and submitted to the "Payment and Remuneration Committee" for review together with the "Board Performance Appraisal Self-Assessment Questionnaire" (Annex 2). The results of the evaluation review shall be submitted to the board report last held as a basis for review and improvement.
- Article 7 If the company arranges an external evaluation agency or external expert scholar team to perform the performance evaluation of the board of directors, the following instructions should be used as principles:
- i. The external evaluation agency is mainly responsible for undertaking the related organizations or management consultants related to the relevant education and training courses of the Board of Directors, as well as the promotion of corporate governance, and writing an external evaluation and analysis report.
  - ii. The team of external experts and scholars shall employ at least three experts or scholars in the field of board of directors or corporate governance to assess the performance evaluation of the company's board of directors and write an external assessment and analysis report.
- The results of the external assessment shall be submitted to the most recent report of the Compensation Committee and the Board of Directors.
- Article 8 The measurement project of the board's performance evaluation of the company should include at

least the following five major aspects:

- i. The degree of participation in the company's operations.
- ii. Improve the quality of the board's decision.
- iii. Board composition and structure.
- iv. The selection of directors and continuing education.
- v. Internal Control.

The measurement items for self-evaluation by board members should include at least the following six major aspects:

- i. The company's goals and tasks are mastered.
- ii. The cognition of directors' responsibilities.
- iii. The degree of participation in the company's operations.
- iv. Internal relations management and communication.
- v. Professional and continuous education of directors.
- vi. Internal Control.

The indicators for the performance evaluation of the board of directors should be based on the company's operations and needs and be suitable for the company to perform performance evaluation.

The standard of scores can be revised and adjusted according to the company's needs, and can also be weighted according to each measure.

Article 9 According to the “Board Member Self-Assessment Questionnaire” statistics collected in the evaluation procedures of Article 6 of this approach, the self-assessment result is “yes” and is the ratio of all measurement indicators:

- i. Those who measure 90% or more of the average achievement rate of the indicator are "beyond the standard."
- ii. If the average rate of metrics reached 80% or more but less than 90%, it is "conformity."
- iii. If the average rate of metrics is less than 80%, it is "not up to standard."

Article 10 When the board of directors of the company selects or nominates directors, the performance assessment results of individual directors should be taken as the reference for selection.

Article 11 This measure shall be disclosed on the company's website, annual report, and public information observation station.

Article 12 The present Measures shall be implemented after the resolution of the board of directors is passed, and the amendments will be the same.

Article 13 These Measures were promulgated and implemented on 2017.12.18.

## Annex I

### Dong Ho Iron & Steel Co., Ltd. Year 000 Directors Self-Assessment Questionnaire

Assessment	Result		Note
	Yes	No	
<b>A. Grasp the goals and tasks of the company</b>			
1. Do the directors understand the company's core values?			
2. Does the director have a clear understanding of all the company's strategic goals set by the board of directors?			
3. Do the directors understand the characteristics and risks of the company's industry?			
<b>B. Directors' responsibilities</b>			
4. Have the directors fully understood the statutory duties of the directors?			
5. Have the new directors understood their responsibilities and are familiar with the company's operations and environment?			
6. Will the directors abide by the confidentiality obligations in relation to internal company-related information obtained during the execution of the directorship?			
7. Whether the company's chairman or member of the board of directors or manager has not been prosecuted for violating the Securities Exchange Act, Corporate Law, Banking Law, Financial Holding Company Law, Commercial Accounting Law, or for committing corruption, malfeasance, fraud, breach of trust, misappropriation, etc. ?			
<b>C. The degree of participation in the company's operations</b>			
8. Is there more than 70% of the directors actually attending the board of directors (excluding the entrusted attendance)?			
9. Do the directors understand and read the meeting materials before the board of directors?			
10. Is it sufficient for the directors to invest in the relevant affairs of the board of directors?			
11. Do directors make effective contributions on the board of directors? For example, the motion proposes specific suggestions.			
12. When directors record the minutes of the meeting, will they read the contents of the records?			
13. Do the directors have a clear understanding of the company, the company's operating team and the industry to which the company			



Assessment	Result		Note
	Yes	No	
belongs?			
14. Do directors really assess and monitor the company's existence or potential risks? Do the directors discuss the implementation and follow-up status of the internal control system?			
15. Are the directors not concurrently serving as directors and directors of multiple companies?			
<b>D. Internal relationship management and communication</b>			
16. Is the interaction between the board of directors and the operating team good?			
17. Do directors have good communication with other directors?			
18. Does the director communicate with the certified accountant?			
<b>E. Professional and continuing education of directors</b>			
19. Do directors have the professionalism required for the decision-making of the board of directors?			
20. Does the director achieve the number of hours to be studied each year?			
21. Do directors continue to take courses in corporate governance?			
22. Do the directors continue to pursue multiple courses and strengthen their professional knowledge and skills?			
<b>F. Internal Control</b>			
23. If the director of the relevant resolution is in need of avoidance of directors' interests, does the director evade his own?			
24. Are directors effective in assessing and supervising the effectiveness of various internal control systems and risk management?			
25. Are the directors aware of and supervising the company's accounting system, financial status and financial reports, audit reports, and tracking situations?			

Assessment	Result		Note
	Yes	No	
Other matters that should be noted:			

## Annex II

### Dong Ho Iron & Steel Co., Ltd. Year 000 Board of Directors Performance Evaluation Self-Assessment Questionnaire

Assessment	Result		Note
	Yes	No	
<b>A. The degree of participation in the company's operations</b>			
1. Is the average number of directors actually present at the board meeting (excluding entrusted attendance) more than 70%?			
2. Is the attendance rate of shareholders meeting more than 1/2 of the directors present?			
3. Do the directors understand the content of the motion and discuss the active participation in the motion before the meeting?			
4. Is the interaction between the board of directors and the operating team good?			
5. Does the Board pay attention to the compliance of various laws and codes of practice?			
6. Are all directors making effective contributions on the board of directors?			
7. Does the board of directors promote the establishment of relevant corporate governance measures, support companies to participate in company assessments, and fully protect the interests of shareholders, etc., so as to enhance corporate governance?			
8. Do board members have a clear understanding of the company, the company's operating team, and the company's industry?			
9. Are directors actually assessing and monitoring the company's existing or potential risks? Does the board discuss the implementation and tracking status of internal controls?			
10. Does the director communicate and communicate with the visa accountant? (If there is a major adjustment in the implementation of the accounting communique or major adjustments in financial statements, a meeting must be held for discussion. At least two board meetings are invited by the board of directors each year to discuss the annual report and the semi-annual report in order to fully understand the company's financial status.)			
11. Has the company's chairman or board member or manager been prosecuted for violating the Securities Exchange Act, Corporate Law, Banking Law, Financial Holding Company Law, Commercial Accounting Law, or for committing corruption, misconduct, fraud, breach of trust, misappropriation?			

Assessment	Result		Note
	Yes	No	
12. Does the board of directors regularly and thoroughly review the management performance of the management team and give timely rewards and penalties?			
13. Can the board of directors fully and timely obtain the performance report of the company's operations and quickly grasp the unfavorable trends?			
<b>B. Improve Board Decision Quality</b>			
14. Does the board establish the company's core values and clearly set all the company's strategic goals?			
15. Does the board of directors meet more than six times a year?			
16. Is the information provided to the Board timely, in a certain format and quality, so that the Board can perform its duties?			
17. Does the minutes of the board of directors record the content of the discussions properly and properly record individual or collective reservations or concerns?			
18. Is the board discussion time sufficient?			
19. Is the discussion proposal submitted to the board resolution appropriate?			
20. 20. On the agenda of the Board of Directors, whether or not important topics are allotted appropriate discussion time and can be properly discussed?			
21. Does the Council provide a good communication channel and can communicate with independent directors properly?			
22. Is there any appropriate follow-up to the board meeting resolutions?			
23. If the relevant proposals are subject to the avoidance of directors' interests, will the directors evade them on their own or does the chairman actually ask the director to evade?			
24. Does the board of directors, board members, and functional committees perform performance assessments regularly and efficiently?			
<b>C. Board composition and structure</b>			
25. Has the board of directors set up independent directors and its number of people meets the relevant requirements?			
26. Do any of the independent directors of the company not concurrently held directors of more than three listed companies (including independent directors)?			

Assessment	Result		Note
	Yes	No	
27. Does the board establish a proper and sufficient functional board?			
28. Are existing functional committees capable of fulfilling their duties as appointed by the board of directors?			
29. Does the company establish a policy of diversification of board members based on the company's development needs?			
<b>D. Selection of Directors and Continuing Education</b>			
30. Are the procedures for selecting new directors stringent and transparent?			
31. Are all board members' elections based on the company board member diversity policy measurement?			
32. With regard to the current needs of the company, is the composition of the board of directors at this stage appropriate in terms of skills, knowledge and experience?			
33. Does the Board of Directors have appropriate instructions for the appointment of new directors so that the new directors understand their responsibilities and become familiar with the company's operations and environment?			
34. Does the director achieve the number of hours to be studied each year?			
35. Does the director continue to take courses in corporate governance?			
36. Is there a track record of formal director training hours and a continuous professional development plan that allows directors to strengthen their knowledge and skills?			
<b>E. Internal Control</b>			
37. Does the board of directors effectively assess and monitor the effectiveness of various internal control systems and risk management?			
38. Does the internal control system passed by the board of directors include five major elements/principles and covers all operational activities and control operations of the trading cycle?			
39. The company independently checks the effectiveness of the design and implementation of the internal control system each year. Has the board of directors issued a statement that the internal control system is in serious deficiency?			
40. Does the audit director of the company not attend the board of directors and submit an internal audit business report, and deliver the audit report (including the follow-up report) to the audit committee and independent			

Assessment	Result		Note
	Yes	No	
directors according to regulations?			
41. Is the composition of the audit committee appropriate?			
42. Is there at least one member of the Audit Committee with relevant financial experience?			
43. Are the terms of reference of the audit committee clear and appropriate?			
44. When accountants provide non-audit services, are the arrangements appropriate to ensure the objectivity and independence of the accountants?			
45. Does the directors of the board of directors understand and supervise the company's accounting system, financial status and financial reports, audit reports and their tracking?			
<p style="text-align: center;"><b>Other matters that should be noted:</b></p>			
<p style="text-align: center;">Chairman's assessment</p>			

**(5) If the company has established a remuneration committee, the committee's composition, duties, and operations must be disclosed**

**i. Remuneration committee member profiles**

ID	Condition Name	Does the person has over 5 years of working experiences and professional qualifications listed below			Status of Independence (Note 1)								Number of other public companies in which the member also serves as a member of their compensation committee	Note
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private tertiary education institute	Judges, prosecutors, lawyers, accountants or other professional and technical staff sought after the company that are required to pass national exams or obtain certificates	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chuang-Hsi Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	2017.06.16 Re-elected of the board
Independent Director	I-Chi Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	2017.06.16 Re-elected of the board
Others	Cheng-Ming Chu	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	2017.06.16 Re-elected of the board

Note 1: If any of the following conditions listed below apply to a member within 2 years before being elected or during the member's tenure, please write a "✓" in the open space under each condition code.

- (1) Not an employee of the company or its affiliates.
- (2) Non-company or its affiliated company director or supervisor. Independent directors for the company or its parent company and its subsidiary company, or set in compliance with the local rules and regulations are exempt.
- (3) They are not individual shareholders who hold shares, together with those held by their spouses, minor children or held under others' name, in an aggregate amount of more than 1% of the total outstanding shares of the Company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- (4) They are not spouses or relative within the second degree of kinship or lineal relative within the third degree of kinship, or any of the persons in the preceding three subparagraphs.
- (5) They are not directors, supervisors or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Company or ranks among the top 5 corporate shareholders in the terms of share volume held.
- (6) They are not directors, supervisors, managers or shareholders holding 5% or more shares of a

specific company or institution and who also have financial or business dealings with the Company.

(7) They are not professionals or owners, partners, directors, supervisors, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Company or to its affiliates.

(8) Not any of the circumstances in Article 30 of the Company Act.

## ii. Operation status information for the remuneration committee

(A) The Company's remuneration committee comprised 3 members

(B) Current term for the members: The term is from 2017.06.16 till the 23rd board of directors expires, and the most recent year and the 2018 annual report

Up to the print date, the remuneration committee has held 3 (A) meetings; member qualifications and attendance records are as follows:

Title	Name	Actual attendance number (B)	Delegate attendance	Actual Attendance Rate ( % ) (B/A)	Note
Convener	Chuang-Hsi Chang	3	0	100	Re-election for the board on 2017.06.16
Member	I-Chi Liu	3	0	100	Re-election for the board on 2017.06.16
Member	Cheng-Ming Chu	3	0	100	Re-election for the board on 2017.06.16

Other matters that should be recorded:

- 1.If the board meeting does not adopt or revise the remuneration committee's proposals, the board meeting's date, period, motion contents, and resolution decisions as well as the method in which the company handles the compensation committee's opinions shall be disclosed in detail (e.g. if the salary rate adopted by the board of directors is superior to that proposed by the remuneration committee, the differences and reasons shall be explained): None.
2. If there are objections or reservations by the members that have been recorded in writing during the remuneration committee resolution, the remuneration committee meeting's date, period, motion content, the opinions of all of the members, and treatment of the member's opinions must be disclosed in detail. None



## (6) The Implementation of corporate social responsibility (CSR) in the Company

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
1. Corporate governance implementation	✓			
(1) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?			(1) The company has established the Corporate Social Responsibility Best Practice Principles in 2015 and disclosed the Principles on its website following approval from the board of directors. The company will develop concrete plans and implement such plans according to the Principles.	(1) No difference
(2) Did the company provide social responsibility training on a regular basis?			(2) From 2015, the company has organized social responsibility training on a regular basis for departmental and plant employees involved in the implementation of CSR reports.	(2) No difference
(3) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?			(3) The Company established the CSR Promotion Group, the General Manager as the chairman of the group, Vice General Manager and Works Director as the vice chairman. Under the group, there are corporate governance, environmental sustainability, product responsibility, employee relations, social welfare total five sections, the related departments will have assess on the interest parties on a regular basis and provide regular reports to the board of directors. In order to ensure that the corporate social responsibility report of the company's public issuance complies with the "Procedures for the preparation and application of corporate social responsibility report for listed companies" and the requirements of the Global Responsibility Reporting Association, specially established "CSR verification team" to conduct internal verification operations, and fill in the "Corporate Social Responsibility Report Verification Record Form", according to which to implement follow-up improvement.	(3) No difference
(4) Did the company formulate reasonable remuneration policies, integrate employee performance appraisal systems with CSR policies and establish effective reward and punishment systems?			(4) The Company has established guidelines for remunerations, bonus and performance appraisal; regularly organizes employee performance evaluation to integrate employee performance with remuneration systems; and specifies rules for rewards and disciplines in work rules	(4) No difference

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<p>2. Development of Environmental Sustainability</p> <p>(1) Is the Company committed to improving the efficiency of the various resources or using recycled materials which have a low impact on the environment?</p> <p>(2) Did the Company establish an appropriate environmental management system based on its industry characteristics?</p> <p>(3) Did the Company monitor the impact of climate change on business operations implement greenhouse gas audit and formulate energy conservation and carbon reduction as well as greenhouse gas cutback strategy?</p>	✓		<p>(1) To promote twilight production and strive for environmental sustainability, the company's production of recycled scrap accounts for more than 90% of the total, which plays an important role in the value recycling cycle of iron resources. The ratio of waste recycling (recycling) in 2017 was 99.81%.</p> <p>(2) The company's plants have assembled designated units, invested in environmental protection-related tasks, continued to improve equipment facilities and select high-efficiency motor, enhanced the improvement of process energy consumption, and promoted multiple environmental management certifications (ISO 14001, ISO 50001, etc.). The plants have participated in the greenhouse gas reduction and guidance endeavors promoted by the Industrial Development Bureau, Ministry of Economic Affairs, using PDCA (Plan-Do-Check-Act) model to promote the continual improvement of environmental management plans.</p> <p>(3) To respond to global warming and effectively mitigate the impact of climate change, the company actively promotes energy conservation and carbon reduction. Implementation of the ISO 14064 GHG Gas Organization Inventory System, which identifies emission sources, establishes activity intensity data, emissions data, and sets out relevant management procedures for greenhouse gas inspections to calculate GHG emissions. The total GHG emissions in 2017 was 680,075 metric tons of CO<sub>2</sub>e, which was 3% higher than 2016 due to capacity adjustment. Total energy-saving and carbon reduction in 2017 was approximately 17,122 tons of CO<sub>2</sub>e.</p>	<p>(1) No difference.</p> <p>(2) No difference.</p> <p>(3) No difference</p>
<p>3. Safeguarding public welfare</p> <p>(1) Has the Company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p> <p>(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?</p>	✓		<p>(1) The company adheres to internationally recognized conventions for human rights and relevant labor laws and protects the legal rights and interests of its employees.</p> <p>(2) In addition to utilizing unions to express their opinions, employees could also provide feedback by using the company's mailbox or suggestion box for employees. Through these channels, the company collects employee feedback and suggestions and respond to them accordingly.</p>	<p>(1) No difference</p> <p>(2) No difference</p>

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?			(3) The company handles employee health checks that are better than the regulations each year, including general health checks and special job health checks, and monitors the operating environment to provide a health and hygiene working environment for colleagues. The occupational physicians use the health check report for health management statistical analysis. In addition to reminding colleagues of attention to follow-up diagnosis and treatment of abnormalities, and to plan next year's health promotion guidelines to assist employees in implementing self-care management and provide peers with comprehensive health care. Every year, we hold health talks from time to time. In 2017, we organize screening for oral cancer screening, influenza vaccine campaigns, CPR education and training courses, and drills and workplace violence education training classes.	(3) No difference
(4) Does the company have channels to communicate with employees on a regular basis, and inform them of operational changes that may be of a significant impact?			(4) The Company quarterly convenes employer-employee meetings and establishes positive employees-employer relations	(4) No difference
(5) Does the Company offer its employees effective occupational empowerment training programs?			(5) The company offers training project, builds a positive environment necessary for operational requirements and duty planning, and arranges career development project depending on occupational adaptability and career planning.	(5) No difference
(6) Does the company establish any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service?			(6) The Company ensures product and service quality in pursuant to relevant regulations and establishes a sound after-sales service channel.	(6) No difference
(7) Does the Company comply with applicable laws, regulations, and international guidelines in the marketing and labeling of products and services?			(7) The Company's products have passed verification standards of relevant certification organizations: i. CNS trademark certification from the Bureau of Standards, Ministry of Economic Affairs ii. Bureau of Standards, Ministry of Economic Affairs, product registration and certification records iii. ISO 9001 quality management system certification iv. ISO 14001 quality management system certification v. ISO 50001 quality management system certification vi. JIS MARK factory certification by Japanese Ministry of	(7) No difference

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<p>(8) Has the company evaluated the records of suppliers' impact on the environment and society before doing business with the supplier?</p> <p>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society ?</p>			<p>International Trade and Industry</p> <p>vii. British Lloyd's E.U. construction use steel material CE Mark certification</p> <p>viii. Australian Certification Authority for Reinforcing and Structural Steels hot-rolled steel product ACRS certification</p> <p>ix. American Bureau of Shipping ABS marine steel manufacturing certification</p> <p>x. Norway det Norske Veritas DNV marine steel manufacturing certification</p> <p>xi. German zulassungsbescheinigung GL marine steel manufacturing certification</p> <p>xii. French Bureau Veritas BV marine steel manufacturing certification</p> <p>xiii. British Lloyd's Register LR marine steel manufacturing certification</p> <p>xiv. Nippon Kaiji Kyokai Class NK marine steel manufacturing certification</p> <p>xv. Korea KSA KS hot rolled steel manufacturing certification</p> <p>(8) The company periodically assesses its supplier records as a basis for determining whether to continue cooperating with its suppliers</p> <p>(9) The Company is undertaking integration of green energy supply chain, such as encouraging suppliers to ensure both product quality and compliance with energy conservation and environmental protection regulations. In addition, the company motivates suppliers to value labor rights, build a safe and healthy work environment, and improve unfavorable labor conditions.</p>	
<p>4. Enhancing information disclosure</p> <p>(1) Has the company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the MOPS?</p>	✓		Has already established a website and disclosed the relevant information in accordance with the law and corporate social responsibility.	No difference.
<p>5.If the Company has established the 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 difference.</p>				

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
6.Other critical information to better understanding the corporate social responsibility practices:				
(1) The Company actively promotes social welfares and community participation through education sponsorship, arts and culture, academic scholarship, and donations. In 2017, the Company has made the following sponsors and donations:				
i. Participated in the Caoluo dune beach cleanup activity organized by Taoyuan City Environmental Education Cultural and Creative Association				
ii. Donated NT\$ 1 million to the Presbyterian Church in Taiwan in the Taiwan Heart Reconstruction Plan				
iii. Donated to Pingtungnese cappella orchestra training program (project period from 2015 to 2024)				
iv. In 2018, after the earthquake in Hualien 0206, Dong He Steel donated NT\$ 5 million to assist in disaster relief.				
v. Sponsored NT\$ 8.13 million to the Dong Gang Cultural Foundation and 15,362 kilograms of creative materials and approximately NT\$ 213,000 to international artists.				
vi. Donated NT\$ 500,000 for the Datong Elementary and Small Office and Teaching Equipment in Chiayi City				
vii. Sponsored community development and good neighbors NT\$ 1.93 million.				
viii. Donated Taoyuan 2017 Agriculture Expo installation art (including installation works), worth about NT\$ 1.13 million.				
ix. The donation and treatment of the steel carving art of the Ho Xin Cancer Center Hospital (including installation works) was worth about NT\$ 2.01 million.				
x. Donated 2017 Kaohsiung Formosa Sculpture Double Year Exhibition steel materials that worth about NT\$ 900,000.				
xi. Donation of Hualien's Agape House, the Xincheng Township Shelter Workshop, will require 9,579 kilograms of steel, worth approximately NT\$ 160,000.				
xii. In response to the KPAG “Happy Train to Let Love Spread” activity, the company responded to a visa auditor’s office and donated computers to remote digital centers and social welfare agencies, with an estimated value of NT\$ 60,000.				
(2) Taoyuan Plant passed the ISO50001 international environmental management certification.				
(3) Passed the recycling of green product certification.				
(4) Awarded "10-year member recognition" in "2017-2018 climate action certificates" issued by WSA (World Steel Association).				
(5) Continue participated in 2017 TCSA, Taiwan Corporation Sustainable Award, Corporate Sustainability Report (Traditional Manufacture Industry) Silver Award.				
7.If the company's product or corporate social responsibility report has passed the verification standards provided by the relevant certification organizations, the said product or report must be specified:				
The company plans to publish its first CSR Report 2016 in the year of 2017 and acquire the Third Party Fairs British Standards Institution (BSI) in accordance with GRI G4 Core Item and AA1000AS Type I Middle Guarantee degreed requested which have been disclosed on the Company's website.				

**(7) The integrity management status and measures adopted by the company**

Evaluation Items	Implementation Status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Descriptions	
<p>1. Establishment of integrity policies and solutions</p> <p>(1) Has the company declared its ethical corporate management policies and procedures in its rules and external documents, as well as the commitment of its Board of Directors and management to implementing the management policies?</p> <p>(2) Has the company established policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, and implemented the policies?</p> <p>(3) Has the company established appropriate precautionary measures for operating activities with higher risk of unethical conducts provided in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies or within its scope of business?</p>	✓		<p>(1) The company has established principles of integrity management. The company has also declared "integrity" as the company's operation motto on its website.</p> <p>(2) To prevent unethical conduct during business activities, the company has established stringent behavioral norms, ethical standards and regulations relating to appeal, reward and punishment systems in the company's "Board of Directors' Meeting Procedure", "Ethical Code of Conduct for Directors, Supervisors and Managers", "Critical Internal Material Information Processing Procedures" and "Work Rules"</p> <p>(3) The Company has formulated Employees' Job Rotation Guidelines and periodic rotation operating procedures for related duties have been promoted to prevent the occurrence of malpractices in any form. The company encourages its employees to report to the directors, supervisors, managers, internal audit directors, or director of management department, in the event that they discover or suspect violation of laws and regulations or standards of ethical conduct and provide sufficient evidence proving thereof. In 2016, no incidents of unethical conduct or related occurrence were reported.</p>	<p>(1) No difference</p> <p>(2) No difference.</p> <p>(3) No difference.</p>
2. Implementation of ethical corporate management	✓		(1) The company appoints its General manager's office to provide customer credit surveys during the company's external business activities and designates Legal Affairs Office to review and execute	(1) No difference.

Evaluation Items	Implementation Status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Descriptions	
(1) Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?			contract terms.	
(2) Did the company set up full (part) time corporate social responsibility promotional units that are affiliated with the board of directors, and do such units report to the board regarding the status of implementation?			(2) The General manager's office, Legal Affairs Office, Audit Office, and management unit of the company shall jointly promote the enterprise integrity management operations and supervision	(2) No difference.
(3) Did the company establish policies that prevent conflict of interests, provide appropriate channels for filing related complaints and implement such policies and channels?			(3) To prevent conflicts of interests, the company has incorporated conflicts of interest avoidance policies in its "Board of Directors' Meeting Procedure", "Best Practice Principles" and "Ethical Code of Conduct for Directors, Supervisors and Managers". The company has also provided channels for filing related complaints and implemented such policies and channels	(3) No difference.
(4) Did the company establish effective accounting system and internal control systems and designate its internal audit units or commission an accountant to regularly review such systems?			(4) The accounting system of the company is established and revised in accordance with international financial reporting standards and relevant international accounting standards. The implementation of the internal control system is subject to the self-assessment of the "self-assessment operating procedures of the internal control system" each year, the relevant audits will be carried out by the auditing office, and a declaration of the internal control system will be submitted to the board of directors each year.	(4) No difference.
(5) Did the company periodically provide internal and external training project on integrity management?			(5) The company occasionally promotes integrity management principles on its quarterly magazines or during major meetings and requests its employees to comply with such principles	(5) No difference.

Evaluation Items	Implementation Status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Descriptions	
<p>3. Operation of the company's whistle-blowing system</p> <p>(1) Did the company establish a specific whistle-blowing, reward and punishment system, set up a convenient complaint channel and assign designated personnel to handle the reported complaint?</p> <p>(2) Did the company establish standard operating procedures for investigating reported issues as well as relevant confidential mechanisms?</p> <p>(3) Did the company adopt measures for protecting the whistle-blower against improper treatment or retaliation?</p>	✓		<p>(1) The company has established complaint boxes at each of its plant. Employees can submit complaints through the complaint boxes or via email. Alternatively, employees can report to the directors, supervisors, managers, internal audit directors, or director of management department, in the event that they discover or suspect activities in violation of laws and regulations and provide sufficient evidence proving thereof. After such report has been confirmed to be true, the Company provided recognition according to relevant regulations. The company accepts complaints and reports on specific units or personnel. Upon investigation, if major violations are discovered or the company suffers significant damage, a report will be produced and the independent directors will be notified in writing.</p> <p>(2) The company records the reported event in writing and such event is investigated, handled and submitted as a report by relevant units</p> <p>(3) According to the nature of the reported case and the situation of the whistle-blower, the company adopts necessary protective measures for keeping the whistle-blower's identity confidential to protect the whistle-blower against retaliation.</p>	<p>(1) No difference.</p> <p>(2) No difference.</p> <p>(3) No difference.</p>
<p>4. Enhancing information disclosure</p> <p>(1) Did the company disclose the content and effectiveness of its integrity management principles on the company's website and the Market Observation Post System?</p>	✓		<p>(1) The company's "Best Practice Principles" is published on the company's website and the Market Observation Post System</p>	No difference.
<p>5. If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any discrepancy between the principles and their implementation: The company has established its own principles of integrity management based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies". There are no differences in the company's operation and the regulations specified in the code</p>				



Evaluation Items	Implementation Status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Descriptions	
6. Other critical information to better understanding the operation of the company's integrity management: (e.g., review/revision of the company's integrity corporate management principles) ) (1) The "Board of Directors' Meeting Procedure" clearly describes that a director shall recuse himself or herself when matters that involve his or her interests arise. If his or her participation is likely to damage the interest of the Company, the concerned person may not participate in discussion of or vote on the proposal and shall recuse himself or herself from the discussion or the voting. He or she may not exercise voting rights as a proxy for another director. The company's directors uphold a high level of self-discipline. If a motion involves the interests of the directors themselves, the directors shall adhere to the principles of recusal and abstain from participation. (2) The Company has established Critical Internal Material Information Processing Procedures, which mandates that the company's directors, supervisors, managers and employees shall exercise due administrative diligence and duty of loyalty, undertake business activities according to the procedures and may not disclose important internal information to other parties				

**(8) The Company has established corporate governance codes and related bylaws, their query methods shall be disclosed:**

The company and its subsidiaries did not establish corporate governance principles; however, the company does comply with the spirit of the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" for its operations. The company complied with the spirit of the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and formulated and disclosed the following regulations on its website: Board Conference Rules, Critical Internal Material Information Processing Procedures, Ethical Code of Conduct for Directors, Supervisors and Managers, Ethical Corporate Management Principles, and Corporate Social Responsibility Best Practice Principles. <http://www.tunghosteel.com>. Path: CSR/Corporate Governance).

**(9) The Company Critical information that can enhance the understanding of the company's corporate governance practices shall be disclosed:**

Operations relevant to the company and its subsidiaries' corporate governance and material information, for example: the company's crucial regulations, Board of directors nomination and election methods, continuing education of directors and supervisors, and key resolutions of the Board of directors are all disclosed on the company's website ( <http://www.tunghosteel.com>. Path: CSR/Corporate Governance).

**(10) The internal control system implementation status shall disclose the following matters:**

## i. Statement on Internal Control

Tung Ho Steel Enterprise Corporation

### Internal Control System Statement

Date: March 22, 2018

Based on the results of self-assessment, the company's 2017 internal control system hereby declares the following:

- 1、The company acknowledges that the company's Board of Directors and managers are responsible for the implementation and maintenance of the internal control system, and that the company has already established such a system. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.
- 2、Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- 3、The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitoring operations. Each component also comprised several items. Please refer to "Governing Regulations" for details.
- 4、The Company has already adopted the aforementioned internal control system judgment items to inspect the effectiveness of the internal control system design and implementation.
- 5、Based on the aforementioned evaluation results, the company believes that the design and execution of its December 31, 2017 internal control system (including those adopted for supervision and management of subsidiary branches) are effective in terms of understanding of operational effectiveness, level of efficiency fulfillment, financial reporting reliability, timeliness, transparency, and regulatory compliance-related internal control system items; and that the company can reasonably achieve the aforementioned goals.
- 6、This statement of declaration shall be the primary content of annual report and prospectus, and shall be made available to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act
- 7、This declaration statement has been authorized by the Board of Directors on March 22, 2018, and all nine attendees of the Board have approved the contents of the declaration statement.

Tung Ho Steel Enterprise Corporation

Chairman: Henry C.T. Ho

General manager: Henry C.T. Ho

ii. If the internal control system review is conducted by commissioned accountants, the said accountant review's report shall be disclosed: Not applicable

**(11) The company's major deficiencies improvement status for internal personnel who have received penalties for violating provisions provided by the internal control system in recent years and up to the publication date of this annual report: None**

**(12) Critical resolutions made during shareholders and Board of Directors' meetings in recent years and up to the publication date of this annual report:**

Date	Meeting No.	Critical resolution matters	Resolution status
2017 .02.07	The 21 <sup>st</sup> meeting of 22 <sup>nd</sup> board	<ol style="list-style-type: none"> <li>Through the company's replenishment Tung Ho Steel Vietnam Corp., Ltd. US\$16.5 million in a full discussion.</li> <li>Through the Company's application for an endorsement by the subsidiary Tung Ho Steel Vietnam Corp., Ltd. to apply for a renewal of US\$13 million credit line from the First Commercial Bank.</li> <li>Through the Company's application for an endorsement by Tung Ho Steel Vietnam Corp., Ltd., a subsidiary of the company, at Zhaofeng International Commercial Bank for the renewal of US\$15 million credit limit.</li> <li>Through the Company's application for an endorsement by Tung Ho Steel Vietnam Corp., Ltd., a subsidiary of South China Commercial Bank, for the renewal of the US\$25 million credit limit for the entire US dollar.</li> </ol>	Approved by all the attending directors with no dissenting opinion.
2017 .03.27	The 22 <sup>nd</sup> meeting of 22 <sup>nd</sup> board	<ol style="list-style-type: none"> <li>Through the company's 2016 staff remuneration and directors, supervisors' remuneration distribution, total staff remuneration amounted to NT\$ 44,173,294, and directors and supervisors' remuneration totaled NT\$ 35,338, 635.</li> <li>Through the company's 2016 individual financial statement.</li> <li>Adopted the 2016 consolidated financial statement of the company.</li> <li>With the company's 2016 earnings distribution statement, cash dividends of 1.3 yuan per share will be allocated.</li> <li>Adoption of amendments to the Articles of Association.</li> <li>Through the 2017 regular shareholders meeting of the company, the company held and accepted shareholders' proposal of holding more than 1% of shares and nominating candidates for directors.</li> <li>Through the Company's application for an endorsement by the subsidiary Fujian Dong Gang Iron &amp; Steel Co., Ltd. at Taipei Fubon Bank for the renewal of the US\$10 million credit limit.</li> <li>Through the company's application for an endorsement by Tung Ho Steel Vietnam Corp., Ltd., a subsidiary of the company, at Fubon Bank of Taipei for the renewal of the US\$37 million credit limit.</li> <li>Through the company's subsidiary Tung Ho Steel Vietnam Corp., Ltd. in Mizuho Bank, Ltd. Ho Chi Minh City Branch to apply for US \$ 20 million short-term credit limit of the endorsement case.</li> </ol>	Approved by all the attending directors with no dissenting opinion.
2017	The 23 <sup>rd</sup>	1. Through KPMG Certified Public Accountants Co., Ltd.	Approved by all

.04.2 5	meeting of 22 <sup>nd</sup> board	<p>due to the need of its internal rotation mechanism, it replaced the company's financial visa accountant report.</p> <ol style="list-style-type: none"> <li>2. We have passed our 2016 business report.</li> <li>3. Through the company's visa accountant's independence and suitability assessment.</li> <li>4. Passed the nomination of candidates for the 23rd Director of the Company (including independent directors).</li> </ol>	the attending directors with no dissenting opinion.
2017 .05.0 5	The 24 <sup>th</sup> meeting of 22 <sup>nd</sup> board	<ol style="list-style-type: none"> <li>1. The Company consolidated its financial report for the first quarter of 2017.</li> <li>2. Passed the 23rd Directorial Candidate List review.</li> <li>3. Restrictions on the prohibition of non-competition of the 23rd directors and their representatives were submitted to the resolution of the 106th ordinary shareholders' meeting.</li> <li>4. Set up the case through the "organizational rules of the audit committee."</li> <li>5. The company leased 9 plots of land in Guanyin District of Taoyuan City to Dong g\Gang Construction Engineering Co., Ltd. for discussion.</li> </ol>	Approved by all the attending directors with no dissenting opinion.
2017 .06.1 6	Shareholder's meeting	<p>Contents and implementation of important resolutions of the 2017 regular shareholders' meeting:</p> <ol style="list-style-type: none"> <li>1. Acknowledgments <p>(1) Passed the 2016 annual business report and financial statement.</p> <p>[Implementation situation]: The case was passed.</p> <p>(2) Passed 2016 earnings distribution.</p> <p>[Implementation]: The Company held a board of directors meeting on the resolution of the dividend distribution base date in 2017.07.10 after the company passed the surplus distribution in the 2017 regular shareholders meeting. The total number of cash dividends that the board of directors has resolved to issue is \$1,297,687,882, with a total of \$1.30 per share. The benchmark date for the ex-dividend was set on the 2017.08.12 date in the Republic of China and the dividend payment date was 2017.09.08.</p> </li> <li>2. Discussion items <p>(1) Amended the "Articles of Association" case.</p> <p>[Implementation situation]:</p> <p>The company was approved by the Ministry of Economic Affairs on the amendment of the bylaws on 2017.07.13 and announced on the company's website.</p> <p>(2) By amending the "Procedure for Funding and Operating Others".</p> <p>[Implementation Circumstances]: Revise the content of some articles and announce on the company's website.</p> <p>(3) Amend the "endorsement guarantee operating procedures" case.</p> <p>[Implementation Circumstances]: Revise the content of some articles and announce on the company's website.</p> <p>(4) Amend the "Acquisition or Disposition of Asset Handling Procedures" case.</p> <p>[Implementation Circumstances]: Revise the content of some articles and announce on the company's website.</p> <p>(5) Amendments to the "Procedure to deal with derivatives transactions".</p> <p>[Implementation Circumstances]: Revise the content of some articles and announce on the company's website.</p> </li> <li>3. Election matters: Through the director's overall reorganization.</li> </ol>	Upon the chairman's consultation, all the shareholders were present and no objections were passed.

		<p>[Implementation]: Through the election of the 23rd director of 11 people (including 3 independent directors), the Ministry of Economic Affairs will be granted a change registration on 2017.07.13 and be announced on the company's website.</p> <p>4. Other issues discussed: Dismissal of directors and their representatives in the case of non-competition.</p> <p>[Implementation Status]: Through Shen Yuan Investment Co., Ltd. Representative : Shu-Chau Wang Ho, Shen Yuan Investment Co., Ltd. Representative : Hui-Ming Wu, Mao Sheng Investment Co., Ltd. Representative : George Y. S. Ho, Mao Sheng Investment Co., Ltd. Representative : Henry C. T. Ho, Episil Holding Incorporation Representative : Chih-Ming Huang, Liang Cheng Investment Co., Ltd. Representative : Pao-He Chen, Yan-Liang Ho, Taiwan Zhi Di Co. Ltd Representative : Chao-He Lin and De-Ming Liu, could serve as a director of another company, the case was passed and it was actually implemented.</p> <p>The contents of the above important resolutions of the regular shareholders' meeting are detailed in the company's corporate website <a href="http://www.tunghosteel.com/investor/services/shareholders%27area/2017%20shareholder%20meeting%20proceedings">http://www.tunghosteel.com/investor services/shareholders' area/2017 shareholder meeting proceedings</a>.</p>	
2017 .06.1 6	The 1 <sup>st</sup> meeting of the 23 <sup>rd</sup> board	<ol style="list-style-type: none"> <li>1. Henry C. T. Ho, the legal representative of Mao Sheng Investment Co., Ltd., was elected as the chairman of the board of directors, and Shu-Chau Wang Ho, the legal representative of Shen Yuan Investment Co., Ltd. was the vice chairman.</li> <li>2. Appoint Chuang-Hsi Chang, I-Chi Liu and De-Ming Liu as members of the third salary compensation committee of the company.</li> </ol>	Approved by all the attending directors with no dissenting opinion.
2017 .07.1 0	The 2 <sup>nd</sup> meeting of the 23 <sup>rd</sup> board	<ol style="list-style-type: none"> <li>1. Through the development of the company's 2017 cash dividend ex-dividend benchmark day.</li> <li>2. Through the purchase of the company's Taoyuan plant surrounding land discussion.</li> <li>3. Through the donation of "Dong Ho Steel Culture Foundation", the activities related to steel carving art creation and the conference expenses of NT\$ 5.3 million and 60 tons of scrap were processed.</li> <li>4. Through the subsidiary guarantee company Tung Ho Steel Vietnam Corp., Ltd. at Fubon Bank of Taipei to apply for an endorsement for the extension of credit limit.</li> </ol>	Approved by all the attending directors with no dissenting opinion.
2017 .08.1 4	The 3 <sup>rd</sup> meeting of the 23 <sup>rd</sup> board	<ol style="list-style-type: none"> <li>1. Through the application for the subsidiary company Tung Ho Steel Vietnam Corp., Ltd. at the Yongfeng Commercial Bank branch in Ho Chi Minh City, the US\$5 million in comprehensive credit lines was used as an endorsement guarantee.</li> <li>2. Passed an endorsement guarantee for the renewal of the US\$ 6 million credit line of the US\$6 million loan to Yongfeng Commercial Bank, a subsidiary of Fujian Dong Gang Iron &amp; Steel Co., Ltd.</li> </ol>	Approved by all the attending directors with no dissenting opinion.
2017 .11.1 3	The 4 <sup>th</sup> meeting of the 23 <sup>rd</sup> board	<ol style="list-style-type: none"> <li>1. The Company consolidated its financial report for the third quarter of 2017.</li> <li>2. Supervisors' and Major Staff Liability Insurance Reports. Report it through the "2018 Audit Project".</li> <li>3. An endorsement guarantee for the renewal of the US\$13 million credit line from the subsidiary Tung Ho Steel Vietnam Corp., Ltd. at the First Commercial Bank.</li> </ol>	Approved by all the attending directors with no dissenting opinion.

		4. Application for an endorsement by the subsidiary Tung Ho Steel Vietnam Corp., Ltd. for the renewal of the US\$15 million credit limit at Zhaofeng International Commercial Bank.	
2017 .12.1 8	The 5 <sup>th</sup> meeting of the 23 <sup>rd</sup> board	<ol style="list-style-type: none"> <li>Through the issuance of the seventh domestic unsecured conversion of corporate debt discussion.</li> <li>Through 2017 annual review of public accountants' fees.</li> <li>Through the joint venture with Jiaxin Asset Management Development Co., Ltd. and Kaohsiung Municipal Government, we signed a discussion agreement on the Development License Agreement for the 16th Development Zone (Taicang 1C) in the specific area of the Kaohsiung Multifunctional Economic and Trade Park.</li> <li>To discuss the case of Far East Iron &amp; Steel Enterprises Co., Ltd. by leasing some idle plants and offices of the Company's Kaohsiung Plant.</li> <li>Set the case through the "Measures for the evaluation of the performance of the board of directors".</li> <li>Passed a total capital increase of US\$40 million for Tung Ho Steel Vietnam Corp., Ltd.</li> <li>Endorsed the application for the renewal of the US\$25 million credit line from the subsidiary Tung Ho Steel Vietnam Corp., Ltd. at South China Commercial Bank.</li> </ol>	Approved by all the attending directors with no dissenting opinion.
2018 .03.2 2	The 6 <sup>th</sup> meeting of the 23 <sup>rd</sup> board	<ol style="list-style-type: none"> <li>Report The company has introduced International Financial Reporting Standard No. 16 "Lease".</li> <li>2017 Board of Directors Performance Evaluation Report.</li> <li>Risk project and management countermeasure report.</li> <li>Through the Company's staff remuneration and remuneration distribution for directors in the year 2017, the amount of employee compensation totaled NT\$ 51,969,181, and the total amount of directors' remuneration amounted to NT\$ 41,575,345.</li> <li>Adopted the 2017 annual business report and financial statement of the company.</li> <li>Through the company's 2017 surplus distribution statement, cash dividends of RMB 1.4 per share will be allocated.</li> <li>Adoption of the company's regular shareholders meeting in 2018 and acceptance of shareholder's proposal of holding more than 1% of shares.</li> <li>Through the company's visa accountant's independence and suitability assessment.</li> <li>Through the Company's application for an endorsement by the subsidiary Tung Ho Steel Vietnam Corp., Ltd. at Mizuho Bank, Ltd. Ho Chi Minh City Branch for the US\$20 million short-term credit extension.</li> </ol>	Approved by all the attending directors with no dissenting opinion.

**(12) The primary content of directors or supervisors who have dissented on critical resolutions passed by the Board of Directors, where such dissents have been recorded or documents in recent years up to the annual report publication date: None**

**(13) Summary of resignation or dismissal for chairman, general manager, accounting manager, finance director, head of internal audit, and R&D managers in recent years up to the annual report publication date: None.**

## 5. Information on CPA professional fees

### (1) Information on fees to CPAs

Name of the accounting firm	CPA name		Audit period	Note
KPMG Taiwan	Hui-Zhi Kou	Xin-Yu Kuo	2017.01 ~ 2017.12	None

Currency Unit: NT\$ Thousand

Public expense item		Public expenses for audit	Non-public expenses for audit	Total
Amount bracket				
1	Less than NT\$2,000,000		✓	✓
2	NT\$2,000,000 (inclusive)–NT\$4,000,000			
3	NT\$4,000,000 (inclusive)–NT\$6,000,000			
4	NT\$6,000,000 (inclusive)–NT\$8,000,000	✓		✓
5	NT\$8,000,000 (inclusive)–NT\$10,000,000			
6	Over NT\$10,000,000 (inclusive)			

1. If the non-audit public funds of the certified public accountants and the certified public accountants and their affiliates are more than one-fourth of the audited public funds, they shall disclose the audited and non-audit public funds and non-audit services:

Name of the accounting firm	CPA name	Public expense item	Non-public expenses for audit					Audit period	Note
			System design	Business registration	Human Resources	Others	sSubtotal		
KPMG Taiwan	Hui-Zhi Kou 、Xin-Yu Kuo	6180	0	0	0	3055	3055	2017.01 ~ 2017.12	(1) 2017 R&D advisory service public funds: NT\$ 240000 (2) 2017 tax returns corrected public funds: NT\$ 900000. (3) Public fund for the establishment and settlement of subsidiaries in 2017: NT\$ 1,375,000. (4) Public replenishment of subsidiaries: NT\$ 480 000. (5) Recoverable corporate bonds review public funds: NT\$ 60000

Currency Unit: NT\$ Thousand

2. If the accounting firm has been changed and the annual audit public expenses were lower for the year of the firm change compared to that of the previous year, then audit public

expenses before and after the changes and the reason for such changes should be disclosed:  
Not Applicable

3. If the audit public expense has been decreased by over 15% compared to the previous year, the amount, ratio, and reason of the public expense reduction shall be disclosed: Not applicable.

**(2) Exchange accountant information:**

In 2017, the company changed the accountants for internal rotation assignments with KPMG Certified Public Accountants. Since the first quarter 2017 financial report verification, the certified public accountant was changed from Ci-hui Li and Hui-Zhi Kou Certified Public Accountant to Hui-Zhi Kou and Xin-Yu Kuo Accountant

**(3) The company's chairman, general manager and Vice general manager, financial responsible person, or accounting affairs manager who has served in a certified public accountant firm or its affiliates: None.**



**6. Share transfer by directors, supervisors, managers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report**

**(1) Share equity change status for directors, supervisors, managers, and major shareholders**

Title	Name	2017		2018 till Mar 31st	
		Number of shares held added (subtracted)	held added (subtracted) The numbers of pledged shares added (subtracted)	Number of shares held added (subtracted)	The numbers of pledged shares added (subtracted)
Director	Mao Sheng Investment Co., Ltd. (note 3)	785000	0	0	0
Director	Mao Sheng Investment Co., Ltd. (note 3) Representative: Henry C. T. Ho	0	0	0	0
Director	Mao Sheng Investment Co., Ltd. (note 3) Representative: George Y. S. Ho	0	0	0	0
Director	Shen Yuan Investment Co., Ltd	0	0	0	0
Director	Shen Yuan Investment Co., Ltd Representative : Shu-Chau Wang Ho	0	0	0	0
Director	Shen Yuan Investment Co., Ltd Representative : Hui-Ming Wu	0	0	0	0
Director	Liang Cheng Investment Co., Ltd.	0	10000000	0	0
Director	Liang Cheng Investment Co., Ltd. Representative : Pao-He Chen	0	0	0	0
Director	Episil Holding Incorporation	0	0	0	0
Director	Episil Holding Incorporation Representative : Chih-Ming Huang	0	0	0	0
Director	Yen-Liang Ho	0	0	0	0
Director (note 6)	Taiwan Zhi Di Co. Ltd	0	0	0	0
Director (note 6)	Taiwan Zhi Di Co. Ltd Representative : Chao-He Lin	0	0	0	0
Independent Director	I-Chi Liu	0	0	0	0
Independent Director	Chuang-Hsi Chang	0	0	0	0
Independent Director	De-Ming Liu (note 3)	0	0	0	0
Supervisor (note 5)	He Zhao Investment Co., Ltd. (note 4)	0	0	0	0
Supervisor (note 5)	He Zhao Investment Co., Ltd. (note 4) Representative : Yuan-Yu Ke	26140000	0	0	0
Chairman/ General Manager	Henry C. T. Ho	0	0	0	0
Vice Chairman	Shu-Chau Wang Ho	0	0	0	0

Vice General Manager of Productions Department	Fu-Jin Chen(Note1)	63000	0	0	0
Vice General Manager of Operations Department	Kuan-Ren Gu	11000	0	0	0
Vice General Manager of Operations Department	Bing-Hua Huang	256000	0	0	0
Vice General Manager of Assets and Trade Department	Qi-Xie Lin	0	0	0	0
Vice General Manager, Financial Department	Bo-Xun Dong	30000	0	0	0
Assistant Manager of General Manager Office	Chang-Hong Li	0	0	0	0
Assistant Manager of Operations Department	Ru-Yin Fan	0	0	0	0
Assistant Manager of Operations Department	Zheng-Bin Qiu	0	0	0	0
Assistant manager of the investment department	Hsiu-Chih Chen	0	0	0	0
Assistant manager of the investment department	Zhen-Yuan Chen	0	0	0	0
Assistant manager of the investment department	De-Xiu Chen	0	0	0	0
Assistant Manager of Assets and Trade Department	Jun-Sheng Jian	0	0	0	0
Assistant manager of the systems engineering department	Zhe-Chong Lin	0	0	0	0
Assistant manager of the management department	Ru-Yu He	0	0	0	0

Director of Taoyuan Works	Yi-Zhi Xu(Note2)	0	0	0	0
Director of Miaoli Works	Ming-Zong Liu	0	0	0	0
Director of Kaohsiung Works	Zong-Yu Wang	30000	0	0	0
Major shareholders holding more than 10% of the shares	Shen Yuan Investment Co., Ltd	0	0	0	0

(Note 1): 2017.01.01 Adjusted duties.

(Note 2): 2017.01.01 took office.

(Note 3): 2017.06.16 takes office.

(Note 4): 2017.04.01 is renamed as a company limited by shares.

(Note 5): Dismissal 2017.06.16.

(Note 6): 2017.06.16 re-election, from supervisor to director.

**(2) Share equity transfer information for directors, supervisors, managers, and shareholders with the shareholding ratio of 10% or greater:None**

**(3) Equity pledge information for directors, supervisors, managers, and shareholders with a shareholding ratio of 10% or greater**

Name	Reason for pledge changes	Date of change	Transaction counterparty	Relationship between the transaction counterparty; company, director, and supervisors as well as shareholders with more than 10% stake	Number of shares	Shareholding ratio	Pledge ratio	Pledge loan (redemption) amount
Liang Cheng Investment Co., Ltd. Representative : Pao-He Chen	Pledge	2014.10	Tachin Stock	Not Applicable	4,000,000 Shares	0.45%	0.40%	None

**7. Information on the relationship between any of the top ten shareholders  
(related party, spouse, or kinship within the second degree)**

2018.04.12

NAME	PERSONAL SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHAREHOLDING BY NOMINEE ARRANGEMENT		SHAREHOLDERS WITH THE TOP 10 SHAREHOLDING RATIOS WHO ARE RELATED, OR THEIR SPOUSES AND SECOND-DEGREE RELATIVES' NAMES AND THEIR RESPECTIVE RELATIONSHIPS		NOTE
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or name)	relation	None
Shen Yuan Investment Co., Ltd.	120,199,779	11.97%	0	0	0	0	None	None	None
Shen Yuan Investment Co., Ltd. Representative : Shu-Chau Wang Ho	10,695,847	1.07%	20,429,294	2.03%	0	0	Chen-Hsiung Ho	Married couple	None
Shen Yuan Investment Co., Ltd. Representative : Hui-Ming Wu	128,432	0.01%	0	0	0	0	None	None	None
Nan Shan Life Insurance Company Ltd.	56,642,500	5.64%	0	0	0	0	None	None	None
Mao Sheng Investment Co., Ltd	52,673,877	5.25%	0	0	0	0	None	None	None
Mao Sheng Investment Co., Ltd. Representative : Henry C. T. Ho	142,426	0.01%	75,000	0.01%	0	0	Chen-Hsiung Ho	Father/Son	None
Mao Sheng Investment Co., Ltd. Representative : George Y. S. Ho	100,000	0.01%	0	0	0	0	Chen-Hsiung Ho	Father/Son	None
Fubon Life Insurance Co., Ltd.	34,992,000	3.49%	0	0	0	0	None	None	None
China Life Insurance Co., Ltd	32,875,597	3.27%	0	0	0	0	None	None	None
He Zhao Investment	32,518,88	3.24%	0	0	0	0	None	None	None

Co., Ltd.	7								
Public Service Pension Fund Management Committee	28,342,385	2.82%	0	0	0	0	None	None	None
Shin Kong Life Insurance Co., Ltd.	23,872,000	2.39%	0	0	0	0	None	None	None
Norges Bank under the trust of Citibank	24,418,972	2.43%	0	0	0	0	None	None	None
Chen-Hsiung Ho	20,429,294	2.03%	10,695,847	1.07%	0	0	None	None	None

**8. The shareholding of the Company, director, supervisor, management and an enterprise that is directly or indirectly controlled by the Company in the invested company**

2017.12.31 Unit: 1000 shares; %

Reinvestment business	Investment by the Company		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Siaogang Warehouse	2,384	19.87	0	0	2,384	19.87
Hexawave Inc	11,688	16.35	2,396	3.35	14,084	19.70
Taiwan Aerospace	1,621	1.19	0	0	1,621	1.19
Overseas investment	1,000	1.11	0	0	1,000	1.11
Li-Shi Venture Capital Inc	770	5.68	0	0	770	5.68
Li-Yu Venture Capital	607	4.76	0	0	607	4.76
Taiwan High Speed Rail	49,505	0.88	0	0	49,505	0.88
Dongjing Investment	0	9.05	0	0	0	9.05
Industrial Bank of Taiwan Second Venture Capital	1,313	4.17	0	0	1,313	4.17
Global Venture	2,800	2.33	0	0	2,800	2.33
Chien Shing Harbour Service	8,359	11.38	0	0	8,539	11.38
Katec Creative Resources Corp.- special stock	577	65.18	0	0	577	65.18
Tung Ho Wind Power	15,500	100.00	0	0	15,500	100.00
Fata Xingye	10,000	100.00	0	0	10,000	100.00
Tung Yuan International Corporation	0.08	100.00	0	0	0.08	100.00
Tung Kang Steel Structure	197,565	97.48	4,538	2.24	202,103	99.72
Taiwan Steel United Inc	24,829	24.84	0	0	24,829	24.84
Katec Technology	4,481	46.19	0	0	4,481	46.19
Katec Creative Resources Corp.	95,724	99.01	0	0	95,724	99.01
BySources Investment	500	49.00	0	0	500	49.00
Goldham Development Ltd.	15,000	100.00	0	0	15,000	100.00
Tung Ho Steel Vietnam Corp.Ltd	0	100.00	0	0	0	100.00
Best-Steel Trade Corp.	0	0	0	60.00	0	60.00
Fujian Tung Kang Steel	0	0	0	100.00	0	100.00
Tung Kang Engineering & Constructio	0	0	25,000	100.00	25,000	100.00
Fujian Sino-Japan Metal	0	0	0	35.00	0	35.00

3 Oceans International Inc.	0	0	1,840	66.67	1,840	66.67
DUCHOA International	0	0	0	49.25	0	49.25
China Products	0	0	3	0.66	3	0.66
Tech Alliance Venture Capital	0	0	1,792	5.69	1,792	5.69
Ding-Xing Development	0	0	150	15.00	150	15.00

## IV. Fund-raising Conditions

### 1. Capital and Shares

#### (1) Source of capital

04/12/2018

Type of shares	Authorized capital			Note
	Shares issued and outstanding	Unissued shares	Total	
Listed common shares	1,004,060,608	495,939,392	1,500,000,000	None

#### (2) The formation of equity

Year Month	Denomination of each share (dollars)	Certified capital		Actual share capital		Note		
		Number of shares (shares)	Amount (dollars)	Number of shares (shares)	Amount (dollars)	Source of equity	In addition to the property other than cash	Others
2007.01	10	1,000,000,000	10,000,000,000	824,347,119	8,243,471,190	Corporate Bond Conversion 243,601,360	None	2007.01.18 MOEA Certification NO. 09601012140
2007.05	10	1,000,000,000	10,000,000,000	884,130,387	8,841,303,870	Corporate Bond Conversion 597,832,680	None	2007.05.09 MOEA Certification NO.09601100430
2007.07	10	1,200,000,000	12,000,000,000	911,739,989	9,117,399,890	Corporate Bond Conversion 276,096,020	None	2007.07.30 MOEA Certification NO. 09601181070
2007.10	10	1,200,000,000	12,000,000,000	937,447,345	9,374,473,450	Corporate Bond Conversion 257,073,560	None	2007.10.17 MOEA Certification NO. 09601254410
2007.12	10	1,200,000,000	12,000,000,000	943,812,404	9,438,124,040	Corporate Bond Conversion 63,650,590	None	2007.12.19 MOEA Certification NO. 09601310120
2009.01	10	1,200,000,000	12,000,000,000	873,812,404	8,738,124,040	Cancellation of treasury shares 700,000,000	None	2009.01.16 MOEA Certification NO. 09801010110
2009.09	10	1,200,000,000	12,000,000,000	900,017,836	9,000,178,360	Surplus to capital increase 262,054,320	None	2009.09.07 MOEA Certification NO. 09801200710
2009.10	10	1,200,000,000	12,000,000,000	944,517,836	9,445,178,360	Cash increase investment 445,000,000	None	2009.10.12 MOEA Certification NO. 09801234430
2009.11	10	1,200,000,000	12,000,000,000	947,072,482	9,470,724,820	Corporate Bond Conversion 28,526,460元 Cancellation of treasury shares 2,980,000	None	2009.11.13 MOEA Certification NO. 09801265140
2010.04	10	1,200,000,000	12,000,000,000	950,189,593	9,501,895,930	Corporate Bond Conversion 31,171,110	None	2010.04.20 MOEA Certification NO. 09901076350



Year Month	Denomination of each share (dollars)	Certified capital		Actual share capital		Note		
		Number of shares (shares)	Amount (dollars)	Number of shares (shares)	Amount (dollars)	Source of equity	In addition to the property other than cash	Others
2010.05	10	1,200,000,000	12,000,000,000	970,079,690	9,700,796,900	Corporate Bond Conversion 198,900,970	None	2010.05.18 MOEA Certification NO. 09901100840
2010.07	10	1,200,000,000	12,000,000,000	976,178,411	9,761,784,110	Corporate Bond Conversion 60,987,210	None	2010.07.12 MOEA Certification NO. 09901150550
2011.05	10	1,200,000,000	12,000,000,000	976,295,900	9,762,959,000	Corporate Bond Conversion 1,174,890	None	2011.05.18 MOEA Certification NO. 10001098990
2011.11	10	1,200,000,000	12,000,000,000	980,929,084	9,809,290,840	Corporate Bond Conversion 46,331,840	None	2011.11.30 MOEA Certification NO. 10001272260
2012.09	10	1,200,000,000	12,000,000,000	980,949,968	9,809,499,680	Corporate Bond Conversion 208,840	None	2012.09.14 MOEA Certification NO. 10101193050
2012.11	10	1,200,000,000	12,000,000,000	987,498,693	9,874,986,930	Corporate Bond Conversion 65,487,250	None	2012.11.14 MOEA Certification NO. 10101236480
2013.03	10	1,200,000,000	12,000,000,000	991,771,203	9,917,712,030	Corporate Bond Conversion 42,725,100	None	2013.03.18 MOEA Certification NO. 10201046600
2013.06	10	1,200,000,000	12,000,000,000	998,146,821	9,981,468,210	Corporate Bond Conversion 63,756,180	None	2013.06.03 MOEA Certification NO. 10201103060
2013.09	10	1,200,000,000	12,000,000,000	998,202,069	9,982,020,690	Corporate Bond Conversion 552,480	None	2013.09.03 MOEA Certification NO. 10201181010
2014.12	10	1,200,000,000	12,000,000,000	998,221,448	9,982,214,480	Corporate Bond Conversion 193,790	None	2014.12.05 MOEA Certification NO. 10301251470
2017.12	10	1,200,000,000	12,000,000,000	1,000,224,069	10,002,240,690	Corporate Bond Conversion 20,026,210	None	2017.12.05 MOEA Certification NO. 10601165320
2017.12	10	1,500,000,000	15,000,000,000	1,004,060,608	10,040,606,080	Corporate Bond Conversion 38,365,390	None	2018.03.28 MOEA Certification NO. 10701033630

## 2. Shareholder structure

Benchmark date: 04/12/2018

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individual investors	Foreign organizations and foreign individuals	Total
Number of people	6	19	150	64,029	237	64,441

Number of shares held	36,612,668	195,722,155	298,188,945	329,387,157	144,149,683	1,004,060,608
Shareholding ratio	3.65%	19.49%	29.70%	32.81%	14.35%	100%

### 3. Shareholding distribution status

NT\$10 per share

Benchmark date: 04/12/2018

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	27,884	5,236,215	0.52
1,000 - 5,000	25,998	56,913,918	5.67
5,001- 10,000	5,517	41,763,251	4.16
10,001- 15,000	1,837	22,533,398	2.24
15,001- 20,000	975	17,841,030	1.78
20,001- 30,000	853	21,259,952	2.12
30,001- 50,000	617	24,408,114	2.43
50,001- 100,000	379	27,168,508	2.71
100,001- 200,000	165	23,071,185	2.30
200,001- 400,000	88	24,295,567	2.42
400,001- 600,000	31	14,828,098	1.48
600,001- 800,000	16	10,959,693	1.09
800,001-1,000,000	13	12,173,060	1.21
1,000,001 and above	68	701,608,619	69.87
Total	64,441	1,004,060,608	100

#### 4. List of primary shareholders: Shareholders with equity ratio of more than 5% or the names of the top 10 shareholders as well as their shareholding amount and ratio.

Benchmark date:04/12/2018

Share Name of the main shareholders	Number of shares held	Shareholding ratio (%)
Shen Yuan Investment Co., Ltd	120,199,779	11.97%
Nan Shan Life Insurance Company Ltd.	56,642,500	5.64%
Mao Sheng Investment Co., Ltd.	52,673,877	5.25%
Fubon Life Insurance Co., Ltd.	34,992,000	3.49%
China Life Insurance Co., Ltd.	32,875,597	3.27%
He Zhao Investment Co., Ltd. (note 1)	32,518,887	3.24%
Public Service Pension Fund Management Committee	28,342,385	2.82%
Shin Kong Life Insurance Co., Ltd.	28,294,000	2.82%
Citibank (Taiwan) Commercial Bank is commissioned to Safeguard Norges Bank Investment Accounts	24,418,972	2.43%
Chen-Hsiung Ho	20,429,294	2.03%

Note 1: The company was renamed as a company limited on 2017.04.01.

**5. Market price per share, net worth, earnings, dividends, and the related information for the last 2 years.**

Unit: NT\$

<div>Item \ Year</div>			2016	2017	up to March 31, 2018
Market price per share	Maximum		22.40	26.30	27.90
	Minimum		16.15	20.70	23.90
	Average		19.36	23.80	25.95
Book value per share	Pre-distribution		23.50	24.02	Not Applicable
	Post-distribution (Note 1)		22.20	Not distributed	Not Applicable
Earnings per share	Weighted average number of shares (in thousands)		998,222	1,000,224	Not Applicable
	Earnings per share	1.49	1.72	1.72	Not Applicable
		1.49	1.27	Not distributed	Not Applicable
Dividend per share	Cash dividends (NT\$)		1.30	1.40(note 6)	Not Applicable
	Stock divid ends	0	0	0	Not Applicable
		0	0	0	Not Applicable
	Accumulated unpaid dividends		0	0	0
Return on investment	Price-earnings ratio (Note 3)		12.99	13.83	13.83
	Price-dividend ratio (Note 4)		14.89	17.00	17.00
	Cash dividend yield (Note 5)		6.71%	5.88%	5.88%

Note 1: Fill-in based on the circumstances of the shareholders' meetings for the next year

Note 2: Imputed based on basic earnings per share

Note 3: Price earnings ratio = average closing price per share for the year / earnings per share.

Note 4: Price earnings ratio = average closing price per share for the year / cash dividends.

Note 5: Cash dividend yield = cash dividends / average closing price per share for the year.

Note 6: The Board of Directors has passed the resolution for the 2017 annual earnings distribution on 2018.03.22. The cash dividend allocation of NT\$1.40 per share was proposed but is subject to approval by the annual meeting of shareholders.

## **6. Dividend policy and implementation status**

### **i. Dividend policy:**

The company's dividend policy is formulated by the board of directors according to the operational status of the company, changes in overall business environment, and in consideration of shareholders' interests. Provided no exceptional conditions or circumstances exist, the proposed amount of distributed profits for the year shall in principle be no less than 50% of profits after tax for the year.

In compliance with the company's Articles of Incorporation, annual profits of the Company after year-end accounting, if any, shall be allocated for paying business taxes and then be allocated according to the following orders:

- A. To compensate the accumulated deficit
  - B. To allocate ten percent of the remaining profit as legal reserve
  - C. To allocate special reserve or reversed to meet the operational or regulatory requirements
  - D. After the distribution of stock dividends, the Board of Directors shall draft the proposal for shareholder dividend allocation based on the remainder plus the accumulated undistributed earnings of the previous years, and submit the draft to the shareholder's meeting for approval.
- The company's operational life span has reached a positive, stable, and mature stage. With regard to the allocation of dividends to shareholders, cash dividends shall not be less than 80% and stock dividends shall not be higher than 20%.

- ii. Dividend allocation proposed by the shareholders' meeting: After the 6<sup>th</sup> meeting of the 23<sup>rd</sup> board has approved to allocate cash dividends of NT\$1.40 per share, amounting to NT\$ 1,405,684,851 with a total of 1,004,060,608 shares, if the company bond can be transferred into ordinary shares subsequently or the number of shares outstanding is affected for some other reason and caused the interest rate for the allocated shares to change as a result, the chairman shall be authorized to provide adjustments accordingly.

## **7. Effect of the proposed stock dividends (to be adopted by the Shareholders' Meeting) on the operating performance and earnings per share: Not applicable.**

## **8. Remuneration of employees, directors and supervisors**

- i. The percentage or range of employees' as well as the director and supervisors' remunerations provided by the Articles of Incorporation:

In accordance with the Articles of Incorporation that have been approved by the board of directors but not yet submitted to the shareholders meeting for approval, if the company sustains profit for the current year, 2.5% or more of the income shall be set aside as remunerations to employees, and 2% or less of the income shall be distributed as director and supervisor remuneration. The distribution shall be resolved by the Board of directors and reported in the shareholder's meeting. If employee remuneration is distributed in the form of new stock, employee stock shall be calculated based on the closing price of the day before the Board of

directors' meeting.

- ii. Basis for estimating the amount of remuneration of employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The company's remuneration to employees and director/supervisor in 2017 amounted to NT\$ 51,969,181 and NT\$ 41,575,345, as regulated by the company's Articles of Incorporation that have been approved by the board of directors. If the estimated amount differs from the actual distributed amount, then the difference will be treated as changes in accounting estimates and recognized in profit and loss in the distribution year.

- iii. Remuneration proposals passed by the Board of Directors:

A. Employee, director and supervisor remuneration will be distributed in cash or stocks:

Unit: NT\$

Item	Year 2017
Directors and Supervisors' Remuneration	41,575,345
Employee remuneration (Cash issued)	51,969,181

There is no difference with the annual estimated amount of recognition fee.

B. Ratio of the amount of remuneration paid by the shares to the total amount of the net profit after tax and the total amount of employees' remuneration in the current individual or individual financial report: Not Applicable.

- iv. Any discrepancy between actual distribution of remuneration of employees, directors and supervisors (including the number of shares, the amount and stock price) and the recognized remuneration of employees, directors and supervisors and disclosure of the differences, reasons and responses:

The 2016 employee remuneration distributed in 2017 amounted to NT\$ 44,173,294, while the director/supervisor remunerations for the same period amounted to NT\$ 35,338,635. The actual amount allocated showed no discrepancies compared to that of the recognized employee bonuses and director/supervisor remuneration amounts.

Unit: NT\$

Item	Actual allocation	The status of the proposed allocation approved by the Board	Difference
Employee remuneration	44,173,294	44,173,294	None

Director、Supervisor remuneration	35,338,635	35,338,635	None
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## 9. Stock buyback: Not applicable

## 2. Corporate Bonds

### (1) Corporate bond issuance status

03/31/2018

Company bond type	The 6th domestic unsecured convertible bonds	The 7th domestic unsecured convertible bonds
Date of issue	2012.11.05	(note)
share par value	NT\$100,000	(note)
Location of issuance	Taipei Exchange	(note)
Issuing price	Issued based on share par value	(note)
Total	NT\$2,500,000,000	(note)
Interest rate	0%	(note)
Period	5 years	(note)
Guarantee institution	None	(note)
Commissioned party	Trust Department of Fubon Commercial Bank Co., Ltd.	(note)
Underwriting institution	Cathay Securities Corporation	(note)
Certified attorney	Kuncheng Wang	(note)
CPA	Ci-Hui Li、Qiu-Hua Wu	(note)
Repayment method	Unless conversion method is used or unless redeemed, the full amount shall be repaid with cash upon maturity.	(note)
Outstanding principal	NT\$132,600,000	(note)
The terms of redemption or prepaymen	1. Bond redemption yield of 0.5% in annual interest from one month after the issuance date to three full years after the issuance date. 2. Bond redemption yield of 0.75% in annual interest from three years after the issuance date to four full years after the issuance date.	(note)
Restriction clause	None	(note)
The credit rating institution's name, date of rating, and corporate bond rating results	Not Applicable	(note)
Other rights attached	Converted to ordinary (exchange or subscription) shares, global depository receipts, or other marketable securities as of the date of this annual report.  1. A total of 1,315 applications for the conversion of 5,839,160 ordinary shares. 2. Between 2015 and 2017, a total of 23,685 restitution rights were executed.	(note)

	Issuance and conversion (exchange subscription) method	Omit	
Issuance and conversion, exchange or subscription methods, and the condition of issuance that may dilute share equity and affect equity rights for the existing shareholders		None	(note)
Name of the commissioned custodian institution for the exchange bid		None	(note)

(Note): 2018.4.03 applied to the Securities and Futures Bureau for the issuance of the 7th unsecured convertible corporate bonds in Taiwan. As of the date of publication of the annual report, no approval letter has been obtained for the declaration of effectiveness.

## (2) Convertible bond information

Unit: NT\$

Company bond type		The 6th domestic unsecured convertible bonds		
Item	Year	2016	2017	up to March 31, 2018
Convert to company bond market price	Maximum	106.00	109.20	(note 3)
	Minimum	101.95	101.00	(note 3)
	Average	102.66	104.86	(note 3)
Conversion price		25.20 or 23.75 (Note 1)	23.75 or 22.52 (Note 2)	(note 3)
Issuance date and conversion price during issuance		Issuance date: November 5, 2012, conversion price during issuance NT\$30.00	Issuance date: November 5, 2012, conversion price during issuance NT\$30.00	(note 3)
Method of conversion		Issuance of new shares	Issuance of new shares	(note 3)

Note 1: Cash dividend for the 6th domestic unsecured bond conversion was adjusted to 23.75 on 2016.07.25.

Note 2: Cash dividend for the 6th domestic unsecured bond conversion was adjusted to 22.52 on 2017.08.12.

Note 3: Cash dividend for the 6<sup>th</sup> domestic unsecured bond conversion expired on 2017.11.05 and cease to trade on 2017.11.06

## 3. Preferred Shares: None

#### 4. Issuance of global depositary receipts (GDR)

Benchmark date: 03/31/2018

Issuance (processing) date			09/22/1994
Item			
Issuance (processing) date			09/22/1994
Location of issuance			Bourse de Luxembourg
Total amount issued			USD103,200,000
Unit issuance price			USD17.20
Total issuance units			6,000,000
Source of securities with recognized value			Common shares of Tung Ho Steel Enterprise Corporation
Number of value recognized securities			68,610,809 shares
Rights and obligations of the depositary receipt holders			Enjoy the same rights and obligations as Tung Ho Steel Enterprise Corporation shareholders
Commissioned party			The Bank of New York Mellon Corporation
Depository institution			The Bank of New York Mellon Corporation
Custodian institution			Far Eastern International Bank
Unredeemed balance			824,025 units
Unredeemed balance			The issuance expenses shall serve as capital reserve reduction, and the subsisting period expenses shall serve as current expenses
Critical agreement matters for depositary and custodial contracts			The depository institution shall exercise the voting rights of the original securities attached to the depositary receipts in accordance with the instructions provided by the deposit receipt holders as well as the depositary contract and the laws and regulations of the Republic of China
Market Price per unit	2016	Maximum	6.93
		Minimum	4.84
		Average	6.00
	2017	Maximum	8.73
		Minimum	6.50
		Average	7.809
	Up to 03/31/2018	Maximum	9.35
		Minimum	8.19
		Average	8.686

5. Employee stock warrants, new restricted employee shares : None

6. Issuance of new shares due to acquisition of shares of another company : None



## 7. Implementation of fund usage plan status

(1) Issued the 6th unsecured convertible bonds

1. The total amount of funds required for this project: NT\$2.5 billion.
2. Source of funds: A total of 25,000 domestic unsecured convertible bonds were issued during the 6th issuance with the face value of NT\$100,000. The total issued amount, based on 100% of the face value, is NT\$2.5 billion, with a period of 5 years and bond interest of 0%.
3. Plan project, expected progress, and the expected possible benefits

Unit: NT\$ Thousand

Project item	Expected completion date	Total amount of capital required	Expected capital spending schedule
			2012 Q4
Repayment of bank loans	Q4 2012	2,500,000	2,500,000
Total		2,500,000	2,500,000
Expected benefits	Repaying the bank loans can save NT\$2,726,000 in interest expenses for 2012, and can save NT\$32,722,000 in interest expenses each year thereafter		

4. Status of actually predetermined benefit achievements: This financing plan is expected to repay NT\$2,500,000,000 in bank loans by the 4th quarter of 2012. Based on the actual interests stipulated in the loan contract, this move can save NT\$2,726,000 for interest expenses in 2012 and can save approximately NT\$32,722,000 in interest expenses each year thereafter in addition to being able to improve the financial structure. The plan's effectiveness in interest saving and financial burden reduction appears reasonable.

5. Status of execution: This fund raising was completed at the end of the 4th quarter in 2012, and a report was submitted to the Taiwan Stock Exchange notifying them that the original plan items have been completed in January 2013.

6. Cash dividend for the 6th domestic unsecured bond conversion expired on 2017.11.05 and cease to trade on 2017.11.06

(2) The Company applied to the Securities and Futures Bureau for the issuance of the seventh domestic unsecured convertible corporate bonds at 2018.4.03. As of the printing date of the annual report, no approval has been obtained.

## V. Business Overview of the Company and Its Subsidiaries

### 1. Business content

#### (1) Scope of business

i. Main content:

Parent Company/ Subsidiary	Company Name	Main Content and the Company's Current Products(Service)
Parent Company	TUNG HO STEEL ENTERPRISE CORP.	<p>(1) Manufacturing processing and sales of rebar, flat iron, angle iron, channel iron, wire rod, and other steel products</p> <p>(2) Manufacturing processing and sales of steel and alloy steel, tool steel, high carbon steel, and other special steel.</p> <p>(3) Vessel disassembly and old vessel trading.</p> <p>(4) Processing and trading of iron and steel industrial raw materials, hardware, machinery, iron electrical materials, and light metal manufacturing</p> <p>(5) Iron and steel smelting, rolling, heat treatment, painting, plating, and processing operations</p> <p>(6) Oxygen manufacturing and trading.</p> <p>(7) Manufacturing, processing, and trading of steel plates, bars, and rails.</p> <p>(8) Design, manufacture, processing, and trading of various structural steel, steel materials, and mechanical bodies.</p> <p>(9) Development, design, manufacturing, and sales of the various steel industry equipment, device, and accessories.</p> <p>(10) Design, manufacture, maintenance, sales, and installation construction contract operations for environmental protection equipment products</p> <p>(11) Import and export operations for various products mentioned above</p> <p>(12) Project management, technical advisory, and consultancy operations for the various relevant businesses mentioned above.</p> <p>(13) The data storage and processing equipment manufacturing industry</p> <p>(14) Wired communication machinery and equipment manufacturing industry</p> <p>(15) Wireless communication machinery and equipment manufacturing industry</p> <p>(16) Electronic component manufacturing industry</p> <p>(17) Specific professional zone development industry.</p> <p>(18) Leisure agriculture industry</p> <p>(19) Amusement park industry</p> <p>(20) New County and Community Construction and Investment</p>
Subsidiary	Tung Kang Steel Structure Co., Ltd.	<p>(1) Steel re-proceeding industry and steel structure engineering professional construction industry.</p> <p>(2) Proceeding and sale of rebar</p>
	Katec Creative Resources Corp.	<p>(1) Waste disposal industry</p> <p>(2) Waste resource recycling industry</p> <p>(3) Iron and steel smelting industry.</p> <p>(4) Other non-ferrous metal basic industries.</p>
	Tung Kang Wind Power Corp.	Development, production, transmission and sales of wind power

	Fata Xingye Co. Ltd.	resource recycling, leasing, recycled materials wholesales and international trade
	Tung Kang Engineering & Construction Co., Ltd.	(1) Comprehensive management of construction and management of Yingying project. (2) Integrated construction industry. (3) Resource recovery industry. (4) Building materials wholesale industry. (5) Hardware wholesale. (6) Factory office new business. (7) New construction engineering transaction. (8) Public Works. (9) Steel re-proceeding industry. (10) Recycling materials wholesale business.
	Fujian Tung Kang Steel Co., Ltd.	(1) Production of steel structure and its complements with the service installation support (2) Stones, construction and decoration materials, welding materials, plastic products, aluminum products, bamboo products, metallurgical materials, metal products. (3) Technology, import and export of goods (excluding domestic distribution) (involving the approval of the permit project, only allowed in the scope of approval of the permit and the period of production and operation)
	Tung Ho Steel Vietnam Corp. Ltd.	Production and sales of billets. In the second half of 2018, it will in production and sales of rebar and disk units.

## ii. Business Breakdown

Item Products	As a percentage of cumulative operating revenue for 2016	As a percentage of cumulative operating revenue for 2017
Rebar	36%	36%
Section steel (Note 1)	39%	33%
Billets	10%	19%
Others (Note 2)	15%	12%
Total	100%	100%

(Note 1): Type steels include H-beams, steel plates, channel steels, and I-beams.

(Note 2) : others refers to the subsidiaries listed in the consolidated financial statements (including Tung Yuan International Corp., Tung Kang Steel Structure Co., Ltd., Goldham Development Ltd., Katec Creative Resources Corp., Tung Kang Wind Power Corp., Fata Xingye Co. Ltd., Tung Ho Steel Vietnam Corp. Ltd. 3Oceans International Inc., Tung Kang Engineering & Construction Co., Ltd. 、Fujian Tung Kang Steel Co., Ltd

## iii. New products planned for development

Electric furnace off-gas detection, dynamic control of burners and carbon injection in the furnace, project research, HD clarity and high toughness steel, low energy consumption direct rolling process New technology development strength increased by more than 1.6 times Ultra-high strength earthquake resistant steel rebar R&D, steel welding technology and continuous rolling technology using continuous rolling technology, serial reciprocating universal rolling mill round section rolling technology research and development, low alloy super high strength steel plate development.

## **(2) Status of the industry**

### **i. Current status and development of the industry:**

In 2017, the consolidated revenue of Dong Ho Steel was 31.749 billion yuan, a substantial increase of 25.94% from 25.21 billion yuan in 2016; the combined sales volume increased from 1.5943 million tons in 2016 to 1.9.23 million tons in 2017, an increase of 20.65% over the same period of last year, and the consolidated revenue and There are two main reasons for the growth in combined sales: First, the growth of international steel prices in 2017 grew upwards. Second, the sales of steel embryos of Tung Ho Steel Vietnam Corp. Ltd. showed a multiple growth compared to 2016. In addition, domestic sales in two years are roughly the same, with little change. In 2017, due to the continued high global coking coal prices, and China's strong efforts to remove backward steel production capacity and continuously strengthen the implementation of environmental protection policies, although China has expressed its reform determination several times but has not achieved results, it has led to annual international Steel prices have experienced three waves of violent fluctuations, but the pattern of consolidation has continued to emerge throughout the year. Dong Ho Steel's annual after-tax EPS growth has grown from 1.49 in 2016 to 1.72 in 2017. Looking at the performance of Dong Ho Iron and Steel in 2017, although the steel industry is a domestic demand industry, under the influence of the overall economic slowdown in the country, due to the continuous deepening of customized services and the integration of the production and sales policies of the upstream and downstream value chains of products, Taiwan's Dong Gang is still able to maintain continuous; Tung Ho Steel Vietnam Corp. Ltd., which was acquired in early 2016, has also continued to grow steadily and has benefited the parent company.

Global crude steel production in 2017 was 1.675 billion metric tons, which was 5.51% higher than 2016; China's crude steel output still shows an improvement of 5.70% over the world under the Chinese government's strong capacity-reduction policy, but this time the Chinese government's implementation of removing backward production capacity and environmental protection policies has also made the world see China's determination; In 2017, China's steel exports decreased by 33.2 million metric tons, a decrease of up to 30.63%, compared with 2016. This made the global steel industry significantly reduce the threat of low price dumping of Chinese steel products. This is also the key factor of allowing the 2017 international steel price to consolidate upwards. However, due to China's thorough enforcement of the environmental protection policy, the factories that produce the necessary auxiliary materials for the steel industry in China have been forced to stop work and improve, which has also led to a significant increase in the prices of other steel production materials such as electrode bars, iron alloys, and refractories.

Although in the short term, the chaotic supply and demand order in the market and the production costs in the steel industry have soared. However, in the long term, due to the investment in the environmental protection costs of China's related steel upstream, downstream, and peripheral industries, the development environment of the global steel industry will become more reasonable and healthy in the future.

Since the arrival of the new Taiwan government in 2016, cross-strait relations and international diplomacy have faced the double dilemma of China's powerful suppression. The cross-strait negotiations on trade, trade and goods and trade under the ECFA framework has been unable to restart, with the international free trade agreement under strong pressure from China, no substantial progress can be made. Domestic and foreign enterprises are not waiting to see Taiwan's investment plans, and overall Taiwan's steel demand is under tremendous downward pressure. In March of this year, President Trump of the United States announced the import tariff of 25% for the non-differential education of steel and aluminum products for countries around the world on the grounds of national security issues; Following this, the European Union announced that it will conduct investigations on defense measures for 26 global steel products. Faced with the rise of international steel trade protectionism in the international market, Taiwan's steel industry is bound to face more severe competition and challenges, and companies must strengthen their own global competition. However, the government must also propose relevant measures for global trade protection policies. For example, the universally adopted national standard verification registration system; or the defense measures that must be immediately launched, etc. The Taiwan steel industry has been vociferously chanting for many years, but it still has not seen any concrete measures taken by the Taiwan government. The world's major steel trade markets have successively erected tariff barriers that restrict free trade. Not only have international markets for steel products been subject to shrinkage, but the Taiwan market has also had to face the harsh threat of international low-priced steel product dumping.

Dong Ho Steel formally acquired Vietnam's Fu Guo Steel in January 2016 and later changed its name to Tung Ho Steel Vietnam Corp. Ltd. This is Dong Ho Steel's first overseas investment in electric furnace refining and steel rolling mills. Dong Ho Steel is deploying the emerging steel market in Southeast Asia, focusing on the steel demand brought about by the rapid economic growth in the future of Vietnam and the Association of Southeast Asian Nations. In the past two years, there were only steel embryos and export business. However, sales volume and value all showed significant growth in multiples last year. With the completion of the construction of a new rolling mill at the

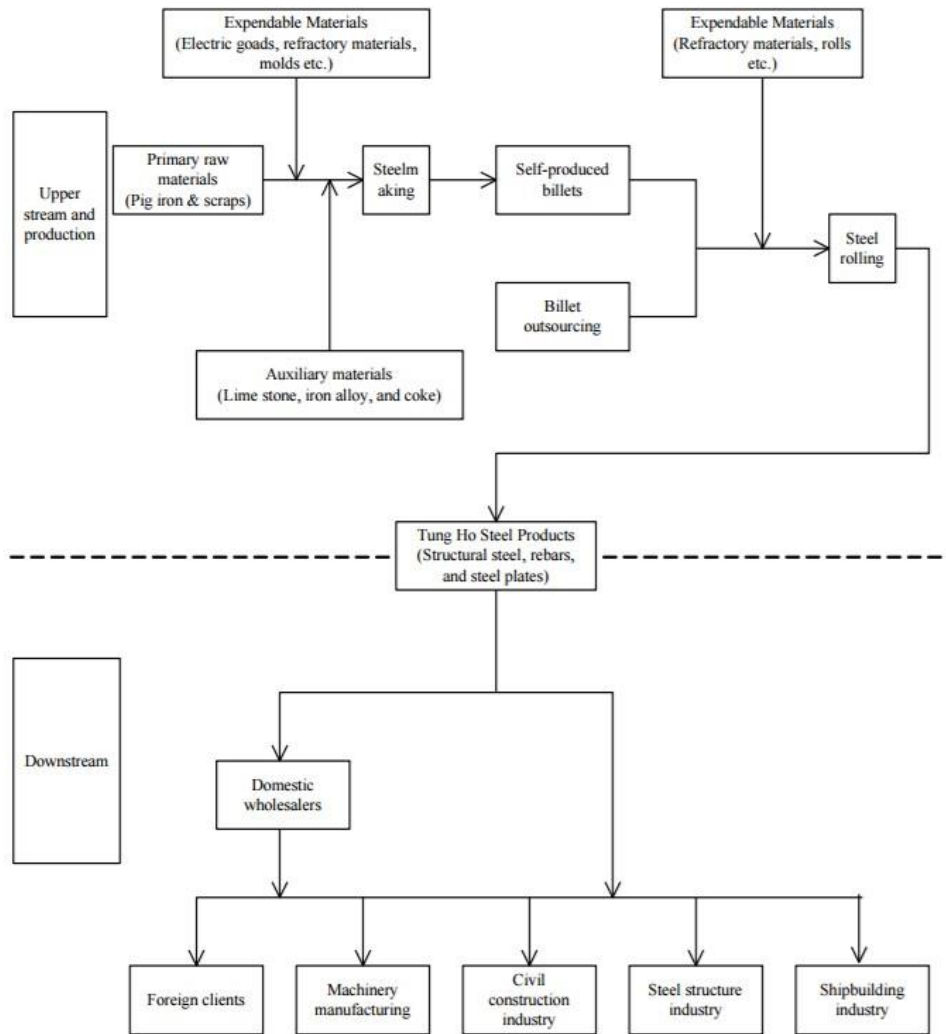
end of last year, this year will gradually invest in the sales of final products such as steel bars, disk units and small sections, and it is expected that there will be more significant and concrete contributions to the overall profit of the parent company. Tung Ho Steel Vietnam Corp. Ltd. is Dong Ho Steel's first overseas professional steel production base for construction. With the economic growth of Vietnam and Southeast Asia National Association, it will inject positive and positive contributions to the parent company's operating performance year by year.

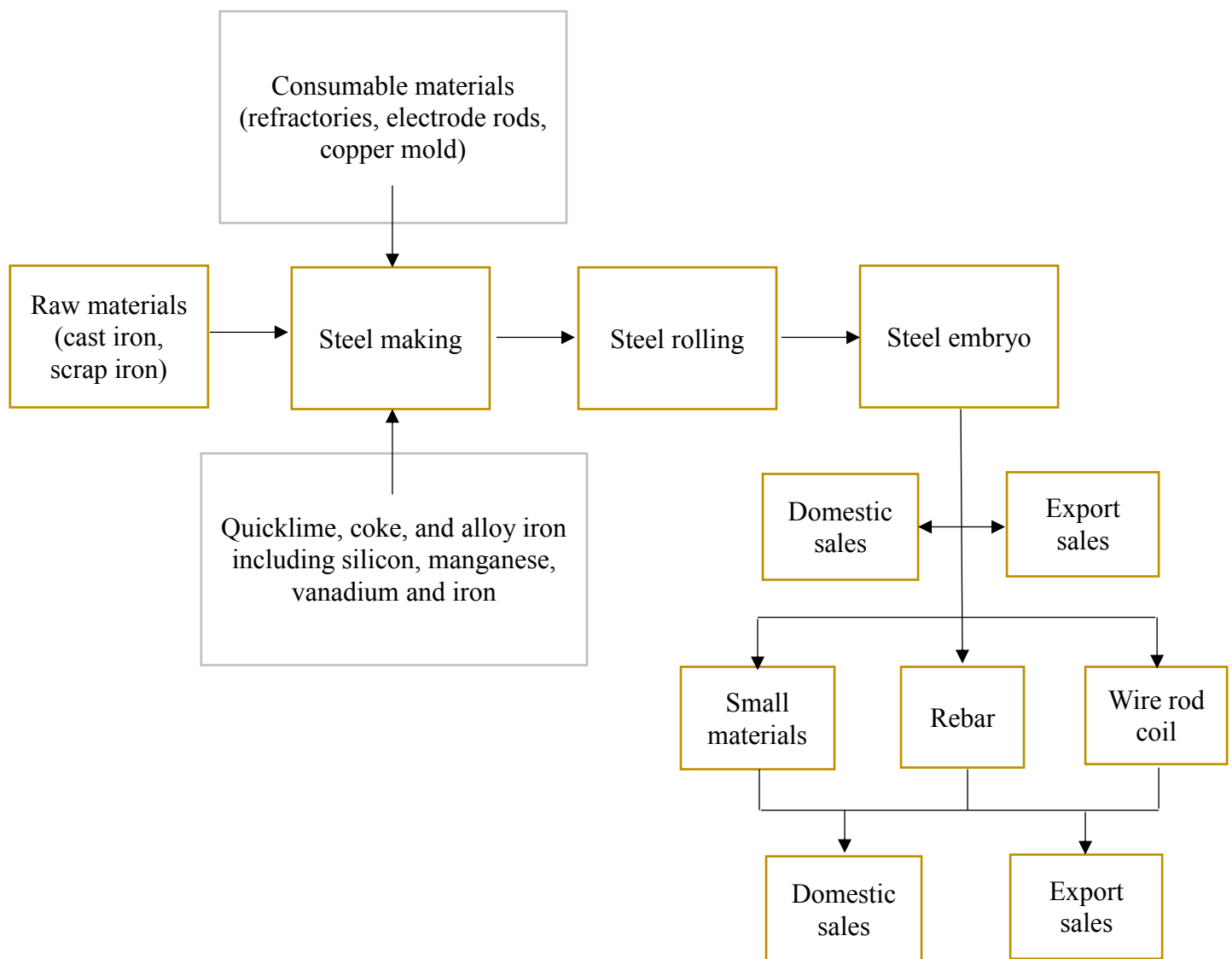
Dong Ho Steel's investment in Dong Gang Steel's steel structure and Fujian announced last year's new personnel deployment with the focus on resource integration. Integrate the sales resources of Dong Gang Steel Bar and Steel Structure internally, and assist Dong Gang steel structure in the domestic market for further growth and breakthrough through long-term goodwill and customer resources in the construction industry. Externally integrating the resources of Dong Gang Steel Structure and Fujian Dong Gang's manpower, technology and markets on both sides of the Strait can actively enter the international steel structure market under the Chinese government's "Belt and Road" national policy.

Dong Ho Steel has invested in green energy and environmental protection. It is still in the sowing stage. Both of these industries are closely related to the industry of Dong Ho Iron and Steel, and they can all influence the future competitiveness of the steel industry. In the future, green energy conservation, waste reduction, and emission reduction will become the core competitiveness of the steel industry. This is Dong Ho Steel's long-term investment plan that focuses on the future. But what worries us is that Taiwan's energy policy has become a political issue, and electricity price policy has become a tool for electing kidnapping, the current political chaos does not allow any space for expert discussion. If Taiwan's future economic development cannot be established on the basis of a long-term and stable energy policy, it will become a major uncertain factor in Taiwan's economic development in the future.

ii. The status of the upper, middle, and downstream relationships for the industry:

(1). Tung Ho Steel





i. Various product development trends

Iron and steel industry is an important industry of a country and also an important factor that affects the country's economic development. Looking at the iron and steel industry's future development trend, Taiwan's steel industry should not consider operational strategies only by quantity, but should focus on important strategic alliances and quality issues between downstream and upstream of the steel industry. In fact, each steel mill needs its own middle stream and downstream system; only when industry and products in middle stream and downstream are linked will the industry have high competitiveness, and can use downstream products for export sales to enhance the added value. This is a requirement for the future industry. Therefore, the iron and steel industry must look at operational issues from the overall ecological environment, including whether the overall and industrial eco-environment can develop toward high value-added supply chains, and the impact on the economy can only be sustained in the fierce competitive environment.

## 1. Technology and R&D Overview

i. The most recent biennial research and development plan

R&D project	2017 R&D plan	2018 R&D plan
<b>(1) Steel making</b>	a. High-clarity and high-toughness steel embryo development.	a. Research project on off-gas detection of electric furnaces and dynamic



	<ul style="list-style-type: none"> <li>b. Low-alloy ultra-high-tensile steel plates development.</li> <li>c. High-tensile steel bars development.</li> <li>d. High grade marine steel grades development.</li> <li>e. Ultra-high tensile steel materials development.</li> <li>f. Refractory reuse technology development.</li> <li>g. New steel grades development.</li> <li>h. Testing of various consumables and refractories.</li> </ul>	<ul style="list-style-type: none"> <li>control of burners and carbon injection in furnaces.</li> <li>b. High-clarity and high-toughness steel embryo development.</li> <li>c. Low-alloy ultra-high-tensile steel plates development.</li> <li>d. High-tensile steel bars development.</li> <li>e. High grade marine steel grades development.</li> <li>f. Ultra-high tensile steel materials development.</li> <li>g. Refractory reuse technology development.</li> <li>h. New steel grades development.</li> <li>i. Testing of various consumables and refractories.</li> </ul>
<b>(2) Steel rolling</b>	<ul style="list-style-type: none"> <li>a. Development of sophisticated steel rebar multi-type continuators.</li> <li>b. Develop ultra-high tensile earthquake-resistant steel rebar program with more than 1.6 times of strength, using the industry leading low energy-consuming direct rolling process technology.</li> <li>c. Developed steel embryo welding technology, and used direct rolling technology for continuous rolling rebar program.</li> <li>d. Developed an ultra-thick size hot-rolled H-beam steel with a wing thickness greater than 50mm, using the industry-leading flat steel split rolling technology.</li> <li>e. Ultra-large-scale hot-rolled H-beam steel new technology and new product research and development projects.</li> <li>f. First to develop a special rolling new</li> </ul>	<ul style="list-style-type: none"> <li>a. Develop ultra-high tensile earthquake-resistant steel rebar program with more than 1.6 times of strength, using the industry leading low energy-consuming direct rolling process technology.</li> <li>b. Developed steel embryo welding technology, and used direct rolling technology for continuous rolling rebar program.</li> <li>c. First to develop a special rolling new technology R&amp;D project for multi-size H-beam steel with a B-value equal to 300mm developed with the same embryo roller.</li> <li>d. Lead domestic research and development of hot-rolled one-piece U-shaped corner steel sheet pile.</li> <li>e. Development of new rolling technology for H-beam UE (Universal Edger).</li> <li>f. Development of a common roller for angle</li> </ul>

	<p>technology R&amp;D project for multi-size H-beam steel with a B-value equal to 300mm developed with the same embryo roller.</p> <p>g. Lead domestic research and development of hot-rolled one-piece U-shaped corner steel sheet pile.</p> <p>h. Lead the development of the H-X rolling special rolling method to roll the tapered flange UL section process technology research and development program.</p> <p>i. Tandem reciprocating universal rolling machine round section rolling technology R&amp;D project.</p> <p>j. Ultra-high tensile steel development.</p> <p>k. Development of various sizes of H-beam steels for new dimensions (U.S. regulation &amp; European regulations).</p> <p>l. Development of new dimensions for grooved steels in the ASTM specification.</p> <p>m. Development of new dimensions of I Beam in the ASTM specification.</p>	<p>steel and flat steel H/V (horizontal/vertical rolls).</p> <p>g. Tandem reciprocating universal rolling machine round section rolling technology R&amp;D project.</p> <p>h. Ultra-high tensile steel development.</p> <p>i. Development of new dimensions for grooved steels in the ASTM specification.</p> <p>j. Development of new dimensions of I Beam in the ASTM specification.</p>
<b>(3) Others</b>	a. “Construction of Tung Ho Miaoli Plant Integrated Air Pollution Control Strategy Plan” research case.	a. “Construction of Tung Ho Miaoli Plant Waste Materials Recycling and Circular Economy” research case.

ii. Expenditure on research and development expenses invested in the most recent year and up to the publication date of the annual report

Unit: New Taiwan Dollars

Project \ Year	2016	2017	2018 up to March 31
Taoyuan Plant R&D Total Fees	9,912,944	8,750,037	1,810,495
Miaoli Plant R&D Total Fees	20,011,824	19,515,723	5,553,908
Kaohsiung Plant R&D Total Fees	7,496,325	8,524,074	2,159,840
Research equipment investment	0	0	0
Total research costs	37,421,093	36,789,834	9,524,243
Total research costs as a percentage of net sales	0.15%	0.12%	0.11%

## 2. Long-term and short-term business development plan

### i. Short-term development plan:

Marketing business strategy:

- (1) To carefully deal with the negative effect that global quantitative easing keeps in constraint, and cause pressure to world's major economies raising interest rates and funding cost increasing.
- (2) To draw up a plan for Taiwan's electricity price raising and impact of new measures to limit electricity in summer this April; domestic electricity price is increasing in the long run due to the political issue that the fourth nuclear power plant cease to commercial operation; this is an important issue that needs to be carefully dealt with.
- (3) U.S. 232 steel aluminum products global import tariffs and EU steel defense measures survey will intensify the global steel trade protectionism, so we plan to break through the international steel trade plight and carefully tend to the global steel trade surplus product low dumping impact.
- (4) To carefully assess the negative impact of the China-US trade war on global economic, financial and trade growth.
- (5) Strengthen the monitoring of price fluctuations in international raw materials and steel products, and diversify sources of raw material purchases.
- (6) To flexibly deal with changes in market supply and demand and re-registration of co-opetition due to new capacity in China and around the world.
- (7) To urge the government to pass the verification system of steel products CNS national standards as soon as possible.
- (8) To further implement the production and sales plan for order production, and deepen the planned production of cost control.
- (9) To strengthen and integrate domestic and overseas sales channels.

### ii. Long-term development plan:

Marketing business strategy:

- (1) Develop new value-added products market.
- (2) In response to changes in market supply and demand and co-opetition relations, the positioning of Tung Ho Steel Market and the reintegration of product orientation.
- (3) Carefully study the countermeasures and possibilities for removing barriers to trade in developing countries and strengthen the assessment of the feasibility of implementing overseas investment.
- (4) To enter the Vietnam and Southeast Asian Association market, strengthen understanding of local legal affairs and taxation, and actively study the local market and make related investments.

### 3. Market, Production/Sale Overview

#### i. Market Analysis

(1) Sales area of major commodities

Unit: 1000 TWD;%

Area \ Year		2016		2017	
		Amount of Money	%	Amount of Money	%
Export Sales	Asia	3,090,195	12.26	6,912,232	21.77
	America	628,947	2.49	334,621	1.05
	Other	2,473,111	9.81	1,863,236	5.87
Subtotal		6,192,253	24.56	9,110,089	28.69
Domestic Sales		19,017,305	75.44	22,639,182	71.31
Total		25,209,558	100.00	31,749,271	100.00

(2) The company's main products in the domestic market share

Unit: metric tons

Year / Items		2016	2017
H beam steel	Total sales in Taiwan	802,250	710,922
	Our Company	523,498	403,192
	Market Share	65.25%	56.71%
Rebar	Total sales in Taiwan	5,287,900	5,213,592
	Our Company	675,903	754,384
	Market Share	12.78%	14.47%
Steel Plate	Total sales in Taiwan	1,135,278	1,098,846
	Our Company	18,016	48,387
	Market Share	1.59%	4.40%

Source: Taiwan Steel & Iron Industries Association

(3) Future market supply and demand conditions and growth

In 2017, Donghe Steel's annual consolidated production volume grew by 12.82% compared to 2016, and the combined annual sales value also grew by 25.94% compared to 2016, which was mainly due to the significant growth in production of Tung Ho Steel Vietnam Corp. Ltd., Taiwan market is relatively stable. One can see the importance and urgency of actively investing in emerging markets in Southeast Asia. The investment of Tung Ho Steel Vietnam Corp. Ltd. is an important first step for the sustainable development and continuous growth of Tung Ho Steel Enterprise Corp.

Looking forward to 2018, the United States 232 investigation provoked import tariffs on global steel and aluminum due to national security problems; it provoked a wave of global steel trade protectionism and has even stirred up the sensitive nerves of “deChinalization”. Steel production industry will face more stringent international trade dilemmas, and the issue of “deChinalization” will continue to prosper. In 21st century, the rise of China has enabled China to rapidly become a global factory. China's competitive advantage that result from the sacrifice of the rights of laborers and exploit of environment will face more rigorous inspections from the world and the challenge of China's self-awakening, which will bring more

variables and challenges for global steel industry and international trade in 2018.

Taiwan's energy and electricity price policies have become political issues, and the fourth nuclear power plant not commercial operation and high-cost alternative energy sources policies will likely result in a significant increase in overall operating costs and increase in cost control variables. Under the ECFA framework, cross-strait negotiations on trade, trade and goods, and trade negotiations could not be resumed. Under the powerful pressure of the international free trade agreement, China could not achieve substantial progress, making private investment in fixed capital uncertain. It must be said that the steel industry is a domestic demand industry. The sluggish domestic demand is the biggest problem for the steel industry this year. We expect that the new government of Taiwan will launch a forward-looking plan to expand domestic demand and implement it as soon as possible, thus injecting blood to Taiwan's long-term depressed economic environment.

#### (4)Competitive niche

##### (i) Long-standing industry experience

Since the establishment of the company in 1962, the company has been engaged in steel rolling and steelmaking and has entered this industry for more than fifty years. The main operating team has served the company for more than ten years, and was highly professional in the steel industry, capable of leading the company to face changes in the industry and to establish effective competitive strategies.

##### (ii) Excellent product quality

Due to the fierce competition in the steel industry, the company has consistently adhered to the goal of improving product quality to maintain competition. The company's Miaoli Plant, Taoyuan Plant, and Kaohsiung Plant have all passed ISO international quality certification and have been working with downstream customers for many years, due to the stable quality of all types of steel products of the company.

##### (iii) Excellent R&D standards

In the past years, the company's R&D has been fruitful. Major R&D achievements in steelmaking include steel material development for high tensile rebar, development of ultra-high tensile steel products, technology development for re-heating smelting furnaces, and technology for recycling smelters. Major R&D achievements in rolling steel include: high tensile screw rebar development, coupler development for high tensile screw rebar, development of U-shaped steel plate pile development, development of steel-wire induction heating manufacturing process, development of ultra-thickness H-shaped steel, and developing steels with various specifications and shapes to diversify products to enhance technical capabilities and increase the company's revenue and profit.

Ongoing R&D plans include: off-gas detection of electric furnaces, burners in the furnace, and carbon injection dynamic control project research, high clarity and high toughness steel embryo development, low energy consumption direct rolling process super high strength development of seismic-resistant steel rebar, uninterrupted rebar rolling technology for steel-embedded welding, and round tandem reciprocating

universal rolling machine rolling technology research and development, development of low-alloy ultra-high-tensile steel plate, and reduction of re-melt furnace re-use process development.

#### (5) Advantages and Disadvantages of Developing Vision

##### (i) The favorable factors

- a. Since Tung Ho Iron and Steel Taoyuan Plant was officially put into production on October 31, 2010, its energy-saving and carbon-reducing environmental protection design was the main production process. Compared with traditional steel rebar plants, the unit's energy consumption cost for rebar production can be reduced by approximately 30% to 40%. The second production line was officially put into operation in the fourth quarter of last year, which will help Tung Ho Steel to further implement the environmental protection process of energy saving and carbon reduction.
- b. Taipei Metro branch line, Suhua Reform Project, Taichung MRT, and underground Kaohsiung Railway were successively carried out.
- c. The new Taiwan government has launched a forward-looking plan to expand domestic demand.
- d. The steel rails and guide rails of the Neihu MRT line developed by Tung Ho Iron and Steel Co., Ltd. are the only iron and steel manufacturers in Asia with medium-traffic volume steel track performance, and they are active in expanding overseas sales in the United States, China, and Southeast Asia.
- e. Global warming and the issue of greenhouse gas emission reduction have attracted much attention. "Carbon tariffs", "carbon and energy taxes," and "carbon trading" will be common issues that global industries must face. The Tung Ho Iron and Steel Electric Furnace process has a competitive advantage in the higher furnace process, and it also leads the industry in investment in energy-saving and carbon reduction equipment.
- f. Advancing into the Vietnam and Southeast Asian National Association markets and actively planning.

##### (ii) Unfavorable factors and countermeasures

- a. Severe oversupply of international steel production capacity, especially in neighboring China, South Korea and Japan.

##### Countermeasures:

Faced with the challenges brought about by the dramatic changes in the international steel market, the steel industry must strengthen the exchange and cooperation with the international steel industry through technological research and interactive investment to enhance competitiveness. The company has mastered the opportunities for the growth of demand for steel products in Southeast Asia's emerging markets, and through the cooperation with steel industry partners in Southeast Asia, the steel products meet the local content requirement and apply the zero tariff on the steel products trade in response to competitors such as

China, Korea and Japan. The advantages of tariff preferences. The company reinvested in the Vietnam plant to diversify operational risks and continued to improve the production facilities of the Vietnam plant. It is expected that the sales volume of steel embryos will continue to grow; in addition, the production line of the steel plant of the Vietnam plant has entered volume production, so it will invest in the Vietnam plant. The benefits should be affordable.

- b. The nuclear industry will not transfer business, and the advent of high-cost alternative energy era will increase the pressure of operating cost control.

Countermeasures:

Due to fierce competition in the steel industry, falling prices will squeeze profits, so continued cost reduction is a key factor in the success of the steel industry. As for the raw materials portion, the Company reduced the cost by negotiating ways to purchase lower-priced raw materials, adjusting alloy addition modes, and negotiating purchase prices of raw materials; in terms of process improvement, in addition to continuously improving equipment to increase production line efficiency, Continuously optimize the steelmaking process, adjust the product mix, and refine the steelmaking process to reduce costs. In the management section, reduce costs through production and marketing coordination, lean production, and accelerated stock removal.

- c. The cross-strait negotiations on trade and trade negotiations under the ECFA structure cannot be restarted. With the strong pressure from China on international free trade agreements, no substantial progress can be made, making private investment in fixed capital unresolved.
- d. U.S. 232 investigation has imposed global import tariffs on steel and aluminum as a result of national security issues. This has provoked a wave of global steel trade protectionism. It has even stirred up the sensitivity of “deChinalization” and the global steel industry will face more severe The dilemma of international trade, and the issue of “deChinalization” will continue to prolong.
- e. The negative impact of the China-US trade war on global economic, financial and trade growth.

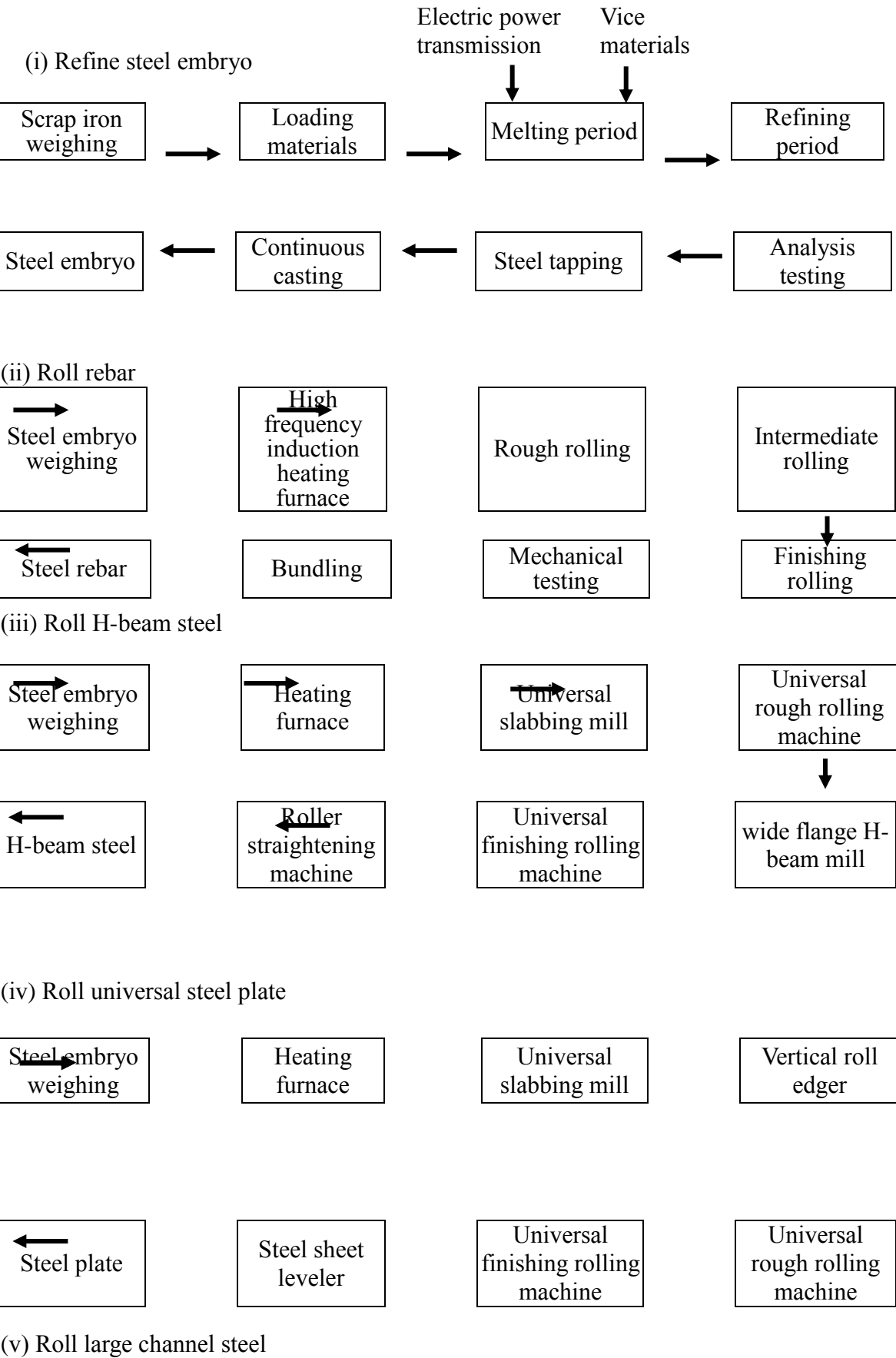
## **ii. Important uses and production process of main products**

(1)Product uses

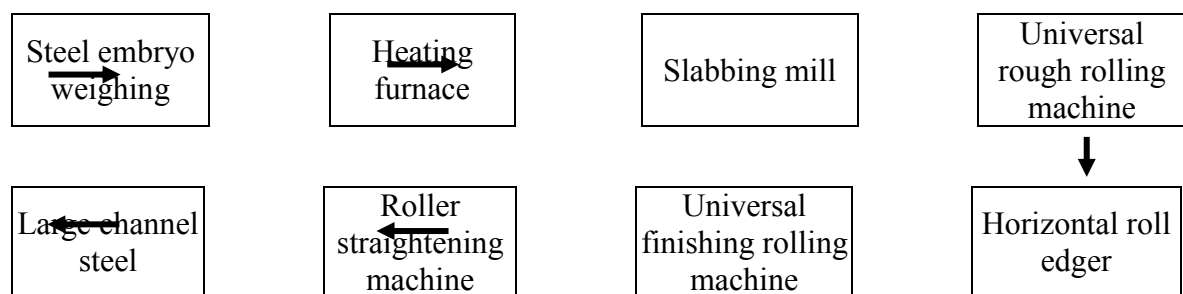
- (i) Steel rebar: steel materials for civil engineering and construction.
- (ii) Steel embryo: semi-finished products of steel rebars, bar steel, wire rods, H-beams, channel steels, and steel plates.
- (iii) H-beam steel: structural steel materials such as steel structures and civil engineering.
- (iv) Universal steel plate: Steel materials for structural steels such as welded H-beam steel, box-type column, and rectangular column.
- (v) Large-scale channel steel: structural steel materials such as steel structure building and mechanical and electrical equipment, etc.
- (vi) U-shaped steel sheet piles: widely used in retaining walls, wharfs, cofferdams, etc. and can be recycled for reuse. Characterized by high strength, light weight, good water barrier, strong durability, and simple construction.
- (vii) Steel structure: factory buildings, high-rise buildings, large-span buildings, civil and construction steel materials, and integrated construction industries.
- (viii) Environmental protection business - reduced iron: sold to steel plants as a raw material for steelmaking.
- (ix) Environmental protection business - crude zinc oxide: sold to a Zn metal refinery as a raw material.
- (x) Environmental protection business - slag product: used as a road material and aggregate.

(xi) Wind power generation: Electricity is sold to Taipower for users.

(2)Production process



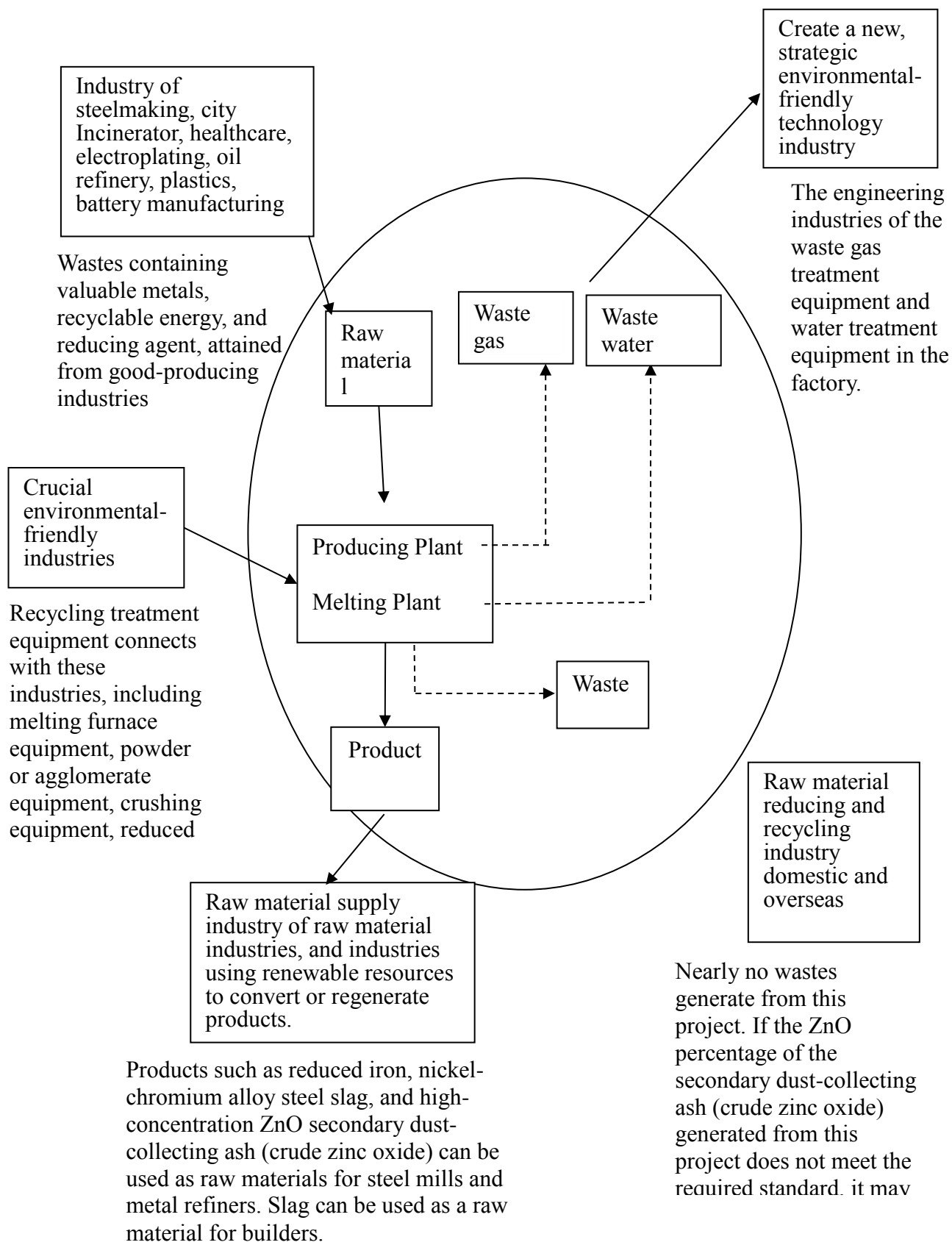




## (vi) Steel structure process



(vii) Environmental-friendly processing



Supplier and maintainer of the device of power transmission line (German firm Enercon Corporations)

Wind power generating

Power transmission line

Taipower

Customers

(viii) Wind power generating

(3) Main raw materials supply from parent company and subsidiaries

(i) Purchase of main raw materials for 2017

Unit: metric tons

Corp.	Season		Season I	Season II	Season III	Season IV	Total
	Number	Item					
Tung Ho Steel Enterprise Co., Ltd.	Scrap steel	Domestic	206,102	172,365	223,881	211,250	813,598
		Overseas	132,918	175,156	173,712	97,133	578,919
Tung Ho Steel Vietnam Corp. Ltd.	Scrap steel	Domestic	26,383	18,010	13,652	14,430	72,475
		Overseas	84,050	133,026	86,992	140,809	444,877
Tung Ho Steel Enterprise Co., Ltd.	Pig iron	Domestic	0	0	0	0	0
		Overseas	38,009	0	2,020	0	40,029
Tung Ho Steel Vietnam Corp. Ltd.	Pig iron	Domestic	3,573	6,330	1,528	16,103	27,534
		Overseas	6,340	0	0	0	6,340
Tung Ho Steel Enterprise Co., Ltd.	Silicon iron	Domestic	0	0	0	0	0
		Overseas	900	666	1,100	900	3,566
Tung Ho Steel Enterprise Co., Ltd.	Ferromanganese iron	Domestic	0	0	0	0	0
		Overseas	50	250	650	300	1,250
Tung Ho Steel Enterprise Co., Ltd.	Ferromanganese-silicon iron	Domestic	0	0	0	0	0
		Overseas	4,900	4,460	5,600	4,900	19,860
Tung Ho Steel	Ferromanganese-silicon iron	Domestic	300	216	280	61	857

Vietnam Corp. Ltd.		Overseas	800	913	877	1,377	3,967
Tung Ho Steel Vietnam Corp. Ltd.	Electrode bar	Domestic	0	0	0	0	0
		Overseas	180	362	475	197	1,214
Tung Ho Steel Vietnam Corp. Ltd.	Magnesium oxide	Domestic	0	0	0	0	0
		Overseas	720	790	1243	1156	3,909
Tung Ho Steel Enterprise Co., Ltd. Steel structure	Steel plate	Domestic	4,662	8,450	6,993	10,301	30,406
		Overseas	3,462	2,000	3,306	7,482	16,250
Tung Ho Steel Fujian Corp. Steel and Iron	Steel plate	Domestic	1,562	1,180	4,001	1,304	8,047
		Overseas	0	0	0	0	0
Tung Ho Steel Fujian Corp. Steel and Iron	Section bar	Domestic	1,417	1,879	2,146	4,365	9,807
		Overseas	0	0	0	0	0
Katec Creative Resources Co., Ltd.	Dust collection	Domestic	2,137	2,325	692	202	5,356
		Overseas	0	0	0	0	0
Katec Creative Resources Corp. Ltd.	Medical waste	Domestic	336	309	174	125	944
		Overseas	0	0	0	0	0

(ii)Major raw material import areas and supply conditions

Corporation	Items	Major raw material import areas	Supply conditions
Tung Ho Steel Enterprise Co., Ltd.	Scrap steel, pig iron	America, South America, Japan, Russia, etc.	Good
	Silicon iron, ferromanganese iron, ferromanganese-silicon iron	China, India, Malaysia, Ukraine, etc.	Good
Tung Ho Steel Vietnam Corp. Ltd.	Scrap steel	America, Japan, Hong Kong, Australia	Good
	Pig iron	North Korea	Good
	Ferromanganese-silicon iron	India	Good

	Electrode bar	Europe, Japan, Malaysia, China	Good
	Magnesium oxide	Taiwan, China	Good

#### 4. Customers' name and the amount and proportion of purchases (sales) of goods that accounted for more than 10% of the total (imported) goods in any year in the most recent fiscal year

i. Customer names that accounted for more than 10% of total sales in any year in the most recent two years:

Unit: 1000 NTD

2016				2017			
Name	Amount	Share of net sales (%)	Relation with the issuer	Name	Amount	Share of net sales (%)	Relation with the issuer
Other	25,209,558	100.00	None	Other	31,749,271	100.00	None
Net sales	25,209,558	100.00	—	Net sales	31,749,271	100.00	—

The sales target of the company is extremely scattered, in 2016 and 2017, there was no case where the amount of sales of a single object was greater than 10%.

ii. Customer names for the top ten sales within recent two years:

Item Year	Customer name	Amount (1000 NTD)	Proportion (%)	Item Year	Customer name	Amount (1000 NTD)	Proportion (%)	Reason for increase and decrease
2016	Rieter Steel Co., Ltd. (立達)	1,955,245	7.76	2017	MITSUI VIETNAM CO.,	3,164,317	9.97%	Market supply and demand changes
	MITSUI VIETNAM CO.,(note)	1,899,138	7.53		Rieter Steel Co., Ltd. (立達)	1,938,797	6.11%	
	Feng Huei Steel Co., Ltd (豐暉)	1,396,492	5.54		SANWA	1,545,448	4.87%	
	Gir Gai Trading Co.,Ltd (GSC 高吉)	1,142,051	4.53		Feng Huei Steel Co., Ltd (豐暉)	1,218,677	3.84%	
	Chenggang Industry (誠鋼實業)	936,573	3.72		Gir Gai Trading Co.,Ltd (GSC 高吉)	1,028,226	3.24%	
	SANWA	830,518	3.29		Chenggang Industry (誠鋼實業)	1,014,725	3.20%	
	Haotai Steel Corporation (鐔泰)	625,021	2.48		Superiority Steel Co., Ltd. (加泓)	636,069	2.00%	
	Superiority Steel Co., Ltd. (加泓)	548,879	2.18		Haotai Steel Corporation (鐔泰)	597,203	1.88%	
	THYSSEN	529,621	2.10		Kai Hong Steel Co., Ltd. (凱鴻)	563,213	1.77%	

	Superiority Steel Co., Ltd. (加弘)	510,654	2.03		POSCO DAEWOO CORPORA TION	532,791	1.68%	
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iii. Major supplier information within recent two years

Period	2016				2017				2018 as of the previous quarter			
Item	Name	Amount (1000 TWD)	Annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (1000 TWD)	Annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (1000 TWD)	Share of annual net purchases as of the previous quarter (%)	Relationship with the issuer
1	Huating International Co., Ltd. (華霆)	2,147,825	13.53	None	Huating International Co., Ltd. (華霆)	2,387,152	10.57	None	Huating International Co., Ltd. (華霆)	1,139,382	11.22	None
2	Other	13,730,858	86.47	None	Other	20,193,086	89.43	None	Other	9,012,530	88.78	None
Total	Net purchase	15,878,683	100	Not applicable	Net purchase	22,580,238	100	Not applicable	Net purchase	10,151,912	100	Not applicable

iv. The top ten customer names in total purchases within recent two years

Item Year	Customer's name	Amount (1000 TWD)	Proportion (%)	Item Year	Customer's name	Amount (1000 TWD)	Proportion (%)	Reason for increase and decrease
2016	Huating International Co., Ltd. (華霆)	2,147,825	13.53%	2017	Huating International Co., Ltd. (華霆)	2,387,152	10.57%	Increase or decrease in the number of purchases and exchange rate changes
	Pacific Jinmao (太平洋金貿)	967,445	6.09%		SIMS GROUP AUSTRALIA	1,520,093	6.73%	
	Hongmao International Co., Ltd. (弘懋)	600,708	3.78%		Pacific Jinmao (太平洋金貿)	1,358,199	6.01%	
	AdvancedTEK International Co., Ltd.	448,607	2.83%		AML	528,457	2.34%	
	Taiwan Banhe Industrial Co., Ltd. (台灣阪和)	355,940	2.24%		Hongkuan Metal Co., Ltd (泓寬金屬)	381,618	1.69%	
	Shanghai Puou Steel Co., Ltd. (上海浦甌)	285,878	1.80%		AdvancedTEK International Co., Ltd.	359,138	1.59%	
	Hong Ruen Co., Ltd.	268,780	1.69%		Hong Ruen Co., Ltd.	338,332	1.50%	
	Shangyu Industrial Co., Ltd. (尚譽)	253,225	1.59%		Li-Fu Co., Ltd. (黎福)	337,037	1.49%	
	Nippon Steel & Sumitomo Metal	252,609	1.59%		Hongmao International Co., Ltd. (弘懋)	321,127	1.42%	
	Fu.Jian Xin San Yuan (福建鑫三元)	225,348	1.42%		Gi He Chen Environmental Technology Co., Ltd.	320,137	1.42%	

## 5. Production value of last two years

Unit: metric tons, 1000 NTD

Year		2017			2016		
Item	Production value	Capacity	Productivity	Production value	Capacity	Productivity	Production value
Steel embryo		3,300,000	1,947,262	23,902,710	3,300,000	1,605,558	17,310,382
Steel rebar		1,250,000	708,541	9,327,224	1,200,000	668,556	7,825,836
H beam steel		1,000,000	477,733	7,111,435	1,000,000	536,188	7,353,300
Steel plate			59,951	904,220		38,434	537,007
Channel steel			69,321	1,112,139		37,943	580,315
I type steel			2,214	36,837		2,761	42,074
Steel sheet pile			565	9,585		28	590
Steel structure		123,600	81,546	2,909,164	123,600	84,181	7,567,110
Environmental treatment		46,368	16,788	242,790	46,368	17,285	225,483
Wind power		28,000	25,758	51,517	28,000	13,139	26,278
Others (note)		0	0	0	0	311	4,934
Total		5,747,968	3,389,679	45,607,621	5,697,968	3,004,384	41,473,309

(Note): Others include the lengthening of the subsidiaries and the forming of rebars, the sale of rebars, the sale of splicer materials, the construction of new plants, residential renovation works, the construction of parking lots, the construction of new industrial recycling yards, and the strengthening of steel structures in factories.

## 6. Sale value of last two years

Unit: metric tons, 1000 NTD

Year		2017				2016			
Items	Sales value	Domestic		Overseas		Domestic		Overseas	
		Amount	Value	Amount	Value	Amount	Value	Amount	Value
Steel embryo		13,625	186,092	469,644	5,910,153	2,241	27,702	218,890	2,325,125
Steel rebar		749,900	11,341,429	4,924	84,999	657,915	8,844,496	17,988	260,784
H beam steel		389,155	7,302,451	73,708	1,344,757	452,182	7,656,456	71,316	1,171,710
Steel plate (self-made)		30,916	631,426	0	0	12,819	223,691	0	0
Steel plate (buy and sell)		87	4,344	0	0	5,197	95,819	0	0
Channel steel		11,713	204,397	54,491	998,930	14,669	240,937	23,767	404,231
I type steel		2,026	45,866	188	4,275	1,892	41,978	850	16,975
Steel sheet pile		46,501	2,108,506	32,224	766,976	78,345	2,777,708	0	744,510
Steel materials buy and sell		453	8,915	0	0	2,975	41,377	0	0
Environmental treatment		17,675	257,648	0	0	20,063	261,495	0	0
Steel sheet pile		574	10,000	0	0	0	0	65	1,057
Wind power		25,758	51,517	0	0	13,139	26,278	0	0



Year		2017				2016			
Items	Sales value	Domestic		Overseas		Domestic		Overseas	
		Amount	Value	Amount	Value	Amount	Value	Amount	Value
Others (note)		0	486,592	0	0	0	47,129	0	100
Total		1,288,383	22,639,182	635,180	9,110,089	1,261,437	20,285,066	332,876	4,924,492

(Note): Others include the lengthening of the subsidiary company and the forming of steel bars, the sale of steel bars, the sale of splicer materials, the construction of new plants, residential decoration works, the construction of parking lots, the construction of new industrial recycling yards, and the strengthening of steel structures in factories.

### 3. Data of employees

#### i. Number of employees, average service years, average age and academic distribution ratio of the last two years up to the publication date of the annual report

Year		2016	2017	2018 as of March 31
Number of employees	Head office	165	174	175
	Kaohsiung Plant	259	251	251
	Taoyuan Plant	443	466	456
	Miaoli Plant	520	523	524
	Regular contract employees	8	9	7
	Foreign employees	153	173	178
	Parent company total	1,548	1,596	1,591
	Subsidiary (includes foreign employees)	771	770	830
	Total	2,319	2,366	2,421
Average age (note)		41.71	41.02	42.94
Average service years (note)		11.51	11.87	12.09
Academic distribution ratio (note)	Ph. D.	0.05	0.00	0.08
	Master's degree	4.03	4.30	5.26
	College	43.05	42.35	64.01
	High school	37.59	37.68	16.46
	Below high school	15.29	15.67	14.32

(Note): The average age, average service years and academic distribution ratio are calculated as regular employees, excluding regular contract staff and foreign employees.

### 4. Disbursements for environmental protection

#### i. Total loss (including compensation) and penalty due to the polluting of environment and countermeasures of last year and up to the publication date of the annual report

Company/Subsidiary	Violation of environmental protection	Penalty	Countermeasures (Improvement, Precaution)
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Company/Subsidiary		Violation of environmental protection	Penalty	Countermeasures (Improvement, Precaution)
Company	Taoyuan Plant	2017.07.14 The Environmental Protection Bureau audited and found the operational factory construction project of Tung Ho Steel and Iron Co., Ltd. (Pollution charges control number: H105HC2022-1) didn't establish prevention facilities in accordance with the Construction Project Air Pollution Prevention Facility Management Regulations during construction and was object to article 23-2 of the Air Pollution Control Act.	100,000 NTD	1. No construction site signs: set up signs around the construction site 2. Material mound no cover: covered the mound with air filter immediately. 3. Paths of cars covered by dust: cleaned the paths with sweeping equipment and then cleansed them with sprinkler truck 4. No car washing equipment at the entry of the construction site: set up washing equipment immediately. Each errors were corrected by 2017.07.31 and pass the review process.
	Miaoli Plant	None	None	None
	Kaohsiung Plant	None	None	None
Subsidiary	Tung Ho Steel Structure Co., Ltd.	1. The land of Sinying Plant was borrowed from other party, rent period from 1999.11.01 to 2019.10.31, and the Plant has obligation to return the land by the date the rent period expire. When the Plant found waste in the land in 2016, the Plant actively reported this matter to the Environmental Protection Bureau of Tainan City Government and conducted a waste treatment plan to the Environmental Protection Bureau, which was approved (approved document Number: 環事字第 10501222099 號). The waste treatment cost of the Company in 2017 is NTD 207,843,377 in total.	None	Connected legal agency to remove the waste and reported the photos and information of the treatment to the Environmental Protection Bureau of Tainan City Government for future reference.
		2. Three of the lands of Yunlin Plant, located at Dong'an Section 500, 501, 502, Dongshi Township, have violated article 24-1 of Air Pollution Control Act due to operations of scooping, filling and moving earth volume. The Company has improved this event after the Yunlin County Government issued the improvement notice (環空二字第 1053637122 號 函). The earth moving fee in 2017 is NTD 51,510,915 in	NTD 100,000	Connected legal agency to move the earth and reported the photos and information of the treatment to competent authority for future reference.

Company/Subsidiary		Violation of environmental protection	Penalty	Countermeasures (Improvement, Precaution)
		total.		
Subsidiary	Kateg Creative Resources Co., Ltd	1. At 2017.05.26 the Company failed to prevent the staff from entering into dangerous places when conducting Labor Inspection of Occupational Safety and Health in the factory, using Vehicle Department's construction machinery for furnace construction. At 2017.06.14 the Company was informed of its violation of article 116-1 of Occupational Safety Facilities Regulations, and violation of article 6-1 of Occupational Safety and Health Act, in accordance to Article 43 of Occupational Safety and Health Act.	NTD 30,000	Purchased assistive devices including safety-belt and stairs and enforced the staff to enter the dangerous place with the devices. The furnace operator shall withdraw when machinery is in operation.
		2. At 2017.06.12 the Environmental Protection Bureau audited and found the particulate matter pollution generated from furnace shutdown maintenance hasn't been collected effectively, which cause the particulate matter to diffuse in the air. At 2017.07.24 the Company was informed of its violation of article 31-1 of the Air Pollution Control Act, and violation of article 2-2 of Air Pollution Control Regulations, and penalty in accordance with article 60-1 of the Air Pollution Control Act.	NTD 200,000	Set up water mist firefighter system.
		3. At 2017.06.12 the Environmental Protection Bureau audited and found the infectious waste in the factory was stocked under room temperature, which is object to the regulation that infectious waste shall be stocked under 5 degree Celsius. At 2017.07.24 the Company was informed of its violation of article 1-1 of the Waste Disposal Act, and penalty in accordance with article 53-1 of the same act.	NTD 60,000	Updated the malfunctioned freezer for infectious waste storage.
	Tung Ho	None	None	None

Company/Subsidiary		Violation of environmental protection	Penalty	Countermeasures (Improvement, Precaution)
	Wind Power Co., Ltd.			
Subsidiary	Fa-Da Co., Ltd. (發達興業)	None	None	None
Subsidiary	Tung Ho Steel Vietnam Co., Ltd.	None	None	None
Subsidiary	Tung Ho Engineering Co., Ltd.	<p>1. Construction engineering-- Yeong Jyi Chemical Apparatus Co., Ltd. (永吉化工): At 2017.05.05 Taoyuan City Government Environmental Protection Bureau audited and found events below:</p> <p>(1) The fence around the construction site failed to cover all of the site area.</p> <p>(2) The material mounds was not covered with dust-proof cloth or air filter or controlled by chemical stabilizer in accordance with regulations.</p> <p>(3) Failed to cleanse the car paths within the construction site and the path between the car washing facilities and major car path and thus weakened the prevention work of dust.</p> <p>(4) Failed to cleanse the body and tires of vehicles leaving the construction site at the entry.</p> <p>For the aforesaid violations, at 2017.05.22 the Company was informed of its violation of article 23-2 of the Air Pollution Control Act and violation of Article 17 of Management Regulations for Construction Project Air Pollution Control Facilities. The Company was punished in accordance with article 56-1 of the Air Pollution Control Act, and was subject to mandatory environmental class in accordance with article 23-2 of the Environmental Education Act.</p>	NTD 200,000	<p>1. Assigned workers to sprinkle water at any time to prevent dust from diffusing.</p> <p>2. Covered material mounds and the uncovered grounds with air filter.</p> <p>3. Put worker in charge of cleansing tires; sprinkling water, cleaning and setting up a car washing station.</p> <p>4. Covered the construction site with type-A fence, promptly recovered it, and covered the leftover land with type-B fence.</p> <p>5. As of the matter that the fence didn't cover all of the site area, the Company assigned safety and health supervisor for inspection and recovery on a regular basis.</p> <p>6. Upper layer indoor materials delivery: set up trash pipelines, or delivered the materials via indoor closed pipelines (i.g. elevator access).</p> <p>7. As of the matters related to the regulations of the Environmental Protection Bureau, the Company reinforced the propaganda and education toward engineers and business partners, and assigned supervisor for management</p>

Company/Subsidiary		Violation of environmental protection	Penalty	Countermeasures (Improvement, Precaution)
		<p>2. Construction engineering —Good Plenty Industrial Co., Ltd. (好得壯): At 2017.07.03 Taoyuan City Government Environmental Protection Bureau audited and found events below:</p> <p>(1) The fence around the construction site failed to cover all of the site area.</p> <p>(2) The material mounds was not covered with dust-proof cloth or air filter or controlled by chemical stabilizer in accordance with regulations.</p> <p>(3) Failed to cleanse the car paths within the construction site and the path between the car washing facilities and major car path and thus weakened the prevention work of dust.</p> <p>(4) The dust-proof cloth or air filter covering the scaffolding failed to cover the whole structure and thus weakened the prevention of dust.</p> <p>(5) The delivery of upper layer materials: failed to deliver materials via elevator access, inner pipelines in buildings, closed delivery lines, etc. or deliver materials by human force. Or failed to set up fence or water sprinkler at the entry of delivery lines for preventing dust from diffusing.</p> <p>For the aforesaid violations, at 2017.07.17 the Company was informed of its violation of article 23-2 of the Air Pollution Control Act and violation of Article 17 of Management Regulations for Construction Project Air Pollution Control Facilities. The Company was punished in accordance with article 56-1 of the Air Pollution Control Act, and was subject to mandatory environmental class in accordance with article 23-2 of the Environmental Education Act.</p>	NTD 100,000	<p>8. Reinforced construction site management to prevent being punished again.</p>
		<p>3. Construction engineering-- Yeong Jyi Chemical Apparatus Co., Ltd. (永吉化工): At 2017.09.21 Taoyuan City Government Environmental Protection Bureau audited and found events below:</p> <p>(1) The fence around the construction site failed to cover</p>	NTD 200,000	

Company/Subsidiary		Violation of environmental protection	Penalty	Countermeasures (Improvement, Precaution)
		<p>all of the site area.</p> <p>(2) The material mounds was not covered with dust-proof cloth or air filter or controlled by chemical stabilizer in accordance with regulations.</p> <p>(3) Failed to cleanse the car paths within the construction site and the path between the car washing facilities and major car path and thus weakened the prevention work of dust.</p> <p>(4) The grounds in construction site were uncovered.</p> <p>(5) Failed to cleanse the body and tires of vehicles leaving the construction site at the entry.</p> <p>For the aforesaid violations, at 2017.10.05 the Company was informed of its violation of article 23-2 of the Air Pollution Control Act and violation of Article 6, 7, 8, 9, 10 of Management Regulations for Construction Project Air Pollution Control Facilities. The Company was punished in accordance with article 56-1 of the Air Pollution Control Act, and was subject to mandatory environmental class in accordance with article 23-2 of the Environmental Education Act.</p>		
		<p>4. Construction engineering-- Yeong Jyi Chemical Apparatus Co., Ltd. (永吉化工): This engineering project is the “first-level construction site” according to the Air Pollution Control Act. The Company failed to report Runoff Wastewater Pollution Reduction Plan for approval from competent authority.</p> <p>At 2017.06.19 the Company was informed of its violation of the Article 18 of the Water Pollution Prevention Act and article 10-1 of the Water Pollution Control Measures and Test Reporting Management Regulations. The Company was punished in accordance with Article 46 of the Water Pollution Prevention Act, and was subject to mandatory environmental class in accordance with article 23-2 of the Environmental Education Act.</p>	NTD 22,000	Reinforced the supervision of the construction site according to the regulations of Runoff Wastewater Pollution Reduction Plan.

Company/Subsidiary		Violation of environmental protection	Penalty	Countermeasures (Improvement, Precaution)
		5. At 2017.8.15 Taoyuan City Government Environmental Protection Bureau audited and found the waste (scrap steel rebar and pig iron) storage area fail to mark the names of the waste and fail to set up facilities for prevention of surface water, rain water and groundwater. For the aforesaid violations, at 2017.09.20 the Company was informed of its violation of article 36-1 of the Waste Disposal Act and violations of article 6-1-4 and article 10-1-1 of the Business Waste Storage Removal Treatment Method and Facility Standard. The Company was punished in accordance with article 52 of the Waste Disposal Act, and was subject to mandatory environmental class in accordance with article 23-2 of the Environmental Education Act.	NTD 6,000	Put the waste (scrap steel rebar and pig iron) into the scrap iron storage barrel in the factory. The problem of the descent of water has been solved.

ii. Environmental Protection Expenditure of Last Year Up to the Publication Date of the Annual Report

We not only strive for excelsior of the quality of products and services for customers, but also spare no efforts for pollution prevention, industrial waste reduction and other environmental protection work, in order to complete our Corporate Social Responsibility. The environmental protection expenditure of last year up to the publication date of this annual report is below:

Parent Company/Subsidiary	Name of Company	Environmental Protection Expenditure (Unit: 1000 NTD)		
		Project	2017	Up to 2018.03.31
Parent Company	Taoyuan Plant	Environmental protection capital expenditure depreciation	34,304	9,497
		Environmental Protection regular expenditure	258,256	59,790
	Subtotal of Taoyuan Plant		292,560	69,287
	Miaoli Plant	Environmental protection capital expenditure depreciation	31,061	8,655
		Environmental Protection regular expenditure	209,502	74,025
	Subtotal of Miaoli Plant		240,563	82,680
	Kaohsiung Plant	Environmental protection capital expenditure depreciation	1,290	323
		Environmental Protection regular expenditure	7,865	2,236
	Subtotal of Kaohsiung Plant		9,155	2,559
	Total of Parent Company		542,278	154,526
Subsidiary	Tung Ho Steel Structure Co., Ltd.	Environmental protection capital expenditure	348	87

		depreciation		
		Environmental Protection regular expenditure	259,354	0
	Kateg Creative Resources Co., Ltd.	Environmental protection capital expenditure depreciation	3,337	757
		Environmental Protection regular expenditure	1,280	316
Total of Subsidiary			264,319	1,160
Total			806,597	155,686

### iii. Major Environmental Protection Capital Expenditure in the Next Two Years

(1) We hope to maintain high-level standards for an environmental-friendly operational factory in order to meet relevant environmental regulations and reduce the occurrence of unusual events. None of major pollution events took place in recent years, so the improvement of environmental protection didn't affect the Company's surplus, competitive position or capital expenditure.

(2) We invest in industrial-pollution-reduction equipment and training program for operators on a regular basis, and have acquired ISO-14001 Environmental Certification. We will continually assess our investment according to the improvement of pollution events.

## 5. Labor-management relations

### i. Various welfare, education, training, and retirement measures for employee, the implementation of the aforesaid measures, and agreement between labor and capital

#### (1) Implementation of welfare measures

We and our subsidiary believe that employees not only are the largest assets of the company, but they also drive the company to operate relentlessly; this belief drives us to provide employees with various care measures. In addition to Labor Insurance and National Health Insurance, we also secure the employees (including foreign employees as well) Group Insurance, which includes Life Insurance, Accidental Injury Insurance, Public Liability Insurance, and Business Travel Insurance, in hope of providing employees workplace safety. Other welfare measures:

#### (i) Establish a Joint Employees' Welfare Committee

The joint committee organizes various employees welfare campaigns via Employees' Welfare Committee in all regions. For instance, company staff travel, club, group insurance, Child Scholarship Plan for Faculty and Staff, holiday bonus for the three important Chinese holidays, birthday bonus, wedding/funeral subsidy, retirement subsidy, to name but a few. Also, the committee encourages all kinds of clubs, such as climbing club, softball club, golf club, badminton club, hiking club, etc. and healthy activities such as working out or aerobic exercise.

#### (ii) Establish staff kitchen to provide healthy food to employees

#### (iii) Provide staff dormitory for employees living in remote counties

#### (iv) Provide health examination on a regular basis



The health examination provided annually by the Company includes both general health check and special health check.

(v)Overall occupational medical healthcare service for employees

The team of factory-based doctors—occupational health management physician, professional safety and health personnel, and occupational health nurses—provides preventive medical treatment for faculty in factory and in distance workplace. The employees can consult the factory-based doctors of various items including personal health condition assessment (including working ability and competence), general medical treatment and referral, health education, occupational injury and disease, diagnosis and prevention of diseases, health-promoting activity planning. Other services entails safety education and training, health detection and management, quality survey of health inspection agency, and epidemic investigation and management.

(vi)Irregularly provide medical information and health education

Provide information of disease prevention and healthy diet. Remind employees to notice body weight, blood pressure, etc., and to constantly measure and record their blood pressure.

(vii)Reward: Business surplus will be allocated to employees if the company make profit in the business year.

(viii)Employee stock ownership: When the company’s capital increased by cash, some of the new shares will be retained and will be taken over by employees.

(2)Implementation of educational training

The goal of educational training is for employees to develop occupational competence. The company establishes educational training plan on a yearly basis according to operational requirement and occupational planning. Various internal or external training courses are held in order to promote occupational knowledge and skills and help employees to develop good working attitudes. We hope that the educational training will retain manager and professionals at all level and encourage colleagues to enhance self-value and ultimately develop competitive human resources.

(3)Implementation of retirement system

We have set the Business Employee Retiring Measures in accordance with the Labor Standards Law and the Labor Pensions Act and established the Supervisory Committee of Workers’ Pension Preparation Fund (the Committee), which is approved by competent authority. In addition to calculating the pension for labor in old system on a yearly basis, the Committee will hold regular meeting for the purpose of safeguarding employees’ right. Up to the end of 2017 the Workers’ Pension Preparation Fund is sufficient for next year retirees. Employees who meet the requirement of new system of Workers’ Pension Preparation Fund shall pay six percent (6%) of wages in accordance with the Monthly Contribution Wages Classification of Labor Pension into their personal pension fund account on a monthly basis. Employees may choose to pay the fund voluntarily.

(4)Agreement between labors and capital

Enterprise unions were established in all regions to coordinate the labor-capital relations and promote labor-capital cooperation. The enterprise unions hold labor meeting regularly to activate communication between labor

and capital; this job is carried out by the union's election committee on behalf of the labor. On the other hand, representatives of enterprise union also work for the Worker Welfare Committee and the Supervisory Committee of Workers' Pension Preparation Fund to safeguard employees' rights.

## 2. Losses due to labor disputes last year up to the publication date of this report and the estimated amount and countermeasures of losses that may occur at present and in the future

None of losses have occurred of last year up to the publication date of this report. Under appropriate business management, constant improvement of employees' welfare and the seeking for labor-capital oneness, in the future we expect none of labor disputes and losses in the company.

## 6. Important agreements between parent company and subsidiary

Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
Parent company	Taoyuan Plant	Device purchasing	Shihlin Electric Engineering Co., Ltd.—Hsinchu Subsidiary	2016.06.01~2017.01.31	Two-ways rolling steel – procurement of transformer	1. Deposit: 30% 2. Equipment: 60% 3. Checking fund: 10%
		Device purchasing	Sincheng (鑫城) Mechanical and Electrical Co., Ltd.	2016.08.31~2017.02.28	Crane vacuum lifter with a electro-magnet	1. Progress: 90% 2. Checking fund: 10%
		Project contracting	Tai-en Enterprises Co., Ltd.	2016.11.01~2017.04.30	Public pipelines setting	1. Deposit: 30% 2. Equipment: 60% 3. Checking fund: 10%
		Device purchasing	Tai-en Enterprises Co., Ltd.	2016.11.01~2017.05.31	Device purchasing—cooling systems for inductive heater	1. Equipment: 40% 2. Progress: 50% 3. Checking fund: 10%
		Project contracting	Chiensiang (千祥) Construction Engineering Co., Ltd.	2016.12.01~2017.05.31	Fixed length extensive steel structure & Office and restroom construction	1. Progress: 90% 2. Checking fund: 10%
		Project contracting	Chisiang (崎翔) Enterprises Co., Ltd.	2016.11.16~2017.04.30	Second-stage construction of high-voltage and low-voltage electrical currents & sanitary water supply and drainage project for Taoyuan Plant	1. Equipment: 80% 2. Progress: 10% 3. Checking fund: 10%
		Project contracting	Licheng (立城) Fire Equipment Co., Ltd.	2016.12.01~2017.04.30	Second-stage construction of the setting of fire alarm system for Taoyuan Plant	1. Progress: 90% 2. Checking fund: 10%
		Project contracting	China Engineers Associates, inc.	2016.12.01~2017.06.30	Second-stage construction of hydraulics and oil lubrication piping project for Taoyuan Plant	1. Deposit: 20% 2. Progress: 70% 3. Checking fund: 10%
		Project contracting	Chisiang (崎翔) Enterprises Co., Ltd.	2016.12.01~2017.05.31	Second-stage construction of electric apparatus expansion project for Taoyuan Plant	1. Equipment: 80% 2. Progress: 10% 3. Checking fund: 10%

Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
		Material purchasing	CPC Corporation, Taiwan	2018.03.31~2023.03.30	Sales and purchase contract for industrial use natural gas	Performance bond. Renewal each year. [Maximum amount of monthly gas usage in previous year] x2
		Project contracting	Jingcheng (京埕) Construction Engineering Co., Ltd.	2018.01.24~2018.05.31	Roof renovation project for steel mill	Progress payment: 90% Acceptance payment: 10%
		Project contracting	Air Water Plant & Engineering Inc.	2017.10.19~Completion of the project	Supply of spare parts for the 2Bed VP-System Oxygen Gas Generator	1. Material delivery payment: 70% 2. Progress payment: 20% 3. Acceptance payment: 10%
		Device purchasing	ABB Ltd. (艾波比)	2017.07.13~2018.02.28 (not yet delivered)	Procurement of SVC spare parts for substation	1. Deposit payment: 10% 2. Delivery payment: 80% 3. Acceptance payment: 10%
		Material purchasing	Air Products and Chemicals, Inc.	2016.08.16~2022.04.30	Supply and purchase contract for large amount of gas	Request monthly fund according to incoming goods volume
		Device purchasing	SMS Meer	2014.05.26~Completion of the project	Equipment for Second Rolling Mill (RM2)	1. Deposit payment: 10% 2. Design payment: 10% 3. Delivery payment: 70% 4. Acceptance payment: 10%
		Device purchasing	SMS Elotherm	2014.05.19~Completion of the project	Induction Furnace for Second Rolling Mill (RM2)	1. Deposit payment: 10% 2. Design payment: 10% 3. Delivery payment: 70% 4. Acceptance payment: 10%
		Engineering designing	Fu-Tai Engineering Co., Ltd.	2014.04.22~Completion of the project	Two-ways rolling steel expansion project for Taoyuan Plant—detail design and supervision service contract (RM2)	Request fund according to progress
		Material purchasing	Wuhsiung (武雄) Co., Ltd.	2015.10.29~Completion of the project	Supply and purchase contract for concrete (RM2)	Request monthly fund according to incoming goods volume
		Project contracting	Jia-Fu (嘉福) Lifting Equipment Co., Ltd.	2015.12.07~Completion of the project	Crane moving project in fixed length operational site (RM2)	1. Progress payment: 90% 2. Acceptance payment: 10%
		Project contracting	全省 Mechanical Engineering Co., Ltd.	105.01.13~Completion of the project	The second rolling machine equipment setting project (RM2)	1. Progress payment: 90% 2. Acceptance payment: 10%
		Project contracting	Tai-en Enterprises Co., Ltd.	105.10.07~Completion of the project	Public pipelines setting project (RM2)	Progress payment
		Project contracting	Chisiang (崎翔) Enterprises Co., Ltd.	2016.11.21~Completion of the project	Second-stage construction of high-voltage and low-voltage electrical currents & sanitary water supply and drainage project for Taoyuan Plant (RM2)	1. Progress payment: 90% 2. Acceptance payment: 10%

Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
		Project contracting	China Engineers Associates, inc.	2016.12.01~ Completion of the project	Second-stage construction of hydraulics and oil lubrication piping project for Taoyuan Plant (RM2)	1. Progress payment: 90% 2. Acceptance payment: 10%
		Project contracting	Hao-Wei (浩維) Enterprises Co., Ltd.	2016.12.28~ Completion of the project	Using color steel for second-stage construction project—Taoyuan Factory expansion (RM2)	1. Progress payment: 90% 2. Acceptance payment: 10%
		Material procurement	Hao-Wei (浩維) Enterprises Co., Ltd.	2016.12.28~ Completion of the project	Steel coils purchasing for second stage construction of Taoyuan factory expansion (RM2)	1. Progress payment: 95% 2. Acceptance payment: 5%
		Project contracting	Tung Ho Engineering Co., Ltd.	2017.05.15~ Completion of the project	New path construction and water drainage for the second rolling mill (RM2)	1. Progress payment: 90% 2. Acceptance payment: 10%
Parent company	Miaoli Plant	Device purchasing contracting	Taiwan Chugai Ro Co., Ltd.	2016.02.04~ 2018.06.30	Device purchasing for hot-rolled strip mill heating furnace double fuels improvement project	(1) S/V device 1. Deposit payment: 10% 2. Design payment: 10% 3. Device payment: 70% 4. Acceptance payment: 10% (2) DCS device 1. Prepayments: 10% 2. Device payment: 80% 3. Acceptance payment: 10%
Subsidiary	Tung Ho Wind Power Co., Ltd.	Purchase and sale of electricity contract	Taiwan Power Company	2016.09~2036.08	Taipower bought all of electricity generated by Tung Ho Wind Power Co. Ltd.	The power supply (power generation) per unit time (1 hour) shall not exceed the full load capacity of 5 fans
		Wind turbine maintenance contract	Enercon Taiwan Ltd.	2016.08~2026.07	Suction fan maintenance	None
Subsidiary	Tung Ho Engineering Co., Ltd.	Construction engineering project	Good Plenty Industrial Co., Ltd. (好得壯)	2016.06~ Completion of the project	Factory office construction project of Good Plenty Industrial Co., Ltd	1. Prepayment: 10% 2. Project payment: 80% 3. Balance payment: 10%
		Construction engineering project	Yeong Jyi Chemical Apparatus Co., Ltd. (永吉化工)	2016.03~ Completion of the project	Factory construction project of Yeong Jyi Chemical Apparatus Co., Ltd.	Project payment: 100%
		Construction engineering project	Formosa Laboratories, Inc.	2016.08.04~ 106.05.12	Formosa Laboratories, Inc. Factory D expansion project Civil Work Engineering	1. Payment for contract: 10% 2. Project payment: 80% 3. Balance payment: 10%
		Construction engineering project	Fa-Da Co., Ltd. (發達興業)	2016.05~ Completion of the project	Fa-Da Co., Ltd. recycling field construction project	1. Payment for contract: 30% 2. Project payment: 70%
		Construction engineering project	Kateg Technology Development Co., Ltd.	2016.10~ Completion of the project	Technology factory construction for Kateg Technology Corporation	1. Payment for contract: 10% 2. Project payment: 90%

Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
		Construction engineering project	Universal Cement Corporation	2016.05~ Completion of the project	Coal-fired boilers establishment project of Hai-Hu factory of Universal Cement Corporation	1. Payment for contract: 30% 2. Project payment: 70%
		Construction engineering project	Fortune Electric Co., Ltd.	2016.04.18~ Completion of the project	Factory construction project of Yeong Jyi Chemical Apparatus Co., Ltd: Hydro-power engineering (materials)	Fund borrowed: 100%
		Construction engineering project	Fortune Electric Co., Ltd.	2016.04.18~ Completion of the project	Factory construction project of Yeong Jyi Chemical Apparatus Co., Ltd: Hydro-power engineering (wages)	Project payment: 100%
		Construction engineering project	Tung Ho Steel and Iron Co., Ltd.	2016.06.20~ 2017.08.31	Factory office construction project of Good Plenty Industrial Co., Ltd: 1,400 metric tons of bamboo section steel rebar	Fund borrowed: 100%
		Device purchasing	Rong-Mao (榮茂) Steel and Iron Co., Ltd.	2016.04~2017.05	Procurement of crane for the processing office	1. Device delivery: 70% 2. Installation payment: 20% 3. Acceptance payment: 10%
		Construction engineering project	Tung Ho Steel and Iron Co., Ltd.	2017.09.25~ Completion of the project	Taipei Port new scrap steel factory—civil work, renovation, and steel structure projects	1. Project payment: 90% 2. Retention money: 10%
		Construction engineering project	Tung Ho Steel Structure Co., Ltd.	2017.09.25~ Completion of the project	Taipei Port new scrap steel factory—civil work, renovation, and steel structure projects—steel structure project	Project payment: 100%
		Construction engineering project	Tung Ho Steel and Iron Co., Ltd.	2017.06.01~ Completion of the project	New path construction and water drainage for the second rolling mill	1. Project payment: 90% 2. Retention money: 10%
		Construction engineering project	Tung Ho Steel Structure Co., Ltd.	2017.09.25~ Completion of the project	Taipei Port new scrap steel factory—civil work, renovation, and steel structure projects—steel structure project (materials)	Project payment: 100%
		Construction engineering project	Goldsun Co., Ltd.—Bali Plant	2017.07.05~ Completion of the project	Taipei Port new scrap steel factory—civil work, renovation, and steel structure projects—concrete materials	Project payment: 100%
		Construction engineering project	保力達 Engineering Enterprise	2017.02.17~ Completion of the project	Factory office construction project for Good Plenty Industrial Co., Ltd.—wall and plastering engineering	1. Project payment: 90% 2. Retention money: 10%

Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
		Construction engineering project	Chengyang (承陽興業) Co., Ltd.	2017.08.25~ Completion of the project	Taipei Port new scrap steel factory—civil work, renovation, and steel structure projects—color steel plate setting (materials)	1. Deposit payment: 20% 2. Project payment: 70% 3. Acceptance payment: 10%
		Construction engineering project	Pro Chain Technology Co., Ltd.	2017.03.08~ Completion of the project	Factory office construction project for Good Plenty Industrial Co., Ltd.—color steel (materials)	1. Prepayment: 30% 2. Project payment: 60% 3. Retention money: 10%
		Construction engineering project	Tung Ho Steel and Iron Co., Ltd.	2017.12.01~ Completion of the project	Taipei Port new scrap steel factory construction—electric apparatus engineering	1. Project payment: 90% 2. Retention money: 10%
		Construction engineering project	Chien-Yi (仟溢) Environmental Co., Ltd.	2017.07.21~ Completion of the project	Second stage expansion construction of Tung Ho Taoyuan Plant: Factory-round roads and fences demolition and establishment	1. Project payment: 90% 2. Retention money: 10%
Subsidiary	Tung Ho Steel Vietnam Corp. Ltd.	Device purchasing	Danieli	2016.05.12~ 2017.12.31	Procurement of steel rolling equipment capable of producing 600,000 metric tons of steels	1. Deposit payment: 10% 2. Design payment: 20% 3. Device payment: 60% 4. Acceptance payment: 10%
		Device purchasing	MCC Huatian Engineering and Technology Corp.	2016.05.12~ 2017.08.31	Procurement for roller route for steel entering into furnace	1. Deposit payment: 10% 2. Design payment: 30% 3. Device payment: 45% 4. Installation payment: 10% 5. Acceptance payment: 5%
		Device purchasing	Inductotherm Group Taiwan Ltd.	2016.06.08~ 2017.08.31	Procurement of inductive heater equipment	1. Deposit payment: 10% 2. Device payment: 80% 3. Acceptance payment: 10%
		Device purchasing	LCEC Material Handling Co., Ltd.	2016.07.28~ 2017.04.30	Procurement of BS03,04,05,06 crane for rolling mill	1. Deposit payment: 30% 2. Device payment: 55% 3. Installation payment: 10% 4. Acceptance payment: 5%
		Device purchasing	Ma-Gang (馬鋼) Mechanical and Electrical Co., Ltd.	2016.07.28~ 2017.04.30	Steel rolling mill RM01,03,RS01,02,03,SP01 Procurement of crane	1. Deposit payment: 10% 2. Design payment: 30% 3. Device payment: 40% 4. Installation payment: 10% 5. Acceptance payment: 10%
		Device purchasing	Jade Magnetics Inc.	2016.10.05~ 2017.05.30	Procurement of electro-magnet suction	1. Deposit payment: 30% 2. Device payment: 60% 3. Acceptance payment: 10%

Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
		Project contracting	Danieli	2016.10.18~2017.07.15	Equipment for steel rolling water treatment	1. Deposit payment: 10% 2. Design payment: 20% 3. Device payment: 60% 4. Acceptance payment: 10%
		Project contracting	ABB	2016.11.24~2017.04.30	40MVA(TR3) power transformer procurement	1. Deposit payment: 30% 2. Device payment: 50% 3. Installation payment: 10% 4. Acceptance payment: 10%
		Spare parts purchasing	ANH HOANG NAM	2016.12.15~2017.05.30	Substation expansion project	1. Deposit payment: 30% 2. Device payment: 30% 3. Installation payment: 20% 4. Acceptance payment: 20%
		Device purchasing	Ma-Gang (馬鋼) Mechanical and Electrical Co., Ltd.	2016.12.15~2017.05.30	Lathe equipment purchasing	1. Deposit payment: 10% 2. Device payment: 70% 3. Installation payment: 10% 4. Acceptance payment: 10%
		Project contracting	Yidin (壹鼎) Co., Ltd. and Fushunfa (福順發) Trade Co., Ltd.	2016.10.28~2017.02.28	Basic civil work for rolling steel cooling bed equipment	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	CDCC CONSTRUCTION	2016.11.28~2017.03.18	Basic civil work for rolled steel clipping and package equipment	1. Deposit payment: 40% 2. Device payment: 50% 3. Acceptance payment: 10%
		Project contracting	HOANG LIEN SON CONSTRUCTION	2016.12.20~2017.04.15	Basic civil work for rolled steel extension	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Device purchasing	Shihlin Electric Engineering Co., Ltd.	2017.01~2017.06	Procurement contract for distributing transformer for steel rolling (import)	1. Device payment: 90% 2. Acceptance payment: 10%
		Device purchasing	Rui-Lin (瑞林) Electrical Engineering Co., Ltd.	2017.01~2017.06	Procurement contract for distributing transformer for steel rolling (Taiwan)	1. Device payment: 90% 2. Acceptance payment: 10%
		Device purchasing	Ma-Gang (馬鋼) Mechanical and Electrical Co., Ltd.	2017.01~2017.04	Procurement contract for rolled steel rebar conveyer trolley	1. Deposit payment: 30% 2. Device payment: 60% 3. Acceptance payment: 10%
		Device purchasing	Biên Hòa Co., Ltd. (越昌泰)	2017.01~2017.06	Procurement contract for air compressor	1. Deposit: 30% 2. Device payment: 50% 3. Acceptance payment: 20%
		Device purchasing	South Asia Switchboard (南亞配電盤)	2017.02~2017.07	Procurement contract for intermediate pressure plate for steel roller	1. Device payment: 90% 2. Acceptance payment: 10%

Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
		Device purchasing	Dong-Chang (東昌) Industrial Co., Ltd.	2017.02~2017.05	Procurement contract for low pressure plate for steel roller	1. Deposit payment: 30% 2. Device payment: 40% 3. Acceptance payment: 30%
		Device purchasing	Ma-Gang (馬鋼) Mechanical and Electrical Co., Ltd.	2017.03~2017.07	Procurement contract for the lathe for steel roller	1. Device payment: 90% 2. Acceptance payment: 10%
		Device purchasing	Go-Da (郭大) Air Conditioning Engineering Co., Ltd.	2017.09~2017.11	Air conditioning in steel roller mill construction project	1. Device payment: 50% 2. Installation payment: 35% 3. Acceptance payment: 10% 4. Warranty: 5%
		Device purchasing	Tough Group International Co., Ltd.	2017.11~2018.01	Procurement contract for broadcast system for steel rolling and water treatment	1. Deposit payment: 30% 2. Device payment: 60% 3. Acceptance payment: 10%
		Device purchasing	Ma-Gang (馬鋼) Mechanical and Electrical Co., Ltd.	2017.05~2017.08	Procurement contract for Cranes for Scrap Handling Building	1. Deposit payment: 30% 2. Device payment: 50% 3. Installation payment: 10% 4. Acceptance payment: 10%
		Device purchasing	Ma-Gang (馬鋼) Mechanical and Electrical Co., Ltd.	2017.01~2017.06	Procurement contract for grab and vacuum suction of Scrap Handling Cranes	1. Deposit payment: 20% 2. Device payment: 70% 3. Acceptance payment: 10%
		Device purchasing	SMS group	2017.06~2018.01	EAF regulator equipment purchasing	1. Deposit payment: 20% 2. Design payment: 20% 3. Device payment: 50% 4. Acceptance payment: 10%
		Device purchasing	SMS group	2017.06~2018.04	DCS HQT equipment purchasing	1. Deposit payment: 20% 2. Design payment: 20% 3. Device payment: 50% 4. Acceptance payment: 10%
		Device purchasing	Kum Soo	2017.01~2017.06	Procurement of fettling machine	1. Device payment: 80% 2. Acceptance payment: 20%
		Device purchasing	Sanpany Instruments Co., Ltd.	2017.03~2017.06	Procurement contract for metallographic laboratory equipment	1. Deposit payment: 40% 2. Device payment: 50% 3. Acceptance payment: 10%
		Device purchasing	Yung Zip Chemical Co., Ltd.	2017.05~2017.08	Excavator procurement contract	1. Device payment: 70% 2. Acceptance payment: 30%
		Device purchasing	石葦環保 Co., Ltd.	2017.05~2017.08	Procurement contract for domestic sewage treatment equipment	1. Device payment: 80% 2. Acceptance payment: 20%



Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
		Project contracting	TF Laser Co., Ltd.	2017.02~2017.07	Civil work for steel rolling mill electrical control room and rolling mill outlet	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	China Ecotek Co., Ltd.	2017.03~2017.11	Steel rolling equipment setting contract (mechanical, electrical control, piping)	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	Yong-Chan (永展) Engineering Co., Ltd.	2017.04~2017.07	Public pipelines in the steel rolling mill contract	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	Yu-Shan (毓山) Engineering Co., Ltd.	2017.05~2017.09	Laboratory civil work contract	1. Acceptance payment: 100%
		Project contracting	Yidin (壹鼎) Co., Ltd.	2017.03~2017.06	Civil work for a water treatment plant for rolling mill	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	HLS	2017.04~2017.06	Civil work for a water treatment plant for rolling mill	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	Jingchuangying Co., Ltd. (金莊英)	2017.07~2017.10	Water treatment equipment setting for rolling mill	1. Deposit payment: 30% 2. Progress payment: 60% 3. Acceptance payment: 10%
		Project contracting	Wei-Cheng (偉成) Mechanical Co., Ltd.	2017.05~2017.10	Extension factory for Scrap Handling Building steel structure engineering contract	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	Jin Tai Fa (金台發) Co., Ltd.	2017.05~2017.08	Extension factory for Scrap Handling Building steel civil engineering contract	1. Deposit payment: 20% 2. Progress payment: 70% 3. Checking payment: 10%
		Project contracting	Pro Chain	2017.08~2017.12	Extension factory for Scrap Handling Building color steel engineering contract	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	Wei-Cheng (偉成) Mechanical Co., Ltd.	2017.05~2017.12	Charging deck for Scrap Handling Building steel structure engineering contract	1. Progress payment: 100%
		Project contracting	Jingchuangying Co., Ltd. (金莊英)	2017.12~2018.03	Setting of conductor rail of the running rail for Scrap Handling Building	1. Progress payment: 95% 2. Acceptance payment: 5%
		Project contracting	Jingchuangying Co., Ltd. (金莊英)	2017.12~2018.01	Material building extensive electrical system construction	1. Progress payment: 95% 2. Acceptance payment: 5%
		Project contracting	Luenyickhing Metal Refinery Co., Ltd. (聯益興)	2017.11~2017.12	Furnace electrode lifting control system setting contract	1. Progress payment: 95% 2. Acceptance payment: 5%

Parent company and subsidiary	Name of the company	Property of the contract	Party	Start date and due date of the contract	Content	Restrictions
		Project contracting	Pro chain	2017.08~2017.12	Color steel project for steel slag plant	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	GLC Controls Co., Ltd. (廣隆昌)	2017.08~2017.12	The bucket improving project for the dust collecting plant of gravity settling type	1. Deposit payment: 30% 2. Progress payment: 60% 3. Acceptance payment: 10%
		Project contracting	HUY HOANG	2017.04~2017.07	Civil work and steel structure engineering project for steel slag plant	1. Deposit payment: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
Subsidiary	Fa-Da Co., Ltd. (發達興業)	Contract of plant design construction	Tung Ho Engineering Co., Ltd.	2015.11.06~acquire building license	Recycling field establishment	1. Payment for contract: 10% 2. Payment for application for building license: 70% 3. Payment for acquiring building license: 20%
		Contract of plant construction	Tung Ho Engineering Co., Ltd.	2016.04.01~the use of license	Recycling field establishment	1. Payment for contract: 30% 2. Request fund according to checked progress: 70% 3. Engineering checking & project warranty money: amount of the whole project 5%
Subsidiary	Kateg Creative Resources Co., Ltd.	Device renovation	Pan-German Machinery Corporate Social (汎德機械企業社)	45 days from 2017.07.25	Cooling tower maintenance project	1. Deposit payment: 30% 2. Delivery payment: 30% 3. Installation payment: 20% 4. Acceptance payment: 20%

## VI. Financial Summary of the Company and Subsidiaries

### 1. Concise balance sheet and comprehensive income statement for the last five years

#### i. Concise balance sheet—consolidated

Unit: 1000 NTD

Year Item		Financial data of the last five years					Financial data of this year and up to 2018.03.31 (note 2)
		2013	2014 (re-edited)	2015	2016	2017	
Current Assets		17,555,853	16,166,959	14,890,132	12,504,478	14,835,353	16,355,322
Property, Plant, and Equipment (note 1)		16,257,059	15,916,706	15,447,983	17,888,505	20,582,554	20,537,742
Intangible Assets		0	0	0	213,235	190,187	182,585
Other Assets (note 1)		6,111,721	6,265,406	5,742,353	5,995,096	5,689,298	5,849,161
General Assets		39,924,633	38,349,071	36,080,468	36,601,314	41,297,392	42,924,810
Current Liabilities	Before Distribution	9,844,751	10,956,845	9,570,672	8,611,617	13,268,068	14,331,519
	Distributed	11,441,874	12,254,533	10,668,716	9,909,304	(note 3)	(note 3)
Non-Current Liabilities		6,825,536	4,224,607	3,433,779	4,436,843	3,996,293	4,391,336
Total Liabilities	Before Distribution	16,670,287	15,181,452	13,004,451	13,048,460	17,264,361	18,722,855
	Distributed	18,267,410	16,479,140	14,102,495	14,346,147	(note 3)	(note 3)
Equity Attributed to Stockholders of the Company		23,138,429	23,058,648	22,991,941	23,462,063	23,952,441	24,111,452
Share Capital		9,982,021	9,982,215	9,982,215	9,982,215	10,040,606	10,040,606
Additional Paid-In Capital		6,225,686	6,225,993	6,225,993	6,247,267	6,320,178	6,510,263
Retained Earnings	Before Distribution	7,215,861	6,687,711	6,620,474	7,034,617	7,399,469	8,336,743
	Distributed	5,618,738	5,390,023	7,718,518	5,736,930	(note 3)	(note 3)
Other Interest		(285,139)	162,729	163,259	197,964	192,188	(776,160)
Treasury Stock		0	0	0	0	0	0
Non-Controlling Interests		115,917	108,971	84,076	90,791	80,590	90,503
Total Interest	Before Distribution	23,254,346	23,167,619	23,076,017	23,552,854	24,033,031	24,201,955
	Distributed	21,657,223	21,869,931	21,977,973	22,255,167	(note 3)	(note 3)

(Note 1): The Company did not handle asset revaluation from the year of 2013 to 2017.

(Note 2): The consolidated financial data for the first quarter of 2018 was not verified by accountant.

(Note 3): The 2018 shareholders' regular meeting has not yet been convened and the surplus distribution case has not been determined.

ii. Concise balance sheet—individual

Unit: 1000 NTD

Year Item		Financial data of the last five years					Financial data of this year and up to 2018.03.31 (note 2)
		2013	2014 (re-edited)	2015	2016	2017	
Current Assets		14,976,311	13,742,697	10,906,713	9,322,204	10,326,718	12,497,778
Property, Plant, and Equipment (note 1)		13,933,045	13,433,265	12,811,483	12,390,131	13,572,371	13,553,742
Intangible Assets		0	0	0	0	0	0
Other Assets (note 1)		7,821,637	8,002,077	7,505,176	12,127,572	12,366,127	13,437,106
General Assets		36,730,993	35,178,039	31,223,372	33,839,907	36,265,216	39,488,626
Current Liabilities	Before Distribution	7,266,627	8,230,300	5,064,475	5,943,370	8,322,513	10,988,762
	Distributed	8,863,750	9,527,988	6,162,519	7,241,057	(note 3)	(note 3)
Non-Current Liabilities		6,325,937	3,889,091	3,166,956	4,434,474	3,990,262	4,388,412
Total Liabilities	Before Distribution	13,592,564	12,119,391	8,231,431	10,377,844	12,312,775	15,377,174
	Distributed	15,189,687	13,417,079	9,329,475	11,675,531	(note 3)	(note 3)
Equity Attributed to Stockholders of the Company		23,138,429	23,058,648	22,991,941	23,462,063	23,952,441	24,111,452
Share Capital		9,982,021	9,982,215	9,982,215	9,982,215	10,040,606	10,040,606
Additional Paid-In Capital		6,225,686	6,225,993	6,225,993	6,247,267	6,320,178	6,510,263
Retained Earnings	Before Distribution	7,215,861	6,687,711	6,620,474	7,034,617	7,399,469	8,329,210
	Distributed	5,618,738	5,390,023	7,718,518	5,736,930	(note 3)	(note 3)
Other Interest		(285,139)	162,729	163,259	197,964	192,188	(768,628)
Treasury Stock		0	0	0	0	0	0
Non-Controlling Interests		0	0	0	0	0	0
Total Interest	Before Distribution	23,138,429	23,058,648	22,991,941	23,462,063	23,952,441	24,111,452
	Distributed	21,541,306	21,760,960	21,893,897	22,164,376	(note 3)	(note 3)

(Note 1): The Company did not handle asset revaluation from the year of 2013 to 2017.

(Note 2): The consolidated financial data for the first quarter of 2018 was not verified by accountant.

(Note 3): The 2018 shareholders' regular meeting has not yet been convened and the surplus distribution case has not been determined.

## 2. i. Concise statement of comprehensive income—consolidated

Unit: 1000 NTD

Year Item	Financial data of the last five years					Financial data of this year and up to 2018.03.31 (note 1)
	2013	2014 (re-edited)	2015	2016	2017	
Operating Revenue	35,119,213	35,892,185	31,053,412	25,209,558	31,749,271	8,798,548
Operating Profit	3,703,070	2,887,797	3,033,804	2,970,262	3,801,861	879,707
Operating Income/Loss	2,186,843	1,355,232	1,511,137	1,491,657	1,841,990	356,419
Non-Operating Income/ Expenses	236,060	(71,259)	3,519	190,573	157,093	(10,595)
Pre-Tax Income	2,422,903	1,283,973	1,514,656	1,682,230	1,999,083	345,824
Income from Continuing Operation	2,100,150	1,050,153	1,245,679	1,479,564	1,700,734	275,855
Loss from Discontinued Department	0	0	0	0	0	0
Net Income (loss)	2,100,150	1,050,153	1,245,679	1,479,564	1,700,734	275,855
Other Comprehensive (net) Income	252,117	409,696	(39,593)	61,706	(54,171)	(286,784)
Total Comprehensive Income	2,352,267	1,459,849	1,206,086	1,541,270	1,646,563	(10,929)
Net Profit Attributed to Stockholders of the Company	2,117,078	1,057,263	1,269,089	1,484,673	1,714,931	274,313
Net Profit Attributed to Non-Controlling Equity	(16,928)	(7,110)	(23,410)	(5,109)	(14,197)	1,542
Total Comprehensive Income Attributed to Stockholders of the Company	2,368,404	1,465,044	1,230,981	1,546,892	1,656,764	(15,006)
Total Comprehensive Income Attributed to Non-Controlling Equity	(16,137)	(5,195)	(24,895)	(5,622)	(10,201)	4,077
Earnings Per Share	2.12	1.06	1.27	1.49	1.72	0.27

(Note 1): The consolidated financial data for the first quarter of 2018 was not verified by accountant.

## 2. ii. Concise statement of comprehensive income—individual

Unit: 1000 NTD

Year Item	Financial data of the last five years					Financial data of this year and up to 2018.03.31 (note 1)
	2013	2014 (re-edited)	2015	2016	2017	
Operating Revenue	32,697,239	33,009,294	26,299,671	21,079,344	24,704,836	8,422,939
Operating Profit	3,485,754	2,773,866	2,882,307	2,690,024	3,399,666	804,835
Operating Income/Loss	2,209,158	1,466,159	1,682,453	1,529,153	2,086,827	370,645
Non-Operating Income/ Expenses	221,115	(150,895)	(246,963)	158,267	(101,605)	(28,310)
Income from Continuing Operation	2,430,273	1,315,264	1,435,490	1,687,420	1,714,931	342,335
Loss from Discontinued Department	0	0	0	0	0	0
Net Income (loss)	2,117,078	1,057,263	1,269,089	1,484,673	1,714,931	274,313
Other Comprehensive (net) Income	251,326	407,781	(38,108)	62,219	(58,167)	(289,319)
Total Comprehensive Income	2,368,404	1,465,044	1,230,981	1,546,892	1,656,764	(15,006)
Earnings Per Share	2.12	1.06	1.27	1.49	1.72	0.27

(Note 1): The consolidated financial data for the first quarter of 2018 was not verified by accountant.

## 3. CPA's names and auditing opinions of the last five years

Year	Certified accountants' names	Auditing opinions	Explanation
2017	Kou Hui-Zhi (寇惠植) Guo Xin-Yi (郭欣頤)	Unqualified wording	None
2016	Li Ci-Hui (李慈慧) Kou Hui-Zhi (寇惠植)	Unqualified wording	None
2015	Li Ci-Hui (李慈慧) Kou Hui-Zhi (寇惠植)	Unqualified-modified wording	None
2014	Li Ci-Hui (李慈慧) Kou Hui-Zhi (寇惠植)	Unqualified-modified wording	None
2013	Li Ci-Hui (李慈慧) Kou Hui-Zhi (寇惠植)	Unqualified-modified wording	None

## 2. Financial analysis of the last five years

### 1. i. Financial analysis—consolidated

Year (note 1) Item analyzed (note 3)		Financial data of the last five years					Financial data of this year and up to 2018.03.31 (note 2)
		2013	2014 (re-edited)	2015	2016	2017	
Financial Structure (%)	Debt Ratio	41.75	39.59	36.04	35.65	41.80	43.62
	Ratio of Long-term Capital to Property, Plant and Equipment	185.03	172.10	171.61	156.47	136.18	139.22
Solvency (%)	Current Ratio	178.33	147.55	155.58	145.20	111.81	114.12
	Quick Ratio	74.33	67.22	99.42	57.60	39.32	33.85
	Interest coverage ratio	16.57	9.59	13.08	16.76	19.12	8.75
Operating Ability (%)	Receivables Turnover Ratio (times)	9.00	8.90	7.86	7.77	10.37	10.33
	Average Collection Days	40.56	41.01	46.43	46.97	35.19	35.32
	Inventory Turnover (times)	2.96	3.56	4.09	3.88	3.85	3.52
	Accounts Payable Turnover Ratio (times)	17.51	17.38	17.52	14.79	15.41	16.37
	Average Days in Sales	123.31	102.52	89.24	94.08	94.80	103.69
	Property, Plant, & Equipment (PPE) Turnover (times)	2.11	2.23	1.98	1.51	1.65	1.71
	Total Assets Turnover (times)	0.88	0.94	0.86	0.69	0.77	0.82
Profitability	Return on asset (%)	5.52	2.97	3.58	4.28	4.58	2.94
	Return on Equity (%)	9.28	4.52	5.39	6.35	7.15	4.58
	Ratio of income before tax to paid-in capital (%)	24.27	12.86	15.17	16.85	19.91	13.78
	Profit margin before tax (%)	5.98	2.93	4.01	5.87	5.36	3.14
	Earnings Per Share (NT\$)	2.12	1.06	1.27	1.49	1.72	0.27
Cash Flow	Cash flow Ratio (%)	44.17	38.29	59.35	36.92	(0.97)	(6.72)
	Cash flow Adequacy Ratio (%)	50.30	85.36	143.62	171.27	107.57	66.44
	Cash flow Reinvestment Ratio (%)	6.67	5.88	9.86	4.44	(2.98)	(1.98)
Leveraging	Operating Leverage	2.58	3.44	3.20	3.30	2.93	3.66
	Financial Leverage	1.07	1.11	1.07	1.06	1.06	1.14

Each items of financial ratio have changed by twenty percent (20 %) of the last two (2) years, reasons listed as follows:

1. The current ratio decreased to 111.81%, which mainly because the current liabilities have increased by 54.07% over the previous year, which was an amount of nearly 4,656,451 thousands NT dollars.
2. The quick ratio decreased to 39.32% , which mainly because the current liabilities have increased by 54.07% over the previous year, which was an amount of nearly 4,656,451 thousands NT dollars.
3. The receivables turnover ratio increased to 10.37%, which mainly because the accounts receivable of the end of period have increased by 61.84%, which was an amount of nearly 1,252,501 thousands NT dollars.
4. The cash flow ratio decreased to -0.97%, which mainly because the net cash flow from operating activities have decreased by -104.04% over the previous year, which was an amount of approximately 3,308,254 thousands NT dollars.
5. The cash flow adequacy ratio decreased to 107.57%, which mainly because the capital expenditure of the last five (5) years has increased by approximately 73.83%, which was an amount of nearly 2,876,958 thousands NT dollars, and the increase in inventories of the last five (5) years has increased by approximately 124.53%, which was an amount of nearly 1,495,794 thousands NT dollars.
6. The cash flow reinvestment ratio decreased to -2.98%, which mainly because the cash flows from operating activities has decreased by approximately -104.04% over the previous year, which was an amount of nearly 3,308,254 thousands NT dollars, and the current liabilities has increased by approximately 54.07% over the previous year, which was an amount of nearly 4,656,451 thousands NT dollars.

Unaudited financial statement in the most recent period (2018.03.31) and each items of financial ratio have changed by twenty percent (20 %) in the most recent year (2017.12.31), reasons listed as follows:

1. The times interest earned decreased to 8.75%, which mainly because our profit has decreased in the first quarter of 2018.
2. The return on assets decreased to 2.94% and the return on stockholders' equity decreased to 4.58%, which mainly because our profit has decreased in the first quarter of 2018, and that the net profit after tax for the current year was lessened compared to the year of 2017.
3. Pre-tax net profit as a percentage of paid-in capital decreased to 13.78% and net income ratio decreased to 3.14%, which mainly because our profit has decreased in the first quarter of 2018, resulting in a decrease in profit before tax in the first quarter of 2018.
4. Earnings per share decreased to 0.27, which mainly because our profit has decreased in the first quarter of 2018, resulting in a decrease in pre-tax profit for the first quarter of 2018 compared with 2017.
5. The cash flow ratio decreased to -6.72%, the cash reinvestment ratio decreased to -1.98%, and the cash flow adequacy ratio decreased to 66.44%. The main reason is that we paid more material purchase expense in the first quarter of 2018, resulting in a reduction in cash inflows from operating activities.
6. The operating leverage increased to 3.66, which mainly because of the decrease in the operating profit for the first quarter of 2018.

(Note 1): All of the financial statements listed above was verified by accountant.

(Note 2): The financial data for the first quarter of 2018 was not verified by accountant.

(Note 3): The formula of financial ratio is below:

#### 1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long term funds to property, plant, and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment.

#### 2. Debt-paying ability

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned ratio=net income before tax and interest expense/interest expense.



### 3. Operating capacity

(1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).

(2) Days sales in account receivable = 365 / account receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = operating costs / average balance of account payable (including accounts payable and notes payable resulted from business operation).

(5) Average days in sales = 365 / inventory turnover

(6) Property, plant and equipment turnover = net sales / average net worth of property, plant and equipment.

(7) Total assets turnover = net sales / average total assets.

### 4. Profitability

(1) Ratio or return on total assets = [net income + interest expense  $\times$  (1-tax rate)] / average total assets.

(2) Return on equity = net income / average net equity.

(3) Profit ratio = net income / net sales.

(4) Earnings per share = (net income - preferred stock dividend) / weighted average stock shares issued

### 5. Cash flow

(1) Cash flow ratio = net cash flow from operating activity / current liabilities

(2) Cash flow adequacy ratio = (net cash flow from operating activities within five year / (capital expenditure + inventory increase + cash dividend) within five year

(3) Cash reinvestment ratio = (net cash flow from operating activity - cash dividend) / (total fixed assets + long-term investment + other non-current assets + working capital).

### 6. Leverage

(1) Operation balance = (net operating income - operating variable cost and expense) / operating income.

(2) Financial balance = operating income / (operating income-interest expense).

## 1. ii. Financial analysis—individual

Year (note 1) Item analyzed (note 3)		Financial data of the last five years					Financial data of this year and up to 2018.03.31 (note 2)
		2013	2014 (re-edited)	2015	2016	2017	
Financial Structure (%)	Debt Ratio	37.01	34.45	26.36	30.67	33.95	38.94
	Ratio of Long Term Capital to Property, Plant, and Equipment	211.47	200.60	204.18	225.15	205.88	210.27
Solvency (%)	Current Ratio	206.10	166.98	215.36	156.85	124.08	113.73
	Quick Ratio	70.29	63.93	115.87	60.04	47.29	45.87
	Interest coverage ratio	21.24	13.28	19.77	27.84	27.77	13.29
Operating Ability (%)	Receivables Turnover Ratio (times)	11.65	10.51	9.59	9.70	9.30	8.64
	Average Collection Days	31.33	34.72	38.06	37.62	39.24	42.26
	Inventory Turnover (times)	2.82	3.38	3.57	3.52	3.60	4.51
	Accounts Payable Turnover Ratio (times)	25.10	23.20	23.00	21.18	18.99	22.25
	Average Days in Sales	129.43	107.98	102.24	103.69	101.38	80.93
	Property, Plant, & Equipment (PPE) Turnover (times)	2.27	2.41	2.00	1.67	1.90	2.48
	Total Assets Turnover (times)	0.89	0.94	0.84	0.62	0.68	0.85
Profitability	Return on asset (%)	5.97	3.18	4.00	4.70	5.05	3.13
	Return on Equity (%)	9.40	4.58	5.51	6.39	7.23	4.57

	Ratio of income to paid-in capital (%)	Operating Income	22.13	14.69	16.85	15.32	20.78	14.77
		Profit Margin before Tax	24.35	13.18	14.38	16.90	19.77	13.64
	Net Profit Margin (%)		6.47	3.20	4.83	7.04	6.94	3.26
	Earnings Per Share (NT\$)		2.12	1.06	1.27	1.49	1.72	0.27
Cash Flow	Cash flow Ratio (%)		61.38	46.28	128.44	41.26	13.55	(53.09)
	Cash flow Adequacy Ratio (%)		55.06	92.25	172.40	193.83	161.71	70.75
	Cash flow Reinvestment Ratio (%)		7.12	5.16	12.09	2.98	(0.37)	(12.37)
Leveraging	Operating Leverage		2.27	2.95	2.67	2.77	(0.30)	(1.04)
	Financial Leverage		1.06	1.08	1.04	1.04	1.03	1.42

Each items of financial ratio have changed by twenty percent (20 %) of last two years, reasons listed as follows:

1. The current ratio decreased to 124.08%, which mainly because the current liabilities have increased by 40.03% over the previous year, which was an amount of nearly 2,379,143 thousands NT dollars.
2. The quick ratio decreased to 47.29%, which mainly because the current liabilities have increased by 40.03% over the previous year, which was an amount of nearly 2,379,143 thousands NT dollars.
3. The cash flow ratio decreased to 13.55%, which mainly because the net cash flow from operating activities have decreased by 54.01% over the previous year, which was an amount of approximately 1,324,390 thousands NT dollars, and the current liabilities have increased by approximately 40.03% over the previous year, which was an amount of nearly 2,379,143 thousands NT dollars.
4. The cash flow reinvestment ratio decreased to -0.37%, which mainly because the cash flows from operating activities has decreased by approximately 54.01% over the previous year, which was an amount of nearly 1,324,390 thousands NT dollars, and the current liabilities has increased by approximately 40.03% over the previous year, which was an amount of nearly 2,379,143 thousands NT dollars.
5. The operating leverage decreased to -0.30, which mainly because the variable operating costs and expenses have increased by 50.41% over the previous year, which was an amount of approximately 8,491,895 thousands NT dollars.

(Note 1): All of the financial statements listed above was verified by accountant.

(Note 2): The financial data for the first quarter of 2018 was not verified by accountant.

(Note 3): The formula of financial ratio is below:

#### 1. Financial structure

(1) Debt-asset ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment.

## 2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities.
- (3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses.

## 3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period.
- (2) Average collection days for receivables = 365 / receivables turnover rate.
- (3) Inventory turnover rate = cost of sales / average inventory.
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period.
- (5) Average days of sale = 365 / inventory turnover rate.
- (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment.
- (7) Total asset turnover rate = net sales / average total assets.

## 4. Profitability

- (1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets.
- (2) Return on equity = net income / average total equity.
- (3) Profit margin before tax = net income / net sales.
- (4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares.

## 5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital)

## 6. Leveraging

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
- (2) Financial leverage = operating income / (operating income / interest expenses)

### 3. Audit committee review report of the latest annual individual and consolidated financial report

#### Audit Committee Review Report

The Board of Directors prepares the 2017 Annual Business Report, Financial Statements (including individual and consolidated financial statements) and Earning Distribution Plan. The Financial Statements (including individual and consolidated financial statements) were audited by CPA Kou Huizhi and Guo Xinyi from KPMG Taiwan and issued an unqualified opinion for the audit report. The above-mentioned Business Report, Financial Statements and Earning Distribution Plan were reviewed by the Audit Committee and considered that there was no discrepancy. The above-mentioned reports are presented as required by Securities and Exchange Act 14-4 and Article 219 of the Company Act, for further inspection.

Best regards,

2018 General Meeting of Tung Ho Steel Enterprise Corp.

Tung Ho Steel Enterprise Corp.

Audit Committee Convener: Liu Yiji

March 22, 2018

**4. Financial Statement of the last year:** Please refer to the Consolidated Financial Statement of Tung Ho Steel Enterprise Corp. and its subsidiaries.

**5. Individual Financial Statement audited by the CPA in the last year:**

Please refer to the Individual Financial Statement of Tung Ho Steel Enterprise Corp.

**6. The impact of trouble in financial turnover occurring in the Company and its subsidiaries in the last year and until the date of issuing the annual report on the financial status of the Company:** None.



## VII. Review analysis and risk evaluation on the financial status and financial performance of the Company and its subsidiaries

### 1. Financial status

#### (1) i. Financial status comparison and analysis table –Consolidated

Unit: NT\$ thousand

Item \ Year	2017	2016	Difference	
			Amount	%
Current assets	14,835,353	12,504,478	2,330,875	18.64
Long-term investment	2,964,616	2,513,215	451,401	17.96
Real properties, plants and devices	20,582,554	17,888,505	2,694,049	15.06
Intangible assets	190,187	213,235	(23,048)	(10.81)
Real properties for investment purpose	1,884,349	1,681,336	203,013	12.07
Other assets	840,333	1,800,545	(960,212)	(53.33)
Total assets	41,297,392	36,601,314	4,696,078	12.83
Current liabilities	13,268,068	8,611,617	4,656,451	54.07
Long-term liabilities	3,996,293	4,436,843	(440,550)	(9.93)
Other liabilities	0	0	0	0
Total liabilities	17,264,361	13,048,460	4,215,901	32.31
Capital stock	10,040,606	9,982,215	58,391	0.58
Capital reserve	6,320,178	6,247,267	72,911	1.17
Retained earnings	7,399,469	7,034,617	364,852	5.19
Other equity	192,188	197,964	(5,776)	(2.92)
Total equity attributable to the owner of parent company	23,952,441	23,462,063	490,378	2.09
Non-controlling equity	80,590	90,791	(10,201)	(11.24)
Total equity	24,033,031	23,552,854	480,177	2.04
Items with major change (change percent reaching 20% and the change amount reaching NT\$10,000 thousand) are explained as below:				
1. Other assets: It is reduced by NT\$ 960,212 thousand if compared with that in the previous year. The main reason is due to the prepaid equipment amount is reduced by NT\$ 952,831 thousand.				
2. Current liabilities: It is increased by NT\$ 4,656,451 thousand if compared with that in the previous year. The main reason is due to the short-term borrowings is increased by NT\$ 4,280,593 thousand				
3. Total liabilities: It is increased by NT\$ 4,215,901 thousand if compared with that in the previous year. The main reason is due to the short-term loans is increased by NT\$ 4,280,593 thousand.				

**ii. Financial status comparison and analysis table –Individual**

Unit: NT\$ thousand

Year Item	2017	2016	Difference	
			Amount	%
Current assets	10,326,718	9,322,204	1,004,514	10.78
Long-term investment	9,951,925	9,096,742	855,183	9.40
Real properties, plants and devices	13,572,371	12,390,131	1,182,240	9.54
Intangible assets	0	0	0	0
Real properties for investment purpose	1,884,349	1,681,336	203,013	12.07
Other assets	529,853	1,349,494	(819,641)	(60.74)
Total assets	36,265,216	33,839,907	2,425,309	7.17
Current liabilities	8,322,513	5,943,370	2,379,143	40.03
Long-term liabilities	3,990,262	4,434,474	(444,212)	(10.02)
Other liabilities	0	0	0	0
Total liabilities	12,312,775	10,377,844	1,934,931	18.64
Capital stock	10,040,606	9,982,215	58,391	0.58
Capital reserve	6,320,178	6,247,267	72,911	1.17
Retained earnings	7,399,469	7,034,617	364,852	5.19
Other equity	192,188	197,964	(5,776)	(2.92)
Total equity	23,952,441	23,462,063	490,378	2.09

Items with major change (change percent reaching 20% and the change amount reaching NT\$10,000 thousand) are explained as below:

1. Other assets: It is reduced by NT\$ 819,641 thousand if compared with that in the previous year. The main reason is due to the prepaid equipment amount is reduced by NT\$ 925,375 thousand.
2. Current liabilities: It is increased by NT\$ 2,379,143 thousand if compared with that in the previous year. The main reason is due to the short-term borrowings is increased by NT\$ 2,207,012 thousand.



## 2. Financial performance

### (1) i. Operation results comparison and analysis table-Consolidated

Unit: NT\$ thousand

Item \ Year	2017	2016	Increase/Decrease amount	Change percent (%)
Total operating income	32,010,925	25,567,735	6,443,190	25.20
Minus: Sales return	13,310	388	12,922	3,330.41
Sales allowance	248,344	357,789	(109,445)	(30.59)
Net operating income	31,749,271	25,209,558	6,539,713	25.94
Operating cost	27,947,410	22,239,296	5,708,114	25.67
Gross operating profit	3,801,861	2,970,262	831,599	28.00
Operating expense	1,959,871	1,478,605	481,266	32.55
Net operating profit	1,841,990	1,491,657	350,333	23.49
Non-operating income and expenditure	157,093	190,573	(33,480)	(17.57)
Before-tax net Profit of continuing operations	1,999,083	1,682,230	316,853	18.84
Minus: Expense of income tax	298,349	202,666	95,683	47.21
Net profit of the current period	1,700,734	1,479,564	221,170	14.95
Other comprehensive profit/loss (After-tax net amount)	(54,171)	61,706	(115,877)	(187.79)
Total comprehensive profit/loss of the current period	1,646,563	1,541,270	105,293	6.83

Items with major change (change percent reaching 20% and the change amount reaching NT\$10,000 thousand) are explained as below:

1. Net operating income: It is increased by approximately NT\$ 6,539,713 thousand if compared with that in the previous year. The main reason is due to the increase of product sales in the current year.
2. Operating cost: It increased by approximately NT\$5,708,114 thousand if compared with that in the previous year. The main reason is due to the increase in operating income.
3. Operating expense: It is increased by approximately NT\$ 481,266 thousand if compared with that in the previous year. The main reason is due to the administrative expenses is increased by NT\$ 327,170 thousand and promotional expenses is increased by NT\$ 154,096 thousand.
4. Expense of income tax: It is increased by NT\$ 95,683 thousand if compared with that in the previous year. The main reason is due to the before-tax net profit of continuing operations is increased by NT\$ 316,853 thousand if compared with that in the previous year.
5. Other comprehensive profit/loss (After-tax net amount): It is reduced by NT\$ 115,877 thousand if compared with that in the previous year. The main reason is due to the re-measurement of the defined welfare plan is reduced by NT\$ 97,319 thousand.

**ii. Operation results comparison and analysis table –Individual**

Unit: NT\$ thousand

Item \ Year	2017	2016	Increase/Decrease amount	Change percent (%)
Total operating income	24,950,515	21,429,250	3,521,265	16.43
Minus: Sales return	9,632	388	9,244	2,382.47
Sales allowance	236,047	349,518	(113,471)	(32.46)
Net operating income	24,704,836	21,079,344	3,625,492	17.20
Operating cost	21,305,170	18,393,975	2,911,195	15.83
Gross operating profit	3,399,666	2,685,369	714,297	26.60
Minus: Unrealized sales gain	35,941	13,886	22,055	158.83
Add: Realized sales gain	13,886	18,541	(4,655)	(25.11)
Net amount of gross operating profit	3,377,611	2,690,024	687,587	25.56
Operating expense	1,290,784	1,160,871	129,913	11.19
Net operating profit	2,086,827	1,529,153	557,674	36.47
Non-operating income and expenditure	(101,605)	158,267	(259,872)	(164.20)
Before-tax net profit(loss)	1,985,222	1,687,420	297,802	17.65
Minus: Expense of income tax	270,291	202,747	67,544	33.31
Net profit(loss) of the current period	1,714,931	1,484,673	230,258	15.51
Other comprehensive profit/loss (After-tax net amount)	(58,167)	62,219	(120,386)	(193.49)
Total comprehensive profit/loss of the current period	1,656,764	1,546,892	109,872	7.10

Items with major change (change percent reaching 20% and the change amount reaching NT\$10,000 thousand) are explained as below:

1. Net amount of gross operating profit: It is increased by NT\$ 687,587 thousand if compared with that in the previous year. The main reason is due to the price increase of steel.
2. Non-operating income and expenditure: It is reduced by NT\$ 259,872 thousand if compared with that in the previous year. The main reason is due to the recognition of profit for investment income of the subsidiary is by equity method which is reduced by NT\$ 213,289 thousand.
3. Expense of income tax: It is increased by NTD 67,544 thousand if compared with that in the previous year. The main reason is due to the before-tax net profit is increased by NT\$ 297,802 thousand if compared with that in the previous year.
4. Other comprehensive profit/loss (After-tax net amount): It is reduced by NT\$ 120,386 thousand if compared with that in the previous year. The main reason is due to the re-measurement of the defined welfare plan is reduced by NT\$ 97,316 thousand.

### 3. Cash flow

#### (1) i. Liquidity analysis of the last two years - Consolidated

Item \ Year	2017	2016	Increase (Decrease) percent %
Cash flow ratio	(0.97)	36.92	(102.63)
Cash flow adequacy ratio	107.57	171.27	(37.19)
Cash re-investment ratio	(2.98)	4.44	(167.11)
<p>The items with the increase/decrease percent are explained as below:</p> <ol style="list-style-type: none"> <li>1. Cash flow ratio is reduced to -0.97%. The main reason is the net operating cash flow is reduced by approximately NT\$ 3,308,254 thousand, showing a reduction rate of 104.04% if compared with that in the previous year.</li> <li>2. Cash flow adequacy ratio is reduced to 107.57%. The main reason is the capital expenditure in the last five years is increased by approximately NT\$ 2,876,958 thousand, showing an increment rate of approximately 73.83% and the inventories in the last five years is increased by approximately NT\$ 1,495,794 thousand, showing an increment rate of approximately 124.53%.</li> <li>3. Cash re-investment ratio is reduced to -2.98%. The main reason is the net cash flow from operating activities is reduced by approximately NT\$ 3,308,254 thousand, showing a reduction rate of 104.04% and the current liabilities is increased by approximately NT\$ 4,656,451 thousand, showing an increment rate of 54.07% if compared with that in the previous year.</li> </ol>			

#### ii. Liquidity analysis of the next year - Consolidated

Unit: NT\$ thousand

Cash balance at the beginning of the period	Estimated cash flow from the business activities of the whole year	Estimated cash outflow of the whole year	Estimated cash surplus (deficit)	Remedial measures for estimated cash deficit	
				Investment plan	Financing plan
1,020,460	34,006,551	37,272,486	(2,245,475)	N/A	N/A

##### A. Analysis on cash flow situation of the next year:

1. Business activities: It is estimated that the 2018 operating income and earnings will be increased, so it is estimated that the net cash flow from the business activities would be NT\$ 34,006,551 thousand.
2. Investment plan: It is mainly the estimated cash flow for purchasing real properties, plants and devices and increasing the investment based on equity method.
3. Financing plan: It is mainly the estimated cash flow for paying stock dividend and repaying short/long-term loans and debts of the Company.

##### B. Remedial measures for estimated cash deficit and liquidity analysis:

The Company is expected to issue corporate bonds and increase bank borrowings to meet the demand for funds.

**(2) i. Liquidity analysis of the last two years - Individual**

Year Item	2017	2016	Increase (Decrease) percent %
Cash flow ratio	13.55	41.26	(67.16)
Cash flow adequacy ratio	161.71	193.83	(16.57)
Cash re-investment ratio	(0.37)	2.98	(112.33)
The items with the increase/decrease percent reaching 20% are explained as below:			
1. Cash flow ratio is reduced to 13.55%. The main reason is the net operating cash flow is reduced by NT\$ 1,324,390 thousand, showing a reduction rate of 54.01% if compared with that in the previous year and the current liabilities is increased by NT\$ 2,379,143 thousand, showing an increment rate of 40.03% if compared with that in the previous year.			
2. The cash re-investment ratio is reduced to -0.37%. The main reason is the net operating cash flow is reduced by NT\$ 1,324,390 thousand, showing a reduction rate of 54.01% if compared with that in the previous year and the current liabilities is increased by NT\$ 2,379,143 thousand, showing an increment rate of 40.03% if compared with that in the previous year.			

**ii. Liquidity analysis of the next year - Individual**

Unit: NT\$ thousand

Cash balance at the beginning of the period	Estimated cash flow from the business activities of the whole year	Estimated cash outflow of the whole year	Estimated cash surplus (deficit)	Remedial measures for estimated cash deficit	
				Investment plan	Financing plan
508,003	29,084,719	32,231,296	(2,638,574)	N/A	N/A
A. Analysis on cash flow situation of the next year:					
1. Business activities: It is estimated that the 2018 operating income and earnings will be increased, so it is estimated that the net cash flow from the business activities would be NT\$ 29,084,719 thousand.					
2. Investment plan: It is mainly the estimated cash flow for purchasing real properties, plants and devices and increasing the investment based on equity method.					
3. Financing plan: It is mainly the estimated cash flow for paying stock dividend and repaying short/long-term loans and debts of the Company.					
B. Remedial measures for estimated cash deficit and liquidity analysis:					
The Company is expected to issue corporate bonds and increase bank borrowings to meet the demand for funds.					

**4. The impact of major capital expenditure in the last year on the financial business:**

None.

**5. Re-investment policy, major reason for profit/loss of the last year, improvement plan and the investment plan of the next year:****(i) Re-investment policy of last year**

The Company's re-investment policy is in line with the business needs and it manages the

investment business at home and abroad as well as the layout of the upstream and downstream industries. The management of re-investment policy is based on the “Acquisition and Disposition of Asset Handling Procedures” and “Re-investment Management Rules” of the Company in order to understand the financial and business situations of the re-investment business and supervise its execution or handling that comply to the law in order to maximize its operating performance.

(ii) Main reasons for profit/loss, improvement plan and investment plan of the next year

Item \ Description	Original investment amount	Profit/loss for the current period	Re-investment policy	Major reason for profit/loss	Improvement plan	Investment plan of the next year
Tung Yuan International Corporation	800,984	(30,491)	A subsidiary of the Company	The company recognized the investment loss of NT\$ 30,491 thousand by Tung Yuan International Corporation in 2017 which is mainly due to the operating loss of the investment company.	Continue to strengthen investment control to achieve sustainable profitability	None
3 Oceans International Inc.	54,759	(11,626)	A subsidiary of the Company	Tung Yuan International Corporation recognized the investment loss of NT\$ 7,751 thousand by 3 Oceans International Inc. in 2017 which is mainly due to the operating loss of the investment company.	Continue to strengthen investment control to achieve sustainable profitability	None
Best-Steel Trade Corp.	8,928	(3,825)	A subsidiary of the Company	Tung Yuan International Corporation recognized the investment loss of NT\$ 2,313 thousand by Best-Steel Trade Corp. in 2017 which is mainly due to the operating loss of the investment company.	Continue to strengthen investment control to achieve sustainable profitability	None
Tung Ho Steel Structure Co.	1,775,137	(316,226)	A subsidiary of the Company	The company recognized the investment loss of NT\$ 310,695 thousand by Tung Ho Steel Structure Co. in 2017 which is mainly due to the operating loss of the investment	Continue to strengthen investment control to achieve sustainable profitability	None

Item \ Description	Original investment amount	Profit/loss for the current period	Re-investment policy	Major reason for profit/loss	Improvement plan	Investment plan of the next year
				company.		
Tung Ho Steel Engineering & Construction Co., Ltd.	359,340	25,216	A subsidiary of the Company	Recognition of profit by equity method	None	None
Fata Xingye Co., Ltd.	100,000	(186)	A subsidiary of the Company	The company recognized the investment loss of NT\$ 186 thousand by Fata Xingye Co., Ltd. in 2017 which is mainly due to the operating loss of the investment company.	None	None
Katec Creative Resources Corp.	1,211,442	(81,892)	A subsidiary of the Company	The company recognized the investment loss of NT\$ 81,081 thousand by Katec Creative Resources Corp. in 2017 which is mainly due to the operating loss of the investment company.	Continue to strengthen investment control to achieve sustainable profitability	None
Tung Ho Steel Wind Power Co., Ltd.	155,000	(2,761)	A subsidiary of the Company	The company recognized the investment loss of NT\$ 2,761 thousand by Tung Ho Steel Wind Power Co., Ltd. in 2017 which is mainly due to the operating loss of the investment company.	Continue to strengthen investment control to achieve sustainable profitability	None
Goldham Development Ltd	483,750	14,474	A subsidiary of the Company	Recognition of profit by equity method	None	None
Tung Ho Steel Fujian Corp. Ltd.	396,701	14,474	A subsidiary of the Company	Recognition of profit by equity method	None	None

Item \ Description	Original investment amount	Profit/loss for the current period	Re-investment policy	Major reason for profit/loss	Improvement plan	Investment plan of the next year
Tung Ho Steel Vietnam Corp.Ltd.	3,847,738	129,468	A subsidiary of the Company	Recognition of profit by equity method	None	None
Katec Technology	35,353	15,788	An invested company evaluated by equity method	Recognition of profit by equity method	None	None
Taiwan Steel United Inc	113,291	763,925	An invested company evaluated by equity method	Recognition of profit by equity method	None	None
BySources Investment	189,827	1,830	An invested company evaluated by equity method	Recognition of profit by equity method	None	None
DUCHOA International	65,472	871	An invested company evaluated by equity method	Recognition of profit by equity method	None	None
Fujian Sino-Japan Metal	546,602	(62,217)	An invested company evaluated by equity method	The company recognized the investment loss of NT\$ 21,775 thousand by Fujian Sino-Japan Metal in 2017 which is mainly due to the operating loss of the investment company.	Continue to strengthen investment control to achieve sustainable profitability	None

## 6. Risk items, and the related analysis and evaluation

### (1) Impact of changes on interest rate and exchange rate, as well as inflation rate, as well as the future actions:

Unit: NT\$ thousand



Item	2017	2016
Net operating income	31,749,271	25,209,558
Net interest income (expense)	90,117	63,045
Net exchange (loss) gain	(9,851)	(44,716)
Net interest income (expense) / Net operating income ratio	0.28	0.25
Net exchange (loss) gain / Net operating income ratio	(0.03)	(0.18)

(i) Changes in interest rates

The Company's interest rate risk arises from the liabilities of operating activities and financial investments. The Company's interest income and expenses are mainly affected by fluctuations of interest rates in Taiwan and the United States. The Company mainly uses operating cash income and occasionally issues long-term liabilities with fixed interest rates to meet its funding needs in order to reduce the interest rate risk. In terms of financial investment, the Company mainly invests in short-term fixed-income bonds with high liquidity and high ratings to protect the principal and maintain liquidity. However, this safe-haven operation can only reduce part of the risk and cannot eliminate all the financial impact caused by interest rate fluctuations.

(ii) Changes in exchange rate

Rebar and shape steel types products are the Company's main products. Most of the rebar sales customers are located in Taiwan and are denominated in New Taiwan Dollar; while the currency of the major export and import prices are paid in US Dollar. Therefore, any significant international exchange rate changes may adversely affect the financial position of the Company. The US Dollar exchange rate against the New Taiwan Dollar did not fluctuate significantly in 2017. Therefore, the net exchange (loss) gain of the Company for the year 2017 was NT\$ (9,851) thousand which proportioned to the annual operating income and operating profit ratios of (0.03) % and (0.53) %, respectively. The impact of the exchange (loss) gain on the operations and profitability in 2017 should be limited. In addition, the Company has prepared specific measures for exchange rate changes that should effectively reduce the impact of exchange rate fluctuations on the Company:

- A. Gather information related to exchange rate changes on a daily basis to fully grasp the trend of exchange rates, determine timely conversion of the currency or retain foreign currency loans and consult with the foreign exchange department of the bank on the hedging strategy, the rate of foreign currency is depends on the actual capital needs and the level of exchange rate.
- B. For the foreign exchange fund scheduling, the foreign currency claims and debts can generate a natural hedge effects through the regular goods export and import transactions.

C. Uses of hedging tools in a timely manner, such as trading foreign exchange options and forward foreign exchange, etc. to avoid the risk of exchange rate changes.

(iii) Inflation, deflation and overall market volatility

When the market suddenly changes its expectations of inflation and deflation, it often affects the global economy. It will reduce the market efficiency, interfere the investment decisions and adversely affect the general economy and the individual economy regardless it is high inflation or deflation. Recent political uncertainty or the implementation of negative interest rate policies in some of the world's main economies have exacerbated the market fluctuations that caused by the anticipated inflation or deflation. The market fluctuations caused by these economic changes may not have much impact on the Company, but it will indirectly affect the willingness of countries in the world to invest in national capital expenditures.

The inflation rate of Taiwan in 2017 (referred to the CGA's consumer price index) was about 0.62%. The Company does not believe that the inflation or deflation of the Republic of China has a significant impact or influence on the company's operating results for the year 2017. However, the Company cannot guarantee that future inflation or deflation will not change significantly in terms of its nature, degree or scope and may have a significant adverse effect on the operating results of the Company.

**(2) Engaging high-risk and high-leverage investment, lending funds to others, policy of endorsement guarantee and derivative product transactions, main reason for profit/loss and future actions:**

i. The Company did not engage in high-risk and high leverage financial operations in the most recent year. The purchase of US dollar forward foreign exchange and options and engage in interest rate exchange operations is mainly to avoid the risks of exchange rate and interest rate fluctuations, stabilize the cost of goods sold and capital costs. There was no significant loss in derivative commodity engagement in the most recent year. In addition, the Company's policy for the trading of the derivative commodity engagement is based on the substantial safe-haven demand and the relevant operations are conducted in accordance with the "Procedures for Processing Transactions of Derivative Commodities" of the Company.

ii. The involvement in capital lending and others of the Company are governed by the provisions of the "Financing and Others' Operations Procedures" of the Company and its subsidiaries. The Company did not have the funds to finance the loan or other activities in 2017.

iii. In the year of 2017, the Company was endorsed by the subsidiaries of Tung Ho Steel Fujian Corp. Ltd., Tung Yuan International Corp. and Tung Ho Steel Vietnam Corp. Ltd.; the subsidiary Tung Yuan International Corp endorsed guarantees for the re-investment

in Fujian Sino-Japan Metal and DUCHOA International. The above-mentioned endorsements are subject to the related operations in accordance with the "Endorsement Assurance Operating Procedures" of the Company and its subsidiaries.

**(3) Future R&D plans and estimated R&D expense to be invested:**

- i. In terms of steelmaking: dynamic furnace control project for off-gas detection, burner and carbon injection in the furnace, development of high-definition cleanliness and high toughness steel blast, development project for low-alloy ultra-high-strength steel plate, development of high-strength steel bars, development of high-grade marine steel grades and development of ultra-high-strength steel products.
- ii. In terms of steel rolling: Industrial leading development of new techniques of low-power direct rolling process that can improve the strength by more than 1.6 times to produce high-strength shock-resistant rebar, development of billet steel welding techniques and application of continuous rebar rolling of direct rolling technique, new technique development of multi-dimension H-beam with B value equal 300mm using the same ingot rolling, domestic-leading development of angle column for hot rolled integrated U-beam sheet pile, development of H-beam UE (Universal Edger) using new rolling technology, development of angle steel and flat steel H/V (horizontal/vertical roll) co-roller, research and development project for tandem reciprocating universal rolling mill round-section rolling technology, new dimension development of ASTM standards I beam, development of steel material of various shapes. All of these developments lead to the product diversification in order to improve the technique competency and increase the revenue and profits of the Company.
- iii. It has actively developing high-strength and high-value added rebar, steel plate and shape steel (BH,BOX,CROSS..).
- iv. It plans to invest another NT\$ 100 million as R&D expense.

**(4) The impact of changes of key policies and laws home and abroad on the financial business and the corresponding actions:**

The Company's operating team has been paying close attention to any policies and ordinances that may affect the Company's business and operations and has established the relevant risk management procedures. The changes in the major laws and regulations that related to the operation of the Company in 2016-2017 and 2018 until the date of issuing the annual report are as follows:

For the revised Labor Standards Act that published on December 21, 2016, the Company has cooperated with the revision of relevant internal regulations, such as adjusting the overtime billing standards for the rest days and increasing the number of special holidays, which will increase the operating costs of the Company.

For the environmental protection law section, the “Greenhouse Gas Reduction and Management Act” that has been published in July 2015 was formulated in response to the climate change. Its related sub-laws have been formulated and implemented one after another, including the notice of “Management Measures for the Inventory of Greenhouse Gas Emissions” in 2016. The Company has started to handle the relevant regulations and promote the green energy plan. The Company will also continue to pay attention to the changes in laws and regulations to ensure that the Company complies with the relevant laws and regulations. In addition, in response to the amendments of the Waste Disposal Act that published in January, 2017 which the amendments focused on defining and relaxing the scope of waste and improving the responsibility for the waste production business, therefore, the Company will urge outsourcing vendors to comply with their legal compliance. The company will also continue to focus on waste management to ensure in compliance with legal requirements.

Other than the above-mentioned laws and regulations, changes in other related policies and statutes will not have a major impact on the Company's finances and operations.

**(5) The impact of technological and industrial changes on the financial business and the corresponding actions:**

In 2016-2017 and 2018 until the date of issuing the annual report, the Company's operational development strategy has not only been continuously and actively committed to the improvement of technical capabilities and management efficiency, but also to the reduction of production costs, close cooperation with production and sales and integrated operations in order to increase the competitive advantage in the domestic market and actively develop the foreign new markets and new customers. In addition, the constant engagement in the research and development of new steel products and new applications that expand and stabilize the operating base.

The steel products market has always been deeply affected by the cyclical changes in the economy, and this market characteristic also has an impact on the steel products manufacturing service industry. Most of the Company's customers are affiliated with the public engineering industry, automotive industry, machinery manufacturing industry and electronic components and accessories industry. As a result, the Company's revenue and profitability are also affected by the fluctuations of the customer orders.

The steel products industry faces a major and continuing downturn and the overcapacity of China from time to time. The current and future business needs of the Company are derived from these industrial customers. The above-mentioned industrial downturn and overcapacity in the supply chain will lead to a decline in the overall steel manufacturing service industry and the Company's business needs. If the Company cannot effectively offset the impact of the drop in demand through cost reduction or other

measures, the revenue, profit and interest rate will be affected.

In response to the continuous changes in the steel products industry and its technology, the Company's competitive edge is to improve the precision machining processes continuously to create more advanced steel products. If the Company is unable to gain insight into the needs of technological upgrading and develop innovative business models quickly, or if the competitors encounter unpredictable and advanced technology, the Company may not be able to win orders on competitive terms. Although the company is committed to maintain its research and development advantages, however, if it cannot continue to lead in technology or business models, the Company's competitiveness will be weakened.

**(6) The impact of changes of corporate image on the crisis management and the corresponding actions:**

The Company insists on the operation principles of profession, quality and integrity and values corporate image and risk management. Currently, there is no predicted crisis.

**(7) Expected benefits and possible risks of merger, and the corresponding actions:**

In 2016-2017 and 2018 until the date of issuing the annual report, the Company's Board of Directors resolved to purchase 100% shares of Fuco International Ltd. (hereinafter referred to as Fuco International) (in recognition of 90% of the capital contribution of Fuco Steel Corporation Ltd. (hereinafter referred to as Vietnam Fuco) and Tong Hwei Enterprise Co.,Ltd. (hereinafter referred to as Tong Hwei Enterprise) purchases 10% of the investment in Vietnam Fuco and directly and indirectly holds 100% of shares in Vietnam Fuco on October 30, 2015, and it was renamed as Tung Ho Steel Vietnam Corp. Ltd. (hereinafter referred to as Tung Ho Steel Vietnam) in 2016. Tung Ho Steel Vietnam has become the first professional construction steel production base established overseas by the Company, and Tung Ho Steel Vietnam is expected contributes to the operation and profitability of the Company in the future with the continued economic growth of Vietnam and ASEAN. As the international steel market supply and demand and price changes will affect the Company's operations and profits, the Company will also pay close attention to the changes of the market supply and demand, adjust sales strategy and continue to increase the added value of products to reduce the risk that may arise.

**(8) Expected benefits and possible risks of plant expansion and the corresponding actions:**

In 2016-2017 and 2018 until the date of issuing the annual report, the Company has expanded the second production line of Taoyuan Plant's rolling mill and the expansion of the Tung Ho Steel

Vietnam Corp. Ltd. plant's rolling mill and purchase of machinery and equipment. It is expected that the Company's annual production volume, sales volume, sales value, operating margins and operating interests will be improved. As the international steel market supply and demand and price changes will affect the Company's operations and profits, the Company will also pay close attention to the changes of the market supply and demand, adjust sales strategy and continue to increase the added value of products to reduce the risk that may arise.

**(9) Risk assumed by concentrated purchases/sales and the corresponding actions:**

The company has thousands of customers in various parts of the country. The total net sales revenue of the top 10 customers of 2015-2017 accounted for approximately 30.62%, 41.16% and 38.56% of the Company's net sales revenue for each year respectively, of which the largest customers accounted for approximately 6.45%, 7.76% and 9.97%, therefore, there is no concentrated sales.

In addition, the total net purchases of the top 10 purchasers of 2015-2017 accounted for 55.26%, 36.57%, and 34.77% of the Company's net purchases for each year respectively, showing a year-on-year decline. Due to the procurement of the raw materials of the Company is based on the industrial characteristics, some of them are supplied by a single manufacturer, therefore, there is a risk that the supply will not be able to meet the demand without finding an alternative supply source in a timely manner. If the Company unable to obtain the required raw materials in a timely manner or the raw material price increase significantly and the increased costs cannot be passed on to the customers, the Company's revenue and profit will be declined. Therefore, the Company purchases raw materials from different suppliers or different regional suppliers as much as possible to ensure that the raw material supply is flawless and reduces the risk of centralized procurement.

**(10) Impact and risk of major stock option transfer or change among the directors, supervisors or the shareholders with more than 10% shareholding and the corresponding actions:**

The existing shareholders of the Company did not substantially sell the ordinary shares of the Company. In 2016-2017 and 2018 until the date of issuing the annual report, there is no risk of any major stock option transfer or change that could affect normal operations among the Company's directors, supervisors or shareholders with more than 10% shareholding.

**(11) Impact and risk of changes of management right on the Company and the corresponding actions:**

In 2016-2017 and 2018 until the date of issuing the annual report, there is no risk for the changes of management right.

**(12) For the contentious or non-contentious events, it shall list the directors, supervisors, general manager, substantial person in charge, and shareholders with more than 10% shareholding, as well as the major contentious and non-contentious events or administrative litigation event related to the affiliates currently or in the past according to the judgment. For those that the result might show substantial influence on the shareholder's equity or price of securities, it shall disclose its fact, target amount, start date of litigation, major involved parties and handling situation until the date of using the annual report:**

i. In 2016-2017 and 2018 until the date of issuing the annual report, there are no major contentious

events and there are no pending major contentious events.

ii. The directors, supervisors, general manager, substantial person in charge, shareholders with more

than 10% shareholding and affiliates, the major contentious and non-contentious events or administrative litigation event currently or in the past according to the judgment in the most recent two years until the date of issuing the annual report. For those that the result might show substantial influence on the shareholder's equity or price of securities, it shall disclose its fact, target amount, start date of litigation, major involved parties and handling situation until the date of using the annual report:

In 2016-2017 and 2018 until the date of issuing the annual report, there are no major contentious events and there are no pending major contentious events among the directors, supervisors, general manager, substantial person in charge, shareholders with more than 10% shareholding and affiliates.

**(13) Other risks and the corresponding actions:** None.

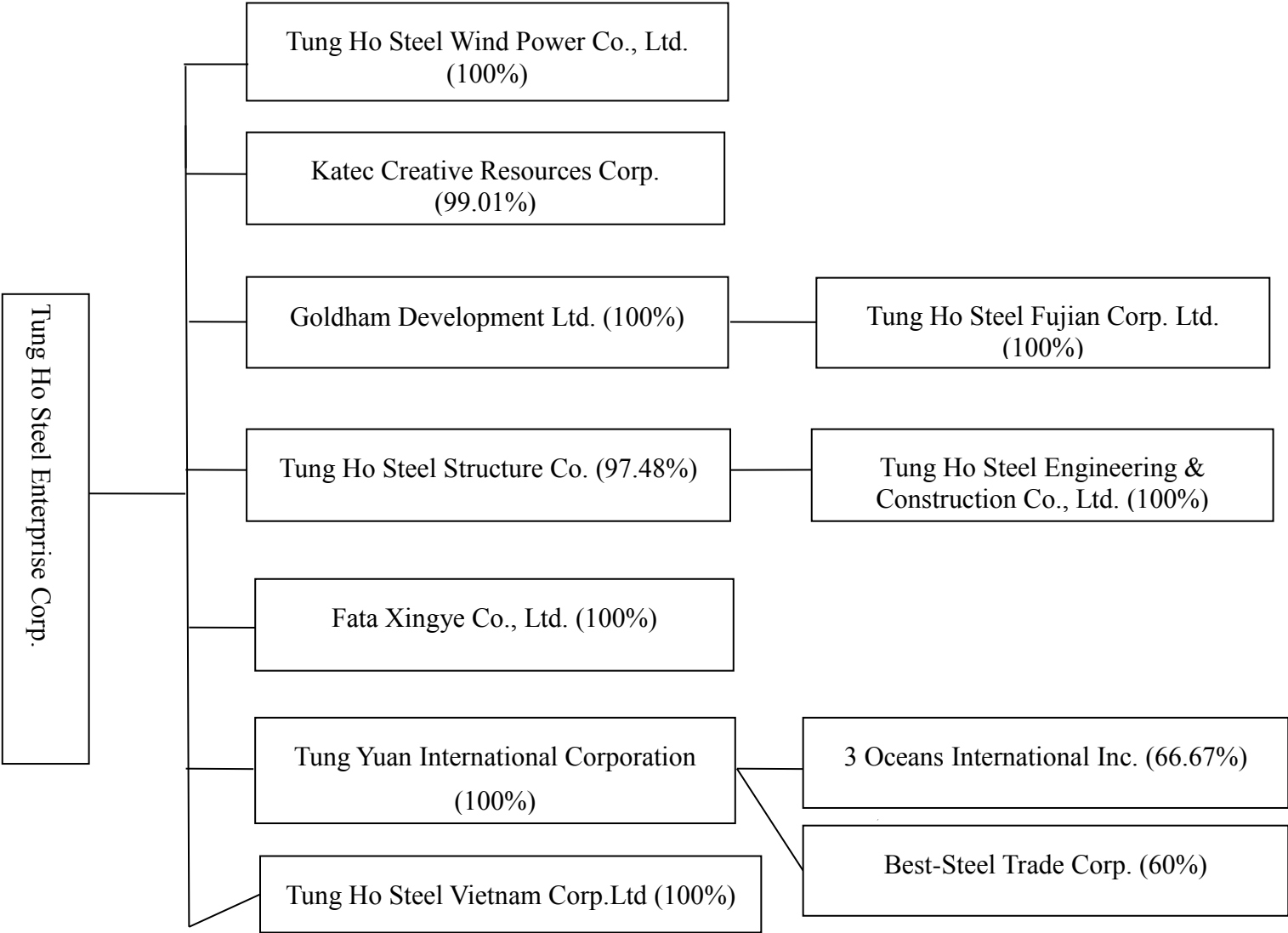
**7. Other important matters:** None.

**VIII. Special Records**

**1. Data of affiliates**

**(1) Consolidated Business Report of affiliates**

**i. Organizational structure of affiliates**







**ii. Basic information of affiliates**

Unit: NT\$ thousand

Name of enterprise	Date of establishment	Address	Paid-in capital	Main business items or production items
Tung Yuan International Corporation	1992.11	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	2,440	Investment of various businesses home and abroad
3 Oceans International Inc.	2004.03	Pillar 9 House, Suite 5, Saleufi Street, Apia, Samoa.	82,138	Investment of various businesses home and abroad
Tung Ho Steel Structure Co.	1993.07	6F, No. 9, Sec. 1, Chang'an E. Rd., Taipei City	2,026,626	Manufacturing of metal structure and architectural components
Tung Ho Steel Engineering & Construction Co., Ltd.	1991.09	9F, No. 9, Sec. 1, Chang'an E. Rd., Taipei City	250,000	General construction industry
Fata Xingye Co., Ltd.	2015.03	No. 116, Caota, Neighborhood 8, Baojhang Village, Guanyin District, Taoyuan City	100,000	Waste resources recycle industry
Katec Creative Resources Corp.	1995.08	No. 231, Huanke Rd., Datan Village, Guanyin District, Taoyuan City	975,704	General waste disposal and treatment industry
Tung Ho Steel Wind Power Co., Ltd.	2009.10	9F, No. 9, Sec. 1, Chang'an E. Rd., Taipei City	155,000	Power generation industry
Goldham Development Ltd	1997.11	1st Floor,Lake Building, Wickhams Cay 1, Road Town, Tortola,British Virgin Islands.	446,400	Investment of various businesses home and abroad
Tung Ho Steel Fujian Corp. Ltd.	1998.01	No. 5, Yanxi Rd., Hong Kuan Industrial Village,Yangxia Township, Fuqing City, Fujian Province	446,400	Production of steel structure products and supplementary products, provision of the corresponding installation and supporting services

Tung Ho Steel Vietnam Corp.Ltd.	2007.04 (Note)	Phu My II Industrial Zone, Phu My Town, Tan Thanh District, Ba Ria Vungtau Province, Vietnam	3,847,738	Production and sale of billet steel
Best-Steel Trade Corp.	2017.07	3395 S. Jones Blvd.247, Las Vegas NV 89146,USA.	14,880	Trading industry

(Note): It is the original date of establishing Fuco Steel.

**iii. The data of same shareholders of those with presumed controlling and affiliation relationship:** None.

**iv. Date of directors, supervisors and general manager of the affiliates**

Name of enterprise	Job title	Name of representative	Shareholding	
			Shares	Percent
Tung Yuan International Corporation.	Director Director Director	Shuzhao Hou Wang Jieteng Hou Boxun Dong	82	100.00%
3 Oceans International Inc.	Director	Jieteng Hou	1,840,000	66.67%
	Director	Qixie Lin		
Tung Ho Steel Structure Co.	Chairman	Shuzhao Hou Wang	197,565,134	97.48%
	Deputy Chairman	Representative of Tung Ho Steel Enterprise Corp.: Kunren Gu		
	Director	Representative of Tung Ho Steel Enterprise Corp.: Boxun Dong		
	Director	Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou		
	Director	Representative of Tung Ho Steel Enterprise Corp.: Binghua Huang		
	General Manager	Zhengbin Qiu		
Tung Ho Steel Engineering & Construction Co., Ltd.	Chairman	Representative of Tung Ho Steel Structure Co.: Yongzhi Chen	25,000,000	100.00%
	Director	Representative of Tung Ho Steel Structure Co.: Jieteng Hou		
	Director	Representative of Tung Ho Steel Structure Co.: Kunren Gu		
	Supervisor	Representative of Tung Ho Steel Structure Co.: Zhao Liu		
Fata Xingye Co., Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corp.: Kunren Gu	10,000,000	100.00%

	Director	Representative of Tung Ho Steel Enterprise Corp.:Jieteng Hou		
	Director	Representative of Tung Ho Steel Enterprise Corp.: Yongzhi Chen		
	Supervisor	Representative of Tung Ho Steel Enterprise Corp.:Xiuqi Chen		
Goldham Development Ltd.	Director	Shuzhao Hou Wang	15,000,000	100.00%
	Director	Jieteng Hou		
	Director	Boxun Dong		
Tung Ho Steel Fujian Corp. Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corp.: Zhengbin Qiu	0	100.00%
	Supervisor	Representative of Tung Ho Steel Enterprise Corp.: Kunren Gu		
	General Manager	Zhenhan Guo		
Katec Creative Resources Corp.	Chairman	Representative of Tung Ho Steel Enterprise Corp.:Fujin Chen	95,724,402	99.01%
	Director	Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou		
	Director	Representative of Tung Ho Steel Enterprise Corp.:Qinglian Huang		
	Director	Representative of Tung Ho Steel Enterprise Corp.:Changqing He		
	Director	Representative of Tung Ho Steel Enterprise Corp.:Xiuqi Chen		
	Supervisor	Representative of Tung Ho Steel Enterprise Corp.:Ruyu He		
Tung Ho Steel Wind Power Co., Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou	15,500,000	100.00%
	Director	Representative of Tung Ho Steel Enterprise Corp.: Shuzhao Hou Wang		
	Director	Representative of Tung Ho Steel Enterprise Corp.:Xiuqi Chen		
	Supervisor	Representative of Tung Ho Steel Enterprise Corp.: Ruyu He		

Tung Ho Steel Vietnam Corp.Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corp.:Binghua Huang	0	100.00%
	Director	Representative of Tung Ho Steel Enterprise Corp.:Jieteng Hou		
	Director	Representative of Tung Ho Steel Enterprise Corp.:Qixie Lin		
	General Manager	Dexiu Chen		
Best-Steel Trade Corp.	Director	Representative of Tung Ho Steel Enterprise Corp.:Jieteng Hou	0	60.00%
	Director	Representative of Tung Ho Steel Enterprise Corp.:Binghua Huang		

**v. Business overview of affiliates**

Unit: NT\$ thousand

Name of enterprise	Amount of capital	Total assets (Note 1)	Total liabilities (Note 1)	Net value ( Note 1)	Operating income (Note 2)	Net operating profit(loss) ( Note 2)	Net profit/loss of the current period ( Note 2)	EPS
Tung Yuan International Corporation (Note 3)	2,440	949,247	446	948,801	0	(30,491)	(30,491)	(371,847)
3 Oceans International Inc.(Note 4)	82,138	63,164	149	63,015	0	(11,626)	(11,626)	(4.2)
Tung Ho Steel Structure Co.	2,026,626	3,578,717	1,529,963	2,048,754	2,469,936	(352,260)	(316,226)	(1.56)
Tung Ho Steel Engineering & Construction Co., Ltd.	250,000	413,118	147,083	266,035	586,712	29,556	25,216	1.01
Fata Xingye Co., Ltd.	100,000	100,403	645	99,758	14,716	(250)	(186)	(0.02)
Goldham Development Ltd.(Note 4)	446,400	486,709	0	486,709	0	29,143	14,474	0.96
Tung Ho Steel Fujian Corp. Ltd.	446,400	726,312	239,603	486,709	770,815	29,143	14,474	N/A
Katec Creative Resources Corp.	975,704	806,724	21,738	784,986	257,648	(82,585)	(81,892)	(0.84)
Tung Ho Steel Wind Power Co., Ltd.	155,000	658,644	580,415	78,229	51,517	658	(2,761)	(0.18)
Tung Ho Steel Vietnam Corp., Ltd.	3,847,738	6,917,862	3,470,011	3,477,851	5,910,392	133,534	129,468	N/A

Best Steel Trade Corporation	14,880	99,269	88,159	11,110	68,010	(3,856)	(3,856)	N/A
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Note 1: NT\$ to US\$ exchange rate on December 31, 2017 was USD1:NTD29.76; NT\$ to RMB exchange rate on the same day was CNY1:NTD4.565.

Note 2: NT\$ to US\$ average exchange rate in 2017 was USD1:NTD30.43; NT\$ to US\$ average exchange rate in the same year was CNY1:NTD4.507.

Note 3: Book value per share is US\$ 1,000.

Note 4: Book value per share is US\$1.



## (2) Relations Report

### Declaration

It is hereby to declare that the 2017 Consolidated Financial Statements of the Affiliates (from January 1-December 31, 2017) required by the “Regulations Governing the Preparation of Consolidated Business Report of the Affiliates, the Consolidated Financial Statements of the Affiliates and the Relations Report” is same with the Consolidated Financial Statements of the parent and subsidiaries company required by the IFRS 10 which was approved by the Financial Supervisory Commission. In addition, the information about the Consolidated Financial Statements of the Affiliates has beendiscovered in the previous Consolidated Financial Statements of the parent and subsidiary company. Therefore the Consolidated Financial Statements of the Affiliates is no longer prepared.

Enterprise: Tung Ho Steel Enterprise Corp.

Chairman: Jieteng Hou

March 22, 2018

## CPA Opinion Statement

### CPA Audit Opinion on Relations Report

To: Tung Ho Steel Enterprise Corp.

2017 Relations Report of Tung Ho Steel Enterprise Corp. is audited by CPAs based on the regulations of Document SFC (6)No. 04448 issued by the former Securities and Futures Commission, Ministry of Finance on November 30, 1999. It aims to inspect whether the 2017 Relations Report of the Company is prepared based on “the Regulations Governing the Preparation of Consolidated Business Report of the Affiliates, the Consolidated Financial Statement of the Affiliates, and the Relations Report”, and whether the information disclosed above doesn’t have great inconsistency with the related information disclosed in the notes of Financial Statement during the same period audited by the CPAs on March 22, 2017. The report is presented based on the inspection result.

According to the audit result of the CPAs, the preparation of the above Relations Report doesn’t violate “the Regulations Governing the Preparation of Consolidated Business Report of the Affiliates, the Consolidated Financial Statement of the Affiliates, and the Relations Report”, and no great inconsistency is found between the information disclosed in the above Relations Report and the related information disclosed in the notes of Financial Statement during the same period.

KPMG Taiwan

CPA : Kou Huizhi  
Guo Xinyi

Approval  
document No. : SFC (6)No. 0930106739  
issued by : FSSA No. 1040003949  
competent  
authority of  
securities

March 22, 2017

- (1) Overview of relations between the affiliate and the controlling company: None.  
 (2) Situation of purchases/sales transactions: None.  
 (3) Situation of financial transactions: None.  
 (4) Financing situation: None.  
 (5) Situation of assets leasing:

Unit: NT\$

Transaction type (rental or lease)	Target		Lease period	Lease purpose	Lease expense basis	Collection(payment) method	Comparison with general rental level	Total lease expense	Payment/collection of the current period	Other agreements
	Name	Location								
Lease	Office	6F, No. 9, Sec. 1, Chang'an E. Rd., Taipei City	January 1, 2017   December 31, 2017	Business purpose	2,000/month every 33 m2	Annual	At the same level	22,857 (before tax)	Collected	None

- (6) Situation of other key transactions: None.  
 (7) Situation of endorsement & guarantee: None.

- 2. Handling of private securities in the last year and until the date of issuing the annual report:** None.
- 3. The Company's shares held or sold by the subsidiary in the last year and until the date of issuing the annual report:** None.
- 4. Other supplementary notes:** None.

**Event occurring in the last year and until the date of issuing the annual report that shows material influence on the shareholder equity or price of securities according to subparagraph 3-2, Article 36 of Securities and Exchange Act:** None.