



TUNG HO STEEL ENTERPRISE CORPORATION

2015 Annual Report

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Market Observation Post System of TWSE: mops.twse.com.tw

Company Website: www.tunghosteel.com

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3. Name, address, website, and telephone number of stock registration agent

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Address: B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 10366

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4. Names of certified accountants, address, website, and telephone number of the accounting firm auditing the Company's latest financial report.

Names of certified accountants in 2015: Accountants Cihui Li and Huizhi Kou

Firm Name: KPMG International Cooperative

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5. Name of exchange house where overseas eligible securities are traded and method of inquiry on mentioned securities

Exchange house for trading on Global Depositary Receipts (GDR): Bourse de Luxembourg

Website for Information Query on Global Depositary Receipts (GDR): mops.twse.com.tw

6. Company Website: www. tunghosteel.com

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Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities Exchange Act in the past year and up to the date of report

I. Letter to Shareholders

Stimulated by the continual implementation of quantitative easing and interest reduction policies by major economies such as Europe, the United States, and Japan, the feeble global economy has gradually approached stability in 2015. However, economic recovery is slow, and the impact of inflation is still difficult to eliminate. China was forced to adjust its economic structure due to excessive investment, insufficient consumption, and corporate debt crisis. The overall economy remains extremely weak. Only the US was able to deliver outstanding performance, demonstrating excellent recovery and exhibiting stable improvement in consumption, investment, production, housing and constructions. Its unemployment rate has declined to pre-financial crisis levels, and commodity prices have increased moderately. Although the US economy declined slightly in the first quarter of this year as a result of a strong USD currency and weak Chinese economy, such effects are unlikely to adversely impact its continual recovery. Although Japan and Eurozone's repeated implementation of money printing and negative interest rate policies, which were aimed to resolve their predicament in inflation and encourage money lending to promote investment and consumption, has caused JPY and Euro to depreciate, its effect in boosting the economy seems limited, thus extending the road to recovery. The Chinese government has come to terms with its loss of opportunity to pursue rapid growth and that it should instead actively adjust its economic structure to eliminate excessive supply and maintain adequate growth. China's policy of adopting a sound approach seems to have come into effect, gradually restoring the recently weakened economy. If the Chinese and US economies are able to achieve total recovery, their recovery is expected to invigorate the global economy this year toward a healthy growth.

By contrast, Taiwan's economy is primarily influenced by the slow global economy and poor performance of its major trading partners, thereby demonstrating a declining performance in foreign sales, decreased industrial production, and low purchase intention. Major public investments are lacking and private investment continues to decline. In particular, the construction industry, a leading propulsive industry, has been affected by housing and heavy taxation policies, causing a decline in the domestic economy last year, which also inevitably severely impacted the steel industry.

Influenced by slow economic growth in China and excessive steel production, the global steel industry has entered a malicious price competition without showing any consideration for profit, causing dramatic drop in steel price and forcing several steel plants to close down. The steel industry in Taiwan also deteriorated severely. Due to poor economic growth both at home and abroad, steel dumping of imported steel, and continual drop in steel price, the steel demand decreased further, stagnating sales and plunging steel operators into a predicament of barely maintaining insignificant profit margins or generating no profits at all.

Amidst such a challenging environment, the Company experienced a decrease in operating revenue last year; however, thanks to our stringent control over customer orders, procurements, and production costs, the Company was able to earn more profit throughout the year than it did last year. It

is commendable that the Company has continued to remain profitable despite the existing difficulties faced by the steel industry. A consolidated overview of the 2015 business performance of the Company and its primary reinvestment businesses is outlined below.

I. Results of Production and Sales:

Unit: NT\$1,000

	Production value			Sales value		
	2015	2014	Growth rate	2015	2014	Growth rate
Billet	19,181,426	27,546,147	-30.37%	9,376	108,517	-91.36%
Rebar	11,978,590	15,414,065	-22.29%	14,259,333	17,223,695	-17.21%
H-beam	8,352,122	11,855,163	-29.55%	9,347,021	13,261,429	-29.52%
Steel plate (self-made)	772,916	1,456,582	-46.94%	136,369	1,359,298	-89.97%
Steel plate (transaction)	0	0	0	230,810	144,660	59.55%
Channel	676,876	815,676	-17.02%	656,910	813,060	-19.21%
I-Beam	55,885	84,422	-33.80%	62,391	98,635	-36.75%
Steel structure	6,013,535	4,338,751	38.60%	6,022,738	4,271,483	41.00%
Sale and purchase of steel	0	0	0	93,332	37,736	147.33%
Environmental protection processing	256,376	323,953	-20.86%	230,837	293,215	-21.27%
Steel sheet piles	6,359	0	100.00%	2,316	0	100.00%
Others	5,058	65,667	-92.30%	1,979	68,147	-97.10%
Total	47,299,143	61,900,426	-23.59%	31,053,412	37,679,875	-17.59%

II. Profitability Analysis:

Unit: NT\$1,000

	2015	2014 (after re-compilation)	Growth rate
Operating revenue	31,053,412	35,892,185	-13.48%
Operating costs	28,019,608	33,004,388	-15.10%
Gross profit	3,033,804	2,887,797	5.06%
Operating expenses	1,522,667	1,532,565	-0.65%
Operating margin	1,511,137	1,355,232	11.50%
Net profit before tax	1,514,656	1,283,973	17.97%
Net income after tax	1,245,679	1,050,153	18.62%

III. Financial structure and profitability analysis:

Analysis Item		Year	2015	2014 (after re-compilation)
Financial Structure (%)	Debt-to-assets ratio		36.04	39.59
	Long-term fund to fixed assets ratio		171.61	172.10
Profitability	Return on assets (%)		3.58	2.97
	Return on shareholder's equity (%)		5.39	4.52
	Paid-in capital ratio (%)	Operating income	15.14	13.58
		Income before tax	15.17	12.86
	Net profit margin (%)		4.01	2.93
	Earnings per share (NT\$)		1.27	1.06

IV. Overview of Technology and R&D

The Company's research and development expenses for 2015 was NT\$48,534,611, equivalent to 0.16% of the revenue. Major R&D results in steel refining: Development of high strength steel billets for rebars, ultra-high strength steel, restored melted slag process development, and furnace material recycle technology development. Major R&D results in steel rolling: High-strength threaded rebar, high-strength threaded rebar coupler, U-shaped steel sheet piles, billet induction heating processing, ultra-thick H-shaped steel and various shaped steels with distinct specifications were developed in order to diversify our products, enhance our technical capability, and increase the Company's revenue and profit. R&D projects in 2016 will continue to undertake the development of high strength and high value steel reinforcement bars, super-strength steel, advanced steel material for ships, waste steel feeding system, and slag recycling process.

The Company's operational strategies include continuous efforts in improving our technical capability and management efficiency, lowering production costs, and ramping up collaboration of production, sales, and purchases so that we can raise the Company's competitive advantages in the domestic market. We will also carry out aggressive expansion of our overseas market and customer base simultaneously. Another important strategy of the Company is the continual research and development of new steel products and applications, environmental protection, and reduction of greenhouse gas emission to further strengthen the sustainable management of the Company.

In 2016, the European countries, the US, and Japan are expected to demonstrate steady economic recoveries, which will also drive the growth of foreign sales and economic revival in Taiwan. China's slackened economic growth has begun showing signs of recovery and its control over the problem of excessive steel production has yielded promising outcomes, which will facilitate the growth of steel price and the steel market this year. Furthermore, price adjustment to the housing market in Taiwan has subsided for the time being, and should contribute towards gradual restoration of the economy, which would be beneficial to the recovery of the steel market this year. Nevertheless, even in a recovering economic environment, all Company employees should seize opportunities and maintain a positive and enthusiastic spirit to forge ahead in improving competitiveness, reducing production costs, strengthening internal management, and developing new markets and products. We aim to achieve these goals to enhance the Company's performance in order to maximize shareholders' value and meet expectations.

Lastly, I would like to wish all our shareholders

Health and prosperity

Chairman

HENRY HO

II. Company Profile

1. Date of Establishment

Established on May 30, 1962

2. Company Profile

1962	May	The Company was founded in Chiayi County, Taiwan Province. The funding capital was NTD 4.5 million. The Company's business at that time was disassembling steamships and trading old vessels, metal and iron materials, and mechanical and electrical materials. The Board elected Mr. Jindui Hou as the Chairman and Mr. Zhengting Hou as the General Manager.
1965	May	The Company acquired 44,525 square meters of reclaimed land at Port of Kaohsiung to build Cian-jhen rolling factory.
1965	December	The Company moved offices from Chiayi County to No.3, Kuojian Rd., Cianjhen Dist., Kaohsiung City.
1974	September	The Company acquired industrial land of 91,375 square meters in Linhai Industrial Park in the Siaogang District of Kaohsiung to build office buildings and steel plants.
1975	January	The Chairman, Mr. Jindui Hou, passed away due to illness-by-overwork. The Board then elected Mr. Zhengting Hou as the succeeding chairman and Mr. Zhenxiong Hou as the General Manager.
1977	April	The Kaohsiung Plant installed 20 ton electric arc furnace.
1977	September	The Kaohsiung Plant installed the first continuous casting machine in Taiwan.
1978	March	The Company moved to No.8, Jiaying Street, Siaogang District, Kaohsiung City.
1981	July	The Kaohsiung Plant completed trial run tests on its automatic tandem rolling machines and started to produce steel and steel rods, making the company a one-stop-shop steel manufacturer that can handle both steel refining and rolling.
1986	June	The Company purchased and installed two 50 ton electric arc furnaces at the Bade Plant in Taoyuan. The Company halted its ship-disassembling business in the same year.
1987	April	The head office was moved to 6F, No. 9, Sec. 1, Chang'an East Road, Taipei City
1988	July	The Taoyuan Bade Plant's electric furnaces started production. The Company became listed on the Taiwan stock market.
1990	April	The Chairman, Mr. Zhengting Hou, resigned. The Board elected Mr. Zhenxiong Hou as the succeeding chairman and the General Manager, and appointed Mr. Zhengting Hou as the honorary chairman.
1992	July	The Taichung Office and Delivery Center was established.
1993	August	The Miaoli Plant completed trial tests on steel refining.
1993	October	The Miaoli Plant completed trial tests on steel rolling.
1993	November	The H-beam steel product was launched.
1994	July	The Miaoli Plant started mass production and operations.
1996	January	The Company received the Special Award for ROC 3rd Nuclear Energy Safety Group from the Atomic Energy Council of the Executive Yuan of the Republic of China.

1996	May	The Kaohsiung Plant officially initiated operation expansion.
1996	October	The Miaoli Plant completed trial tests on refining furnaces.
1996	November	The Company was granted the Highest Honor of Academic Award by the Chinese Institute of Mining and Metallurgical Engineering.
1997	April	The Company's publication, "The Ordinary", won the Taipei City Government Labor Bureau Secretary Award. The Company's publication, "CI", was granted Taipei City Mayor Award by the Taipei City Government and Excellence Award by the Council of Labor Affairs, Executive Yuan.
1997	December	The Kaohsiung Plant completed trial tests on rolling H-beam steel and officially discharged its steel-refining furnaces from production.
1998	March	The section steel mill at the Kaohsiung Plant was built and started mass production.
1998	November	The Miaoli plant launched the opening of its newly constructed Oxygen Factory. The Miaoli Plant started the production of narrow steel plates.
2002	July	The No. 2 caster in the Miaoli Plant started mass production.
2005	October	The Taoyuan Bade Plant successfully developed and started producing D43 steel bars.
2006	June	The committee on Taoyuan Plant expansion was formed to take charge of the preparation for the expansion of the plant.
2007	April	The Miaoli plant officially launched the opening of its crushed iron plant.
2007	November	The Taichung Office and Delivery Center was moved to Taichung Port, forming the Logistics Center at Taichung Port.
2008	November	The construction of the Taoyuan Plant officially commenced.
2009	October	The Board appointed Mr. Jieteng Hou as General Manager.
2010	May	The Taoyuan Plant completed trial run tests on furnaces and continuous casting equipments of the steel-refining mill.
2010	June	The committee on Taoyuan Plant expansion was dismissed. Construction of the new Taoyuan plant was completed.
2010	July	The Taoyuan Plant completed trial run tests on hot rolling system of the steel-rolling mill, making the plant the first in Taiwan that adopted a procedure in hot rolling steel billets directly, without using an additional heating furnace.
2011	June	The Taoyuan Plant officially started production of steel wire rods and bars.
2011	November	The Miaoli Plant obtained the BV Verification Declaration for the carbon footprint of beam and steel plate products.
2012	May	The Company launched steel rebar and coupler products. The Tung Ho Steel Cultural Foundation was established.
2013	June	The beam products of Kaohsiung and Miaoli Plants passed the ACRS S0 certification, becoming the first steel plant worldwide that manufactures the ACRS S0-certified beam products.
2013	September	The Taoyuan and Miaoli Plants were authorized by the Ministry of Economic Affairs to

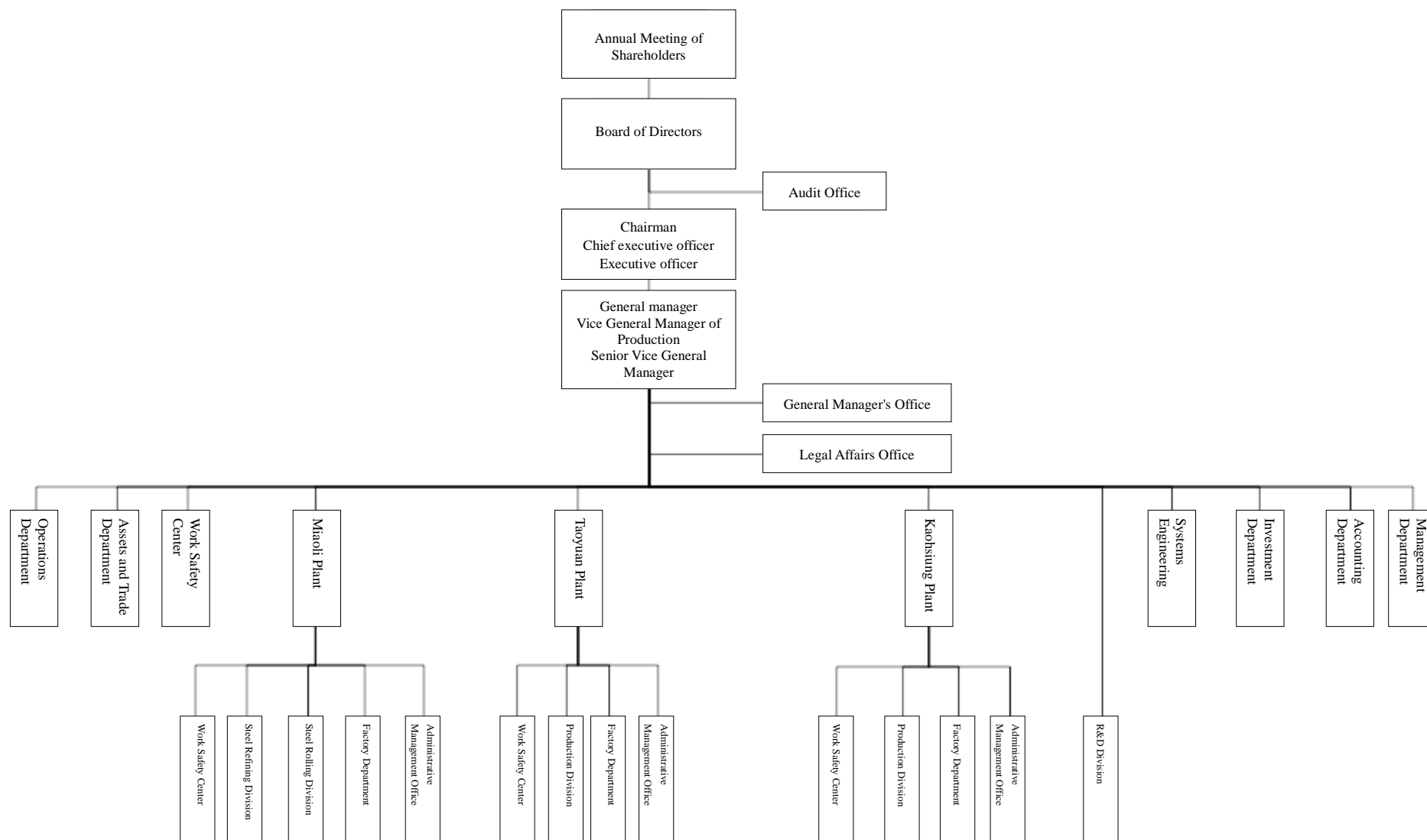
		use the MIT Smile Label.
2013	December	The Kaohsiung Plant purchased the rebar mesh welding machine, completed trial tests on the machine, and officially started production using the machine.
2014	June	The Board elected Mr. Jieteng Hou as the succeeding chairman and general manager and Mr. Zhenxiong Hou as the honorary chairman.
2014	July	Construction for the expansion of the Taoyuan Plant Steel Rolling Line 2 officially began.
2014	November	The Kaohsiung Plant obtained the BV Verification Declaration for the carbon footprint of five beam and steel plate products, and was awarded the Glass Trophy from the Industrial Technology Research Institute, becoming the first steel plant in Taiwan to have acquired the Carbon Footprint Certificate.
2015	June	The Company hosted a press conference on steel plate pile products.
2015	July	The Company was invited to participate in the 2015 Ceremony for Flag Presentation to Energy-Saving Service Groups hosted by the Ministry of Economic Affairs Bureau of Energy.
2016	January	The Company invested in the acquisition of Fuco International Ltd. and assembled the Steel Rolling Expansion Committee.

Mergers, investment in affiliates, restructuring, large share equity transfers by a director, supervisors, or major shareholders holding more than 10% of the company shares, change in management, material change in management approach or business activities, and other critical matters influencing shareholder's equity and the respective effects of these events on the company for the recent year up to the publication date of this annual report: None

III. Corporate Governance

1. Organization

(1) Organizational Chart:



Note: The Company's Board of directors has set up relevant Functional committees in compliance with the law. Establishment of the Remuneration Committee was approved on December 21, 2011. The Audit Committee will be established in 2017.

(2) Business and functions of main departments:

1. General Manager Office: Responsible for budget control, business analysis, bonus system, project planning, credit management, and customer service.
2. Legal Affairs Office: Responsible for research and handling of legal affairs, and providing legal advice.
3. Auditing Office: Responsible for establishing, promoting, and execution of the internal auditing system.
4. Management Department: Responsible for establishing the company's management system and managing affairs related to the organization, personnel, education and training, logistics, and asset management.
5. Accounting Department: Responsible for establishing the Company's accounting system and managing accounting, costs, finances, foreign exchange, securities investment, and shareholder services.
6. Investment Department: Responsible for the company's strategic investment planning and managing investee companies.
7. Systems Engineering Department: Responsible for the management of information and planning, development, maintenance and performance enhancement of the computing environment.
8. Operations Department: Responsible for domestic and foreign client quotations, bidding, and sales.
9. Assets and Trade Department: Responsible for bulk purchases of raw materials, machinery, and equipment.
10. Miaoli Plant: Responsible for the production of H-beam and steel plates, as well as other plant management affairs.
11. Taoyuan Plant: Responsible for the production of steel bars, as well as other plant management affairs.
12. Kaohsiung Plant: Responsible for the production of steel bars and H-beam, as well as other plant management affairs.
13. R&D Division: Responsible for research and development of metallurgical technology, product development, and projects-related technologies.
14. Work safety center: Responsible for managing and supervising labor safety/health affairs.

2. Information of directors, supervisors, general manager, vice general managers, assistant managers, and managers of various departments and branch offices

(1) Directors and Supervisors

April 23, 2016

Title	Nationality or registered place	Name	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/ work experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Corporate director	Taiwan	Shen Yuan Investment Co., Ltd.	2014.06.18	3 years	1988.08.18	120,199,779	12.04%	120,199,779	12.04%	N/A	N/A	0	0%	N/A	N/A	None	None	None
Chairman	United States	Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou	2014.06.18	3 years	2002.06.27	142,426	0.01%	142,426	0.01%	75,000	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. Director of Katec Creative Resources Corp. Director of Hexawave Inc. Chairman of Tung Kang Wind Power Co., Ltd. Director of Tung Kang Engineering & Construction Co., Ltd. Director of Fujian Sino-Japan Metal Corp. Director of Katec R&D Corporation Director of Goldham Development Ltd. Director of Wan Nian Department Stores Co., Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Taiwan High Speed Rail Inc. Supervisor of Shen Yuan Investment Co., Ltd. Director of Fata Xingye Co. Ltd. Director of Fuco International Ltd. Director of Fuco Steel Corporation Ltd.	Vice Chairman Directors	Shuzhao Houwang Yushu Hou	Mother/child Brother
Vice Chairman	R.O.C.	Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	2014.06.18	3 years	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 Utah State University	Executive officer of Tung Ho Steel Enterprise Corporation Chairman of Tung Kang Steel Structure Co., Ltd. Director of Tung Kang Wind Power Co., Ltd. Director of Far East Steel Inc. Director of Goldham Development Ltd. Director of Tung Yuan	Chairman Directors	Jieteng Hou Yushu Hou	Mother/child Mother/child

Title	Nationality or registered place	Name	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/ work experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Corporate director	Taiwan	Shen Yuan Investment Co., Ltd.	2014.06.18	3 years	1988.08.18	120,199,779	12.04%	120,199,779	12.04%	N/A	N/A	0	0%	N/A	N/A	None	None	None
															International Corp. Chairman of Delta Design Corporation Director of Shen Yuan Investment Co., Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman of Shang Fu Industrial Inc.			
Directors	R.O.C.	Shen Yuan Investment Co., Ltd. Representative: Yushu Hou	2014.06.18	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	Director of Shen Yuan Investment Co., Ltd. Supervisor, Wan Nian Department Stores Co., Ltd.	Chairman Vice Chairman	Jieteng Hou Shuzhao Houwang	Brother Mother/child
Directors	R.O.C.	Shen Yuan Investment Co., Ltd. Representative: Huiming Wu	2014.06.18	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	Director of Tung Kang Steel Structure Co., Ltd.	None	None	None
Corporate director	Taiwan	Episil Holding Incorporation	2014.06.18	3 years	2014.06.18	5,055,649	0.51%	5,055,649	0.51%	N/A	N/A	0	0%	N/A	N/A	None	None	None
Directors	R.O.C.	Representative of Episil Holding Incorporation: Zhiming Huang	2014.06.18	3 years	1988.08.18	4,591,397	0.46%	4,591,397	0.46%	0	0%	0	0%	Graduated from California State University, USA	Director, Chi-te Technology Inc. Director of Far East Steel Inc. Chairman, Episil Holding Incorporation	None	None	None
Corporate director	Taiwan	Liang Cheng Investment Co., Ltd.	2014.06.18	3 years	2014.06.18	11,185,973	1.12%	11,185,973	1.12%	N/A	N/A	0	0%	N/A	N/A	None	None	None
Directors	R.O.C.	Representative of Liang Cheng Investment Co., Ltd.: Baohe Chen	2014.06.18	3 years	1988.08.18	4,533,205	0.45%	4,533,205	0.45%	173,689	0.02%	0	0%	MBA, Royal Roads University	Chairman, He-cheng Investment Inc. Chairman, Chi-cheng Investment Inc. Chairman, Jian-qing Investment Inc. Chairman, Liang Cheng Investment Co., Ltd.	None	None	None
Directors	R.O.C.	Yanliang Hou	2014.06.18	3 years	1999.05.23	361,670	0.04%	361,670	0.04%	0	0%	0	0%	Graduated from the University of Southern California, USA	Chairman, Hao-Han Investment Co., Ltd. Chairman, Enzen GS Chemical Co., LTD.	None	None	None
Independent Directors	R.O.C.	Yiji Liu	2014.06.18	3 years	2014.06.18	0	0%	0	0%	0	0%	0	0%	Graduated the Department of Accounting, College of	Supervisor, Tah Tong Textile Co., Ltd.	None	None	None

Title	Nationality or registered place	Name	Date of taking office	Office term	Date first elected	Shares held upon appointment		Number of shares held currently		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/ work experience	Concurrent duties in the company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Corporate director	Taiwan	Shen Yuan Investment Co., Ltd.	2014.06.18	3 years	1988.08.18	120,199,779	12.04%	120,199,779	12.04%	N/A	N/A	0	0%	N/A	N/A	None	None	None
														Commerce at the National Chengchi University				
Independent Directors	R.O.C.	Zhuangxi Zhang	2014.06.18	3 years	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
Supervisors	Taiwan	He Zhao Investment Co., Ltd.	2014.06.18	3 years	2011.06.24	5,100,887	0.51%	5,100,887	0.51%	N/A	N/A	0	0%	N/A	N/A	None	None	None
Supervisors	R.O.C.	Representative of He Zhao Investment Co., Ltd.: Yuanyu Ke	2014.06.18	3 years	2011.06.24	0	0%	0	0%	0	0%	0	0%	Graduated from Department of Accounting, National Cheng Kung University	Partner of Diwan & Company Supervisor of EZconn Corporation Supervisor of First-Aviva Life Insurance Co., Ltd.	None	None	None
Supervisors	Taiwan	Taiwan Zhi Di Co. Ltd.	2014.06.18	3 years	2014.06.18	65,000	0.01%	65,000	0.01%	N/A	N/A	0	0%	N/A	N/A	None	None	None
Supervisors	R.O.C.	Representative of Taiwan Zhi Di Co. Ltd.: Chaohe Lin	2014.06.18	3 years	2011.06.24	318,887	0.03%	318,887	0.03%	0	0%	0	0%	Graduated from Department of Economics, Soochow University	Chairman of Rui Nian Management & Consulting Co., Ltd.	None	None	None

Table 1: Substantial shareholders of corporate shareholder

March 31, 2016

Name of institutional shareholder	Substantial shareholders of corporate shareholder
Shen Yuan Investment Co., Ltd.	Shuzhao Houwang 78.92%
Episil Holding Incorporation	Zhiming Huang 25%, Meichu Cheng 25%
Liang Cheng Investment Co., Ltd.	British Virgin Island JUSTIN investment management 100%
He Zhao Investment Co., Ltd.	Shuzhao Houwang 99.998%
Taiwan Zhi Di Co. Ltd.	Shengyu Chen 52%, Shuzhen Hou 46%

Table 2: Major shareholders in Table 1 who are institutional investor and their major shareholders

March 31, 2016

Institution Name	Substantial shareholders of corporate shareholder
N/A	None

Directors and Supervisors

December 31, 2015

Condition Name	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	
Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou			√			√				√		√		0
Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang			√							√		√		0
Shen Yuan Investment Co., Ltd. Representative: Yushu Hou				√	√	√			√	√		√		0
Shen Yuan Investment Co., Ltd. Representative: Huiming Wu			√			√	√	√		√	√	√		0
Representative of Episil Holding Incorporation: Zhiming Huang			√	√	√	√	√	√	√	√	√	√		0
Liang Cheng Investment Co., Ltd. Representative: Baohe Chen			√	√	√	√	√	√	√	√	√	√		0
Yanliang Hou			√	√	√	√	√	√	√	√	√	√	√	0
Independent Directors: Yiji Liu		√	√	√	√	√	√	√	√	√	√	√	√	0
Independent Directors: Zhuangxi Zhang	√		√	√	√	√	√	√	√	√	√	√	√	0
Supervisors: He Zhao Investment Co., Ltd. Representative: Yuanyu Ke		√	√	√	√	√	√	√	√	√	√	√		0
Supervisors: Taiwan Zhi Di Co. Ltd. Representative: Chaohe Lin			√			√	√	√	√	√	√	√		0

Note 1: Directors and supervisors who, during the two years before being elected and during the terms of positions, meet the following criteria, please key in "√" 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 which the Company holds more than 50% direct or indirect voting interest).

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 of second degree or closer, or direct blood relative of third degree or closer to any person listed in the three preceding criteria.
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

April 23, 2016

Title	Nationality	Name	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers		
				Number of shares	Shareholding Percentage	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Chief executive officer	R.O.C.	Zhenxiong Hou (note)	2013.03.29	20,429,294	2.05%	10,695,847	1.07%	0	0%	Graduated from the Department of Economics at National Taiwan University Master of Economics, Indiana University, USA	Chairman, Shen Yuan Investment Co., Ltd. Chairman, Far East Steel Inc. Chairman, Hexawave Inc. Director of Wan Nian Department Stores Co., Ltd.	Executive officer General manager	Shuzhao Houwang Jieteng Hou	Married couple Father/child
Executive officer	R.O.C.	Shuzhao Houwang	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 Utah State University	Chairman of Tung Kang Steel Structure Co., Ltd. Director of Tung Kang Wind Power Co., Ltd. Director of Far East Steel Inc. Director of Goldham Development Ltd. Director of Tung Yuan International Corp. Chairman of Delta Design Corporation Director of Shen Yuan Investment Co., Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman of Shang Fu Industrial Inc.	Chief executive officer General manager	Zhenxiong Hou Jieteng Hou	Married couple Mother/child
General manager	United States	Jieteng Hou	2009.10.16	142,426	0.01%	75,000	0.01%	0	0%	Graduated from Department of Economics, Harvard University	Director of Tung Kang Steel Structure Co., Ltd. Director of Katec Creative Resources Corp. Director of Hexawave Inc. Chairman of Tung Kang Wind Power Co., Ltd. Director of Tung Kang Engineering & Construction Co., Ltd. Director of Fujian Sino-Japan Metal Corp. Director of Katec R&D Corporation Director of Goldham Development Ltd. Director of Wan Nian Department Stores Co., Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Taiwan High Speed Rail Inc.	Chief executive officer Executive officer	Zhenxiong Hou Shuzhao Houwang	Father/child Mother/child

Title	Nationality	Name	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers		
				Number of shares	Shareholding Percentage	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
											Supervisor of Shen Yuan Investment Co., Ltd. Director of Fata Xingye Co. Ltd. Director of Fuco International Ltd. Director of Fuco Steel Corporation Ltd.			
Vice General Manager of Operations Department	R.O.C.	Kuanren Gu	2009.10.16	22,855	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.	Binghua Huang	2009.10.16	6,444	0%	642	0%	0	0%	Master degree from Material Development Institute of National Cheng Kung University	General Manager of Tung Kang Steel Structure Co., Ltd. Director of Tung Kang Steel Structure Co., Ltd. Director of Dongjing Investment Co., Ltd. Director, Li-Shi Venture Capital Inc. Director, Li-Yu Venture Capital Inc. Chairman of Fuco Steel Corporation Ltd.	None	None	None
Vice General Manager of Assets and Trade Department	R.O.C.	Qixie Lin	2009.10.16	21,799	0%	0	0%	0	0%	Graduated from Department of Materials Science and Engineering, Tsinghua University	Director of 3 Oceans International Inc. Chairman of Fujian Sino-Japan Metal Corp. Director, Siaogang Warehousing Inc. Director, Chien Shing Harbour Service Co.,Ltd. Director of Fuco Steel Corporation Ltd.	None	None	None
Vice General Manager, Financial Department	R.O.C.	Boxun Dong	2014.07.10	23,381	0%	0	0%	0	0%	Graduated from the Department of Economics at National Taiwan University Master's degree in Business Management from the Business Institute, National Chengchi University	Supervisor, Hexawave Inc. Director of Tung Kang Steel Structure Co., Ltd. Director of Tung Yuan International Corp. Director of Goldham Development Ltd.	None	None	None
Assistant manager of the general manager's office	R.O.C.	Changhong Li	2011.10.01	3,137	0%	0	0%	0	0%	Master's degree from Institute of Management Science, Chiao Tung University	None	None	None	None
Assistant Manager of Operations Department	R.O.C.	Ruyin Fan	2009.11.01	0	0%	0	0%	0	0%	International Trade Major, International Business Professional School	None	None	None	None
Assistant Manager of	R.O.C.	Zhengbin Qiu	2010.06.01	5,027	0%	0	0%	0	0%	Mechanical Engineering Major, United Engineering Professional	Chairman, Fujian Tung Kang	None	None	None

Title	Nationality	Name	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers		
				Number of shares	Shareholding Percentage	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Operations Department										School	Steel Co., Ltd.			
Assistant manager of the investment department	R.O.C.	Zhenyuan Chen	2009.11.01	0	0%	0	0%	0	0%	Graduated from Department of International Trade, Feng Chia University	Chairman, DUCHOA International Joint Stock Company	None	None	None
Assistant manager of the investment department	R.O.C.	Dexiu Chen	2010.11.16	56,911	0.01%	0	0%	0	0%	Master's degree in Information, New Jersey Institute of Technology	General Manager of Fuco Steel Corporation Ltd.	None	None	None
Assistant manager of the investment department	R.O.C.	Xiuqi Chen	2011.10.01	0	0%	0	0%	0	0%	Graduated from Department of Accounting, National Chung Hsing University MA in Finance, College of Management, National Taiwan University	Supervisor of Tung Kang Steel Structure Co., Ltd. Supervisor, Fujian Tung Kang Steel Co., Ltd. Supervisor, Fujian Sino-Japan Metal Corp. Director of Katec Creative Resources Corp. Director of Tung Kang Wind Power Co., Ltd. Director, BySources Investment Inc. Director, Li-Shi Venture Capital Inc. Supervisor of Fata Xingye Co. Ltd.	None	None	None
Assistant Manager of Assets and Trade Department	R.O.C.	Junsheng Jian	2009.11.01	870	0%	0	0%	0	0%	Graduated with a Industrial Engineering Major, Taipei Engineering Professional School	None	None	None	None
Assistant manager of the management department	R.O.C.	Ruyu He	2011.10.01	2,000	0%	0	0%	0	0%	Master degree in Business Administration from Institute of Business, Chung Yuan Christian University	Director of Katec R&D Corporation Supervisor of Katec Creative Resources Corp. Supervisor, Tung Kang Wind Power Co., Ltd.	None	None	None
Assistant manager of the systems engineering department	R.O.C.	Zhechong Lin	2005.05.01	9,822	0%	0	0%	0	0%	Master degree in Information Management from Institute of Management, National Sun Yat-sen University	Director of Hexawave Inc. Director of Han-Jing Optoelectronics Inc.	None	None	None
Manager of Work Safety Center	R.O.C.	Yilin Wang	2008.12.01	15,444	0%	8,242	0%	0	0%	Graduated from Department of Economics, Tamkang University	None	None	None	None
Manager of Legal Affairs Office	R.O.C.	Junxian Zhao	2012.09.01	4,318	0%	0	0%	0	0%	Graduated from Department of Law, Chinese Culture University	None	None	None	None
Assistant	R.O.C.	Yiru Chen	2011.10.01	0	0%	0	0%	0	0%	Graduated from Department of	None	None	None	None

Title	Nationality	Name	Date of taking office	Shareholding		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers		
				Number of shares	Shareholding Percentage	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Deputy Manager, Auditing Office										Statistics, Feng Chia University				
Taoyuan plant director	R.O.C.	Fujin Chen	2012.07.01	589	0%	0	0%	0	0%	Graduated from Kaohsiung Municipal Kaohsiung Industrial High School	Chairman of Katec Creative Resources Corp.	None	None	None
Miaoli plant director	R.O.C.	Mingzong Liu	2008.09.01	3,112	0%	0	0%	0	0%	Master's in Materials Science and Engineering, National Taiwan University	Director, Taiwan Steel United Inc. Director, DUCHOA International Joint Stock Company Director of Fujian Sino-Japan Metal Corp.	None	None	None
Kaohsiung plant manager	R.O.C.	Zongyu Wang	2011.07.01	37	0%	0	0%	0	0%	Master's degree in Financial Management, National Sun Yat-sen University	None	None	None	None

(Note): Zhenxiong Hou resigned his post as the Company's Chief executive officer on November 1, 2015.

(3) Remuneration paid last year to directors, supervisors, general managers and vice general manager

1. Remuneration for directors (including independent directors)

December 31, 2015

Title	Name	Directors' remuneration								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		
		Remuneration (A)		Pension (B)		Directors' remuneration (C)		Business execution expenses (D)				Salaries, bonuses, and special allowances (E) (note)		Pension (F)		Employee remuneration (G)				Shares acquired from employee stock options (H)		Obtain the number of new shares that restrict employees' rights (I)						
		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company		All companies in the financial report		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report			
																Cash amount	Share value	Cash amount	Share value									
Chairman	Representative of Shen Yuan Investment Co., Ltd.: Jieteng Hou	2,400,000	2,400,000	0	0	6,362,920	6,362,920	35,000	35,000	0.69%	0.71%	8,070,489	8,070,489	274,637	274,637	313,764	0	313,764	0	0	0	0	0	0	1.38%	1.40%	None	
Vice Chairman	Representative of Shen Yuan Investment Co., Ltd.: Shuzhao Houwang	1,800,000	1,800,000	0	0	6,362,921	6,362,921	35,000	35,000	0.65%	0.66%	9,212,881	10,772,881	294,797	294,797	356,166	0	356,166	0	0	0	0	0	0	1.42%	1.58%	None	
Directors	Representative of Shen Yuan Investment Co., Ltd.: Yushu Hou	360,000	360,000	0	0	6,362,921	6,362,921	35,000	35,000	0.53%	0.54%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.53%	0.54%	None
Directors	Representative of Shen Yuan Investment Co., Ltd.: Huiming Wu	360,000	360,000	0	0	6,362,920	6,362,920	30,000	30,000	0.53%	0.54%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.53%	0.54%	None
Directors	Representative of Episil Holding Incorporation: Zhiming Huang	360,000	360,000	0	0	1,070,508	1,070,508	30,000	30,000	0.12%	0.12%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.12%	0.12%	None
Directors	Representative of Liang Cheng Investment Co., Ltd.: Baohe Chen	360,000	360,000	0	0	2,368,572	2,368,572	35,000	35,000	0.22%	0.22%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.22%	0.22%	None
Directors	Yanliang Hou	360,000	360,000	0	0	76,582	76,582	35,000	35,000	0.04%	0.04%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.04%	0.04%	None
Independent Directors	Yiji Liu	840,000	840,000	0	0	0	0	35,000	35,000	0.07%	0.07%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.07%	0.07%	None
Independent Directors	Zhuangxi Zhang	840,000	840,000	0	0	1,416	1,416	30,000	30,000	0.07%	0.07%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.07%	0.07%	None

Note: Remuneration paid to the driver of the Chairman in 2015 was NT\$684,777; remuneration paid to the driver of the Vice chairman in 2015 was NT\$677,998.

2. Remuneration Paid to Supervisors

December 31, 2015

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)				
		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	
Supervisors	Representative of He Zhao Investment Co., Ltd.: Yuanyu Ke	600,000	600,000	1,080,087	1,080,087	35,000	35,000	0.14%	0.14%	None
Supervisors	Representative of Taiwan Zhi Di Co. Ltd.: Chaohe Lin	600,000	600,000	13,763	13,763	30,000	30,000	0.05%	0.05%	None

3. Compensation Paid to General Manager and Vice General Manager

December 31, 2015

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		Shares acquired from employee stock options		Obtain the number of new shares that restrict employees' rights		Whether or not remuneration of investees were received from outside the subsidiaries
		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company		All companies in the financial report		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	
								Cash amount	Share value	Cash amount	Share value							
Chief executive officer	Zhenxiong Hou (note)	26,522,522	28,082,522	1,591,350	1,591,350	18,363,641	18,363,641	1,296,379	0	1,296,379	0	3.76%	3.96%	0	0	0	0	None
Executive officer	Shuzhao Houwang																	
General manager	Jieteng Hou																	
Vice general manager	Kuanren Gu																	
Vice general manager	Binghua Huang																	
Vice general manager	Boxun Dong																	
Vice general manager	Qixie Lin																	

Note: Zhenxiong Hou resigned his post as the Company's Chief executive officer on November 1, 2015.

Remuneration scale table

Levels of remuneration paid to General Manager and Vice General Manager of the Company	Name of General manager and Vice general manager	
	This company	All companies in the financial report (E)
Less than NT\$2,000,000	None	None
NT\$2,000,000 (inclusive)-NT\$5,000,000 (exclusive)	Kuanren Gu, Binghua Huang, Boxun Dong, Qixie Lin	Kuanren Gu, Binghua Huang, Boxun Dong, Qixie Lin
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	Shuzhao Houwang, Jieteng Hou	Jieteng Hou
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	Zhenxiong Hou	Zhenxiong Hou, Shuzhao Houwang
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

Manager's name and the distribution of employee bonus

December 31, 2015

	Title	Name	Share value	Cash amount	Total	Ratio (%) accounted compared to the total net income
Manager	Executive officer	Shuzhao Houwang	0	2,606,962	2,606,962	0.21%
	General manager	Jieteng Hou				
	Vice general manager	Kuanren Gu				
	Vice general manager	Binghua Huang				
	Vice general manager	Boxun Dong				
	Vice general manager	Qixie Lin				
	Assistant manager	Changhong Li				
	Assistant manager	Ruyin Fan				
	Assistant manager	Zhengbin Qiu				
	Assistant manager	Zhenyuan Chen				
	Assistant manager	Dexiu Chen				
	Assistant manager	Xiuqi Chen				
	Assistant manager	Junsheng Jian				
	Assistant manager	Ruyu He				
	Assistant manager	Zhechong Lin				
	Plant director	Fujin Chen				
	Plant director	Mingzong Liu				
	Plant director	Zongyu Wang				

(4) 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

Title	2014 Compensation paid by the Company and all the consolidated entities to the Company's directors, supervisors, General manager and Vice general manager as a percentage to the income of the individual financial statement.	2015 Compensation paid by the Company and all the consolidated entities to the Company's directors, supervisors, General manager and Vice general manager as a percentage to the income of the individual financial statement.
Directors	8.38%	6.98%
Supervisors		
General Manager and Vice general manager		

1. The remuneration of directors, supervisors, and managers is based on the levels of industry peers and other listed companies, as well as their individual achievements, the Company's overall performance, level of risks involved in the future. Regular inspections and recommendation proposals are conducted to provide a reference for the Board of directors.
2. The remuneration of the Company's directors and supervisors is distributed in accordance with Article 28 of the Company's Articles of Incorporation. A fixed monthly remuneration and travel allowances for attending meetings of the Board of directors may be paid.

3. Corporate Governance Practices

(1) Board of Directors Operation Status

In the last year, board meetings were held 7 (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: Jieteng Hou	7	0	100%	None
Vice Chairman	Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	7	0	100%	None
Directors	Shen Yuan Investment Co., Ltd. Representative: Yushu Hou	7	0	100%	None
Directors	Shen Yuan Investment Co., Ltd. Representative: Huiming Wu	6	0	85.7%	None
Directors	Episil Holding Incorporation Representative: Zhiming Huang	6	0	85.7%	None
Directors	Liang Cheng Investment Co., Ltd. Representative: Baohe Chen	7	0	100%	None
Directors	Yanliang Hou	7	0	100%	None
Independent Directors	Yiji Liu	7	0	100%	None
Independent Directors	Zhuangxi Zhang	6	0	85.7%	None
Supervisors	He Zhao Investment Co., Ltd. Representative: Yuanyu Ke	7	0	100%	None
Supervisors	Taiwan Zhi Di Co. Ltd. Representative: Chaohe Lin	6	0	85.7%	None

Other matters that should be recorded:

- Resolutions stated in Securities and Exchange Act §14-3 or other resolutions refused or reserved opinion by independent directors that are recorded or stated in paper should state dates of the board meeting, resolution content, opinions of all independent directors, and the Company's response. None.
- The directors' avoidance of interest motion should indicate the names of the directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: None.
- Programs this year and in the most recent year in strengthening the functionality of the Board (for example, set up an auditing committee, improve transparency, etc.) and execution evaluation: The directors and supervisors occasionally attended professional courses to continually learn about corporate governance.

(2) Participation of supervisors in Board operation

In the last year, board meetings were held 7 (A) times. The attendance status is as follows:

Title	Name	Attendance in person (B)	Attendance rate (%) (B/A)	Note
Supervisors	He Zhao Investment Co., Ltd. Representative: Yuanyu Ke	7	100%	None
Supervisors	Taiwan Zhi Di Co. Ltd. Representative: Chaohe Lin	6	85.7%	None

Other matters that should be recorded:

- Supervisors and their responsibilities:
 - Supervisors, employees and shareholders' communication (for example, communication channels, methods, etc.): Supervisors have offices in the company and have good communication with employees and shareholders.
 - Supervisors' communication with internal auditors and CPAs (for example, communication over the Company's financial and business status-the methods and results, etc.):
 - In addition to presenting work reports during board of directors meetings, the Company's internal audit chief periodically holds seminars for reviewing deficiencies in the Company's internal control systems, and

directors and supervisors offer guidance during such seminars.

2. The Company's auditors periodically submit auditing reports to independent directors and supervisors, seek audit-related opinions, and exercise corporate governance practices.
 3. When supervisors have doubts against the company's financial status, they may communicate with the relevant managers and accountants in person to understand the situation.
2. When supervisors express opinions during board meetings, the date of the board meeting, the term, contents of the resolution, decisions of the board, and response of the Company to the opinion should be stated: None.

(3) Audit Committee Operation Status: Not applicable.

(4) Differences and Reasoning for the Status of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Does the company establish and disclose its corporate governance principles in accordance with the 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 subsidiary 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 shareholder conferences for approval to safeguard the shareholders' rights.</p>	No difference
2. Company Stock Equity Structure and Shareholders' Rights	✓		<p>(1) The company has appointed a spokesperson and deputy-spokesperson to announce and publicize important information and handle and respond to investors' suggestions.</p> <p>(2) The company has commissioned stock agencies to render the company's shareholder services and assigned dedicated personnel to take charge of equity ownership applications and gathering relevant equity ownership information.</p> <p>(3) Guarantee endorsement and financing for affiliated enterprises are</p>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p>

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>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>(4) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?</p>			<p>subjected to strict internal regulations</p> <p>(4) The company has a Ethical Code of Conduct for Directors, Supervisors and Managers to prohibit employees from using undisclosed information to engage in the transaction of marketable securities.</p>	(4) No difference
<p>3. Board compositions and responsibilities</p> <p>(1) Did the board 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 company has nine directors and two supervisors, each serving a term of 3 years. Candidates are nominated and two of the nine directors are independent directors. The board members have background in commerce, finance, accounting, management and industry, as well as knowledge, skills and literacy in aspects required for executing their duties.</p> <p>(2) The establishment of the Compensation Committee was approved on December 21, 2011 by the Board of Directors, and the Committee operates in accordance with the Company's Compensation Committee Organizational Rules. An Audit Committee will be set up in 2017.</p> <p>(3) Although the company has not yet established a guideline for board performance evaluation, the board operates according to relevant laws and regulations:</p> <p>1. The board of directors convenes a meeting at least once on a quarterly basis. A total of 7 board of directors meeting were held in 2015. The attendance rate of the directors and supervisors in the board of director meeting was above 94.8%.</p> <p>2. The attendance rate of directors and supervisors at the 2015 shareholders' meeting was 90.9%.</p> <p>3. The Company's directors and supervisors have undergone a minimum of six hours of continuing education as required by the "Directions</p>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p>

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." (4) To evaluate CPAs' independence and suitability, the Company requests a declaration letter from the CPAs regarding their independence and suitability for the job position. (Please refer to P. 43 of this Annual Report)	(4) No difference
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, and properly respond to corporate social responsibility issues of concern to the stakeholders?	✓		The company has built a designated section on its website for stakeholders, provides contact windows for all relevant issues and handles and responds to relevant suggestions in an appropriate manner.	No difference
5. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		The company has commissioned 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: www.yuanta.com Tel: (02)2586-5859 Fax: (02) 2586-5977	No difference
6. Information disclosure (1) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance status? (2) Did the company adopt other information disclosure methods (such as establishing English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the company's website, etc.)?	✓		(1) In addition to disclosing financial and business information on the Market Observation Post System as stated by law, the Company has dedicated an investor service section on its website (http://www.tunghosteel.com). (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.	(1) No difference (2) No difference
7. Is there any other important information to facilitate a better understanding of the	✓		(1) The company has established an investor service and corporate governance section on its website to disclose crucial company codes,	(1) No difference

Assessed areas	Operations			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>financial, business and corporate governance information as well as status of implementation.</p> <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 and supervisors must still implement the education advancement matters and such matters are 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 economy and for formulating necessary strategies. Furthermore, the company convenes meetings to track and review such information to 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 illegal actions.</p> <p>(6) Please reference the operations overview section of the annual report for related comments on laborer and supplier relations.</p>	<p>(2) No difference</p> <p>(3) No difference</p> <p>(4) No difference</p> <p>(5) No difference</p> <p>(6) No difference</p>
8. Does the company have corporate governance self-assessment report or have engaged any other professional organization to conduct such assessment? (If so, please describe the opinion of the board, the results of self or outside evaluation, major deficiencies found, suggestions, or improvement actions taken)		✓	The company has not yet produced a governance self-assessment report, but has undertaken self-assessments according to the corporate governance assessment procedures prescribed by the Financial Supervisory Commission.	No difference

Recipient: Tung Ho Steel Enterprise Corporation

Subject: We received a request from Tung Ho Steel Corporation regarding evaluation of CPA independence and suitability, inquiring about whether we are involved in any litigations, dispute with competent authorities or under investigation by the competent authorities, and meet the independence requirement stated in the Norm of Professional Ethics for Certified Public Accountant of the Republic of China. Our declaration is presented in the Description as follows. Please review.

Description: We are not involved in any litigations, dispute with competent authorities or under investigation by the competent authorities, and concurrently, we are not involved in matters that influence our independence, rendering us inappropriate to partake in the Company's auditing tasks, as stated in No. 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China.

KPMG International Cooperative

Accountants : Cihui Li
Huizhi Kou

March 28, 2016

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

1. Remuneration committee member profiles

Position (Note 1)	Condition	Does the person has over 5 years of working experiences and professional qualifications listed below			Status of Independence (Note 2)								Number of other public companies in which the member also serves as a member of their compensation committee	Note (Note 3)
	Name	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 Directors	Zhuangxi Zhang	√		√	√	√	√	√	√	√	√	√	0	None
Independent Directors	Yiji Liu		√	√	√	√	√	√	√	√	√	√	0	None
Others	Chengming Zhu	√			√	√	√	√	√	√	√	√	0	None

Note 1: Identity type shall be filled-out as director, independent director, or others.

Note 2: 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 who directly or indirectly holds more than 50% of voting shares for the company or its parent company are exempt.
- (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, second-degree relatives, or three-degree direct bloodline relatives of shareholders listed in the previous three items.
- (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 or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.
- (8) Does not meet the criteria listed in any Sections of Article 30 of the Company Act.

Note 3: If the member is a director, please specify whether the member meets provisions provided by Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

2. Operation status information for the remuneration committee

(1) The company's remuneration committee comprised 3 members.

(2) Current term for the members: The term of the 22nd board of directors expires on June 18, 2014.

The latest remuneration committee has held three meetings (A); member qualifications and attendance records are as follows:

Title	Name	Actual attendance number (B)	Number of attendance commissioned	Attendance rate (%) (B/A)	Note
Convener	Zhuangxi Zhang	3	0	100%	None
Committee Members	Yiji Liu	3	0	100%	None
Committee Members	Chengming Zhu	3	0	100%	None

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) Implementation of corporate social responsibility (CSR) in the Company and its subsidiaries

Assessed areas	Operations			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX listed companies and reasons for deviation
	Yes	No	Summary	
<p>1. Corporate governance implementation</p> <p>(1) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?</p> <p>(2) Did the company provide social responsibility training on a regular basis?</p> <p>(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?</p> <p>(4) Did the company formulate reasonable remuneration policies, integrate employee performance appraisal systems with CSR policies and establish effective reward and punishment systems?</p>	✓		<p>(1) The company has established the Corporate Social Responsibility Best Practice Principles on March 25, 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.</p> <p>(2) Beginning in 2015, the company has organized social responsibility training on a regular basis for departmental and plant employees involved in the implementation of CSR reports.</p> <p>(3) To implement promotion of CSR tasks, the company has established a cross-department CSR Promotion Task Force, which allocates resources into a number of CSR aspects such as corporate governance, employee care, customer care, community involvement, and environmental sustainability and provides regular reports to the board of directors.</p> <p>(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.</p>	No difference.
<p>2. Development of Environmental Sustainability</p> <p>(1) Is the company committed to improving the efficiency of the various resources and 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,</p>	✓		<p>(1) The company's recycled steel used in production accounts for over 90% of the steel its used. The value of iron resources plays a critical role in recycling. The company's plants in 2015 recycled and reused 99.78% of wastes.</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</p>	No difference.

implement greenhouse gas audit and formulate energy conservation and carbon reduction as well as greenhouse gas cutback strategy?			<p>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) The company has continuously focused on climate change issues and actively participated in the greenhouse gas inventory promoted by the government and promotion of early stage project and product carbon footprint verification policies. The company's GHG emission in 2015 was 722,212 metric tons of CO₂e, a reduction of 12.97% from 2014.</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>(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p> <p>(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?</p> <p>(5) Does the Company offer its employees effective occupational empowerment training programs?</p> <p>(6) Does the company establish any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service?</p> <p>(7) Does the Company comply with applicable laws, regulations, and international guidelines in the marketing and labeling of products and</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>(3) The company's plants have set up occupational safety and health committee that convenes a monthly meeting to review potential risks to the plants and discuss and track safety and health meeting agendas, thereby creating a safe and healthy working environment for employees. The company invites physicians, health and safety professionals, and certified nurses to provide health-promoting medical services for employees, including medical advices, referrals, health education, occupational injury and disease consultation, diagnosis and prevention, health-promotion planning, safety training, health examinations, health management, survey on the quality of health institutions, and health management of contagious disease.</p> <p>(4) The company periodically convenes employer-employee meetings and establishes positive employees-employer relations.</p> <p>(5) The company offers training programs, builds a positive environment necessary for operational requirements and duty planning, and arranges career development programs depending</p>	No difference.

<p>services?</p> <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>on occupational adaptability and career planning.</p> <p>(6) The company ensures product and service quality in pursuant to relevant regulations and establishes a sound after-sales service channel.</p> <p>(7) The company's products have passed verification standards of relevant certification organizations:</p> <ol style="list-style-type: none"> 1. CNS trademark certification from the Bureau of Standards, Ministry of Economic Affairs 2. Bureau of Standards, Ministry of Economic Affairs, product registration and certification records 3. OHSAS 18001/TOSHMS 4. ISO 9001 quality management system certification 5. ISO 14001 quality management system certification 6. ISO 50001 quality management system certification 7. Ministry of International Trade and Industry JIS MARK factory certification 8. British Lloyd's E.U. construction use steel material CE Mark certification 9. Australasian Certification Authority for Reinforcing and Structural Steels hot-rolled steel product ACRS certification 10. American Bureau of Shipping ABS marine steel manufacturing certification 11. Det Norske Veritas DNV marine steel manufacturing certification 12. Zulassungsbescheinigung GL marine steel manufacturing certification 13. Bureau Veritas BV marine steel manufacturing certification 14. British Lloyd's Register LR marine steel manufacturing certification 15. Nippon Kaiji Kyokai Class NK marine steel manufacturing certification <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</p>	
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			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.	
4. Enhancing information disclosure (1) Has the company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the M.O.P.S.?	✓		Has already established a website and disclosed the relevant information in accordance with the law and corporate social responsibility.	No difference.
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: The company has established its own corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies". Such principles were approved on March 25, 2015 in the meeting of the board of directors, and subsequently announced and implemented. The company will adhere to the regulations prescribed in the principles.				
6. Other critical information conducive to understanding the corporate social responsibility practices: (1) The company actively promotes charity events and community participation through sponsorship, arts and culture, academic scholarship, and donations. In 2015, the company has made the following sponsors and donations: <ol style="list-style-type: none"> 1. Sponsored the Solar Decathlon-Orchid House project held by the National Chiao Tung University. 2. Made donations to Koo Foundation Sun Yat-Sen Cancer Center for renewal of rehabilitation equipment. 3. Made donations to Formosa Charity Group for implementation of the Fenglin Church Kaidi Learning Center Renovation Project. 4. Sponsored the 2015 Formosa Sculpture Biennial hosted by Kaohsiung Cultural Foundation. 5. Made donations for restoration of Yunlin County heritage site Huwei Sugar Factory track bridge. 6. Sponsored Miaoli county's national sports event for physical and mental disabilities. 7. Sponsored the "Pingtung Vocal Orchestra Training Program". 8. Sponsored Tung Ho Steel Cultural Foundation. 9. Donated computers to digital centers and welfare institutions in remote areas in response to KPMG's event, "A Train of Happiness: Let Your Love Spread." 				
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 in June 2016 and acquire third-party verification. In future, the company will periodically issue CSR reports on a yearly basis and disclose them on the company's website.				

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

Assessed areas	Operations			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Summary	
<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 which was approved on December 29, 2014 in the meeting of the board of directors and was subsequently announced and implemented. 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 2015, no incidents of unethical conduct or related occurrence were reported.</p>	No difference.
<p>2. Implementation of ethical corporate management</p> <p>(1) Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?</p>	√		<p>(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 contract terms.</p>	No difference.

<p>(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?</p> <p>(3) Did the company establish policies that prevent conflict of interests, provide appropriate channels for filing related complaints and implement such policies and channels?</p> <p>(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?</p> <p>(5) Did the company periodically provide internal and external training programs on integrity management?</p>			<p>(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, and shall submit the Board of Director's reports on a periodic basis.</p> <p>(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.</p> <p>(4) The operations of the company's accounting system and internal control systems are evaluated by their respective units on a yearly basis and are inspected by internal auditors.</p> <p>(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.</p>	
<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.</p> <p>(6) The company records the reported event in writing and such event is investigated, handled and submitted as a report by relevant units.</p> <p>(7) According to the nature of the reported case and the situation of the whistle-blower, the company adopts necessary protective measures for keeping the</p>	No difference.

			whistle-blower's identity confidential to protect the whistle-blower against retaliation.	
4. Enhancing information disclosure (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?	√		The company's "Best Practice Principles" is published on the company's website and the Market Observation Post System.	No difference.
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". The code was published and implemented following approval from the board of directors on December 29, 2014. There are no differences in the company's operation and the regulations specified in the code.				
6. Other critical information conducive to 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 voting 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) If 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) Critical information that can enhance the understanding of the company and its subsidiaries' 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:

1. Statement on Internal Control (*An original copy for this statement is available; personal seal must be printed)**

Tung Ho Steel Enterprise Corporation

Internal Control System Statement

Date: March 28, 2016

Based on the results of self-assessment, the company's 2015 internal control system hereby declares the following:

- I 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.
- II 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.
- III 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.
- IV The company has already adopted the aforementioned internal control system judgment items to inspect the effectiveness of the internal control system design and implementation.
- V Based on the aforementioned evaluation results, the company believes that the design and execution of its December 31, 2015 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.
- VI 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.
- VII This declaration statement has been authorized by the Board of Directors on March 28, 2016, and all nine attendees of the Board have approved the contents of the declaration statement.

Tung Ho Steel Enterprise Corporation

Chairman: Jieteng Hou

General manager: Jieteng Hou

2. 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:

Nature of the meeting	Meeting date	Critical resolution matters	Resolution status
Board of Directors	2015.03.25	<ol style="list-style-type: none"> 1. Passed the proposal on the impairment loss of the ordinary shares of Taiwan High Speed Rail Inc. 2. Passed the company's 2014 earnings appropriation. 3. Passed the "Corporate Social Responsibility Best Practice Principles". 4. Passed the proposals relating to the convening of annual meeting of shareholders in 2015. 5. Passed the proposal on investments in Miaoli Plant equipment. 6. Passed the donation made to the Tung Ho Steel Cultural Foundation. 	The entire Board adopted without objection.
Board of Directors	2015.05.11	<ol style="list-style-type: none"> 1. Passed the company's Quarter 1 consolidated financial reports for 2015. 2. Passed the financial derivative transactions undertaken by the Company. 	The entire Board adopted without objection.
Shareholder's meeting	2015.06.25	Ratifications: <ol style="list-style-type: none"> 1. Ratified 2014 business report and financial report. 2. Ratified the surplus allocation table for 2014. 	The chairman required all shareholders to be present, and the request passed without dissent.
Board of Directors	2015.06.25	<ol style="list-style-type: none"> 1. Passed the financial derivative transactions undertaken by the Company. 2. Passed the baseline date for distribution of cash dividends in 2015. 3. Passed the 2014 proposals on the remuneration for directors and supervisors and bonus for managers. 	The entire Board adopted without objection.
Board of Directors	2015.08.12	<ol style="list-style-type: none"> 1. Passed the company's Quarter 2 consolidated financial reports for 2015. 2. Passed the financial derivative transactions undertaken by the Company. 3. Passed the company's Miaoli plant update of U1 and UF master motors. 4. Passed the guaranteed case with the First Commercial Bank, Hanoi Branch, for the subsidiary Dongyuan International Co., Ltd. 5. Passed the loan guarantee endorsement application case with the Bank SinoPac for the subsidiary Fujian Tung 	The entire Board adopted without objection.

Nature of the meeting	Meeting date	Critical resolution matters	Resolution status
		Kang Steel Co., Ltd.	
Board of Directors	2015.10.30	Passed the acquisition of 100% stake in Fuco International Ltd. (Vietnam Fuco Steel Corporation contributing 90% of the capital stock) and 10% capital stock from Vietnam Fuco Steel Corporation Ltd., acquiring all capital stock from Vietnam Fuco Steel.	The entire Board adopted without objection.
Board of Directors	2015.11.13	<ol style="list-style-type: none"> 1. Passed the amendment to the company's Articles of Incorporation. 2. Passed the discussion on "Operating Procedure for Applying to Halt or Resume Trading". 3. Passed the discussion on capital increase for subsidiary Fata Xingye Co. Ltd. 	The entire Board adopted without objection.
Board of Directors	2015.12.29	<ol style="list-style-type: none"> 1. Passed the proposal for 2016 audit plan. 2. Passed the sale of Kaohsiung plant steel rolling bar equipment and materials. 	The entire Board adopted without objection.
Board of Directors	2016.01.19	Passed the loan guarantee endorsement application case, to the value of US\$30 million, with the Taipei Fubon Commercial Bank Co., Ltd. for the subsidiary Fuco Steel Corporation Ltd.	The entire Board adopted without objection.
Board of Directors	2016.03.01	<ol style="list-style-type: none"> 1. Passed the proposal for using a maximum of NT\$900 million to purchase 90 million ordinary shares of Katec Creative Resources Corp. 2. Passed the loan guarantee endorsement application case, to the value of US\$13 million, with the First Commercial Bank Ho Chi Minh City Branch for the subsidiary Fuco Steel Corporation Ltd. 3. Passed the loan guarantee endorsement application case, to the value of US\$15 million, with Mega International Bank for the subsidiary Fuco Steel Corporation Ltd. 	The entire Board adopted without objection.
Board of Directors	2016.03.28	<ol style="list-style-type: none"> 1. Report on the execution of "Enhancement of the Ability to Compile Financial Reports Project Plan." 2. The total employee remuneration for 2015 was NT\$37,578,263 and the total remuneration to directors and supervisors was NT\$30,062,610. 3. Passed the financial statements for 2015. 4. Passed the consolidated financial statements for 2015. 5. Passed the company's 2015 earnings appropriation of cash dividend at NT\$1.10 per share. 6. Passed the related matters in the company's 2016 annual meeting of shareholders. 7. Passed the discussion on company's increase in investment of US\$ 434,593 in Fuco International Ltd. and Vietnam Fuco Steel Corporation Ltd. 8. Passed a donation of NT\$4.7 million and 161 tons of waste steel to Tung Ho Steel Cultural Foundation for arrangement of steel artwork exhibition events and accounting affairs. 	The entire Board adopted without objection.

- (13) **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
- (14) **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

4. Information on fees to CPA

(1) Public expense information

Name of the accounting firm	CPA name		Audit period	Note
KPMG International Cooperative	Cihui Li	Huizhi Kou	2015.01-2015.12	None

Monetary unit: Thousands of New Taiwan Dollars

Amount bracket		Public expense item	Public expenses for audit	Non-public expenses for audit	Total
1	Lower 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)		-	-	-

Monetary unit: Thousands of New Taiwan Dollars

Name of the accounting firm	CPA name	Public expenses for audit	Non-public expenses for audit					Audit period	Note
			System design	Business registration	Human Resources	Others	Subtotal		
KPMG International Cooperative	Cihui Li, Huizhi Kou	6,090	-	-	-	694	694	2015.01-2015.12	2011–2014 transfer expense of NT\$454,000; 2014 R&D advisory expense of NT\$240,000.

- (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.
- (4) Exchange accountant information: Not applicable.
- (5) 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.

5. 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	2015		up to March 31, 2016	
		Number of shares held added (subtracted)	The numbers of pledged shares added (subtracted)	Number of shares held added (subtracted)	The numbers of pledged shares added (subtracted)
Directors	Shen Yuan Investment Co., Ltd.	0	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	5,674,656	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Yushu Hou	0	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou	0	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Huiming Wu	0	0	0	0
Directors	Liang Cheng Investment Co., Ltd.	0	0	0	0
Directors	Liang Cheng Investment Co., Ltd. Representative: Baohe Chen	0	0	0	0
Directors	Episil Holding Incorporation	0	0	0	0
Directors	Episil Holding Incorporation Representative: Zhiming Huang	0	0	0	0
Directors	Yanliang Hou	0	0	0	0
Independent Directors	Yiji Liu	0	0	0	0
Independent Directors	Zhuangxi Zhang	0	0	0	0
Supervisors	He Zhao Investment Co., Ltd.	0	0	0	0
Supervisors	He Zhao Investment Co., Ltd. Representative: Yuanyu Ke	0	0	0	0
Supervisors	Taiwan Zhi Di Co. Ltd.	0	0	0	0
Supervisors	Taiwan Zhi Di Co. Ltd. Representative: Chaohe Lin	0	0	0	0
Chairman/General manager	Jieteng Hou	0	0	0	0
Vice Chairman	Shuzhao Houwang	0	0	0	0
Vice General Manager of Operations Department	Kuanren Gu	0	0	0	0
Vice General Manager of Operations Department	Binghua Huang	0	0	0	0
Vice General Manager of Assets and Trade Department	Qixie Lin	0	0	0	0
Vice president of the financial department	Boxun Dong	0	0	0	0
Assistant manager of the general manager's	Changhong Li	0	0	0	0

Title	Name	2015		up to March 31, 2016	
		Number of shares held added (subtracted)	The numbers of pledged shares added (subtracted)	Number of shares held added (subtracted)	The numbers of pledged shares added (subtracted)
office					
Assistant Manager of Operations Department	Ruyin Fan	0	0	0	0
Assistant Manager of Operations Department	Zhengbin Qiu	0	0	0	0
Assistant manager of the investment department	Xiuqi Chen	0	0	0	0
Assistant manager of the investment department	Zhenyuan Chen	0	0	0	0
Assistant manager of the investment department	Dexiu Chen	0	0	0	0
Assistant Manager of Assets and Trade Department	Junsheng Jian	0	0	0	0
Assistant manager of the systems engineering department	Zhechong Lin	0	0	0	0
Assistant manager of the management department	Ruyu He	0	0	0	0
Taoyuan plant director	Fujin Chen	0	0	0	0
Miaoli plant director	Mingzong Liu	0	0	0	0
Kaohsiung plant manager	Zongyu Wang	0	0	0	0
Major shareholders holding more than 10% of the shares	Shen Yuan Investment Co., Ltd.	0	0	0	0

(2) Share equity transfer information for directors, supervisors, managers, and shareholders with the shareholding ratio of 10% or greater:

Title	Name	Reasons for the share equity transfer	Transaction date	Transaction counterparty	Relationship between the transaction counterparty; company, director, and supervisors as well as shareholders with more than 10% stake	Number of shares	Transaction price
Directors	Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	Acquisition	2015.09	Gift from spouse	N/A	5,674,656	N/A

(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: Baohe Chen	Pledge	2014.10	Tachin Stock	N/A	4,000,000 Shares	0.45%	0.40%	None

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

April 23, 2016

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)	Relationship	None
Shen Yuan Investment Co., Ltd.	120,199,779	12.04%	0	0	0	0	Zhenxiong Hou	Responsible person	None
Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	10,695,847	1.07%	20,429,294	2.05%	0	0	Zhenxiong Hou	Married couple	None
Shen Yuan Investment Co., Ltd. Representative: Yushu Hou	100,000	0.01%	0	0	0	0	Zhenxiong Hou	Father/child	None
Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou	142,426	0.01%	75,000	0.01%	0	0	Zhenxiong Hou	Father/child	None
Shen Yuan Investment Co., Ltd. Representative: Huiming Wu	128,432	0.01%	0	0	0	0	None	None	None
Sen Yi Investment Co., Ltd.	77,488,877	7.76%	0	0	0	0	None	None	None
Nan Shan Life Insurance Company Ltd.	59,201,500	5.93%	0	0	0	0	None	None	None
Cathay Life Insurance Co., Ltd.	42,086,189	4.22%	0	0	0	0	None	None	None
China Life Insurance Co., Ltd.	29,570,597	2.96%	0	0	0	0	None	None	None
Public Service Pension Fund Management Committee	29,101,385	2.92%	0	0	0	0	None	None	None
Shin Kong Life Insurance Co., Ltd.	23,859,000	2.39%	0	0	0	0	None	None	None
Zhenxiong Hou	20,429,294	2.05%	10,695,847	1.07%	0	0	Shen Yuan Investment Co., Ltd.	Responsible person	None
Norges Bank under the trust of Citibank	20,330,972	2.04%	0	0	0	0	None	None	None
Yu Tai Investment Co., Ltd.	18,855,193	1.89%	0	0	0	0	None	None	None

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

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.	1,017	5.68	0	0	1,017	5.68
Li-Yu Venture Capital	855	4.76	0	0	855	4.76
Taiwan High Speed Rail	49,505	0.88	0	0	49,505	0.88
Dongjing Investment	0	9.03	0	0	0	9.02
Industrial Bank of Taiwan	1,892	4.17	0	0	1,892	4.17
Global Venture	2,800	2.33	0	0	2,800	2.33
Chien Shing Harbour Service	7,860	12.20	0	0	7,860	12.20
Katec Creative Resources Corp.-special stock	2,340	65.18	0	0	2,340	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
Dongyuan International	0.08	100.00	0	0	0.08	100.00
Tung Kang Steel	119,755	97.35	2,858	2.32	122,613	99.67
Taiwan Steel United Inc.	25,208	25.22	0	0	25,208	25.22
Katec Technology	4,268	46.19	0	0	4,268	46.19
Katec Creative Resources Corp.	23,214	85.63	0	0	23,214	85.63
BySources Investment	500	49.00	0	0	500	49.00
Goldham Development Ltd.	15,000	100.00	0	0	15,000	100.00
Fujian Tung Kang Steel	0	0	0	100.00	0	100.00
Tung Kang Engineering & Construction Co., Ltd.	0	0	25,000	100.00	25,000	100.00
Fujian Sino-Japan Metal Corp.	0	0	0	35.00	0	35.00
3 Oceans International Inc.	0	0	1,984	66.67	1,984	66.67
DUCHOA International	0	0	0	49.25	0	49.25
China Products	0	0	3	0.66	3	0.66
Tech Alliance Corp	0	0	1,792	5.69	1,792	5.69
Gapura	0	0	592	11.11	592	11.11
Ding-Xing Development	0	0	150	15.00	150	15.00

IV. Fund-raising Conditions

1. Capital and Shares

(1) Source of capital

April 23, 2016

Type of shares	Authorized capital			Note
	Shares issued and outstanding	Unissued shares	Total	
Listed ordinary shares	998,221,448	201,778,552	1,200,000,000	None

(2) Shareholder structure

Benchmark date: April 23, 2016

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individual investors	Foreign organizations and foreign individuals	Total
Number of people	5	16	157	69,560	239	69,977
Number of shares held	29,608,668	174,168,959	293,720,339	381,819,910	118,903,572	998,221,448
Shareholding ratio	2.97%	17.45%	29.42%	38.25%	11.91%	100%

(3) Shareholding distribution status

NT\$10 per share

Benchmark date: April 23, 2016

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	26,901	5,649,500	0.57
1,000 - 5,000	30,077	67,024,653	6.71
5,001 - 10,000	6,788	51,886,843	5.20
10,001 - 15,000	2,182	26,928,301	2.70
15,001 - 20,000	1,292	23,776,132	2.38
20,001 - 30,000	1,077	27,055,844	2.71
30,001 - 50,000	823	33,038,446	3.31
50,001 - 100,000	443	31,776,370	3.18
100,001 - 200,000	202	27,998,188	2.80
200,001 - 400,000	82	22,839,599	2.29
400,001 - 600,000	31	14,583,399	1.46
600,001 - 800,000	7	4,818,110	0.48
800,001 - 1,000,000	8	7,282,378	0.73
1,000,001 and above	64	653,563,685	65.48
Total	69,479	998,221,448	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: April 23, 2016

Shares Name of the main shareholders	Number of shares held	Shareholding ratio (%)
Shen Yuan Investment Co., Ltd.	120,199,779	12.04%
Sen Yi Investment Co., Ltd.	77,488,877	7.76%
Nan Shan Life Insurance Company Ltd.	59,201,500	5.93%
Cathay Life Insurance Co., Ltd.	42,086,189	4.22%
China Life Insurance Co., Ltd.	29,570,597	2.96%
Public Service Pension Fund Management Committee	29,101,385	2.92%
Shin Kong Life Insurance Co., Ltd.	23,859,000	2.39%
Zhenxiong Hou	20,429,294	2.05%
Citibank (Taiwan) Commercial Bank is commissioned to Safeguard Norges Bank Investment Accounts	20,330,972	2.04%
Yu Tai Investment Co., Ltd.	18,855,193	1.89%

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

Unit: NT\$

Item \ Year			2014 (after re-compilation)	2015	up to March 31, 2016
Market price per share	Maximum		27.35	24.30	20.80
	Minimum		22.80	16.25	16.15
	Average		25.18	20.89	19.18
Book value per share	Pre-distribution		23.10	23.03	N/A
	Post-distribution (Note 1)		21.80	Not distributed	N/A
Earnings per share	Weighted average number of shares (in thousands)		998,211	998,222	N/A
	Earnings per share	Before retroactive (Note 2)	1.06	1.27	N/A
		After retroactive (Note 2)	1.06	Not distributed	N/A
Dividend per share	Cash dividends (NT\$)		1.30	1.10(Note 6)	N/A
	Stock dividends	Earnings	0	0	N/A
		Capital Reserve Share Distribution	0	0	N/A
	Accumulated unpaid dividends		0	0	N/A
Return on investment	Price-earnings ratio (Note 3)		23.75	16.45	N/A
	Price-dividend ratio (Note 4)		19.37	18.99	N/A
	Cash dividend yield (Note 5)		5.16%	5.27%	N/A

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 earning ratio = average closing price per share for the year / earnings per share.

Note 4: Price earning 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 2015 annual earnings distribution on March 28, 2016. The cash dividend allocation of NT\$1.10 per share was proposed but is subject to approval by the annual meeting of shareholders.

(6) Dividend policy and implementation status

1. 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 firstly be allocated for paying business taxes and compensation of accumulated deficit. Ten percent of the remaining profit shall be allocated as legal reserve. After special reserve is allocated or reversed to meet the operational or regulatory requirements,

- (1) 3% shall be set for the director and supervisor remuneration funds; and
- (2) 3% for employee bonus.

The Board of Directors shall draft the proposal for shareholder dividend allocation based on the remaining profit, if any, along with the accumulated undistributed earnings for the previous year, 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%.

According to the amendment to the Company Act in May 2015, employee bonus and directors' and supervisors' remuneration are no longer under the category of earnings appropriation. The company revised the Articles of Incorporation on November 13, 2015 in the board meeting, and the revision shall be approved in the shareholder's meeting. The amendment is as follows. If profit remains after year-end accounting, it shall be sequentially distributed as follows after tax has been paid:

- (1) Compensate for losses of previous years.
- (2) Set aside ten percent as the statutory surplus reserve.
- (3) Set aside for special reserve as required by the company's operational needs or provided by the regulations.
- (4) 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%.

2. Dividend allocation proposed by the shareholders' meeting: After the company's 15th annual Board of Director's meeting of the 22nd term has approved to allocate cash dividends of NT\$1.10 per share, amounting to NT\$1,098,043,593 with a total of 998,221,448 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

1. 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.

However, an amount shall be set aside first to compensate cumulative losses, if any. The recipients of stocks or cash in the preceding paragraph shall include employees of subordinate companies meeting certain criteria.

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.

2. 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 2015 amounted to NT\$37,578,263 and NT\$30,062,610, as regulated by the company's Articles of Incorporation that have been approved by the board of directors but not yet submitted to the shareholders meeting for approval. If the estimated amount differs from the actual distributed amount as a result of discrepancy between amended articles resolved in the shareholder's meeting and those approved by the Board of directors, then the difference will be treated as changes in accounting estimates and recognized in profit and loss for 2016.

- 3 Remuneration proposals passed by the Board of Directors:

- (1) Employee, director and supervisor remuneration will be distributed in cash or stocks:

The company's remuneration to employees and director/supervisor in 2015 amounted to NT\$37,578,263 and NT\$30,062,610, as regulated by the company's Articles of Incorporation that have been approved by the board of directors but not yet submitted to the shareholders meeting for approval. If the estimated amount differs from the actual distributed amount as a result of discrepancy between amended articles resolved in the shareholder's meeting and those approved by the Board of directors, then the difference will be treated as changes in accounting estimates and recognized in profit and loss for 2016.

- (2) The amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus: Not applicable.

4. 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 2014 employee remuneration distributed in 2015 amounted to NT\$32,737,901, while the director/supervisor remunerations for the same period amounted to NT\$32,737,901. 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	32,737,901	32,737,901	None
Director and supervisor remunerations	32,737,901	32,737,901	None

(9) Stock buyback: Not applicable

2. Corporate bonds

(1) Corporate bond issuance status

March 31, 2016

Company bond type	The 6th domestic unsecured convertible bonds	
Date of issue	2012.11.05	
Face value	NT\$100,000	
Location of issuance	Gre Tai Securities Market	
Issuing price	Issued based on face value	
Total	NT\$2,500,000,000	
Interest rate	0%	
Deadline	Five-year maturity date: 2017.11.05	
Guarantee institution	None	
Commissioned party	Trust Department of Fubon Commercial Bank Co., Ltd.	
Underwriting institution	Cathay Securities Corporation	
Visa attorney	Kuncheng Wang	
Visa accountant	Cihui Li, Qiuhua Wu	
Repayment method	Unless conversion method is used or unless redeemed, the full amount shall be repaid with cash upon maturity.	
Outstanding principal	NT\$2,482,200,000	
The terms of redemption or prepayment	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.	
Restriction clause	None	
The credit rating institution's name, date of rating, and corporate bond rating results.	N/A	
Other rights attached	Converted to ordinary	0

	(exchange or subscription) shares, global depository receipts, or other marketable securities as of the date of this annual report.	
	Issuance and conversion (exchange or 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
Name of the commissioned custodian institution for the exchange bid		None

(2) Convertible bond data

Unit: NT\$

Company bond type		The 6th domestic unsecured convertible bonds		
Item	Year	2014	2015	up to March 31, 2016
	Maximum	104.00	104.00	102.90
Convert to company bond market price	Minimum	100.35	100.35	101.95
	Average	101.85	101.85	102.52
Conversion price		28.50 or 26.73 (Note 1)	26.73 or 25.20 (Note 2)	25.20
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	Issuance date: November 5, 2012, conversion price during issuance NT\$30.00
Method of conversion		Issuance of new shares	Issuance of new shares	Issuance of new shares

Note 1: Cash dividend for the 6th domestic unsecured bond conversion was adjusted to 26.73 on August 12, 2014.

Note 2: Cash dividend for the 6th domestic unsecured bond conversion was adjusted to 25.20 on July 28, 2015.

3. Issuance of global depositary receipts (GDR)

Benchmark date: March 31, 2016

Item		Issuance (processing) date	September 22, 1994
Issuance (processing) date		1994.09.22	
Location of issuance		Bourse de Luxembourg	
Total amount issued		US\$103,200,000	
Unit issuance price		US\$17.20	
Total issuance units		6,000,000 units	
Source of securities with recognized value		Ordinary 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		777,813 units	
Allocation method for the related expenses during the issuance and subsisting periods		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	2014	Maximum	8.98
		Minimum	7.29
		Average	8.32
	2015	Maximum	7.88
		Minimum	4.96
		Average	6.63
	up to March 31, 2016	Maximum	6.30
		Minimum	4.84
		Average	5.55

4. Issuance of preferred stocks: None

5. Issuance of employee stock options and restricted stock awards: None

6. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None

7. Status of the capital utilization plan implementation

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\$1,000

Project item	Expected completion date	Total amount of capital required	Expected capital spending schedule
			2012 Q4
Repayment of bank loans	2012 Q4	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.

V. Business Overview of the Company and Its Subsidiaries

1. Business content

(1) Scope of business

1. Main content:

- (1) Manufacturing processing and sales of steel, flat iron, angle iron, channel iron, plate element, and other steel products.
- (2) Manufacturing processing and sales of steel and alloy steel, tool steel, high carbon steel, and other special steel.
- (3) Vessel disassembly and old vessel trading.
- (4) Processing and trading of iron and steel industrial raw materials, hardware, machinery, iron electrical materials, and light metal manufacturing.
- (5) Iron and steel smelting, rolling, heat treatment, painting, plating, and processing operations.
- (6) Oxygen manufacturing and trading.
- (7) Manufacturing, processing, and trading of steel plates, bars, and rails.
- (8) Design, manufacture, processing, and trading of various structural steel, steel materials, and mechanical bodies.
- (9) Development, design, manufacturing, and sales of the various steel industry equipment, device, and accessories.
- (10) Design, manufacture, maintenance, sales, and installation construction contract operations for environmental protection equipment products.
- (11) Import and export operations for various products.
- (12) Project management, technical advisory, and consultancy operations for the various relevant businesses mentioned above.
- (13) The data storage and processing equipment manufacturing industry.
- (14) Wired communication machinery and equipment manufacturing industry.
- (15) Wireless communication machinery and equipment manufacturing industry.
- (16) Electronic component manufacturing industry.
- (17) Specific professional zone development industry.
- (18) Leisure agriculture industry.
- (19) Amusement park industry.
- (20) New County and Community Construction and Investment
- (21) Iron and Steel Rolling, Drawing, and Extruding
- (22) Steel Construction
- (23) Waste disposal and resource recycling industry
- (24) Construction engineering business
- (25) Rebar processing sales

2. Revenue Breakdown

Products \ Item	As a percentage of cumulative operating revenue for 2014	As a percentage of cumulative operating revenue for 2015	As a percentage of Quarter 1 cumulative operating revenue for 2016
Rebar	48%	46%	39%
Section	40%	34%	46%
Others	12%	20%	15%
Total	100%	100%	100%

(2) Status of the industry

1. Current status and development of the industry:

Revenue for Tung Ho Steel was NT\$26.3 billion in 2015, which declined considerably by 20.32% compared to NT\$33.009 billion in 2014. Sales similarly declined slightly by 7.66% from 1.6498 million metric tons in 2014 to 1.5235 million metric tons in 2015. The receding global economy and series of economic adjustment and anti-corruption measures in emerging countries, specifically China, have severely impacted the economic growth of China, which slowed down global demand for steel for over 1.5 years and substantially dropped global raw material prices. Therefore, the global steel industry in 2015 has turned in losses in their business performance. Particularly in China, with crude steel production accounting for almost 50% of global production, almost its entire steel industry across the country has made severe losses. However, Tung Ho's EPS all-year round continued to defy the global trend, growing from 1.06 in 2014 to 1.27 in 2015. An overview of Tung Ho's business performance in 2015 adequately manifests the effectiveness of the company's efficient and prudent policy for product sales and purchase and cost risk management.

In 2015, global crude steel output was 1.623 billion metric tons, a slight decline of 2.8% compared to 2014. This is the first time that global crude steel output presented negative growth rate since the subprime mortgage financial crisis at the end of 2008. The growth rate of China's crude steel also registered a decline of 2.3% in 2015. This is the first growth decline since the rise of China's economy. However, China's steel export sales volume throughout the year again achieved a record-high of 112 million metric tons, a substantial growth of 19.85% compared with that in 2014. Under the unstable demand in the global economy, China's steel products were unscrupulously sold at a low price across the world, further aggravating the economic predicament in the global steel industry. In 2015, the global steel price plunged by approximately 30%, which adversely affected China, a country that gains profit at the expense of others. Last year, China has revoked the preferential treatment for boron alloy steel export tax rebate. The broadcast of Under the Dome, filmed by Chai Jing, a former China Central Television journalist at the end of February last year, prompted Chinese citizens to realize for the first time how the steel industry in China has failed to implement environmental protection and sacrificed the

environment, causing severe haze problems that endanger the health and lives of the next generation. At the beginning of this year, RMB100 billion has been set aside as settlement and aid for career transfer for employees who had served in coal and steel companies that were ordered to shutter their backward production capacity. This evidently shows how China can no longer remain indifferent to its environmental pollution and the global wave of protest. It is hoped that China's change can bring a glimmer of hope to the global steel industry that has been experiencing excessive production problems.

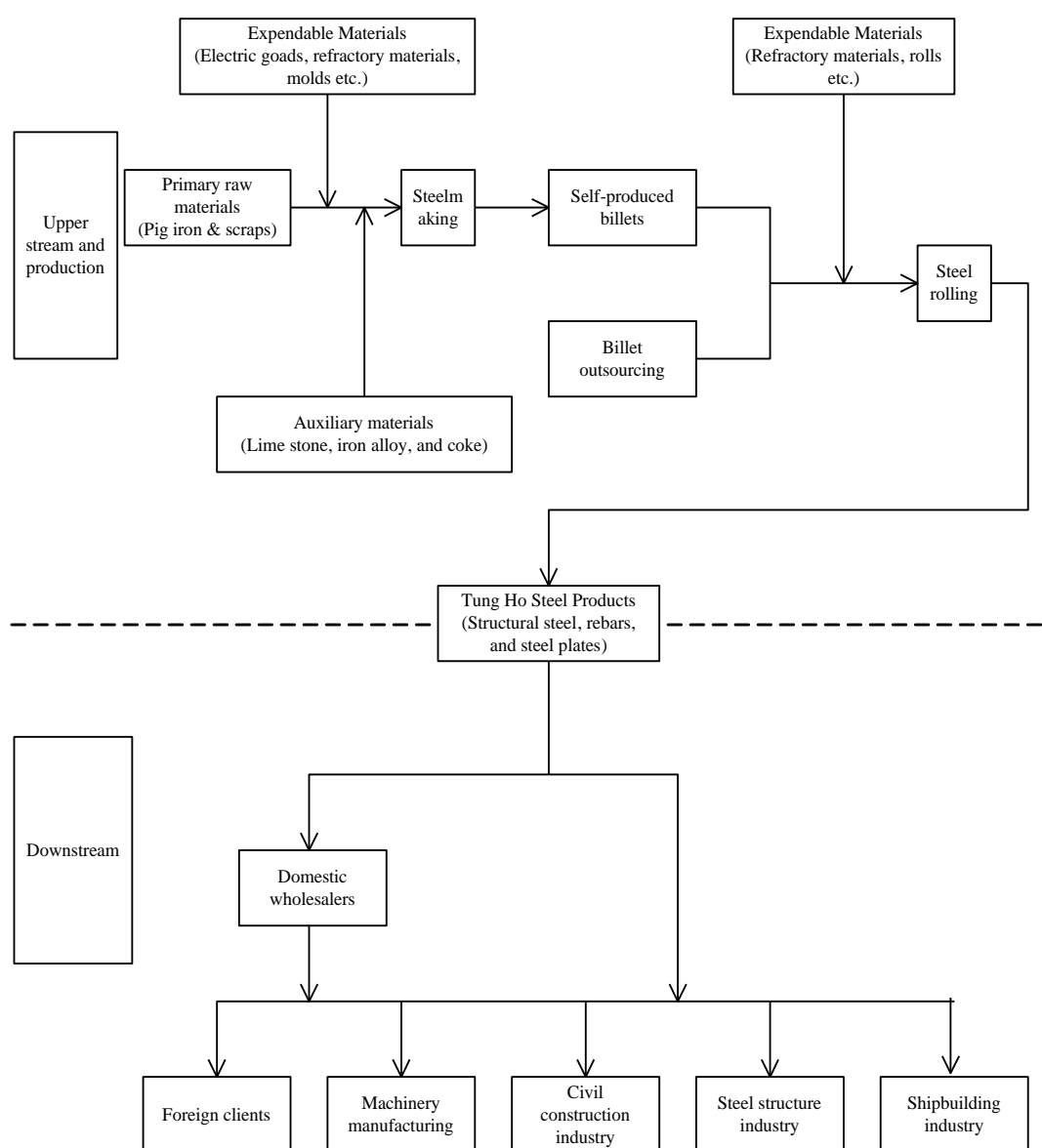
This year, on May 20, Taiwan's new government will take office. Under the ECFA framework of cross-strait trade reactivation and trade negotiations, Taiwan's steel industry must still face the material impacts that the ECFA framework have on China's opening of the steel market. Because the steel production industries in China and Taiwan differ substantially and because of the unfair competition conditions caused by the export tax subsidization rebate policy of the Chinese government, the implementation of the ECFA will allow Chinese access into Taiwan's steel market. This is the harsh challenge that Taiwan's steel industry must inevitably face in the next two years. It goes without saying that Taiwan's steel industry must face the competition and challenges imposed by the steel industries worldwide including China. Firms must strengthen their global competitiveness but the government must propose countermeasures for China's policy on tax subsidization rebate. Steel industries in Taiwan have already voiced their need for a national standard authentication system that is prevalently adopted around the world. However, the government in Taiwan has yet to adopt specific measures.

Tung Kang Steel Structure Co., Ltd., which Tung Ho invests in, targets Taiwan as its primary market. Tung Kang could only manage to break even in its business performance in recent years predominantly because Taiwan's steel structure industry is subject to low domestic market demands and a harsh business environment where competitors have engaged in vicious price competition. Taiwan's steel structure industry primarily relies on the construction of bridges (public construction), buildings (office and residential buildings) and industrial plants. However, because of shortage in government funding, the budget for public constructions hit a record low. In addition, Taiwan's policies for energy sources and industries remain unclear, and the effects of opening the domestic market to China after signing the ECFA are uncertain. Investments in industrial plants have decreased considerably. All these factors have forced Taiwan's steel structure industry to rely solely on the construction of office and residential buildings. Nevertheless, the government's housing price reduction policies have gradually demonstrated its impact on Taiwan's steel structure industry. Fujian Tung Kang Steel Co., Ltd. is a Chinese steel structure company in which Tung Ho invests. In the past, steel structure exports are the primary source contributing to

Tung Ho's business performance. Under China's tax subsidization rebate policy, Fujian Tung Kang could still maintain its business operation. With its first-class steel structure quality, Fujian Tung Kang should be able to attract Taiwanese businessmen to invest in China's steel structure construction projects following the full implementation of the ECFA.

Tung Ho's investment in green energy and environmental protection businesses are currently at the seeding stage. These two industries are closely related to Tung Ho's primary business and are key to determining the future competitiveness of steel businesses. In future, green energy, waste reduction and carbon reduction will become the core competitiveness of steel industries, an aspect that Tung Ho aims to incorporate in its long-term investment planning.

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



(3) Overview of Technology and R&D

1. 2015 R&D program

(1) Steelmaking

- a. Development of high strength steel billets for rebar
- b. Development of high-grade marine steel.
- c. Development of ultra-high-strength steel.
- d. Furnace slag recycling technology development.
- e. Restored melted slag process development.
- f. The development of new steel grades.
- g. Testing of various smelting supplies and refractory materials.
- h. Scrap metal continuous feeding system development.
- i. Crushed iron plant non-metal recycling technology development.

(2) Steel rolling

- a. Development of high-strength threaded rebar.
- b. High-strength rebar coupler development project.
- c. U-shaped steel sheet pile development project.
- d. Billet induction heating processing development.
- e. Development of H800x350 Hyper Beam
- f. Ultra-thick H-shaped steel development.
- g. Development of ultra-high-strength steel.
- h. New dimension development for steel tanks of various specifications under ASTM.
- i. New dimension development for I-Beams of ASTM specifications.
- j. New dimension development for H-beams of various specifications (U.S. standard and E.U. Standard).
- k. Development of steel materials with various shapes and sizes.
- l. Project involving the use of blank to develop new special rolling technologies for H-beams with web plate and wing plate differing by 100 mm.

(3) Others

- a. Research project on the Planning of an Integrative Greenhouse Gas Reduction Strategy
- b. Research project on the Evaluation of the Feasibility of Applying Electric Arc Furnace Restored Slag in Cement

2. 2016 R&D program

(1) Steelmaking

- a. Development of high strength steel billets for rebar
- b. Development of high-grade marine steel.
- c. Development of ultra-high-strength steel.
- d. Furnace slag recycling technology development.
- e. Restored melted slag process development.
- f. The development of new steel grades.
- g. Testing of various supplies and refractory materials.

(2) Steel rolling

- a. Development of high-strength threaded rebar.
- b. High-strength rebar coupler development project.
- c. Billet induction heating processing development.
- d. Development of H800x350 Hyper Beam
- e. Ultra-thick H-shaped steel development.
- f. Development of ultra-high-strength steel.
- g. New dimension development for steel tanks of various specifications under ASTM.
- h. New dimension development for I-Beams of ASTM specifications.
- i. New dimension development for H-beams of various specifications (U.S. standard and E.U. Standard).
- j. Development of steel materials with various shapes and sizes.

(3) Others

- a. Research project on Establishing Strategic Planning of Integrated Air Pollution Prevention System for Tung Ho Miaoli Plant.

3. R&D expenditure in most recent years up to the date of publication of annual report

Unit: NT\$

Item \ Year	2014	2015	The 2016 year ends on March 31, 2016
Total research and development expenses for the Taoyuan plant	10,731,044	11,024,772	3,080,012
Total research and development expenses for the Miaoli plant	34,210,028	29,323,306	5,024,855
Total research and development expenses for the Kaohsiung plant	9,128,312	8,186,533	1,782,645
Research investment in equipment	0	0	0
Total cost of the research	54,069,384	48,534,611	9,887,512
Total research expenses / net sales	0.15%	0.16%	0.16%

(4) Long- and short-term business development plans:

1. Short-term development plan

(1) Marketing business strategies:

- Carefully assess the negative impact that the increased constraints imposed on the global QE policy have on raising the interest rate in various major economies worldwide and increasing fund acquisition cost.
- Formulate response strategies for the conflicts against Taiwan's fourth nuclear power plant and the impacts of potential increase in electricity prices, as well as strengthen control of the cost control variables due to flexible electricity bill adjustment mechanisms in the future.
- As the negotiation for signing of the ECFA progresses, develop counterstrategies for price dumping resulting from the tax subsidization rebate policy implemented in China for steel products.
- Strengthen the monitoring of raw material and steel product international price volatility trends to disperse the sources of raw material procurement.
- Mitigate the predicament arising from product gross margin being affected by overcapacity and low-price competition of steel products.
- Flexibly respond to the supply/demand relationships and competition reorganization changes cause by overcapacity in China and globally.
- Urge the government to pass the CNS international standard verification and registration system for various types of steel products as soon as possible.
- Implement the industry and marketing project involving order-based productions and deepen cost-control project productions.
- Strengthen and integrate domestic and foreign sales channels.

2. Long-term development plan

(1) Marketing business strategies:

- Develop new markets for high value added products.
- Respond to the market supply/demand and competition relationship changes, and reintegrate Tung Ho Steel's market position and product orientation.

- c. Prudently develop measures and the possibility to eliminate market trade barriers in developing countries, and strengthen the practical overseas investment feasibility evaluations.

2. Status of Market and Sales

(1) Market analysis

1. Supply and Demand for the future market

Tung Ho Steel's production volume in 2015 decreased substantially by 10.77% compared to that of 2014, and the annual sales volume and value also decreased dramatically by 7.66% and 25.16%, respectively; however, post-tax EPS increased to 1.27. Under the harsh environment of global economic downturn and plummeted international steel prices, Tung Ho's production output and sales volume and value both demonstrated a bucked growth in 2015, keeping the overall operational performance at a certain level.

Looking forward to 2016, because of China's elimination of backward production capacity at the beginning of this year, in addition to the majority of steel industries in China experiencing long-term loss and offline production, China's crude steel output declined drastically by almost 10%. After the spring festival this year, Tangshan, a city in China that contributes almost 50% of China's export, is about to hold the global garden exhibition from May to October to implement the promotion of limited production and offline production measures through flora exposition. In addition, the prices of global steel billet and steel waste surged, while China's steel factories' lack of emphasis on credibility and their unilateral breach of contract have further aggravated the dramatic rise in steel prices, contributing material risks and uncertainties to the management of steel industries in the lower half of 2015.

Taiwan's energy and electricity price policies have become a political issue. The conflicts against the fourth nuclear power plant and the energy policy involving high-cost alternative energy will potentially cause a substantial increase in the overall operating cost as well as the number of cost-control variables. In addition, the uncertainties that the full implementation of ECFA will have on Taiwan's economy will cause the fixed capital investment strategies to become uncertain. Not only has private investment declined sharply this year, government public project spending budgets have also hit a record low. In terms of structural steel for construction purposes, the growth of real estate has slowed under the pressure of the government's housing price reduction policies. The stagnant substantial demand is the greatest challenge of the steel industry this year.

2. Favorable and unfavorable factors for the development:

(1) Favorable factors

- a. Since the Tung Ho Steel Taoyuan Plant was officially put into production on

October 31, 2010, its energy conservation and carbon reduction based environmental friendly production process can reduce production costs by approximately 30% to 40% compared to that of the traditional steel plants. The plan to invest in a second production line in the third quarter of 2017 will aid Tung Ho steel to further implement an environmental protection process for energy conservation and carbon reduction.

- b. Taipei MRT extension, Suhua improvement operation, Taichung MRT, and the Kaohsiung Underground Railway projects have gradually progressed.
- c. The Neihu MRT's steel medium-capacity rails and guide rails developed and produced by Tung Ho Steel enables Tung Ho Steel to become the only steel manufacturer in the entire Asia with medium-capacity steel rail projects, which is conducive to the company's expansion to the United States, China, and Southeast Asia export markets.
- d. The global warming and greenhouse gas emission issues have received great attention. "Carbon customs tax," "carbon and energy taxes," and "carbon trading" will be common problems that the global industry must face together. Tung Ho's steel furnace production process has a competitive advantage compared to that of the blast furnace process, and its investment in energy conservation and carbon reduction equipment is also ahead of its peers.

(2) Unfavorable factors

- a. There is a serious excess steel production capacity worldwide, especially in the vicinity of China, South Korea, and Japan.
- b. The presence of high-cost alternative energy and dormancy of the 4th nuclear reactor will further exacerbate the pressure of operating cost control.
- c. The cross-strait ECFA agreement is bound to impact Taiwan's domestic industries. This is especially true for the steel industry because of the Chinese government's tax subsidy policies and because China's low price steel dumping will generate an unfair competition environment.
- d. Property and land tax has been implemented and the impact of it on subsequent housing prices will influence the confidence of construction developers in investment projects.

3. Sales region for the main products.

The location information for merged companies is presented below. Income is categorized based on the geographical location of the customers.

Region	Unit: NT\$1,000	
	2015	2014
Income from external customers:		
Taiwan	\$ 26,753,876	32,369,015
China	1,867,017	1,028,088
Other countries	2,432,519	2,495,082
	<u>\$ 31,053,412</u>	<u>35,892,185</u>

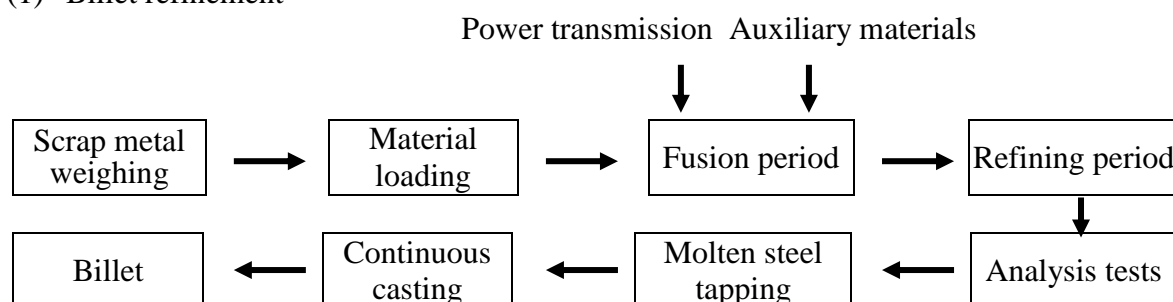
(2) Important uses and production process for the main products

1. Product use

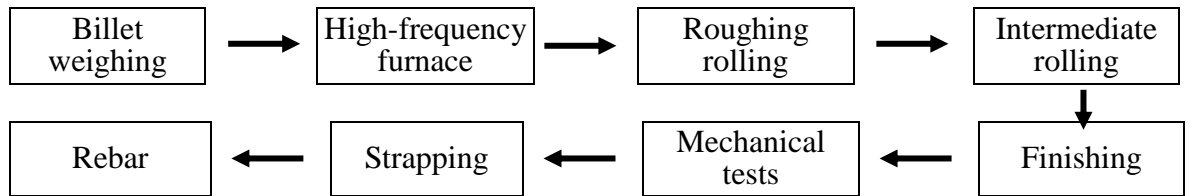
- (1) Rebar: Civil engineering and construction steel material.
- (2) Billet: Production of steel, steel bars, wire rods, H-beams, channel steel, steel semi-finished products.
- (3) H-beam: Structural steel base material for steel construction and civil engineering.
- (4) Universal steel plate: Structural steel materials for assembly type steel such as welded H-beams, box columns, and truss columns.
- (5) Large steel channel: Structural steel materials for steel construction, mechanical and electrical equipment, etc.
- (6) U-shaped steel sheet pile: Broadly used in retaining walls, piers, dams and levees, and other projects. Moreover, it can be recycled and reused, with evident effects of protecting the environment. U-beam steel sheet piles are characterized by high strength, light weight, good waterproofing, durability, and easy of construction.
- (7) Steel structure: Plant, high-rise buildings, span building, civil construction, construction steel materials and consolidated construction.
- (8) Environmental protection business-restored steel: Sold to steel refining plants for use as raw materials for steel refining.
- (9) Environmental protection business-crude zinc oxide: Sold to Zn metal refining plants for use as raw materials.
- (10) Environmental protection business--Slag products: Used as subbase material and aggregates.

2. Production process

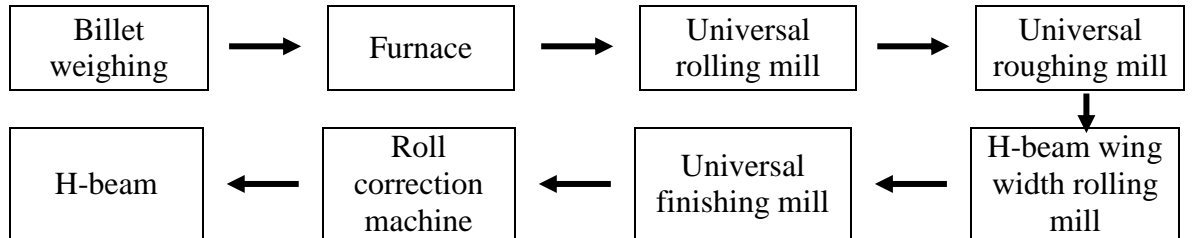
(1) Billet refinement



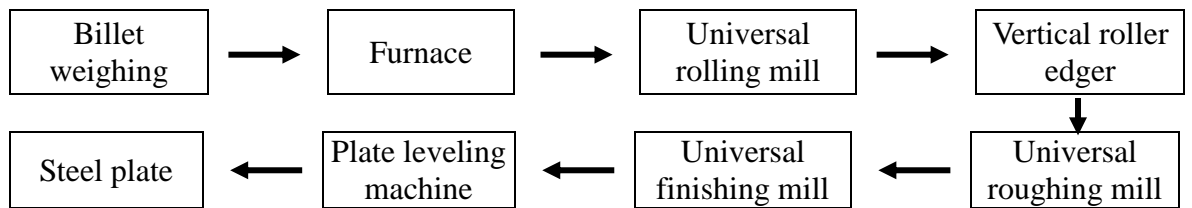
(2) Rolling steel



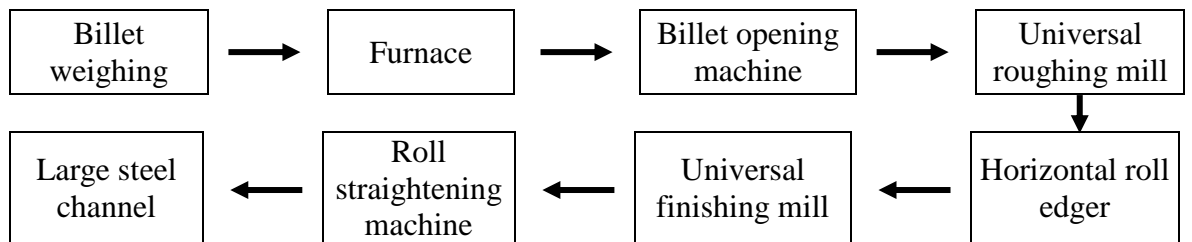
(3) Rolled H-beam



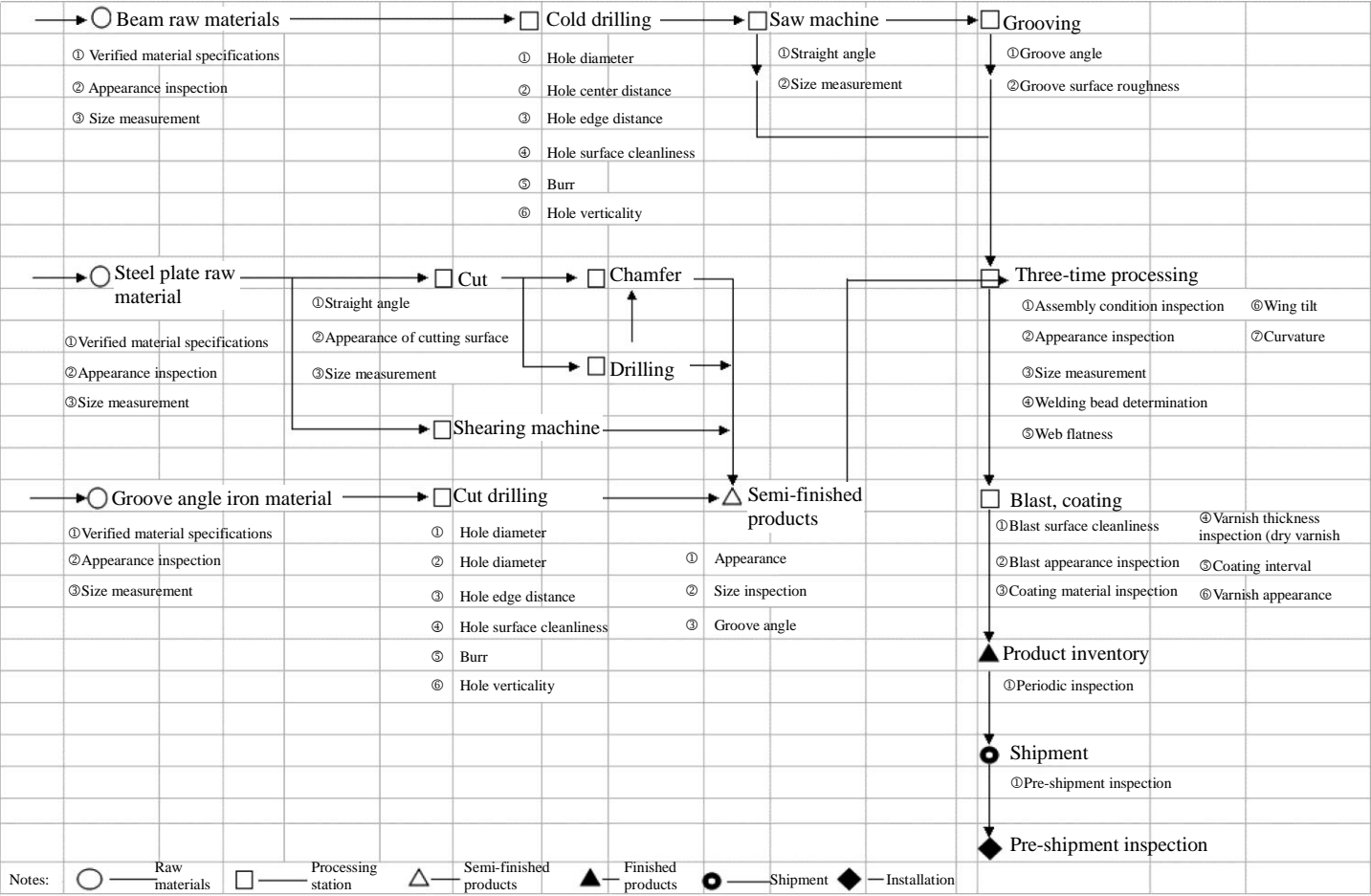
(4) Universal plate rolling



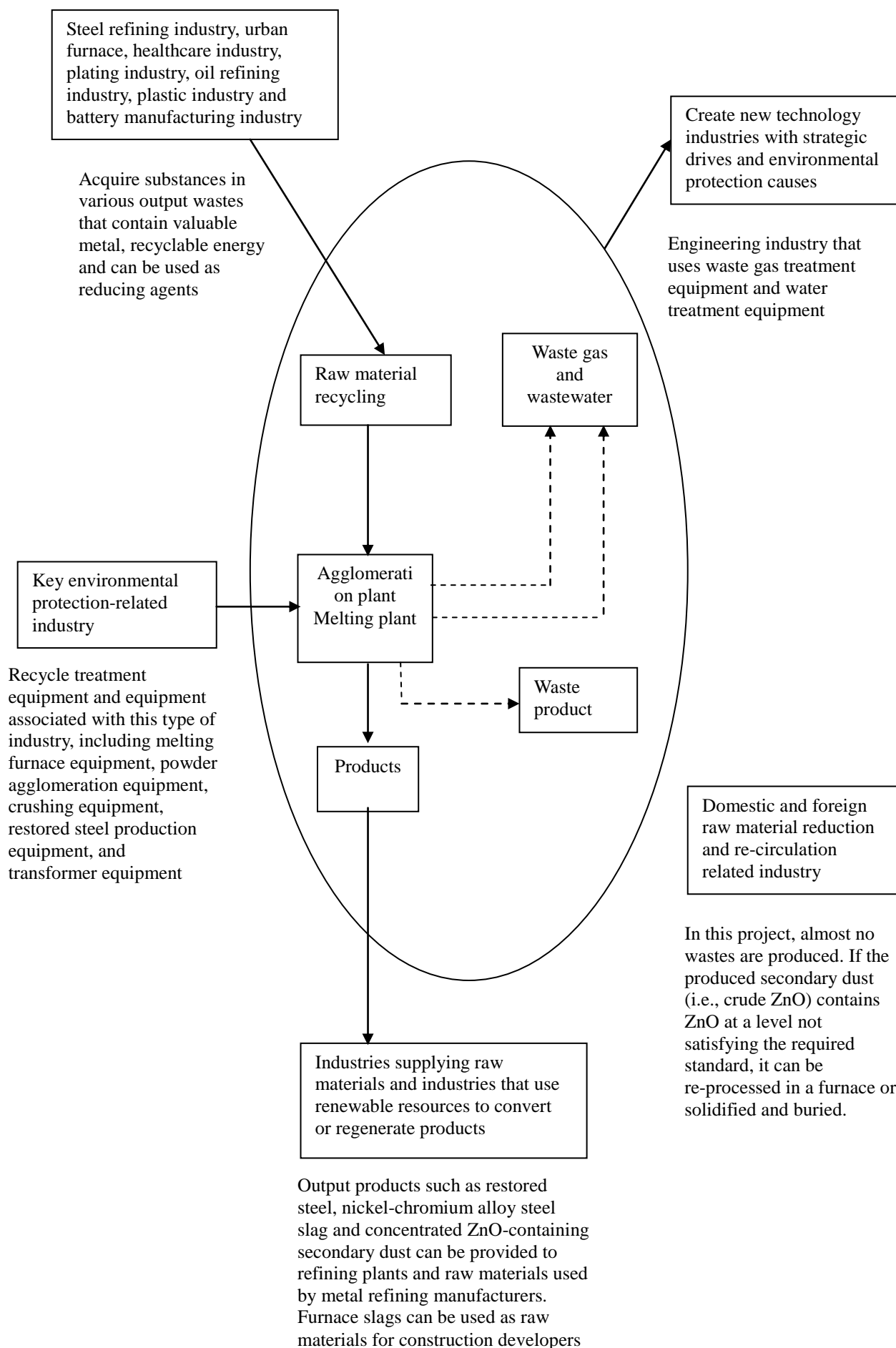
(5) Large channel for rolling



(6) Steel structure manufacturing



(7) Environmental protection process



(3) State of supply of chief raw materials

Unit: tons

Product name	Quarter Quantity	First quarter	Second quarter	Third quarter	Fourth quarter	Total
Scraps	Domestic	172,437	182,295	171,353	170,767	696,852
	Foreign	241,341	206,852	164,866	107,314	720,373
Pig iron	Domestic	0	0	0	0	0
	Foreign	25,754	50,286	21,098	18,191	115,329
Ferrosilicon	Domestic	0	0	0	0	0
	Foreign	800	400	800	300	2,300
Ferromanganese	Domestic	0	0	0	0	0
	Foreign	1,100	300	800	0	2,200
Ferromanganese silicon	Domestic	0	0	0	0	0
	Foreign	5,300	4,900	4,300	3,700	18,200
Billet	Domestic	0	0	0	0	0
	Foreign	0	12,091	0	0	12,091
Steel plate	Domestic	7,550	12,745	8,146	5,589	34,030
	Foreign	6,502	6,388	3,525	6,008	22,423
Profiled material	Domestic	2,589	2,755	3,198	5,240	13,782
	Foreign	0	0	0	0	0
dust collection	Domestic	2,387	2,857	2,126	3,103	10,473
	Foreign	0	0	0	0	0
Medical wastes	Domestic	320	308	344	402	1,374
	Foreign	0	0	0	0	0

The primary importing regions for steel scraps, pig irons, and billets: United States, Japan, Russia, etc.

The primary importing regions for ferrosilicon, ferromanganese, silicon manganese: China, India, Ukraine, etc.

(4) Names of customers who accounted for more than 10% of the sales in any of the last two years, and sales as a percentage of total sales:

1. Customer name for those whose sales volume are more than 10% of the total in any given year for the last 2 years: None.

2. The top 10 customer name with the highest total sales for the last 2 years.

Item Year	Customer name	Amount (NT\$1000)	Ratio (%)	Item Year	Customer name	Amount (NT\$1000)	Ratio (%)	Reason for addition or reduction changes
2014	Li Da Steel	2,444,523	6.81	2015	Li Da Steel	2,003,465	6.45	Changes in market supply/demand
	Feng Hui Steel	1,889,423	5.26		Feng Hui Steel	1,286,428	4.14	
	Gir Gai Trading Co., Ltd.	1,696,052	4.73		Gir Gai Trading Co., Ltd.	1,260,261	4.06	
	Cheng Gang Industry	1,254,450	3.50		SANWA	823,302	2.65	
	SANWA	956,255	2.66		THYSSEN	804,955	2.59	
	Gong Xing Engineering	954,738	2.66		Cheng Gang Industry	800,296	2.58	
	Teh Tai Steel Co.	809,602	2.26		Lian Xing Ji Cheng Co., Ltd.	690,110	2.22	
	Superiority Steel Co., Ltd.	740,538	2.06		Pacific Engineers & Constructors, Ltd.	656,567	2.11	
	Kai Hong Steel	697,864	1.94		Superiority Steel Co., Ltd.	614,809	1.98	
	THYSSEN	607,987	1.69		Teh Tai Steel Co.	570,995	1.84	

3. Primary supplier information for recent two years

Period	2014				2015				2016 up to the end of the previous quarter			
Item	Name	Amount (Thousand dollars)	Total annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (Thousand dollars)	Total annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (Thousand dollars)	Net purchase ratio from the end of the year to the previous quarter (%)	Relationship with the issuer
1	Hua Ting	4,807,825	23.57	None	Hua Ting	3,083,771	22.84	None	Hua Ting	255,989	11.90	None
2	Others	15,593,095	76.43	None	Others	10,417,421	77.16	None	Others	1,893,739	88.10	None
Total	Net Amount for Purchases	20,400,920	100	N/A	Net Amount for Purchases	13,501,192	100	N/A	Net Amount for Purchases	2,149,728	100	N/A

4. Name of top 10 customer with the highest total import volume for the last 2 years.

<div>Item</div> <div>Year</div>	Customer name	Amount (NT\$1,000)	Ratio (%)	<div>Item</div> <div>Year</div>	Customer name	Amount (NT\$1,000)	Ratio (%)	Reason for addition or reduction changes
2014	Hua Ting	4,807,825	23.57%	2015	Hua Ting	3,083,771	22.84%	Purchase quantity increase/decrease and exchange rate changes
	Hong Mao	1,487,953	7.29%		Qian Jing	1,004,606	7.44%	
	ADVANCED	1,091,604	5.35%		Pacific Metal Trading	909,083	6.73%	
	Pacific Metal Trading	1,037,276	5.08%		Hong Mao	693,158	5.13%	
	Xing Gang	346,017	1.70%		Nippon Steel Corporation	393,740	2.92%	
	Bang Tai Trade	324,947	1.59%		Xing Gang	392,782	2.91%	
	Hong Ruen Co., Ltd.	321,184	1.57%		Bang Tai Trade	289,212	2.14%	
	Nippon Steel Corporation	309,778	1.52%		Hong Ruen Co., Ltd.	246,517	1.83%	
	Hong Tai Qing Chu	295,013	1.45%		HAMMOND	242,252	1.79%	
	HAMMOND	267,885	1.31%		Ren Yi Enterprise	205,521	1.52%	

(5) Annual production value for the last 2 years

Unit: Metric ton, thousand dollars

Production volume value Product name	Year	2014			2015		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Billet		2,500,000	1,726,515	27,546,147	2,500,000	1,524,608	19,181,426
Rebar		1,200,000	915,746	15,414,065	1,200,000	883,383	11,978,590
H-beam		1,000,000	608,803	11,855,163	1,000,000	512,139	8,352,122
Steel plate			74,887	1,456,582		46,024	772,916
Channel			38,990	815,676		36,754	676,876
I-Beam			4,243	84,422		3,129	55,885
Steel sheet piles		0	0	0		311	6,359
Steel structure		123,600	100,959	4,338,751	123,600	115,297	6,013,535
Environmental protection processing		0	26,414	323,953	0	22,169	256,376
Others (Note)		0	32,864	65,667	0	79,069	5,058
Total		4,823,600	3,529,421	61,900,426	4,823,600	3,222,883	47,299,143

Note: Others include subsidiaries' fixed-size and formed rebar processing, rebars sold, coupler materials sold and new plant construction, residential housing renovation, parking space construction, new Fata Xingye recycling plant construction, and plant steel structure reinforcement.

(6) Sales value for the last 2 years

Unit: Metric ton, thousand dollars

Year	2014				2015			
Sales volume and value Product name	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Billet	6,982	108,517	0	0	183	9,376	0	0
Rebar	926,354	17,165,216	2,986	58,479	876,032	13,963,160	18,982	296,173
H-beam	493,462	10,946,720	109,035	2,314,709	455,338	7,683,206	84,287	1,663,815
Steel plate (self-made)	63,124	1,358,517	35	781	33,223	135,392	50	977
Steel plate (transaction)	6,649	144,660	0	0	12,427	230,810	0	0
Channel	13,450	292,608	23,632	520,452	15,014	260,648	20,375	396,262
I-Beam	2,824	72,676	1,295	25,959	2,306	52,660	442	9,731
Steel structure	99,663	4,210,516	1,296	60,967	141,238	4,117,549	2,922	1,905,189
Sale and purchase of steel	1,748	37,736	0	0	3,234	67,921	4,739	25,411
Environmental protection processing	22,744	245,487	2,745	47,728	20,525	230,837	380	0
Steel sheet piles	0	0	0	0	139	2,316	0	0
Others	32,864	68,147	0	0	79,069	0	0	1,979
Total	1,669,864	34,650,800	141,024	3,029,075	1,638,728	26,753,875	132,177	4,299,537

Note: Others include subsidiaries' fixed-size and formed rebar processing, rebars sold, coupler materials sold and new plant construction, residential housing renovation, parking space construction, new Fata Xingye recycling plant construction, and plant steel structure reinforcement.

3. Staff practitioners

Number of employees, average years of service, average age, and education of employees for the last two years until the public date of this report

March 31, 2016

Year		2014	2015	This year up to March 31, 2016 (Note)
Number of employees	Head office	127	138	143
	Kaohsiung Plant	258	260	261
	Taoyuan Plant	444	449	442
	Miaoli Plant	529	548	541
	Temporary	7	9	10
	Foreign employees	149	162	158
	Total- parent company	1,514	1,566	1,555
	Total - subsidiaries (including foreign employees)	430	476	613
	Total	1,944	2,042	2,168
Average age		38.12	37.30	42.17
Average years of services		5.71	4.98	5.71
Degree distribution ratios (note)	Doctorate	0.00	0.00	0.05
	Master's	4.13	4.27	4.13
	College	44.68	44.91	43.11
	High school	43.37	42.84	39.49
	Senior High School and below	7.82	7.98	13.22

(Note) average age, average years of service, and degree distribution ratios exclude those of temporary employees and foreign employees.

4. Environmental protection expenditures

The company and its subsidiaries fulfill their corporate social responsibility toward the environment by investing in environmental protection tasks. In 2015, running expense for environmental protection was approximately NT\$443,689,000 and the capital expenditure and depreciation was approximately NT\$53,352,000. No major events of leakage had occurred at the company and its subsidiaries' business locations in 2015. From 2015 and up to the date of publication of the annual report, legal compliance, improvement preventive measures, and environmental protection expenditures are as follows:

Compliance with environmental protection regulations and environmental protection expenditures in 2015 and up to the first quarter of 2016					
This company	Date of occurrence	Case description	Penalty	Improvement and preventive measures	Environmental protection expenditures (Unit: NT\$)
Taoyuan Plant	None	None	None	None	(1) The environmental protection expenditure for 2015 was NT\$232,510,000 (including capital expenditure (depreciated) of NT\$22,380,000 and running environmental protection expenditure of NT\$210,130,000). (2) The environmental protection expenditure up to the first quarter of 2016 was NT\$47,454,000 (including capital expenditure (depreciated) of NT\$5,595,000 and running environmental protection expenditure of NT\$41,859,000).
Miaoli Plant	2015/05/28	In February 2014, thirteen cases of report on sludge self-disposal had been erroneously reported as being disposed by burial, violating Subparagraph 2, Paragraph 1 of Article 31 of the Waste Disposal Act.	Penalty fine of NT\$12,000.	(1) As of January 2014, the plants began implementing recycling of sludge; therefore, burial was erroneously selected as the recycling approach. After the discovery of such error, the online reported data had already been locked by the Environmental Protection Administration and thus cannot be corrected. (2) Double check the accuracy of the selected data on a weekly basis and make corrections immediately upon detecting an error.	(1) The environmental protection expenditure for 2015 was NT\$ 253,951,000 (including capital expenditure (depreciated) of NT\$ 29,651,000 and running environmental protection expenditure of NT\$224,300,000). (2) The environmental protection expenditure up to the first quarter of 2016 was NT\$ 39,272,000 (including capital expenditure

	2015/12/09	On November 11, 2015, auditors from the Environmental Protection Agency (EPA) visited the plant to conduct inspection of air pollution matters. The plant's M03 operations remained in operation despite the expiration of its permit. Although the operating permit is in the process of application, such expiration still violated Paragraph 2 in Article 24 of the Air Pollution Act.	Penalty fine of NT\$ 100,000.	(1) The application of the plant's M03 operation permit is currently pending. (2) The EPA has agreed to allow the plant to continue with trial operation until January 25, 2016. (3) Operation permit was obtained on February 3, 2016.	(depreciated) of NT\$ 6,757,000 and running environmental protection expenditure of NT\$ 32,515,000).
	2015/12/22	On November 12, 2015, EPA personnel visited the plant to conduction inspection with regards to waste disposal handling. Because from September 2014 to October 2015 generation of waste lubricant oil was reported but the amount of oil used was not specified, violating Subparagraph 2, Paragraph 1 of Article 31 of the Waste Disposal Act.	Penalty fine of NT\$ 30,000.	(1) Although the company has been subjected to inspection by the EPA for many years, it has never been informed of the requirement to specify the usage amount of lubricant oil. Therefore, only the output amount was reported. (2) Online report was filed immediately.	
	2015/12/25	EPA personnel visited the plant for water pollution prevention inspection on November 17, 2015; the inspection result indicated the company's violation of Paragraph 1 in Article 14 of the Water Pollution Control Act.	Penalty fine of NT\$ 165,000.	(1) The plant did not file an application for the recycling and use of recycled water from Retention Basin C; therefore, application for changes in water pollution status was submitted to incorporate the recycled water from Retention Basin C into the company's water pollution control measures. (2) Application to change domestic wastewater sterilization tank to intermediate tank is currently in progress. (3) Water pollution prevention permit was obtained on February 3, 2016.	

Kaohsiung Plant	None	None	None	None	<p>(1) The environmental protection expenditure for 2015 was NT\$ 10,694,000 (including capital expenditure (depreciated) of NT\$ 1,321,000 and running environmental protection expenditure of NT\$ 9,373,000).</p> <p>(2) The environmental protection expenditure up to the first quarter of 2016 was NT\$ 2,051,000 (including capital expenditure (depreciated) of NT\$ 330,000 and running environmental protection expenditure of NT\$ 1,721,000).</p>
Subsidiary -Katec Creative Resources Corp.	2015/06/03	<p>Inspection by EPA personnel on April 24, 2015 revealed the following:</p> <p>(1) Waste gas from Electric Smelting Reduction Furnace dispersed at the pipeline collection opening and ruptured area of a hood before entering into the fume hood. Thus, waste gas was not properly collected.</p> <p>(2) Materials transported from crude zinc oxide tank were dispersed through the pipeline connection point, preventing them from being collected in a closed space.</p> <p>(3) Absorption equipment in the air pollution prevention facility was not activated, and no sounds of the equipment being in operation were heard.</p>	Penalty fine of NT\$ 100,000.	Ruptured fume hood was repaired immediately, improving the equipment by increasing its extraction volume.	<p>(1) Environmental protection expenditure in 2015 was NT\$ 1,035,000 (for improving the smoke dispersion function of dust collector).</p> <p>(2) The environmental protection expenditure up to the first quarter of 2016 was NT\$2,415,000 (for continuing the improvement of the smoke dispersion function of dust collector project in 2015).</p>

5. Employer/employee relations

(1) The company's employee welfare measures, continuing education, training, retirement regulations and the status of their implementation, and employer-employee collective agreements:

1. Employee welfare

The company deeply believes that employees are a company's greatest asset and the key driver to business management; therefore, the company is committed to taking care of its employees. In addition to enrolling employees into labor insurance and national health insurance as required by law, the company also buys group insurance for its employees (including foreign labors), including life insurance, accidental injury, occupational accident, travel insurance for cases of business travel to overseas, to protect employees' safety both at work and at home. Other welfare benefits:

(1) Establish a joint employee welfare committee:

The company has held various employee welfare activities through employee welfare committees in various areas, such as employee trips, subsidies for social group events, group insurance, subsidy for education of employees' children, three festive bonuses, wedding, funerals and other celebratory event subsidies, and retirement subsidies. Employees are encourage to create social clubs including hiking, softball, golf, badminton, and health-walk clubs and hold club events at a nonperiodic interval. The company also motivates employees to partake in health-promotion activities such as health-walking, healthy exercise, and aerobic exercise.

(2) Establish employee canteen to ensure a healthy diet for employees.

(3) Establish employee dormitory to offer accommodation to employees who live in remote areas or in areas where transport is inconvenient.

(4) Regular health check-up

Each year, health examinations superior to those required by law are provided to existing employees, including general checkups and health examinations for employees involved in special operations, and assistance on self-health care management is afforded to employees.

(5) Build an integrated occupational medical health service for employees

Physicians are invited to visit the plants and provide individual consultations services and evaluations to employees (including suitability and reinstatement assessments).

Physicians, safety and health professionals, and qualified nurses are gathered to offer preventive medical services in the workplace both remotely and onsite, thus ensuring workplace health and safety. The service content includes medical advices, referrals, health education, occupational injury and disease consultation, diagnosis and prevention, health-promotion planning, safety training, health examinations, health management, survey on the quality of health institutions, and health management of contagious disease.

- (6) Nonperiodic provision of medical-related information and hosting of health education activities

Educational information regarding disease prevention, healthy diet, and nutrition is afforded as a reminder to employees that they should monitor their body weight and blood pressure frequently. Furthermore, employees are educated on health-related issues in a timely manner.

- (7) Employee stock options: During capital increase, a portion of new outstanding stocks is retained for purchase by employees.

2. Continuing education

Training is based on the principles of career development. Based on business requirements and career planning each year, training programs, internal or external courses are developed and provided to enhance employees' knowledge and skills, cultivate positive work attitudes in employees, promote employee career development, recruit various management and professional talents and encourage employees to improve themselves, thereby enhancing the human resource quality in the organization and developing highly competitive human resources.

3. Retirement System

The company has formulated retirement policy for employees in accordance with the Labor Standard Act and Labor Pension Act and was approved to set up a "retirement reserve fund supervisory committee," which regularly convenes meetings to protect employee rights and interests. The labor pension reserve fund as of the end of 2015 was sufficient to pay for employees who are eligible to retire in the next year; therefore, no pension disbursement is required as of the end of March 31, 2016. The new labor pension fund is applicable to employees under the new pension system and is contributed monthly according to their pension scale by appropriating 6% of their monthly salary to their individual pension account. Employees could also voluntarily contribute pension.

4. Status of Industrial Relations Agreement

Work unions have been set up in various regions where regular employer-employee meetings are held. Work unions elect a committee member as a labor representative to engage in employee-employer bidirectional communication, coordinate employer-employee relations, and coordinate employer-employee relations. The work unions also elect representatives as committee members of the Employee Welfare Committee and Retirement Reserve Fund Supervisory Committee who are responsible for supervising and protecting employees' rights and interests.

(2) **Disclose the losses suffered due to industrial relation disputes in recent years up to the publication date of this annual report as well as estimations for similar losses in the future and coping measures:**

There is no such industrial relation dispute related losses in recent years up to the publication date of this annual report. The company's management system will continue to improve staff welfare and pursue industrial relation unity, and no losses are expected to occur due to labor disputes.

6. Important contracts

This company	Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
This company	Purchase of shares	Fuco International Inc.	2015.10.30	Pursuant to contract regulations	None
	Purchase of shares	Fuco Steel Corporation Ltd.	2015.10.30	Pursuant to contract regulations	None
Taoyuan Plant	Equipment procurement	Metrotek International Co., Ltd.	2015.01.10-2015.06.30	Mill machine 11H speed reducer procurement	1. Equipment fund: 90% 2. Acceptance inspection fund: 10%
	Equipment procurement	Metrotek International Co., Ltd.	2015.05.05-2015.10.31	Mill machine 1H, 2V, 3H speed reducer procurement	1. Equipment fund: 90% 2. Acceptance inspection fund: 10%
	Equipment procurement	Changsha CARRIE Heavy Industry Machinery	2015.05.06-2015.12.31	Procurement of steelmaking 60T slag car	1. Deposit: 20% 2. Equipment fund: 50% 3. Acceptance inspection fund: 30%
	Construction contract	Qian Xiang Construction	2015.07.09-2015.11.30	Factory department office and material inspection laboratory construction	1. Progress payment: 90% 2. Acceptance inspection fund: 10%
	Equipment procurement	The Giant Taiwan Limited	2015.07.30-2015.10.31	Oil pressure excavator procurement	Acceptance inspection fund: 100%
	Material procurement	Wu Xiong Industry Co., Ltd.	2015.07.10-2015.11.30	Procurement of reinforced concrete for construction of factory department office and material inspection laboratory	Product delivery fund, paid monthly
	Equipment procurement	Chun Yen Testing Machines Co., Ltd.	2015.07.29-2015.12.31	Procurement of tension tester for repeated load rebar connector	1. Deposit: 50% 2. Equipment fund: 40% 3. Acceptance inspection fund: 10%
	Equipment procurement	He Guan Machine Engineering	2015.09.30-2016.01.30	Procurement of product rebar transport vehicle	Acceptance inspection fund: 100%

This company	Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Corporation			
	Equipment procurement	Metrotek International	2015.09.23-2016.01.30	Steelmaking slag barrel procurement	1. Equipment fund: 90% 2. Acceptance inspection fund: 10%
	Equipment procurement	Envoy Enterprise Taiwan	2015.09.10-2016.03.10	Magnesia mixer procurement	1. Deposit: 30% 2. Equipment fund: 60% 3. Acceptance inspection fund: 10%
	Construction contract	Qian Yang Construction Corporation	2015.09.24-2016.03.31	Construction of oxide slag site infrastructure	1. Equipment fund: 90% 2. Acceptance inspection fund: 10%
	Construction contract	Qian Yang Construction Corporation	2015.09.24-2016.03.31	East-side retaining wall construction	1. Equipment fund: 90% 2. Acceptance inspection fund: 10%
	Construction contract	He Guan Machine Engineering Corporation	2015.12.01-2016.04.30	Oxide slag factory steel structure construction	Acceptance inspection fund: 100%
	Equipment procurement	Rong Mao Steel Industry Co., Ltd.	2015.03.10-2016.03.09	Procurement of eight bridge cranes for steel rolling Line 2.	1. Equipment fund: 90% 2. Acceptance inspection fund: 10%
	Construction contract	Cheng Ho Hsing Heavy Industries Col, Ltd.	2015.10.02-2016.03.31	Caster upgrade	1. Deposit: 30% 2. Design fund: 10% 3. Equipment fund: 50% 4. Acceptance inspection fund: 10%
	Equipment procurement	Kerma Inc.	2015.11.10-2016.02.29	Procurement of truck scale radiation detector for Taoyuan plant	1. Equipment fund: 90% 2. Acceptance inspection fund: 10%
	Construction contract	Tong Jinn Co., Ltd.	2015.11.01-Dependent on construction progress	Construction of ground lightning protection on Line 2 of Taoyuan plant	1. Progress payment: 90% 2. Acceptance inspection fund: 10%
	Construction contract	Yin Cen Automation Technology	2015.11.12-2016.12.31	Electrical gas engineering of water treatment facility in Taoyuan plant	1. Equipment fund: 60% 2. Set up fund: 30% 3. Acceptance inspection fund: 10%
	Material procurement	Taiwan Cement	2015.11.01-2016.10.31	Reinforced concrete supply and purchase contract	Product delivery fund, paid monthly
	Material procurement	Wu Xiong Industry Co., Ltd.	2015.12.01-2016.11.30	Reinforced concrete supply and purchase contract	Product delivery fund, paid monthly
	Material procurement	Qing Huang Cement Co., Ltd.	2015.11.01-2016.10.31	Reinforced concrete supply and purchase contract	Product delivery fund, paid monthly
	Construction contract	Qian Yang Construction	2015.12.30-2016.02.20	Civil engineering	Acceptance inspection fund: 100%

This company	Nature of the contracts	Contracting parties	Start and end dates of the contract	Content	Restriction clause
		Corporation		construction of CCM equipment for steel rolling Line 2	
Miaoli Plant	Equipment procurement	Dainichi Kinzoku Kogyo Co., Ltd.	2014.10.15-2015.07.31	Rolling milling machine equipment procurement	1. Deposit 20% 2. Production fund 70% 3. Acceptance inspection fund 10%
	Equipment procurement	HITACHI BUSINESS INTERNATIONAL LTD.	2015.10.15-2017.04.30	Steel rolling motor upgrade	1. Deposit 10% 2. Design fund 10% 3. Equipment fund 70% 4. Acceptance inspection fund 10%

Note: Subsidiaries have no contracts involving monetary amounts that are sufficiently large to influence shareholders' equity.

VI. Financial Status Overview of the Company and Its Subsidiaries

1. Condensed balance sheet and condensed consolidated income statement for the last 5 years

(1) Condensed balance sheet - consolidated

Unit: NT\$1,000

Year Item		Financial information for the last 5 years (Note 4)					Financial information from this year to March 31, 2016 (Note 2)
		Year	2015	2014 (after re-compilation)	2013	2012	
Current assets			14,890,132	16,166,959	17,555,853	17,441,686	13,535,409
Property, plant, and equipment (Note 1)			15,447,983	15,916,706	16,257,059	17,030,375	16,753,881
Intangible assets			0	0	0	0	217,361
Other assets (Note 1)			5,742,353	6,265,406	6,111,721	6,014,946	6,080,689
Total assets			36,080,468	38,349,071	39,924,633	40,487,007	36,587,340
Current liabilities	Pre-distribution		9,570,672	10,956,845	9,844,751	11,121,177	10,001,125
	Post-distribution		(Note 3)	12,254,533	11,441,874	12,418,768	(Note 3)
Non-current liabilities			3,433,779	4,224,607	6,825,536	7,353,907	3,167,761
Total liabilities	Pre-distribution		13,004,451	15,181,452	16,670,287	18,475,084	13,168,886
	Post-distribution		(Note 3)	16,479,140	18,267,410	19,772,675	(Note 3)
Equity attributed to the owners of the parent company			22,991,941	23,058,648	23,138,429	21,884,466	23,342,835
Capital stock			9,982,215	9,982,215	9,982,021	9,917,712	9,982,215
Capital reserve			6,225,993	6,225,993	6,225,686	6,102,248	6,245,869
Retained earnings	Pre-distribution		6,620,474	6,687,711	7,215,861	6,377,562	6,832,818
	Post-distribution		(Note 3)	5,390,023	5,618,738	5,079,971	(Note 3)
Other equity			163,259	162,729	(285,139)	(513,056)	281,933
Treasury stock			0	0	0	0	0
Non-controlling equity			84,076	108,971	115,917	127,457	75,619
Total equity	Pre-distribution		23,076,017	23,167,619	23,254,346	22,011,923	23,418,454
	Post-distribution		(Note 3)	21,869,931	21,657,223	20,714,332	(Note 3)

Note 1: Real estate, plant, and equipment decisions are made based on the book value of the real estate investment. Cases with conversion date on or after January 1, 2012 shall adopt the deemed cost exemption provisions provided by IFRS1; and cases on or prior to December 31, 2011 shall adopt the "For-profit Enterprise Asset Reevaluation Measures" to calculate the value of the asset revaluation to serve as the deemed cost of the asset.

Note 2: Accountant review of the combined financial information for the first quarter of 2016

Note 3: The annual meeting of shareholders for 2016 has not been held and the surplus appropriation case has not been decided.

Note 4: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013, 2014, and 2015 are disclosed.

2. Condense balance sheet - individual

Unit: NT\$1,000

Year Item		Financial information for the last 5 years (Note 4)					Financial information from this year to March 31, 2016 (Note 2)
		Year	2015	2014 (after re-compilation)	2013	2012	
Current assets			10,906,713	13,742,697	14,976,311	14,872,656	9,498,663
Property, plant, and equipment (Note 1)			12,811,483	13,433,265	13,933,045	14,892,042	12,592,771
Intangible assets			0	0	0	0	0
Other assets (Note 1)			7,505,176	8,002,077	7,821,637	7,758,640	9,831,157
Total assets			31,223,372	35,178,039	36,730,993	37,523,338	31,922,591
Current liabilities	Pre-distribution		5,064,475	8,230,300	7,266,627	8,868,424	5,415,158
	Post-distribution		(Note 3)	9,527,988	8,863,750	10,166,015	(Note 3)
Non-current liabilities			3,166,956	3,889,091	6,325,937	6,770,448	3,164,598
Total liabilities	Pre-distribution		8,231,431	12,119,391	13,592,564	15,638,872	8,579,756
	Post-distribution		(Note 3)	13,417,079	15,189,687	16,936,463	(Note 3)
Equity attributed to the owners of the parent company			0	0	0	0	0
Capital stock			9,982,215	9,982,215	9,982,021	9,917,712	9,982,215
Capital reserve			6,225,993	6,225,993	6,225,686	6,102,248	6,245,869
Retained earnings	Pre-distribution		6,620,474	6,687,711	7,215,861	6,377,562	6,832,819
	Post-distribution		(Note 3)	5,390,023	5,618,738	5,079,971	(Note 3)
Other equity			163,259	162,729	(285,139)	(513,056)	281,932
Treasury stock			0	0	0	0	0
Non-controlling equity			0	0	0	0	0
Total equity	Pre-distribution		22,991,941	23,058,648	23,138,429	21,884,466	23,342,835
	Post-distribution		(Note 3)	21,760,960	21,541,306	20,586,875	(Note 3)

Note 1: Real estate, plant, and equipment decisions are made based on the book value of the real estate investment. Cases with conversion date on or after January 1, 2012 shall adopt the deemed cost exemption provisions provided by IFRS1; and cases on or prior to December 31, 2011 shall adopt the "For-profit Enterprise Asset Reevaluation Measures" to calculate the value of the asset revaluation to serve as the deemed cost of the asset.

Note 2: Accountant review has yet to be performed on individual financial information for first quarter of 2016.

Note 3: The annual meeting of shareholders for 2016 has not been held and the surplus appropriation case has not been decided.

Note 4: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013, 2014, and 2015 are disclosed.

(2) Condensed income statement - consolidated

Unit: NT\$1,000

Item \ Year	Financial information for the last 5 years (Note 2)					Financial information from this year to March 31, 2016 (Note 1)
	Year	2015	2014 (after re-compilation)	2013	2012	
Operating revenue		31,053,412	35,892,185	35,119,213	39,899,070	6,029,433
Gross profit		3,033,804	2,887,797	3,703,070	3,825,287	620,927
Operating income/loss		1,511,137	1,355,232	2,186,843	2,285,971	268,342
Non-operating income and expenses		3,519	(71,259)	236,060	(219,606)	(28,414)
Net profit before tax		1,514,656	1,283,973	2,422,903	2,066,365	239,928
Current period net income from continuing operations		1,245,679	1,050,153	2,100,150	1,735,702	206,671
Loss from discontinued operations		0	0	0	0	0
Current period net income (loss)		1,245,679	1,050,153	2,100,150	1,735,702	206,671
Other comprehensive income (net income after-tax)		(39,593)	409,696	252,117	(10,402)	115,890
Total comprehensive income for the period		1,206,086	1,459,849	2,352,267	1,725,300	322,561
Profit attributable to owners of the parent		1,269,089	1,057,263	2,117,078	1,770,133	212,344
Net profit attributable to non-controlling equity		(23,410)	(7,110)	(16,928)	(34,431)	(5,673)
Total comprehensive income attributed to the owners of the parent company		1,230,981	1,465,044	2,368,404	1,760,927	331,018
Total comprehensive income attributed to non-controlling equity		(24,895)	(5,195)	(16,137)	(35,627)	(8,457)
Earnings per share		1.27	1.06	2.12	1.80	0.21

Note 1: Accountant review of the combined financial information for the first quarter of 2016

Note 2: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013, 2014, and 2015 are disclosed.

2. Condensed income statement - individual

Unit: NT\$1,000

Item \ Year	Financial information for the last 5 years (Note 2)					Financial information from this year to March 31, 2016 (Note 1)
	Year	2015	2014 (after re-compilation)	2013	2012	
Operating revenue		26,299,671	33,009,294	32,697,239	36,645,673	5,078,091
Gross profit		2,882,307	2,773,866	3,485,754	3,541,883	600,203
Operating income/loss		1,682,453	1,466,159	2,209,158	2,227,153	312,470
Non-operating income and expenses		(246,963)	(150,895)	221,115	(150,527)	(67,800)
Net profit before tax		1,435,490	1,315,264	2,430,273	2,076,626	244,670
Continuing operations Current period net income		0	0	0	0	0
Loss from discontinued operations		0	0	0	0	0
Current period net income (loss)		1,269,089	1,057,263	2,117,078	1,770,133	212,344
Other comprehensive income (net income after-tax)		(38,108)	407,781	251,326	(9,206)	118,674
Total comprehensive income for the period		1,230,981	1,465,044	2,368,404	1,760,927	331,018
Profit attributable to owners of the parent		0	0	0	0	0
Net profit attributable to non-controlling equity		0	0	0	0	0
Total comprehensive income attributed to the owners of the parent company		0	0	0	0	0
Total comprehensive income attributed to non-controlling equity		0	0	0	0	0
Earnings per share		1.27	1.06	2.12	1.80	0.21

Note 1: Accountant review has yet to be performed on individual financial information for first quarter of 2016.

Note 2: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013, 2014, and 2015 are disclosed.

(3) Condensed balance sheet-Financial Accounting Standards in Taiwan - consolidated

Unit: NT\$1,000

Year Item		Financial information for the last 5 years (Note)				
		2014	2013	2012	2011	2010
Current assets		N/A	N/A	17,457,988	17,917,976	16,966,774
Funds and Investments				4,362,410	4,895,727	4,857,913
Fixed assets				17,771,855	18,482,468	18,606,781
Intangible assets				9,122	9,278	8,289
Other assets				1,252,386	1,243,136	881,795
Total assets				40,853,761	42,548,585	41,321,552
Current liabilities	Pre-distribution			11,119,765	14,101,300	13,110,440
	Post-distribution			12,417,356	15,670,820	14,281,995
Long-term liabilities				6,531,833	5,904,922	7,266,609
Other liabilities				491,338	370,082	343,239
Total liabilities	Pre-distribution			18,142,936	20,376,304	20,720,288
	Post-distribution			19,440,527	21,945,824	21,891,843
Capital stock				9,917,712	9,809,291	9,761,784
Capital reserve				6,316,368	6,009,027	5,909,915
Retained earnings	Pre-distribution			6,343,931	6,168,444	4,660,835
	Post-distribution			5,046,340	4,598,924	3,489,280
Unrealized gains and losses on financial instruments				(91,497)	(200,532)	(45,759)
Cumulative translation adjustment				190,618	176,742	70,269
List unrecognized pension cost as net loss				(250,085)	(134,480)	(88,659)
Total shareholders' equity	Pre-distribution			22,710,825	22,172,281	20,601,264
	Post-distribution			21,413,234	20,602,761	19,429,709

Note: Financial information audited and certified by accountants for the last 5 years

2. Condensed Balance Sheets - Financial Accounting Standards of Taiwan - Individual

Unit: NT\$1,000

Year Item		Financial information for the last 5 years (Note)				
		2014	2013	2012	2011	2010
Current assets		N/A	N/A	14,889,074	14,855,493	14,305,050
Funds and Investments				6,970,757	7,507,095	7,116,699
Fixed assets				14,924,306	15,915,749	16,522,394
Intangible assets				0	0	0
Other assets				1,122,015	1,058,332	723,348
Total assets				37,906,152	39,336,669	38,667,491
Current liabilities	Pre-distribution			8,883,011	11,783,870	11,350,486
	Post-distribution			10,180,602	13,353,390	12,522,041
Long-term liabilities				5,949,022	5,197,910	6,549,066
Other liabilities				490,757	370,082	343,239
Total liabilities	Pre-distribution			15,322,790	17,351,862	18,242,791
	Post-distribution			16,620,381	18,921,382	19,414,346
Capital stock				9,917,712	9,809,291	9,761,784
Capital reserve				6,316,368	6,009,027	5,909,915
Retained earnings	Pre-distribution			6,343,931	6,168,444	4,660,835
	Post-distribution			5,046,340	4,598,924	3,489,280
Unrealized gains and losses on financial instruments				-91,497	-200,532	-45,759
Cumulative translation adjustment				190,618	176,742	70,269
List unrecognized pension cost as net loss				-250,085	-134,480	-88,659
Total shareholders' equity	Pre-distribution			22,583,362	21,984,807	20,424,700
	Post-distribution			21,285,771	20,415,287	19,253,145

Note: Financial information audited and certified by accountants for the last 5 years

(4) Condensed Statement of Income - Financial Accounting Standards of Taiwan - consolidated

Unit: NT\$1,000

Item \ Year	Financial information for the last 5 years (Note 1)				
	2014	2013	2012	2011	2010
Operating revenue	N/A	N/A	39,682,875	44,124,483	34,635,196
Gross profit			3,950,122	4,711,220	2,983,358
Operating income/loss			2,274,923	2,935,604	1,405,601
Non-operating revenue and gains			342,083	412,684 (Note 3)	298,934
Non-operating gains and losses			(572,634)	(323,825) (Note 3)	(229,493)
Gains or losses from continuing operations before income taxes			2,044,372	3,024,463	1,475,042
Gains or losses from continuing operations			0	0	0
Gains or losses from discontinued operations			0	0	0
Extraordinary gains or losses			0	0	0
Cumulative effect of changes in accounting principle			0	0	0
Current gains or Losses			1,713,469	2,663,713	1,251,087
Earnings per share			1.78	2.74	1.30 (Note 2)

Note 1: Financial information audited and certified by accountants for the last 5 years

Note 2: The amounts in the 2010 annual financial statements have been reclassified based on the expression method as provided by the 2011 annual financial statements, and the reclassification has no major impacts to the financial statement expressions.

Note 3: The amounts in the 2011 annual financial statements have been reclassified based on the expression method as provided by the 2012 annual financial statements, and the reclassification has no major impacts to the financial statement expressions.

2. Condensed Statement of Income - Financial Accounting Standards of Taiwan - Individual

Unit: NT\$1,000

Item \ Year	Financial information for the last 5 years (Note 1)				
	2014	2013	2012	2011	2010
Operating revenue	N/A	N/A	36,786,540	37,916,578	32,577,296
Gross profit			3,666,719	3,999,457	2,322,858
Operating income/loss			2,215,771	2,476,968	937,973
Non-operating revenue and gains			313,620	735,086 (Note 3)	613,112
Non-operating gains and losses			474,822	282,226 (Note 3)	170,125
Gains or losses from continuing operations before income taxes			2,054,569	2,929,828	1,380,960
Gains or losses from continuing operations			0	0	0
Gains or losses from discontinued operations			0	0	0
Extraordinary gains or losses			0	0	0
Cumulative effect of changes in accounting principle			0	0	0
Current gains or Losses			1,747,893	2,679,164	1,260,170
Earnings per share			1.62	2.49	1.29 (Note 2)

Note 1: Financial information audited and certified by accountants for the last 5 years

Note 2: The amounts in the 2010 annual financial statements have been reclassified based on the expression method as provided by the 2011 annual financial statements, and the reclassification has no major impacts to the financial statement expressions.

Note 3: The amounts in the 2011 annual financial statements have been reclassified based on the expression method as provided by the 2012 annual financial statements, and the reclassification has no major impacts to the financial statement expressions.

(5) Names of the certification accountants and their audit opinions for the last 5 years

Year	Names of the certification accountants	Audit opinion	Description
2015	Cihui Li, Huizhi Kou	Modified No opinion retained	None
2014	Cihui Li, Huizhi Kou	Modified No opinion retained	None
2013	Cihui Li, Huizhi Kou	Modified No opinion retained	None
2012	Cihui Li, Huizhi Kou	Modified No opinion retained	None
2011	Cihui Li, Qiuhua Wu	Modified No opinion retained	None

2. Financial analysis for the last five years

(1) 1. Financial analysis—consolidated

Year (Note 1) Analysis items (Note 3)		Financial analysis for the last five years					From this year to March 31, 2016 (Note 2)
		Year	2015	2014 (re-edited)	2013	2012	
Financial structure (%)	Debt-to-assets ratio		36.04	39.59	41.75	45.63	35.99
	Long-term capital property, plant, and equipment ratio		171.61	172.10	185.03	172.43	158.24
Solvency (%)	Current ratio		155.58	147.55	178.33	156.83	135.34
	Quick ratio		99.42	67.22	74.33	53.34	83.69
	Interest coverage ratio		13.08	9.59	16.57	11.09	8.51
Operating ability	Receivables turnover ratio (times)		7.86	8.90	9.00	10.41	6.45
	Average collection period		46.43	41.01	40.56	35.06	56.58
	Inventory turnover ratio (times)		4.09	3.56	2.96	3.26	4.33
	Payables turnover ratio (times)		17.52	17.38	17.51	16.79	15.92
	Average days of sales		89.24	102.52	123.31	111.96	84.29
	Property, plant, and equipment turnover ratio (times)		1.98	2.23	2.11	2.29	1.50
	Total assets turnover ratio (times)		0.86	0.94	0.88	0.99	0.66
Profitability	Return on assets (%)		3.58	2.97	5.52	4.58	2.52
	Return on equity (%)		5.39	4.52	9.28	7.99	3.56
	Paid-in capital to income before tax (%) (Note 7)		15.17	12.86	24.27	20.84	9.61
	Net profit margin (%)		4.01	2.93	5.98	4.35	3.43
	Earnings per share (NT\$)		1.27	1.06	2.12	1.80	0.21
Cash flows	Cash flow ratio (%)		59.35	38.29	44.17	27.04	49.55
	Cash flow adequacy ratio (%)		143.62	85.36	50.30	51.20	238.50
	Cash reinvestment ratio (%)		9.86	5.88	6.67	3.42	11.09
Leverage	Operating leverage		3.20	3.44	2.58	2.61	4.33
	Financial leverage		1.07	1.11	1.07	1.09	1.11

Please explain reasons for changes in financial ratios in the last two years: (Analysis can be omitted for the change is less than 20%)

- Quick ratio increased to 99.42% primarily because cash and equivalent cash increased by NT\$2,083,475,000 (109.06%) compared with that of last year.
- Interest coverage ratio increased to 13.08% primarily because net profit before tax increased by NT\$230,683,000 (17.97%) compared with that of last year.
- Return on assets increased to 3.58%, primarily because net income after tax decreased by NT\$195,526,000 (18.62%) compared with that of the previous year. Furthermore, the final period total asset reduced by NT\$2,268,603,000 (5.92%) compared with that of last year.
- Net profit margin increased to 4.01%, primarily because net income after tax increased by NT\$195,526,000 (18.62%) compared with that of the previous year. Furthermore, the operating revenue reduced by NT\$4,838,773,000 (13.48%) compared with that of last year.
- Cash flow ratio increased to 59.35%, primarily because net cash flow from operating activities increased by NT\$1,485,526,000 (35.41%) compared with that of the previous year. Furthermore, the current liabilities reduced by NT\$1,386,173,000 (12.65%) compared with that of last year.
- Cash flow adequacy ratio increased to 143.62% primarily because the net cash flow from operating activities in the most recent five years increased by NT\$3,140,396,000 (20.88%) compared with that of previous year; the capital expenditure for the most recent five years reduced by NT\$4,248,899,000 (51.09%) compared with that of last year; and the inventory increase in the most recent five years reduced by NT\$1,009,961,000 (37.85%) compared with that of last year.

7. Cash reinvestment ratio increased to 9.86%, primarily because net cash flow from operating activities increased by NT\$1,485,526,000 (35.41%) compared with that of the previous year. Furthermore, long-term investment reduced by NT\$499,602,000 (18%) compared with that of last year.

Note 1: Financial reports for 2015 and 2014 have been audited by certified public accountant.

Note 2: Financial report for the first quarter of 2016 has been audited by certified public accountant.

Note 3: Financial ratio calculation formulae are as follows:

1. Financial Structure
 - (1) Debt-to-assets ratio = total liabilities / total assets.
 - (2) Long-term capital ratio for real estate, plant, and equipment = (total equity + non-current liabilities) / net for real estate, plant, and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = earnings before interest expense and net income / interest expense.
3. Operating ability
 - (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
 - (2) Average collection period = 365 / receivables turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
 - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
 - (1) Return on assets = (net income + interest expenses \times (1 - tax rate)) / average total assets.
 - (2) Return on equity = net income / average total equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued. (Note 4)
5. Cash flows
 - (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 last 5 years / most recent five years (capital expenditure + inventory + cash dividend).
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross profit for real estate, plant, and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
 - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating income (Note 6).
 - (2) Financial leverage = operating income / (operating income - interest expenses).

(1) 2. Financial analysis–individual

Year (Note 1) Analysis items (Note 3)		Financial analysis for the last five years					From this year to March 31, 2016 (Note 2)
		Year	2015	2014 (re-edited)	2013	2012	
Financial Structure (%)	Debt-to-assets ratio		26.36	34.45	37.01	41.68	26.88
	Long-term capital property, plant, and equipment ratio		204.18	200.60	211.47	192.42	199.80
Sol vency (%)	Current ratio		215.36	166.98	206.10	167.70	175.41
	Quick ratio		115.87	63.93	70.29	40.67	91.28
	Interest coverage ratio		19.77	13.28	21.24	13.23	17.56
Operating ability	Receivables turnover ratio (times)		9.59	10.51	11.65	13.59	9.91
	Average collection period		38.06	34.72	31.33	26.85	36.83
	Inventory turnover ratio (times)		3.57	3.38	2.82	3.03	3.89
	Payables turnover ratio (times)		23.00	23.20	25.10	23.53	24.20
	Average days of sales		102.24	107.98	129.43	120.34	93.83
	Property, plant, and equipment turnover ratio (times)		2.00	2.41	2.27	2.38	1.56
	Total assets turnover ratio (times)		0.84	0.94	0.89	0.98	0.64
Profitability	Return on assets (%)		4.00	3.18	5.97	5.00	2.82
	Return on equity (%)		5.51	4.58	9.40	8.20	3.67
	Paid-in capital ratio (%)	Operating income	16.85	14.69	22.13	22.46	12.52
		Income before tax	14.38	13.18	24.35	20.94	9.80
	Net profit margin (%)		4.83	3.20	6.47	4.83	4.18
	Earnings per share (NT\$)		1.27	1.06	2.12	1.80	0.21
Cash flows	Cash flow ratio (%)		128.44	46.28	61.38	32.09	121.263
	Cash flow adequacy ratio (%)		172.40	92.25	55.06	54.28	313.49
	Cash reinvestment ratio (%)		12.09	5.16	7.12	2.98	14.86
Leverage	Operating leverage		2.67	2.95	2.27	1.22	3.33
	Financial leverage		1.04	1.08	1.06	1.08	1.04

Please explain reasons for changes in financial ratios in the last two years: (Analysis can be omitted for the change is less than 20%)

1. Debt-to-assets ratio decreased to 26.36% primarily because liabilities reduced by NT\$ 3,887,960,000 (32.08%) compared with that of last year.
2. Current ratio increased to 215.36% primarily because current liabilities reduced by NT\$3,165,825,000 (38.47%) compared with that of last year.
3. Quick ratio increased to 115.87% primarily because cash and equivalent cash increased by NT\$1,761,469,000 (106.56%) compared with that of last year.
4. Interest coverage ratio increased to 19.77% primarily because net profit before tax increased by NT\$120,226,000 (9.14%) compared with that of last year.
5. Return on assets increased to 4%, primarily because net income after tax decreased by NT\$211,826,000 (20.04%) compared with that of the previous year. Furthermore, the final period total asset reduced by NT\$3,954,667,000 (11.24%) compared with that of last year.
6. Return on equity increased to 5.51% primarily because net income after tax increased by NT\$211,826,000 (20.04%) compared with that of last year.

7. Net profit margin increased to 4.83%, primarily because net income after tax increased by NT\$211,826,000 (20.04%) compared with that of the previous year. Furthermore, the operating revenue reduced by NT\$6,709,623,000 (20.33%) compared with that of last year.
8. Cash flow ratio increased to 128.44%, primarily because net cash flow from operating activities increased by NT\$2,695,956,000 (70.78%) compared with that of the previous year. Furthermore, the current liabilities reduced by NT\$3,165,825,000 (38.47%) compared with that of last year.
9. Cash flow adequacy ratio increased to 172.4% primarily because the net cash flow from operating activities in the most recent five years increased by NT\$5,016,717,000 (35.37%) compared with that of previous year; the capital expenditure for the most recent five years reduced by NT\$3,562,003,000 (57.72%) compared with that of last year; and the inventory increase in the most recent five years reduced by NT\$973,090,000 (37.90%) compared with that of last year.
10. Cash reinvestment ratio increased to 12.09%, primarily because net cash flow from operating activities increased by NT\$2,695,956,000 (70.78%) compared with that of the previous year. Furthermore, long-term investment reduced by NT\$644,224,000 (11.86%) compared with that of last year.

Note 1: Financial reports for 2015 and 2014 have been audited by certified public accountant.

Note 2: Financial report data for the first quarter of 2016 have not been audited by certified public accountant.

Note 3: Financial ratio calculation formulae are as follows:

1. Financial Structure
 - (1) Debt-to-assets ratio = total liabilities / total assets.
 - (2) Long-term capital ratio for real estate, plant, and equipment = (total equity + non-current liabilities) / net for real estate, plant, and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = earnings before interest expense and net income / interest expense.
3. Operating ability
 - (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
 - (2) Average collection period = 365 / receivables turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
 - (7) Total assets turnover ratio = 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) Net profit margin = net income / net sales.
 - (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued. (Note 4)
5. Cash flows
 - (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 last 5 years / most recent five years (capital expenditure + inventory + cash dividend).
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross profit for real estate, plant, and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage:
 - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating income (Note 6).
 - (2) Financial leverage = operating income / (operating income - interest expenses).

(2) 1. Financial analysis—Financial Accounting Standards of Taiwan—consolidated

Year (Note 1) Analysis item (Note 2)			Financial analysis for the last five years				
			2012	2011	2010	2009	2008
Financial Structure (%)	Debt-to-assets ratio		44.41	47.89	50.14	49.10	43.32
	Long-term fund to fixed assets ratio		163.60	151.01	148.87	169.39	197.10
Solvency (%)	Current ratio		157.00	127.07	129.41	125.55	136.39
	Quick ratio		52.89	47.34	53.49	56.52	70.12
	Interest coverage ratio		10.98	16.17	7.88	6.84	8.43
Operating ability	Receivables turnover		10.35	12.38	11.51	7.05	9.67
	Average collection		35.27	29.48	31.70	51.76	37.73
	Inventory turnover ratio		3.23	3.84	3.49	2.81	6.43
	Payables turnover ratio		16.63	14.49	12.14	10.37	19.76
	Average days of sales		113.07	95.07	104.66	130.00	57.00
	Fixed assets turnover		2.23	2.39	1.86	1.59	4.72
	Total assets turnover		0.97	1.04	0.84	0.61	1.58
Profitability	Return on assets (%)		4.48	6.72	3.32	2.75	5.90
	Return on shareholder's		7.64	12.45	6.18	4.57	8.68
	Paid-in capital ratio (%)	Operating income	22.94	29.93	14.40	9.27	34.57
		Income before tax	20.61	30.83	15.11	12.47	27.61
	Net profit margin (%)		4.32	6.04	3.61	3.68	3.35
	Earnings per share		1.78	2.74	1.30	0.96	1.80
Cash flows	Cash flow ratio (%)		27.70	6.24	19.37	3.49	55.37
	Cash flow adequacy ratio (%)		54.47	41.99	45.78	69.43	98.36
	Cash reinvestment ratio (%)		3.40	-0.70	3.83	-2.21	8.43
Leverage	Operating leverage		2.63	2.25	2.92	3.86	2.14
	Financial leverage		1.09	1.07	1.08	1.19	1.10
Please explain reasons for changes in financial ratios in the last two years: (Analysis can be omitted for the change is less than 20%) Because IFRSs are adopted for the financial reports of the past two years, please refer to the consolidated financial analysis for various financial ratios.							

Note 1: Financial reports for 2008-2012 have been audited by certified public accountant.

Note 2: Financial ratio calculation formulae are as follows:

1. Financial Structure
 - (1) Debt-to-assets ratio = total liabilities / total assets.
 - (2) Long-term fund to fixed assets ratio = (shareholders' equity + long-term liabilities) / net fixed assets.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = earnings before interest expense and net income / interest expense.
3. Operating ability
 - (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.

- (2) Average collection period = $365 / \text{receivables turnover}$.
 - (3) Inventory turnover = $\text{cost of goods sold} / \text{average inventory}$.
 - (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = $\text{cost of goods sold} / \text{average payables (including accounts payable arising from operation notes payable) balances}$.
 - (5) Average days of sales = $365 / \text{inventory turnover}$.
 - (6) Fixed assets turnover ratio = $\text{net sales} / \text{average net fixed assets}$.
 - (7) Total assets turnover ratio = $\text{net sales} / \text{average total assets}$.
4. Profitability
- (1) Return on assets = $(\text{net income} + \text{interest expenses} \times (1 - \text{tax rate})) / \text{average total assets}$.
 - (2) Return on shareholder's equity = $\text{net income} / \text{average shareholders' equity}$.
 - (3) Net profit margin = $\text{net income} / \text{net sales}$.
 - (4) Earnings per share = $(\text{net income after tax} - \text{preferred stock dividends}) / \text{weighted average number of shares issued}$.
5. Cash flows
- (1) Cash flow ratio = $\text{net cash flow from operating activities} / \text{current liabilities}$.
 - (2) Net cash flow adequacy ratio = $\text{net cash flow from operating activities for the last 5 years} / \text{most recent five years (capital expenditure + inventory + cash dividend)}$.
 - (3) Cash reinvestment ratio = $(\text{net cash flow from operating activities} - \text{cash dividend}) / (\text{gross fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital})$.
6. Leverage:
- (1) Operating leverage = $(\text{net operating income} - \text{variable operating costs and expenses}) / \text{operating income}$.
 - (2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{interest expenses})$.

2. Financial analysis—Financial Accounting Standards of Taiwan—individual

Year (Note 1) Analysis item (Note 2)			Financial analysis for the last five years				
			2012	2011	2010	2009	2008
Financial Structure (%)	Debt-to-assets ratio		40.42	44.11	47.18	46.35	40.24
	Long-term fund to fixed assets ratio		191.18	170.79	163.26	183.34	208.87
Solvency (%)	Current ratio		167.61	126.07	126.03	121.30	135.34
	Quick ratio		40.60	33.00	40.24	43.92	59.38
	Interest coverage ratio		13.10	17.92	8.39	7.50	8.85
Operating ability	Receivables turnover		13.64	15.21	16.07	10.14	12.46
	Average collection		26.75	23.99	23	36	29
	Inventory turnover ratio		3.03	3.35	3.36	2.68	6.32
	Payables turnover ratio		20.06	16.18	14.68	13.97	25.73
	Average days of sales		120.46	108.95	109	136	58
	Fixed assets turnover		2.46	2.38	1.97	1.63	4.81
	Total assets turnover		0.97	0.96	0.84	0.61	1.60
Profitability	Return on assets (%)		4.89	7.23	3.54	2.89	6.19
	Return on shareholder's		7.84	12.63	6.28	4.60	8.70
	Paid-in capital ratio (%)	Operating income	22.34	25.25	9.61	8.30	32.64
		Income before tax	20.72	29.87	14.15	12.37	26.45
	Net profit margin (%)		4.75	7.07	3.87	3.94	3.47
	Earnings per share		1.78	2.74	1.30	0.96	1.80
Cash flows	Cash flow ratio (%)		32.07	13.40	13.11	4.11	64.99
	Cash flow adequacy ratio (%)		54.29	41.77	45.54	68.90	97.67
	Cash reinvestment ratio (%)		2.97	1.01	1.25	-2.22	8.40
Leverage	Operating leverage		2.50	2.29	3.65	4.05	2.14
	Financial leverage		1.08	1.07	1.11	1.20	1.10
Please explain reasons for changes in financial ratios in the last two years: (Analysis can be omitted for the change is less than 20%)							
Because IFRSs are adopted for the financial reports of the past two years, please refer to the consolidated financial analysis for various financial ratios.							

Note 1: Financial reports for 2008-2012 have been audited by certified public accountant.

Note 2: Financial ratio calculation formulas are as follows:

- Financial Structure
 - Debt-to-assets ratio = total liabilities / total assets.
 - Long-term fund to fixed assets ratio = (shareholders' equity + long-term liabilities) / net fixed assets.
- Solvency
 - Current ratio = current assets / current liabilities.
 - Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
 - Interest coverage ratio = earnings before interest expense and net income / interest expense.
- Operating ability
 - Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
 - Average collection period = 365 / receivables turnover.
 - Inventory turnover = cost of goods sold / average inventory.
 - Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold /

average payables (including accounts payable arising from operation notes payable) balances.

- (5) Average days of sales = $365 / \text{inventory turnover}$.
- (6) Fixed assets turnover ratio = $\text{net sales} / \text{average net fixed assets}$.
- (7) Total assets turnover ratio = $\text{net sales} / \text{average total assets}$.

4. Profitability

- (1) Return on assets = $(\text{net income} + \text{interest expenses} \times (1 - \text{tax rate})) / \text{average total assets}$.
- (2) Return on shareholder's equity = $\text{net income} / \text{average shareholders' equity}$.
- (3) Net profit margin = $\text{net income} / \text{net sales}$.
- (4) Earnings per share = $(\text{net income after tax} - \text{preferred stock dividends}) / \text{weighted average number of shares issued}$.

5. Cash flows

- (1) Cash flow ratio = $\text{net cash flow from operating activities} / \text{current liabilities}$.
- (2) Net cash flow adequacy ratio = $\text{net cash flow from operating activities for the last 5 years} / \text{most recent five years (capital expenditure} + \text{inventory} + \text{cash dividend})$.
- (3) Cash reinvestment ratio = $(\text{net cash flow from operating activities} - \text{cash dividend}) / (\text{gross fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital})$.

6. Leverage:

- (1) Operating leverage = $(\text{net operating income} - \text{variable operating costs and expenses}) / \text{operating income}$.
- (2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{interest expenses})$.

3. Supervisors' Audit Report for the most recent year

Supervisors' review report

Hereby approved

After performing a comprehensive review of the 2015 financial statements, surplus allocation table, business reports, etc., submitted by the company's board of directors to be audited by accountants Cihui Li and Huizhi Kou of KPMG International Cooperative; no discrepancies were found. Therefore, I, in my capacity as a supervisor, hereby file this report pursuant to Article 219 of the Company Act for your review.

The above is respectfully submitted by

The 2016 Annual Meeting of Shareholders for Tung
Ho Steel Enterprise Corporation

Tung Ho Steel Enterprise Corporation

Supervisors Yuanyu Ke
Chaohe Lin

March 28, 2016

Supervisors' review report

Hereby approved

After performing a comprehensive review of the 2015 consolidated financial reports submitted by the company's board of directors to be audited by accountants Cihui Li and Huizhi Kou of KPMG International Cooperative; no discrepancies were found. Therefore, I, in my capacity as a supervisor, hereby file this report pursuant to Article 219 of the Company Act for your review.

The above is respectfully submitted by

The 2016 Annual Meeting of Shareholders for Tung
Ho Steel Enterprise Corporation

Tung Ho Steel Enterprise Corporation

Supervisors Yuanyu Ke
 Chaohe Lin

March 28, 2016

- 4. Latest financial statements:** Please refer to the 2015 consolidated financial report for Tung Ho Steel Enterprise Corporation and its subsidiaries.
- 5. Latest accountant audited individual financial report:**
Please refer to the 2015 individual financial statement for Tung Ho Steel Enterprise Corporation.
- 6. Effects of financial difficulties experienced by the company and its affiliated companies on the Company's financial status from recent year to the publication date of the annual report: None**

VII. Financial position and financial performance review analysis and risk assessments

1. Financial summary

(1) 1.Comparative analysis of financial status-consolidated

Unit: NT\$1,000

Item \ Year	2015	2014 (after re-compilation)	Difference	
			Amount	%
Current assets	14,890,132	16,166,959	-1,276,827	-7.90
Long-term investments	2,276,143	2,775,745	-499,602	-18.00
Fixed assets	15,447,983	15,916,706	-468,723	-2.94
Intangible assets	0	0	0	0.00
Real estate investment	1,664,929	1,651,800	13,129	0.79
Other assets	1,801,281	1,837,861	-36,580	-1.99
Total assets	36,080,468	38,349,071	-2,268,603	-5.92
Current liabilities	9,570,672	10,956,845	-1,386,173	-12.65
Long-term liabilities	3,433,779	4,224,607	-790,828	-18.72
Other liabilities	0	0	0	0.00
Total liabilities	13,004,451	15,181,452	-2,177,001	-14.34
Capital stock	9,982,215	9,982,215	0	0.00
Capital reserve	6,225,993	6,225,993	0	0.00
Retained earnings	6,620,474	6,687,711	-67,237	-1.01
Other equity	163,259	162,729	530	0.33
Total equity attributable to parent company owners	22,991,941	23,058,648	-66,707	-0.29
Non-controlling equity	84,076	108,971	-24,895	-22.85
Total equity	23,076,017	23,167,619	-91,602	-0.40

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

1. Non-controlling equity reduced by NT\$24,895,000 compared with that of last year primarily because the loss of subsidiaries' non-controlling equity was recognized.

2. Comparative analysis of financial position - individual

Unit: NT\$1,000

Item \ Year	2015	2014 (after re-compilation)	Difference	
			Amount	%
Current assets	10,906,713	13,742,697	-2,835,984	-20.64
Long-term investments	4,786,474	5,430,698	-644,224	-11.86
Fixed assets	12,811,483	13,433,265	-621,782	-4.63
Intangible assets	0	0	0	0.00
Real estate investment	1,664,929	1,651,800	13,129	0.79
Other assets	1,053,773	919,579	134,194	14.59
Total assets	31,223,372	35,178,039	-3,954,667	-11.24
Current liabilities	5,064,475	8,230,300	-3,165,825	-38.47
Long-term liabilities	3,166,956	3,889,091	-722,135	-18.57
Other liabilities	0	0	0	0.00
Total liabilities	8,231,431	12,119,391	-3,887,960	-32.08
Capital stock	9,982,215	9,982,215	0	0.00
Capital reserve	6,225,993	6,225,993	0	0.00
Retained earnings	6,620,474	6,687,711	-67,237	-1.01
Other equity	163,259	162,729	530	0.33
Total equity	22,991,941	23,058,648	-66,707	-0.29

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

1. Current asset decreased by NT\$2,835,984,000 compared with that of last year primarily because inventory reduced by NT\$3,425,791,000.
2. Current liabilities decreased by NT\$3,165,825,000 compared with that of last year primarily because short-term loan reduced by NT\$2,410,797,000 and account payables reduced by NT\$663,559,000.

2. Financial performance

(1) 1. Comparative analysis of operating performance-consolidated

Unit: NT\$1,000

Item \ Year	2015	2014 (after re-compilation)	Amount increase	Percentage of change (%)
Total operating income	31,373,009	36,231,417	-4,858,408	-13.41
Minus: Sales returns	1,665	8,898	-7,233	-81.29
Sales discounts	317,932	330,334	-12,402	-3.75
Net operating income	31,053,412	35,892,185	-4,838,773	-13.48
Operating costs	28,019,608	33,004,388	-4,984,780	-15.10
Gross profit	3,033,804	2,887,797	146,007	5.06
Operating expenses	1,522,667	1,532,565	-9,898	-0.65
Operating margin	1,511,137	1,355,232	155,905	11.50
Non-operating income and expenses	3,519	-71,259	74,778	-104.94
Net profit before tax from continuing operations	1,514,656	1,283,973	230,683	17.97
Minus: Income tax expenses	268,977	233,820	35,157	15.04
Current period net income	1,245,679	1,050,153	195,526	18.62
Other comprehensive income (net income after-tax)	-39,593	409,696	-449,289	-109.66
Total comprehensive income for the period	1,206,086	1,459,849	-253,763	-17.38

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

1. Non-operating income and expenses: Increased by NT\$74,778,000 compared with that of last year primarily because loss in foreign currency exchange decreased by NT\$68,155,000 compared with that of last year; gains from disposal investment increased by NT\$12,633,000 compared with that of last year; net profit of financial asset and financial liability at fair value through profit decreased by NT\$347,529,000 compared with that of last year; share of gain from affiliates recognized by equity method decreased by NT\$214,066,000 compared with that of last year; available-for-sale financial assets assumed an impairment loss of NT\$573,444,000; other income decreased by NT\$50,218,000; and financial cost reduced by NT\$31,531,000 compared with that of last year.
2. Other comprehensive income (net income after-tax) decreased by NT\$449,289,000 primarily because the stock of Taiwan High Speed Rail was recognized as impairment loss last year, reversing the cumulative unrealized losses on valuation of NT\$381,586,000.

2. Comparative analysis of operating performance - individual

Unit: NT\$1,000

Item \ Year	2015	2014 (after re-compilation)	Amount increase	Percentage of change (%)
Total operating income	26,614,432	33,343,870	-6,729,438	-20.18
Minus: Sales returns	1,664	8,898	-7,234	-81.30
Sales discounts	313,097	325,678	-12,581	-3.86
Net operating income	26,299,671	33,009,294	-6,709,623	-20.33
Operating costs	23,412,749	30,248,458	-6,835,709	-22.60
Gross profit	2,886,922	2,760,836	126,086	4.57
Minus: Unrealized sales profit	18,541	13,926	4,615	33.14
Plus: Realized sales profit	13,926	26,956	-13,030	-48.34
Net operating margin	2,882,307	2,773,866	108,441	3.91
Operating expenses	1,199,854	1,307,707	-107,853	-8.25
Operating margin	1,682,453	1,466,159	216,294	14.75
Total Non-operating income and expenses	-246,963	-150,895	-96,068	63.67
Net profit (loss) before tax	1,435,490	1,315,264	120,226	9.14
Minus: Income tax expenses	166,401	258,001	-91,600	-35.50
Current period net income (loss)	1,269,089	1,057,263	211,826	20.04
Other comprehensive income (net income after-tax)	-38,108	407,781	-445,889	-109.35
Total comprehensive income for the period	1,230,981	1,465,044	-234,063	-15.98

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

1. Operating revenue and operating cost: Operating revenue reduced by NT\$6,709,623,000 and operating cost reduced by NT\$6,835,709,000 compared with that of last year primarily because of the decline in global demand for steel materials in 2015, prompting the company to lower steel prices and reduce production in response to market demand.
2. Realized sales profit: Realized sales profit decreased by NT\$13,030,000 compared with those of last year primarily because of the steel products sold to the subsidiary Tung Kang Steel Structure Co., Ltd. Tung Kang Steel Structure has completed most of the constructions and gains and losses for the uncompleted projects were determined using the percentage of completion method.
3. Non-operating income and expenses: Decreased by NT\$96,068,000 compared with that of last year primarily because loss in foreign currency exchange decreased by NT\$83,381,000 compared with that of last year; gains from disposal investment increased by NT\$11,361,000 compared with that of last year; net profit of financial asset and financial liability at fair value through profit decreased by NT\$346,858,000 compared with that of last year; share of gain from affiliates recognized by equity method decreased by NT\$407,447,000 compared with that of last year; available-for-sale financial assets assumed an impairment loss of NT\$573,444,000; and other income decreased by NT\$33,866,000.
4. Income tax expenses: Decreased by NT\$91,600,000 compared with that of last year primarily because continuing operations net profit before tax was reduced by NT\$120,226,000.
5. Current period net income: Decreased by NT\$211,826,000 compared with that of last year primarily because operating margin increased by NT\$216,294,000, non-operating income and expenses decreased by NT\$96,068,000 and income tax expense was reduced by NT\$91,600,000 compared with those of the previous year.
6. Other comprehensive income (net income after-tax) decreased by NT\$445,889,000 primarily because the stock of Taiwan High Speed Rail was recognized as impairment loss last year, reversing the cumulative unrealized losses on valuation of NT\$381,586,000.

3. Cash flows

(1) 1. Liquidity analysis for the last two years -consolidated

Item \ Year	2015	2014 (after re-compilation)	Change (%)
Cash flow ratio	59.35	38.29	55.00
Cash flow adequacy ratio	143.62	85.36	68.25
Cash reinvestment ratio	9.86	5.88	67.69
<p>Analysis description for items with increase and decrease ratio change of over 20% is as follows:</p> <ol style="list-style-type: none"> 1. Cash flow ratio increased to 59.35%, primarily because net cash flow from operating activities increased by NT\$1,485,526,000 (35.41%) compared with that of the previous year. Furthermore, the current liabilities reduced by NT\$1,386,173,000 (12.65%) compared with that of last year. 2. Cash flow adequacy ratio increased to 143.62% primarily because the net cash flow from operating activities in the most recent five years increased by NT\$ 3,140,396,000 (20.88%) compared with that of previous year; the capital expenditure for the most recent five years reduced by NT\$ 4,248,899,000 (51.09%) compared with that of last year; and the inventory increase in the most recent five years reduced by NT\$ 1,009,961.000 (37.85%) compared with that of last year. 3. Cash reinvestment ratio increased to 9.86%, primarily because net cash flow from operating activities increased by NT\$1,485,526,000 (35.41%) compared with that of the previous year. Furthermore, long-term investment reduced by NT\$ 499,602,000 (18%) compared with that of last year. 			

2. Cash flow analysis for the coming year - Consolidated

Unit: NT\$1,000

Beginning stage cash balance	Annual net cash flow from operating activities	Throughout the year	Cash surplus	Cash shortfall remedy measures	
	Annual net cash flow from operating activities	Cash outflow for the entire year	Cash surplus (shortage) amount	Investment plan	Financing plan
3,993,884	3,400,000	5,779,584	1,164,300	N/A	N/A

1. Cash flow status analysis:

- (1) Operating activities: Operating revenue and surplus are expected to decrease slightly during 2016, and the net cash flow from business activities is expected to be NT\$3,400,000,000.
- (2) Investing activities: Mainly estimates the cash flow from the acquisition of fixed assets.
- (3) Financing activities: Mainly estimates pay dividends and cash flow from long- and short-term loan and corporate bond repayments.

2. Expected cash deficit remedies and liquidity analysis: Not applicable.

(2) 1. Liquidity analysis for the last two years-individual

Item \ Year	2015	2014 (after re-compilation)	Change (%)
Cash flow ratio	128.44	46.28	177.53
Cash flow adequacy ratio	172.40	92.25	86.88
Cash reinvestment ratio	12.09	5.16	134.30

Analysis description for items with increase and decrease ratio change of over 20% is as follows:

1. Cash flow ratio increased to 128.44%, primarily because net cash flow from operating activities increased by NT\$2,695,956,000 (70.78%) compared with that of the previous year. Furthermore, the current liabilities reduced by NT\$3,165,825,000 (38.47%) compared with that of last year.
2. Cash flow adequacy ratio increased to 172.4% primarily because the net cash flow from operating activities in the most recent five years increased by NT\$5,016,717,000 (35.37%) compared with that of previous year; the capital expenditure for the most recent five years reduced by NT\$3,562,003,000 (57.72%) compared with that of last year; and the inventory increase in the most recent five years reduced by NT\$973,090,000 (37.90%) compared with that of last year.
3. Cash reinvestment ratio increased to 12.09%, primarily because net cash flow from operating activities increased by NT\$2,695,956,000 (70.78%) compared with that of the previous year. Furthermore, long-term investment reduced by NT\$644,224,000 (11.86%) compared with that of last year.

2. Cash flow analysis for the coming year - Individual

Unit: NT\$1000

Beginning stage cash balance	Annual net cash flow from operating activities	Throughout the year	Cash surplus	Cash shortfall remedy measures	
	Annual net cash flow from operating activities	Cash outflow for the entire year	Cash surplus (shortage) amount	Investment plan	Financing plan
3,414,427	3,100,000	7,700,000	(1,185,573)	N/A	N/A

1. Cash flow status analysis:

- (1) Operating activities: Operating revenue and surplus are expected to grow during 2016, and the net cash flow from operating activities is expected to be NT\$3,100,000,000.
- (2) Investing activities: Mainly estimates the acquisition of fixed assets and increase in the cash flow from long-term equity investments.
- (3) Financing activities: Mainly estimates pay dividends and cash flow from long- and short-term loan and corporate bond repayments.

2. Expected cash deficit remedies and liquidity analysis: The company is expected to adopt increasing bank loans as a measure for shortage of cash.

4. **The effects that significant capital expenditures have on financial operations in the recent year:** None
5. **Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year:** None
6. **Risk issues and analysis evaluation**

- (1) **Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:**

Unit: NT\$1000

Item	2015	2014
Net operating income	31,053,412	35,892,185
Net interest expense (note)	67,099	100,861
Net foreign exchange gain	(87,621)	(155,776)

Note: Amount after interest income has been deducted

1. The company shall cooperate with the correspondent bank to obtain more favorable interest rates for the working capital required by the company. In addition, annual net interest income for 2015 and 2014 only accounted for 0.22% and 0.28% of the net operating income for the full year, respectively. The ratios are small. Changes in interest rates have a significant impact on the company. In addition, the company shall maintain close contact with the bank and observe market changes in order to secure more favorable loan rates from the bank. The company shall observe the market interest rate changes closely in order to raise funds by issuing convertible bonds at the optimal time to lock-in the interest costs and reduce the company's interest burden. Significant capital expenditures shall be carefully assessed and broadly compared so that a lower cost financing tool can be adopted.
2. The company's primary products are billets, rebar, and structural steel. Billets are primarily used for self-processing, and only a small portion are sold externally. Rebar customers are primarily domestic. Product valuation is mainly NT\$ based and only a small portion is exported. Structural steel products are no exception. They are primarily sold domestically and only a small portion is exported. In 2015, the product exportation amount was approximately NT\$2.43 billion, which accounted for approximately 9% of the revenue. Raw material imports accounted for approximately NT\$7 billion. The primary export and import currency is U.S. Dollar. Procurement and sales in U.S. Dollar canceled each other out. Net foreign currency position exposure is approximately NT\$4.57 billion. This company primarily engages in long-term foreign exchanges and options trading to avoid exchange rate fluctuation risks, and have adopted specific measures to avoid exchange rate risks as follows:
 - (1) Collect exchange rate movement related information daily to have a full grasp on the exchange rate, and convert currency or retain foreign currency loans at the optimal time.
 - (2) In terms of exchange capital allocation, foreign currency claims and debt from regular product exportation and importation transactions will cancel each other out to create a natural hedging effect.
 - (3) Discuss hedging strategy with the foreign exchange department of the bank to determine foreign currency positions based on the actual funding needs and exchange rate conditions.
3. The direct impact that inflation has on this company.

(2) The primary reasons for gain or loss and future response measures for high-risk and high-leveraged investments, loans to others, guarantee endorsements, and derivative transaction policy.

1. The company has not engaged in high-risk and high-leveraged financial investment operations. The primary reason for buying U.S. Dollar and engaging in long-term foreign exchange, option operations, and interest rate swap operations is to circumvent exchange rate and interest rate fluctuations and stabilize sales costs and capital costs. The company has not suffered any significant losses from engaging in derivative transactions. In addition, the company's derivative transaction policy is based on the actual hedging demand, and the relevant operations are handled based on the company's "Policies and Procedures for Financial Derivatives Transactions."
2. Matters related to fund lending are handled according to the company's and its subsidiaries' Operating Procedure for Fund Lending. By 2015, the subsidiary Dongyuan International Company disbursed a loan of US\$1,600,000 to DUCHOA International Company.
3. By 2015, the company has reinvested in its subsidiary Fujian Tung Kang company and provided guarantee endorsement in the amount of US\$26,000,000, as well as guarantee endorsement in the amount of US\$1,182,000 for Dongyuan International Company. Subsidiary Dongyuan International Company has reinvested in Fujian Sino-Japan Metal Corp. and provided guarantee endorsement in the amount of US\$5,250,000. Relevant operations for guarantee endorsement in the amount of US\$1,182,000 for DUCHOA International Company are processed in accordance with the company and its subsidiaries' "Procedures for Endorsement and Guarantee."

(3) Future R&D projects and estimated R&D expenditure:

1. In terms of steelmaking: High strength steel billets for rebar, high-grade marine steel, ultra high-strength steel, furnace slag recycling technology, restored melted slag recycling process, and the scrap continuous feeding system were developed.
2. In terms of steel rolling: High-strength threaded rebar, high-strength threaded rebar coupler, hyper beam new dimension development for H800 x 350, billet induction heating processing development, ultra-thick H-shaped steel development, new dimension development for channel steel with ASTM specifications, new dimension development for I-Beams with ASTM specifications.
Various development projects are aimed at developing steel material in different shapes, in order to diversify our products, enhance our technical capability, and increase the company's revenue and profit.
3. High strength and high value-added steel, steel plates, and structural steel (BH, BOX, CROSS.....) have been developed actively.
4. The company is expected to invest another NT\$50 million for R&D.

- (4) **The affect that domestic and international policies and law changes have on the company's financial operations as well as the responding measures:** None
- (5) **The affect that technological changes and industrial changes have on the company's financial operations as well as the responding measures:**
The Company's operational strategies include continuous efforts in improving our technical capability and management efficiency, lowering production costs, and ramping up collaboration of production and sales so that we can raise the Company's competitive advantages in the domestic market. We will also carry out aggressive expansion of our overseas market and customer base simultaneously. Another important strategy of the Company is the continual research and development of new steel products and applications, to further expand and consolidate the company's operational foundation. Therefore, industrial changes exerted no material influence on the company's financial operation.
- (6) **The effects that enterprise image change have on enterprise crisis management as well as the responding measures.**
The company has always maintained the operation principles of professionalism, quality, and integrity as well as emphasized on corporate image and risk management. There are currently no foreseeable crisis matters.
- (7) **Expected benefits and potential risks of merger and acquisition and response measures:**
None
- (8) **The expected benefits and possible risks of plant expansion as well as the responding measures:** Please see Section IV, fund-raising case 7 of this year's annual report for details on the status of the capital utilization plan implementation.
- (9) **Risks faced by concentrated sales or purchasing as well as the responding measures.** None
- (10) **The effects that large share equity transfers by a director, supervisors, or major shareholders holding more than 10% of the company shares have on the company as well as risk and responding measures:** None
- (11) **The effects that change in management has on the company as well as risk and responding measures:** None
- (12) **In terms of litigation or non-litigation matters, the company and the company's directors, supervisors, general managers, actual responsible person, and shareholders holding more than 10% of the company shares, who are involved in a major lawsuit of a subsidiary company that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or securities prices, must be specified. The status of the disputed facts, bid amount, litigation commencement date, and the primary parties involved in such litigations up to the publication date of this annual report shall be disclosed.** None
- (13) **Other critical risks and response measures:** None

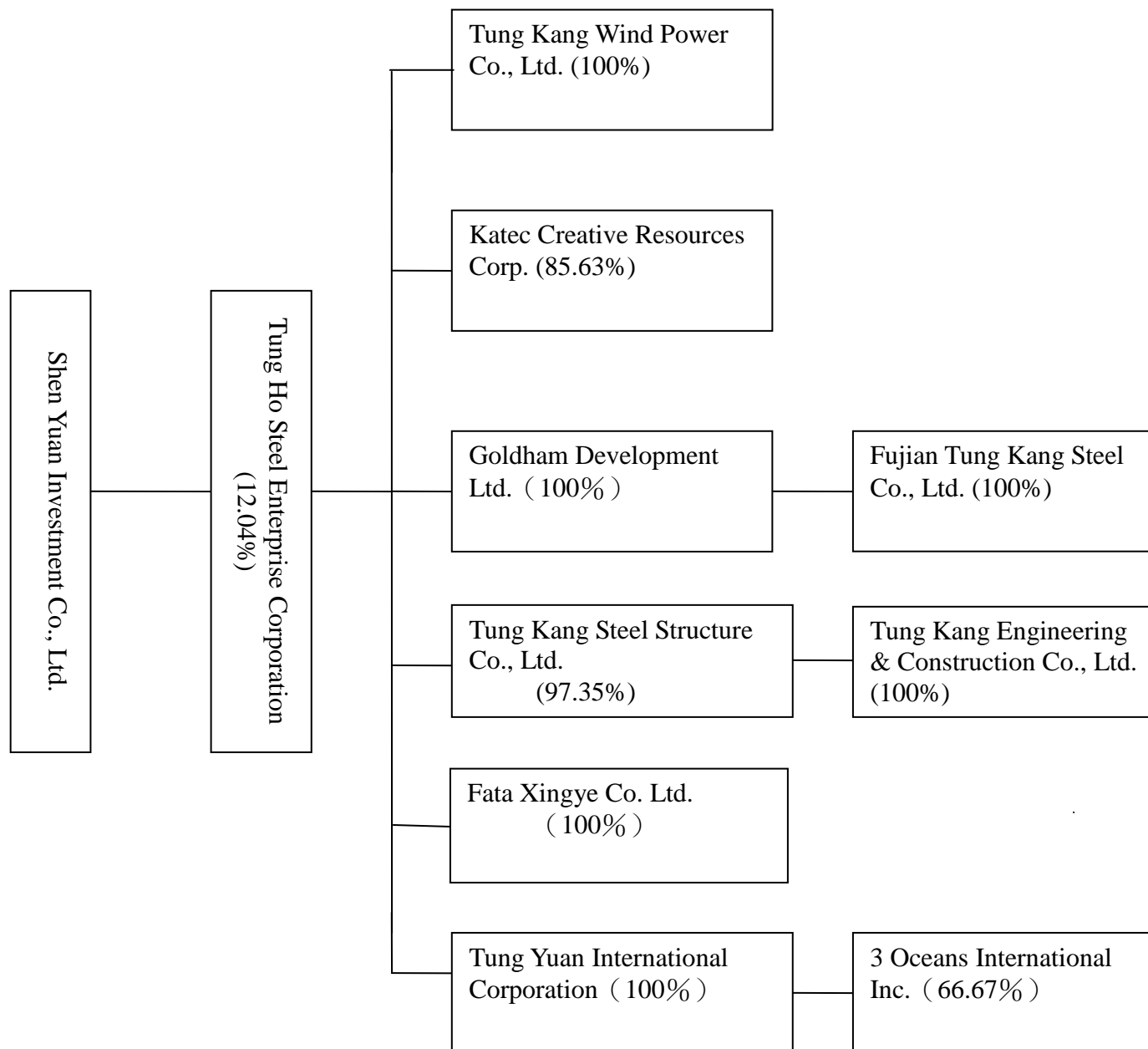
7. Other critical matters: None

VIII. Special note items

1. Relevant information for the affiliated enterprises

(1) Consolidated business reports from the affiliated enterprises

1. Organization chart for the affiliated enterprises



2. Basic information of the various affiliated enterprises

Unit: NT\$1,000

Enterprise name	Date of Establishment	Address	Paid-in capital	The primary business or production items
Tung Yuan International Corporation	1992.11	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	2,692	Foreign investments
3 Oceans International Inc.	2004.3	Britannia House, 22, 2nd Floor, Cator Road, BandarSeri Begawan BS 8811, Brunei Darussalan.	90,611	Foreign investments
Tung Kang Steel Structure Co., Ltd.	1993.07	6F, No. 9, Sec. 1, Chang'an East Road, Taipei City	1,230,120	Metal Architectural Components Manufacturing
Tung Kang Engineering & Construction Co., Ltd.	1991.09	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	250,000	Synthesis Construction
Fata Xingye Co. Ltd.	2015.03	No.116, Caoluo, Neighborhood 8, Baozhang Vil., Guanyin Dist., Taoyuan City	100,000	Waste and resource recycling industry
Katec Creative Resources Corp.	1995.08	No. 231, Huanke Rd., Guanyin District, Datan Vil, Taoyuan City, Taiwan	307,000	General waste clearance and disposal operations
Tung Kang Wind Power Co., Ltd.	2009.10	9F, No. 9, Sec. 1, Chang'an East Road, Taipei City	155,000	Electric Power Supply
Goldham Development Ltd	1997.11	1st Floor,Lake Building, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.	492,450	Foreign investments
Fujian Tung Kang Steel Co., Ltd.	1998.01	No. 5, Yanxi Rd., Hongkuan Industrial Village, Yangxia Town, Fuqing City, Fujian, China	492,450	Produce steel products and related products as well as provide the corresponding installation and ancillary services

3. Presumed as the same shareholder information for those who have control and subordinate relationships: None

4. Information for director, supervisor, and general manager of affiliated companies

Enterprise name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio
Tung Yuan International Corporation.	Directors Directors Directors	Representative of Tung Ho Steel Enterprise Corporation: Shuzhao Houwang Representative of Tung Ho Steel Enterprise Corporation: Jieteng Hou Representative of Tung Ho Steel Enterprise Corporation: Boxun Dong	82	100.00%
3 Oceans International Inc.	Directors	Representative of Dongyuan International Co., Ltd.: Jieteng Hou	1,840,000	66.67%
	Directors	Representative of Dongyuan International Co., Ltd.: Qixie Lin		
Tung Kang Steel Structure Co., Ltd.	Chairman	Shuzhao Houwang	119,755,462	97.35%
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Boxun Dong		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Jieteng Hou		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Binghua Huang		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Huiming Wu		
Tung Kang Engineering & Construction Co., Ltd.	Chairman	Representative of Tung Kang Steel Structure Co., Ltd.: Yong-Zhi Chen	25,000,000	100.00%
	Directors	Representative of Tung Kang Steel Structure Co., Ltd.: Jieteng Hou		
	Directors	Representative of Tung Kang Steel Structure Co., Ltd.: Kuanren Gu		
	Supervisors	Representative of Tung Kang Steel Structure Co., Ltd.: Zhao Liu		
Fata Xingye Co. Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Kuanren Gu	10,000,000	100.00%
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Jieteng Hou		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Yong-Zhi Chen		
	Supervisors	Representative of Tung Ho Steel Enterprise Corporation: Xiuqi Chen		
Goldham Development Ltd.	Directors	Representative of Tung Ho Steel Enterprise Corporation: Shuzhao Houwang	15,000,000	100.00%
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Jieteng Hou		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Boxun Dong		
Fujian Tung Kang Steel Co., Ltd.	Chairman	Zhengbin Qiu	0	100.00%

Enterprise name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio
Katec Creative Resources Corp.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Zhangqing He	23,213,836	85.63%
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Jieteng Hou		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Qinglian Huang		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Guoxiong Liu		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Xiuqi Chen		
Tung Kang Wind Power Co., Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Corporation: Jieteng Hou	15,500,000	100.00%
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Shuzhao Houwang		
	Directors	Representative of Tung Ho Steel Enterprise Corporation: Xiuqi Chen		
	Supervisors	Representative of Tung Ho Steel Enterprise Corporation: Ruyu He		

5. Status of operation for various affiliated companies

Unit: NT\$1,000

Enterprise name	Paid-in capital	Total assets (Note 1)	Total liabilities (Note 1)	Net value (Note 1)	Operating revenue (Note 2)	Operating net (loss) profit (Note 2)	Current net (loss) profit (Note 2)	Earnings per share
Tung Yuan International Corporation (Note 3)	2,692	1,058,706	492	1,058,214	0	(162,534)	(162,534)	(1,982,119)
3 Oceans International Inc. (Note 4)	90,611	87,238	164	87,074	1,979	(3,013)	(3,013)	(1.09)
Tung Kang Steel Structure Co., Ltd.	1,230,120	4,524,443	2,860,337	1,664,106	4,011,543	(92,649)	(160,131)	(1.30)
Tung Kang Engineering & Construction Co., Ltd.	250,000	274,858	37,186	237,672	356,995	(8,321)	(9,571)	(0.38)
Fata Xingye Co. Ltd.	100,000	99,871	126	99,745	0	(334)	(255)	(0.03)
Goldham Development Ltd. (Note 4)	492,450	508,831	0	508,531	0	18,357	3,314	0.22
Fujian Tung Kang Steel Co., Ltd.	492,450	1,194,461	685,930	508,531	1,905,189	18,357	3,314	N/A
Katec Creative Resources Corp.	307,000	978,805	903,101	75,704	256,678	(103,435)	(126,337)	(4.12)
Tung Kang Wind Power Co., Ltd	155,000	679,599	594,749	84,850	0	(6,491)	(13,263)	(0.86)

Note 1: The average USD to NTD exchange rate on December 31, 2015 was USD1 : NTD32.83; and the average CNY to NTD exchange rate was CNY1 : NTD4.995.

Note 2: The average USD to NTD exchange rate for 2015 was USD1 : NTD31.739; and the average CNY to NTD exchange rate was CNY1 : NTD5.033.

Note 3: Par value of US\$1,000 per share

Note 4: Par value of US\$1 per share

(2) Affiliation report

Statement

The company's 2015 (from January 1, 2015 to December 31, 2015) affiliation report is formulated based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and there are no major discrepancies between the information disclosed and the related information disclosed in the notes of the financial report for the aforementioned period.

It is hereby declared

Name of Company: Tung Ho Steel Enterprise Corporation

Chairman: HENRYHO

March 28, 2016

Accountant opinion declaration statement

Account review comments for the affiliation report

Recipient: Tung Ho Steel Enterprise Corporation

The 2015 annual affiliation report for Tung Ho Steel Enterprise Corporation has been reviewed by this accountant pursuant to provisions provided by the Securities and Futures Commission's letter Tai-Tsai-Zheng-6-Zi No. 04448 on November 30, 1999. The objectives of this audit were to determine whether the 2015 annual affiliation report of Tung Ho Steel Enterprise Corporation was formulated in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises"; determine whether there are major discrepancies with the related information disclosed by the notes of the current financial report during the audit date on March 28, 2016; and issue an opinion for the audit.

The results of this accountant's audit indicated that the formulation of the aforementioned report did not violate the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises"; and there was no major discrepancy between the information disclosed in the aforementioned affiliation report or information disclosed by the notes of the financial report for the same period.

KPMG International Cooperative

Accountants : Cihui Li
Huizhi Kou

Securities Competent Authority Approval Certification No. : Tai-Tsai-Zheng-6-Zi No. 0930104860
March 28, 2016 : Tai-Tsai-Zheng-6-Zi No. 0930106739

(1) Relationship status between the controlling and subsidiary companies Units: Share; %

Control company's name	Control reasons	Status of the control company's share ownership and pledge			Status of director, supervisor, or manager designation by the control company	
		Number of shares held	Shareholding ratio	Number of shares pledged	Title	Name
Shen Yuan Investment Co., Ltd.	Substantially control	120,199,779	12.04%	0	Chairman Vice Chairman General manager Directors Directors	Jieteng Hou Shuzhao Houwang Jieteng Hou Yushu Hou Huiming Wu

(2) Status of sales transactions: None

(3) Status of financial transactions: None

(4) Status of fund intermediation: None

(5) Status of asset leasing:

Unit: NTD

Transaction type (leased or rented)	Bid subject		Lease period	Nature of the lease	Basis for rent decision	Method of payment received (or payment)	Status compared to general rent levels	Total rent for this period	Status of rent collection and payment for this period	Other stipulated items
	Name	Site location								
Lease	office	6F, No. 9, Sec. 1, Chang'an East Road, Taipei City	2015.01.01 2015.12.31	Lease operation	2,000/ping, month	Charged once a year	comparable to the market price	22,857 (before tax)	Collected	None

(6) Other significant transactions: None

(7) Endorsement Scenario: None

- 2. Status of private solicitation for marketable securities handling for the recent year up to the publication date of this annual report: None**
- 3. Status of company share holding or handling by a subsidiary company for the recent year up to the publication date of this annual report: None**
- 4. Other necessary supplemental information: None**

Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities Exchange Act in the past year and up to the date of report: None