

STOCK CODE: 2006



TUNG HO STEEL ENTERPRISE CORPORATION

Annual Report
2016

Publication Date: April 19, 2017

Annual Report Website:

TWSE Market Observation Post System: <http://mops.twse.com.tw>

The Company Website: www.tunghosteel.com

A. The name, title, telephone number, and e-mail address of the spokesperson or deputy spokesperson

Spokesperson: Hsiu-Chih Chen
Title: Associate Manager
Tel: (02) 2551-1100 ext705
Email: red@tunghosteel.com:
Deputy Spokesperson: Ju-Yu Ho
Title: Associate Manager
Tel: (02) 2551-1100 ext611
Email: juyu@tunghosteel.com
Deputy Spokesperson: Shu-Mei Ko
Title: Manager
Tel: (02) 2551-1100 ext568
Email: ksm@tunghosteel.com

B. Contact address and telephone number of the head office, branch offices and factories

Headquarters: 6F., No.9, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 10441
Tel: (02) 2551-1100 Fax: (02) 2562-6620
Kaohsiung Works: No.8, Jiaying St., Xiaogang Dist., Kaohsiung City 81257
Tel: (07) 802-3131 Fax: (07) 801-0696
Taoyuan Works: No.116, Caota, Nebrh. 8, Vil. Baozhang, Guanyin Dist., Taoyuan City 32847
Tel: (03) 476-1151 Fax: (03) 476-1609
Miaoli Works: No.22, Pingding, Erhu Vil. Xihu Township, Miaoli County 368
Tel: (037) 923-333 Fax: (037) 923-311
Taichung Port Logistic Center: No.455, Sec. 3, Lingang Rd., Wuqi Dist., Taichung City 43547
Tel: (04)2656-2000 Fax: (04) 2656-5500

C. The name, address, website and telephone number of the agency handling shares transfer

Name: The Share Transfer Agency of Yuanta Securities Co., Ltd.
Add: 10366 B1, No.310, Sec. 3, Chengde Rd., Datong Dist., Taipei City 10366
Website: www.yuanta.com
Tel: (02) 2586-5859 Fax: (02) 2586-5977

D. The name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address, website and telephone number of said person's accounting firm.

Name of 2016 auditing CPA: Accountant Ci-Hui Li and Hui-Zhi Kou
CPA Firm: KPMG Taiwan
Add: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 11049
Website: www.kpmg.com.tw
Tel: (02) 8101-6666

E. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities

GDR Listed Trading Place: Luxembourg Stock Exchange
Enquiry Website for GDR: mops.twse.com.tw

F. The Company website: www.tunghosteel.com

Table of Contents

I. Letter to Shareholders-----	1
II. Company Profile-----	4
1. Date of incorporation-----	4
2. Company History-----	4
III. Corporate Governance Report-----	7
1. Organization system-----	7
2. Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units -----	9
3. Remuneration paid to directors, supervisors, and general manager and deputy general manager in the most recent fiscal year-----	26
4. Corporate Governance Practices -----	33
5. Information on CPA professional fees-----	59
6. Share transfer by directors, supervisors, managers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report-----	61
7. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)-----	63
8. The shareholding of the Company, director, supervisor, management and an enterprise that is directly or indirectly controlled by the Company in the invested company-----	65
IV. Fund-raising Conditions-----	66
1. Capital and Shares -----	66
2. Corporate Bonds-----	71
3. Preferred Shares-----	72
4. Issuance of global depositary receipts (GDR)-----	73
5. Employee stock warrants, new restricted employee shares-----	74
6. Issuance of new shares due to acquisition of shares of another company-----	74
7. Implementation of fund usage plan status-----	74
V. Business Overview of the Company and Its Subsidiaries-----	74
1. Business content -----	74
2. Market, production/sale overview -----	81
3. Data of Employees -----	92
4. Disbursements for environmental protection-----	93
5. Labor-management relations -----	95
6. Important agreements between parent company and subsidiaries -----	96
VI. Financial Summary of the Company and the Subsidiaries -----	100
1. Concise Balance Sheet and Comprehensive Income Statement for the last 5 years -----	100
2. Financial analysis of the last 5 years-----	104
3. Supervisor's Review Report on the Financial Statement of the last year-----	110

3.1 Supervisor's Review Report on the Financial Statement of the last year –Consolidated ---	111
4. Financial Statement of the last year-----	112
5. Individual Financial Statement audited by the CPA in the last year-----	112
6. The impact of trouble in financial turnover occurring in the Company and its subsidiaries in the last year and until the date of issuing the annual report on the financial status of the Company-----	112

VII. Review analysis and risk evaluation on the financial status and financial performance of the Company and its subsidiaries-----113

1. Financial status-----	113
2. Financial performance-----	115
3. Cash flow-----	117
4. The impact of major capital expenditure in the last year on the financial business-----	118
5. Re-investment policy, major reason for profit/loss of the last year, improvement plan and the investment plant of the next year -----	118
6. Risk items, and the related analysis and evaluation-----	118
7. Other important matters-----	121

VIII.Special Records -----122

1. Data of affiliates -----	122
2. Handling of private securities in the last year and until the date of issuing the annual report -----	129
3. The Company's shares held or sold by the subsidiary in the last year and until the date of issuing the annual report -----	129
4. Other supplementary notes -----	129

Event occurring in the last year and until the date of issuing the annual report that shows material influence on the shareholder equity or price of securities according to subparagraph 3-2, Article 36 of Securities and Exchange Act.

I. Letter to shareholders

In 2016, stimulated by the EQ measures and extra-low interest rate operated by central banks for many years, also with the launch of positive fiscal policy, enhance of the governments expenditure, the global economy has been improved. The main economies have got rid of the recession and deflation step by step, and turned to recovery. Especially in the United States, its economy performance is the most prominent one. Its consumption, investments, manufacture and constructions have all shown a steady improvement. The unemployment rate fell to an unprecedented low, prices also rose slightly to the target area. Although the recovery is not as strong as expected, in general, it can still maintain a steady pace of growth. The recovery pace in Japan and Europe is relatively slow. But the price has gradually turned to positive development, continuous deflation threat has been relieved, the economic recovery of the optimistic signal should gradually appear. China's economy is still suffering from excessive investment, lack of private consumption, difficult suppress on real estate speculation and corporate debt crisis, which resulted in slower growth than in previous years. It was forced to carry out the so-called economic restructuring reform.

Generally speaking, compared with the year before last, the global economy performance last year has made significant progress, which brought improving signs to the foreign trade-oriented Taiwan economy in export and the industrial production figures. However, in domestic demand, due to the impact of the policy of one fixed day off and one flexible rest day, and turnmoil pension reform, together with the frozen cross-straits relation, the significant decrease of mainland tourists, private consumption is still very depressive. On the other hand, with the difficulty of economy transformation, lack of the main public investment plan, low intention of private investment, especially as the economic locomotive, the construction industry was depressed by the policies against real estates speculations and heavy tax, the last year's overall domestic economic performance has no sign to recover.

Last year, the global iron and steel industry was bust due to the slow-down of Chinese economy growth and production overcapacity. In domestic market, due to the turndown of construction industry and sluggishness of investment, the steel demand is still shrinking sharply, price for steel is weak and the overall industry bust, most of the industry was in a low profits or no profit tragedy dilemma. The mainland strictly promoted the removal of ineffective capacity policy. Although the effect has been achieved, but the steel production was still too much, and continued to grow. The control of the overcapacity of steel production will not be effective in a few years.

In such a difficult business environment, last year the Company's revenue continued to decline, but due to prudent procurement, appropriate cost control in production, and profit improvement in the investment division, the annual profit grew better against the previous year. At such a difficult circumstance, it is not easy to keep the stable profit in the iron and steel industry. But the Company did it. Here is the the Company's 2016 Consolidated Business Overview and Results:

1. Implementation of production and sale plan

Unit : NT\$Thousand

	Production			Sale		
	2016	2015	Growth Rate	2016	2015	Growth Rate
Steel Billets	17,310,382	19,181,426	-9.75%	2,352,827	9,376	24,994.43%
Rebar	7,825,836	11,978,590	-34.67%	9,105,280	14,259,333	-36.15%
H-Beam Products	7,353,300	8,352,122	-11.96%	8,828,166	9,347,021	-5.55%
Steel Plate (Self manufacture)	537,007	772,916	-30.52%	223,691	136,369	64.03%
Steel Plate (Trading)	0	0	0%	95,819	230,810	-58.49%
Channel Steel	580,315	676,876	-14.27%	645,168	656,910	-1.79%
I Steel	42,074	55,885	-24.71%	58,953	62,391	-5.51%
Steel Structure	3,864,360	6,013,535	-35.74%	3,522,218	6,022,738	-41.52%
Steel Trading	0	0	0%	41,377	93,332	-55.67%
Environmental Treatment	225,483	256,376	-12.05%	261,495	230,837	13.28%
Steel Sheet Pile	590	6,359	-90.72%	1,057	2,316	-54.35%
Wind Power	26,278	0	100%	26,278	0	100%
Others	4,934	5,058	-2.45%	47,229	1,979	2,286.49%
Total	37,770,559	47,299,143	-20.15%	25,209,558	31,053,412	-18.82%

2. Comparison of Profitability

Unit: NT\$Thousand

	2016	2015	Growth Rate
Operating Income	25,209,558	31,053,412	-18.82%
Operating Cost	22,239,296	28,019,608	-20.63%
Operating Gross Margin	2,970,262	3,033,804	-2.09%
Operating Expenses	1,478,605	1,522,667	-2.89%
Operating Net Profit	1,491,657	1,511,137	-1.29%
Net Profit before Tax	1,682,230	1,514,656	11.06%
Net Profit after Tax	1,479,564	1,245,679	18.78%

3. Analysis of financial structure and profitability

Analysis Items		Year	2016	2015
Financial Structure(%)	Debt to asset ratio (%)		35.65	36.04
	Long-term capital to fixed assets ratio		156.47	171.61
Profitability	Return on assets(%)		4.28	3.58
	Shareholders' return on equity(%)		6.35	5.39
	To paid-up capital	Operating Income	14.94	15.14

	ratios (%)	Net Profit before Tax	16.85	15.17
	Rate of Return%		5.87	4.01
	Earnings per share (NT\$)		1.49	1.27

4. The status of technology, research and development

In 2016 the Company's Research and Development expenses was NT\$37,421,093, reaching 0.15% of the revenue. Major R&D results in steel making included Developments of high strength steel billet for reinforced steel, super strength steel, restored melted slag processing, and furnace material recycle technology. Major R&D results in rolled steel included developments of high-strength threaded rebar, high-strength threaded rebar coupler, U-shaped steel sheet piles, induction heating process of steel billets, ultra-thick H-shaped steel and various shaped steels with distinct specifications. All of these diversified our products, enhanced our technical capability, and increased the Company's revenue and profit. The main R&D plans for 2017 are: the special research project on the off-gas inspections of electric furnace and the dynamic control of furnace burners and sprayed carbon room, the development of high clarity and high durability steel billets, the R&D of superhigh-strength aseismatic rebar with low power consumption and direct rolling process, steel billets welding continuous rebar rolling technology development, tandem reciprocating universal rolling machine for round-shaped rolling technology development, the development of low-alloy ultra-strength steel plate and restored melted slag recycle process, etc.

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

In 2017, the EU, the US, and Japan are expected to continue their economy recoveries. President Trump of the US will issue plans on tax deduction and infrastructure expansion, which can further stimulate the strong growth on American economy and drives the growth of global economy and Taiwan's export and a significant economic recovery. Moreover, the economy of Mainland China has appeared revival signs. Steel overcapacity has been effectively controlled. All of these will contribute to the increase of steel prices and the recovery of iron and steel markets. In domestic market, after several years the housing price downward adjustment has come to an end. Taiwan's construction market can be recovered to the normal growth. With the promotion of the government's prospective infrastructure plan, the demand for steel will be rapidly increased, which drives the market recovery of Taiwan's iron and steel industry. With the improvement of economy environmental conditions home and abroad, all of the employees of the Company should grasp the opportunity, strongly believe the consistent optimission and continuous improvement, try to strengthen the competitiveness, reduce the production cost, improve the internal control, devote to develop the new markets and new products, to improve the performance and create the maximum value of the shareholders, never live up to the shareholders' expectation.

Lastly, I would like to wish all our shareholders

health and prosperity

Chairman: Henry C.T.Ho

II. Company Profile

1. Date of incorporation

May 30, 1962

2. Company History

May 1962	Founded by Mr. Chin-Tui Ho in Chiayi County Taiwan Province, paid-in capital NT\$4,500,000, engaged in ship disintegration, trading of old ships, metal iron and mechanical materials
May 1965	Purchased reclaimed land in Kaohsiung Harbor and built Qianzhen Rolled Steel Works
Sep 1974	Purchased industrial land in Linhai Industrial Park Xiaogang District Kaohsiung, constructed the office building and steel making works
Jan 1975	The Board of Directors recommended Mr. Cheng-Ting Ho as the Chairman, Mr. Chen-Hsiung Ho as the General Manager
Sep 1977	Set up the first continuous casting machine at Kaohsiung works in Taiwan
Jun 1986	Purchased Bade works in Taoyuan with 2 50-ton arc furnances and ceased the transations of ship disintegration in the same year
Jul 1988	Arc furnance at Bade Works (Taoyuan) was set up to produce, the Company's stock was list in Category I
Apr 1990	The Board of Directors recommended Mr. Chen-Hsiung Ho as the Chairman, concurrent as the General Manager, Mr. Cheng-Ting Ho as the Honorary Chairman
Jan 1991	Set up Miaoli Works approved by Department of Reconstruction Taiwan Province Government
Nov. 1993	Held the H-Beam Products Presentation
Jan 1996	Honored as the 3 rd Atomic Safety Special Award for Groups by the Atomic Energy Council of Executive Yuan
May 1996	Expansion project for Kaohsiung steel works officially began
Mar 2007	Kaohsiung Works obtained OHSAS 18001 by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs and TOSHMS(Taiwan Occupational Safe and Health Management System), approved to log in
Jul 2009	Miaoli Works Works obtained OHSAS 18001 by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs and TOSHMS(Taiwan Occupational Safe and Health Management System), approved to log in
Oct 2009	The Board of Directors appointed Mr. Teng-Chieh Ho to the General Manager
Jun 2010	Taoyuan Works construction completed
Jul 2010	Taoyuan Works steel mill succeeded in the hot test of directly rolling steel system

	and put it into manufacture, which became the first steel works in Taiwan without heating furnace, with hot billet direct rolling process
Nov 2011	Maoli Works steel and steel plate products' carbon footprint obtained BV(Company)'s Certification Statement
May 2012	Held product presentation for deformed rebar and rebar coupler Established Tung Ho Steel Foundation
Aug 2012	Taoyuan Works obtained OHSAS 18001 by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs and was approved by Occupational Safety and Health Management System to log in
Sep 2013	Taoyuan Works and Miaoli Works obtained Made in Taiwan Smile MIT logo authorized by the Ministry of Economic Affairs
Jun 2014	The Board of Directors appointed Mr. Chieh-Teng Ho to the Chairman and General Manager, and sincerely invited Mr. Chen-Hsiung Ho to the honorary chairman
Nov 2014	Kaohsiung Works steel, rebar and total five products' carbon footprint obtained BV(Company)'s Certification Statement and "Glass Award" by the Industrial Technology Research Institute, which became the first steel works who obtained the carbon footprint in Taiwan rebar industry
Dec 2014	Taoyuan Works obtained TOSHMS by Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs and was approved to log in
Jun 2015	Held steel sheet pile product presentation
Jul 2015	Was invited to take participate in the flag presentation ceremony for energy conversation taskforces in 2015 by Bureau of Energy, Ministry of Economic Affairs
Sep 2015	Taoyuan Works total five products including rebar's carbon footprint obtained BV (Company)'s Certification Statement
Jan 2016	Invested and acquired Vietnam Fuco Steel Company and establish the rolling mill expansion committee
Aug 2016	Tung Kang Wind Power Corp obtained the 25-year business electrical license by Bureau of Energy, Ministry of Economic Affairs and began to wholesell the electricity force.
Sep 2016	Miaoli Works and Kaohsiung Works' H-Beam Products have been ceticated by KS (Korean Industrial Standards)
Sep 2016	Vietnam Fuco Steel Company was renamed as Tung Ho Steel Vietnam Corporation Limited, abbr. THSVC.
Oct 2016	Was awarded the 17th National Standardization Prize(Positive character Promotion

CNS trademark certification) by the Bureau of Standards, Metrology and Inspection (BSMI) of the Ministry of Economic Affairs

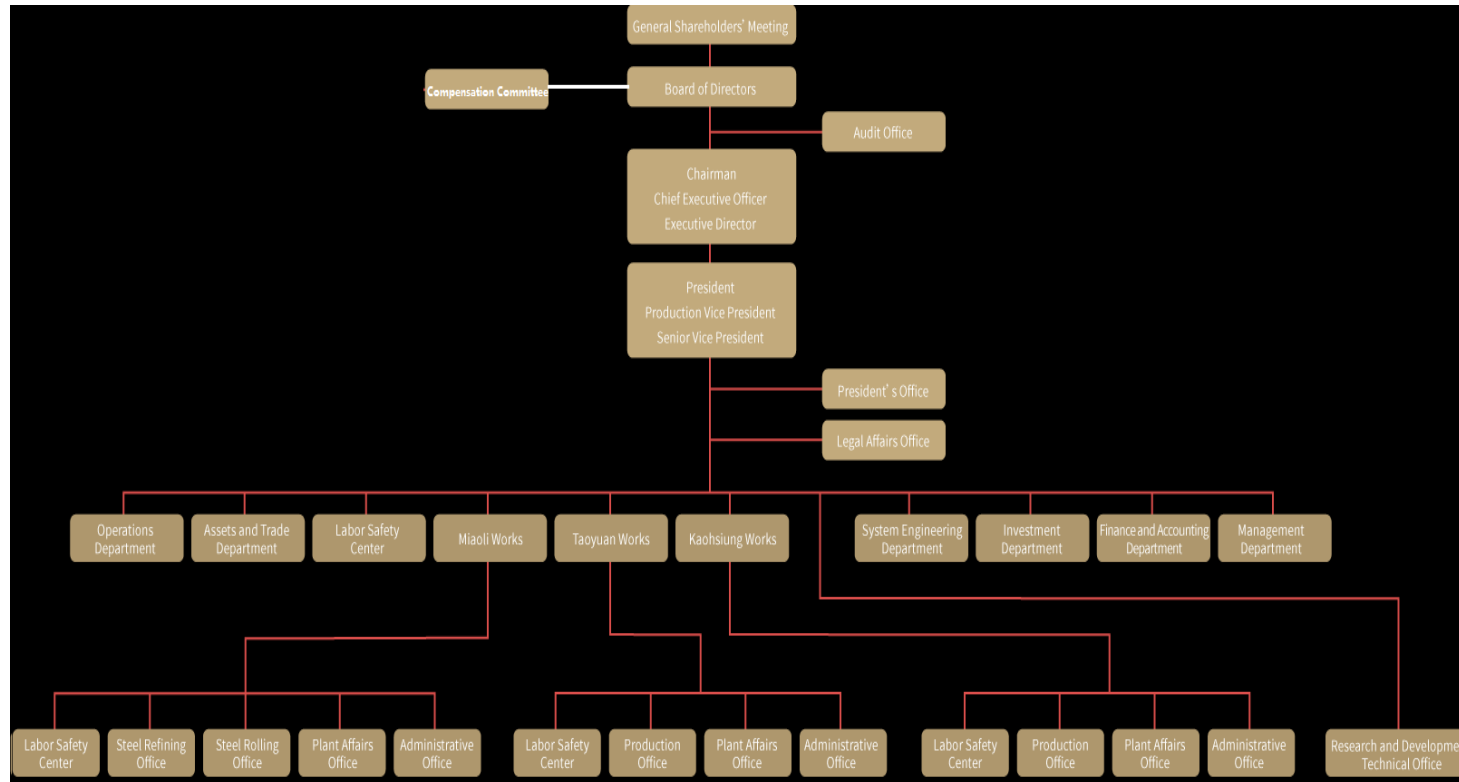
Nov 2016 Was honored 2016 TCSA, Taiwan Corporation Sustainable Award, Corporate Sustainability Report (Traditional Manuafacture Industry) Silver Award

To the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, including information on the following: merger and acquisition activities; corporate reorganization; instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity, the Company and its subsidiaries shall further explain how the above matters will affect the company: None.

III. Corporate Governance Report

1. Organizational system

A. Organizational Chart



B. Tasks of the Company principal divisions.

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

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

(1) Information on the company's directors, supervisors

Date:04/18/2017

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Institutional Director	Taiwan	Shen Yuan Investment Co., Ltd	Not Applicable	2014.06.18	3years	1988.08.18	120,199,779	12.04%	120,199,779	12.04%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None
Chairman	Taiwan	Shen Yuan Investment Co., Ltd Representative: Henry C.T. Ho	Male	2014.06.18	3Years	2002.06.27	142,426	0.01%	142,426	0.01%	98,000	0.01%	0	0%	Graduated from Department of Economics, Harvard University	General manager of Tung Ho Steel Enterprise Corporation Director of Tung Kang Steel Structure Co., Ltd. Chairman of Far East Steel Enterprise Co., Ltd. Director of Katec Creative Resources Corp. Director of Katec R&D Corporation Chairman of Tung Kang Wind Power Corp. Director of Tung Kang Engineering & Construction Co., Ltd. Director of Fata Xingye Co. Ltd. Director of Taiwan High Speed Rail Inc. Director of Hexawave Inc. Supervisor of Delta Design Corp.	Vice Chairman Director	Shu-Chau Wang Ho	Mother/Son Brothers

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
																Director of Tung Ho Steel Vietnam Corp. Ltd. Director of Goldham Development Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Fujian Sino-Japan Metal Corp.			
Vice Chairman	R.O.C.	Shen Yuan Investment Co., Ltd Representative: Shu-Chau Wang Ho	Female	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 Education Dept of Utah State University	Chief Executive Officer of Tung Ho Steel Enterprise Corp. Chairman of Tung Kang Steel Structure Co., Ltd. Director of of Far East Steel Enterprise Co., Ltd. Director of Tung Kang Wind Power Corp. Chairman of Delta Design Corp. Director of Shen Yuan Investment Co., Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman of Shang Fu Industrial Inc. Director of Goldham Development Ltd. Director of Tung Yuan International Corp.	Chairman Director	Henry C.T. Ho George Y. S. Ho	Mother/Son Mother/Son
Director	R.O.C.	Shen Yuan Investment Co., Ltd	Male	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	Supervisor of Shen Yuan Investment Director of Wan Nian Department Stores Co., Ltd.	Chairman ViceChairman	Henry C.T. Ho Shu-Chau Wang Ho	Brothers Mother/Son

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
		Representative: George Y. S. Ho													and Visual Arts, Harvard University, USA				
Director	R.O.C.	Shen Yuan Investment Co., Ltd Representative: Hui-Ming Wu	Male	2014.06.18	3Years	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
Institutional Director	Taiwan	Episil Holding Incorporation	Not Applicable	2014.06.18	3Years	2014.06.18	5,055,649	0.51%	5,055,649	0.51%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None
Director	R.O.C.	Episil Holding Incorporation: Chih-Ming Huang	Male	2014.06.18	3years	1988.08.18	4,591,397	0.46%	4,591,397	0.46%	0	0%	0	0%	MBA, Graduated from California State University,	Director of Chi-te Technology Inc. Chairman of Episil Holding Incorporation Supervisor of Far East Steel Inc.	None	None	None
Institutional Director	Taiwan	Liang Cheng Investment Co., Ltd.	Not Applicable	2014.06.18	3Years	2014.06.18	11,185,973	1.12%	11,185,973	1.12%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Director	R.O.C.	Liang Cheng Investment Co., Ltd Representative: Pao-He Chen	Male	2014.06.18	3Years	77.08.18	4,533,205	0.45%	4,533,205	0.45%	173,689	0.02%	0	0%	MBA, Canada Royal University	Chairman of He-Cheng Investment Inc. Chairman of Chi-cheng Investment Inc. Chairman of Jian-qing Investment Inc. Chairman of Liang Cheng Investment Co., Ltd. Chairman of Fu Bao Jiu Industrial Co., Ltd. Chairman of Ching Beauty Biology Co., Ltd.	None	None	None
Director	R.O.C.	Yen-Liang Ho	Male	2014.06.18	3Years	1999.05.23	361,670	0.04%	361,670	0.04%	0	0%	0	0%	Graduated from the Dept. of Business Management, the University of Southern California, USA	Chairman of Hao-Han Investment Co., Ltd. Chairman of Enzen GS Chemical Co., Ltd.	None	None	None
Independent Director	R.O.C.	I-Chi Liu	Male	2014.06.18	3Years	2014.06.18	0	0%	0	0%	0	0%	0	0%	Master Degree Graduated the Dept. of Accounting, College of UCCU	Supervisor of Tah Tong Textile Co., Ltd.	None	None	None
Independent Director	R.O.C.	Chuang-Hsi Chang	Male	2014.06.18	3Years	2014.06.18	6,685	0%	6,685	0%	6,685	0%	0	0%	PhD in Law and political science at the Pantheon-As	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Selected Education, Past Positions	Current Positions at The Company and Other Companies	Spouse or second-degree relative holding a position as manager, director or supervisor		
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
															s as University				
Supervisor	Taiwan	He Zhao Investment Co., Ltd.	Not Applicable	103.06.18	3Years	100.06.24	5,100,887	0.51%	30,700,887	3.08%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None
Supervisor	R.O.C.	He Zhao Investment Co., Ltd. Representative: Yuan-Yu Ke	Male	2014.06.18	3Years	2011.06.24	0	0%	0	0%	0	0%	0	0%	Graduated from Department of Accounting, National Cheng Kung University	Supervisor of Ezconn Corporation	None	None	None
Supervisor	Taiwan	Taiwan Zhi Di Co. Ltd	Not Applicable	2014.06.18	3Years	103.06.18	65,000	0.01%	65,000	0.01%	Not Applicable	Not Applicable	0	0%	Not Applicable	Not Applicable	None	None	None
Supervisor	R.O.C.	Taiwan Zhi Di Co. Ltd. Representative : Chao-He Lin	Male	2014.06.18	3Years	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:Major shareholders of the institutional shareholders

03/31/2017

Name of institutional shareholder	Major Shareholders of Institutional Shareholders
Shen Yuan Investment Co., Ltd.	Shu-Chau Wang Ho78.92%
Episil Holding Incorporation	Chih-Ming Huang25% 、 Mei-Chu Cheng 25%
Liang Cheng Investment Co., Ltd.	British Virgin Island JUSTIN investment management 100%
He Zhao Investment Co., Ltd.	Shu-Chau Wang Ho99.998%
Taiwan Zhi Di Co. Ltd.	Sheng-Yu Chen 52% 、 Shu-Chen Ho 46%

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

03/31/2017

Name of Institutional Shareholders	Major Shareholders
Not Applicable	None

Information of Directors and Supervisors

12/31/2016

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

Name \ Condition	Condition	Has at least 5 years of work experience and meet one of the following professional qualifications			Meeting the independence requirement (Note 1)										Number of companies the person serves as an independent director
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private College or University	Certified judge, prosecutor, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Supervisor : He Zhao Investment Co., Ltd. Representative : Yuan-Yu Ke			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Supervisor : Taiwan Zhi Di Co. Ltd Representative : Chao-He 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 tick in the corresponding boxes.

1. Not an employee of the company or its affiliates.
2. Not a director or supervisor of any affiliated company (except for independent director of the parent company or subsidiary in accordance with the securities and exchange law or the local legislation).
3. Shareholders holding more than 1% of the total issued shares of the company under another name except him/herself, his/her spouse or children (minor). Those holding such amount of shares on behalf of others; or the top 10 natural person shareholders.
4. Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, or any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that owns more than 5% of the company's outstanding shares, and is not a director, supervisor, or employee of any of the top five corporate shareholders.
6. Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have a financial or business relationship with the company.
7. Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. Excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
8. Not a spouse or relative of second degree or closer to any other directors.
9. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.
10. Not an elect in the name of a government, institution, or its representative as defined in Article 27 of the Company Law.

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

04/18/2017

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

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
General Manager	R.O.C.	Henry C. T. Ho	Male	2009.10.16	142,426	0.01%	98,000	0.01%	0	0%	Graduated from Department of Economics, Harvard University	Director of Tung Kang Steel Structure Co., Ltd. Chairman of Far East Steel Enterprise Co., Ltd. Director of Katec Creative Resources Corp. Director of Katec R&D Corporation Chairman of Tung Kang Wind Power Corp. Director of Tung Kang Engineering & Construction Co., Ltd. Director of Fata Xingye Co. Ltd. Director of Taiwan High Speed Rail Inc. Chairman of Hexawave Inc. Supervisor of Delta Design Corp. Director of Tung Ho Steel Vietnam Corp. Ltd. Director of Goldham Development Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Fujian Sino-Japan Metal Corp.	Chief Executive Officer	Shu-Chau Wang Ho	Mother/Son

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
Vice General Manager of Operations Department	R.O.C.	Fu-Jin Chen (Note 1)	Male	2017.01.01	589	0%	0	0%	60,000	0.01%	Graduated from Kaohsiung Municipal Kaohsiung Industrial High School	Chairman of Katec Creative Resources Corp.	None	None	None
Vice General Manager of Operations Department	R.O.C.	Kuan-Ren Gu	Male	98.10.16	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.	Bing-Hua Huang	Male	98.10.16	6,444	0%	642	0%	135,000	0.01%	Master degree from Material Development Institute of National Cheng Kung University	Director of Tung Kang Engineering & Construction Co., Ltd. Chairman of Fata Xingye Co. Ltd. Chairman of Tung Ho Steel General Manager of Tung Kang Steel Structure Co., Ltd. Director of Tung Kang Steel Structure Co., Ltd. Director of Dongjing Investment Co., Ltd. Director of Li-Yu Venture Capital	None	None	None

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
												Inc. Director of Tung Ho Steel Foundation			
Vice General Manager of Assets and Trade Department	R.O.C.	Qi-Xie Lin	Male	2009.10.16	21,799	0%	0	0%	0	0%	Graduated from Department of Materials Science and Engineering, Tsinghua University	Chairman of Fujian Sino-Japan Metal Corp. Director of 3 Oceans International Inc. Director of Xiaogang Warehousing Inc. Director of Chien Shing Harbour Service Co.,Ltd. Director of Tung Ho Steel Vietnam Corp. Ltd. Director of Tung Ho Steel Foundation	None	None	None
Vice General Manager, Financial Department	R.O.C.	Bo-Xun Dong	Male	2014.07.10	23,381	0%	0	0%	100,000	0.01%	Graduated from the Department of Economics at National Taiwan University Master's degree in Business Management from the	Supervisor of Hexawave Inc. Director of Tung Kang Engineering & Construction Co., Ltd. Tung Yuan International Corp. Director of Goldham Development Ltd.	None	None	None

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
											Business Institute, National Chengchi University				
Assistant manager of the general manager's office	R.O.C.	Chang-Hong Li	Male	2011.10.01	3,137	0%	0	0%	0	0%	Master's degree from Institute of Management Science, Chiao Tung University	None	None	None	None
Assistant Manager of Operations Department	R.O.C.	Ru-Yin Fan	Female	2009.11.01	0	0%	0	0%	0	0%	International Trade Major, International Business Professional School	None	None	None	None
Assistant Manager of Operations Department	R.O.C.	Zheng-Bin Qiu	Male	2010.06.01	5,027	0%	0	0%	0	0%	Mechanical Engineering Major, United Engineering Professional School	Chairman of Fujian Tung KangSteel Co., Ltd. General Manager of Fujian Tung KangSteel Co., Ltd.	None	None	None

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
Assistant manager of the investment department	R.O.C.	Zhen-Yuan Chen	Male	2009.11.01	0	0%	0	0%	0	0%	Graduated from Department of International Trade, Feng Chia University	Chairman of DUCHOA International Joint Stock Company	None	None	None
Assistant manager of the investment department	R.O.C.	De-Xiu Chen	Male	2010.11.16	56,911	0.01%	0	0%	0	0%	Master's degree in Information, New Jersey Institute of Technology	General Manager of Tung Ho Steel Vietnam Corp. Ltd.	None	None	None
Assistant manager of the investment department	R.O.C.	Hsiu-Chih Chen	Male	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	Supervisor of ung Kang Engineering & Construction Co., Ltd. Supervisor of Fata Xingye Co. Ltd. Supevisor of Fujian Tung Kang Steel Co., Ltd Supervisor of Fujian Sino-Japan Metal Corp. Director of Katec Creative Resources Corp. Director of Tung Kang Wind Power Corp. Director, BySources Investment	None	None	None

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
											Taiwan University	Inc. Director, Li-Shi Venture Capital Inc.			
Assistant Manager of Assets and Trade Department	R.O.C.	Jun-Sheng Jian	Male	2009.11.01	870	0%	0	0%	0	0%	Master of College of Technology Management, TsingHua University Graduated with a Industrial Engineering Major, Taipei Engineering Professional School	Vice General Manager of Tung Ho Steel Vietnam Corp. Ltd. Director of Tung Ho Steel Foundation	None	None	None
Assistant manager of the management Department	R.O.C.	Ru-Yu He	Female	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 of Tung Kang Wind Power Corp.	None	None	None

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
Assistant manager of the systems engineering department	R.O.C.	Zhe-Chong Lin	Male	2005.05.01	9,822	0%	0	0%	0	0%	Master degree in Information Management from Institute of Management, National Sun Yat-sen University	Director of Han-Jing Optoelectronics Inc. Director of Hexawave Inc.	None	None	None
Manager of Work Safety Center	R.O.C.	Yi-Lin Wang	Male	2008.12.01	15,444	0%	6,242	0%	0	0%	Graduated from Department of Economics, Tamkang University	None	None	None	None
Manager of Legal Affairs Office	R.O.C.	Jun-Xian Zhao	Male	2012.09.01	4,318	0%	0	0%	0	0%	Graduated from Department of Law, Chinese Culture University	None	None	None	None
Assistant Deputy Manager, Auditing	R.O.C.	Yi-Ru Chen	Female	2011.10.01	0	0%	0	0%	0	0%	Graduated from Department of Statistics,	None	None	None	None

Title	Nationality	Name	Gender	Elected Date	Shareholding		Currently holding shares of spouses and minor children		Holding shares in the name of others		Main experience (education background)	Concurrent positions at other companies	Spouse or second-degree relative holding a position as manager		
					Number	%	Number	%	Number	%			Title	Name	Relation
Office											Feng Chia University				
Taoyuan Works director	R.O.C.	Yi-Zhi Xu (Note2)	Male	2017.01.01	307	0%	0	0%	0	0%	EMBA National Tsing Hua University Master Degree from Material Institute of ChengKung University	Director of Taiwan Steel United Inc.	None	None	None
Miaoli Works director	R.O.C.	Ming-Zong Liu	Male	2008.09.01	3,112	0%	0	0%	0	0%	Master's in Materials Science and Engineering, National Taiwan University	Director of Taiwan Steel United Inc. Director of Fujian Sino-Japan Metal Corp. Director of DUCHOA International Joint Stock Company	None	None	None
Kaohsiung Works director	R.O.C.	Zong-Yu Wang	Male	2011.07.01	37	0%	0	0%	0	0%	Master's degree in Financial Management, National Sun Yat-sen University	None	None	None	None

Note1: Mr. Fu-Jin Chen was promoted to the Vice General Manager of production department on 1/1/2017.

Note2: Mr. Yi-Zhi Xu was promoted to Taoyuan Works' Director.

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

(1) Remunerations of Directors (including independent directors)

12/31/2016

Title	Name	Compensation of Directors								Total Remuneration (A+B+C+D) as a % of Net Income		Remuneration received as the Company's employee								Total Remuneration (A+B+C+D+E+F+G) as a % of Net Income		Whether or not remuneration of investees were received from outside the subsidiaries
		Remunerations (A)		Pension (B)		Directors' remuneration (C)		Business execution expenses (D)				Salaries, bonuses, and special allowances (E)		Pension (F)		Employee remuneration (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report			
Chairman	Shen Yuan Investment Co., Ltd.Representative : Henry C. T. Ho	2,400,000	2,400,000	0	0	7,479,620	7,479,620	40,000	40,000	0.67%	0.67%	7,803,096	7,803,096	320,576	320,576	364,405	0	364,405	0	1.24%	1.24%	None
Vice Chairman	Shen Yuan Investment Co., Ltd.Representative : Shu-Chau	1,800,000	1,800,000	0	0	7,479,621	7,479,621	40,000	40,000	0.63%	0.63%	8,833,227	10,393,227	344,096	344,096	413,658	0	413,658	0	1.27%	1.38%	None

	Wang Ho																						
Dire ctor	Shen Yuan Investment Co., Ltd.Represe ntative : George Y. S. Ho	360, 000	360, 000	0	0	7,47 9,62 1	7,479, 621	35,0 00	35,0 00	0.53%	0.53%	0	0	0	0	0	0	0	0	0	0.53	0.53	None
Dire ctor	Shen Yuan Investment Co., Ltd.Represe ntative : Hui-Ming Wu	360, 000	360, 000	0	0	7,47 9,62 0	7,479, 620	40,0 00	40,0 00	0.53%	0.53%	0	0	0	0	0	0	0	0	0	0.53	0.53	None
Dire ctor	Episil Holding Incorporatio n Representati ve : Chih-Ming Huang	360, 000	360, 000	0	0	1,25 8,38 3	1,258, 383	40,0 00	40,0 00	0.11%	0.11%	0	0	0	0	0	0	0	0	0	0.11	0.11	None
Dire ctor	Liang Cheng Investment Co., Ltd.Represe ntative : Pao-He Chen	360, 000	360, 000	0	0	2,78 4,25 9	2,784 ,259	35,0 00	35,0 00	0.21%	0.21%	0	0	0	0	0	0	0	0	0	0.21	0.21	None
Dire ctor	Yen-Liang Ho	360, 000	360, 000	0	0	90,0 22	90,022	35,0 00	35,0 00	0.03%	0.03%	0	0	0	0	0	0	0	0	0	0.03	0.03	None

Inde pen dent Dire ctor	I-Chi Liu	840, 000	840, 000	0	0	0	0	35,0 00	35,0 00	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06	0.06	None
Inde pen dent Dire ctor	Chuang-Hsi Chang	840, 000	840, 000	0	0	0	0	40,0 00	40,0 00	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06	0.06	None
Note: Remuneration paid to the driver of the Chairman in 2016 was NT\$677, 369; remuneration paid to the driver of the Vicechairman in 2016 was NT\$639,354.																						

(2) Remuneration Paid to Supervisors

12/31/2016

Title	Name	Supervisor's Remuneration						The total ratio of net income amount accounted by A, B, and C		Whether or not remuneration of investees were received from outside the subsidiaries
		Remuneration (A)		Compensation(B)		Business execution expenses (C)				
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	
Supervisor	He Zhao Investment Co., Ltd.Representative : Yuan-Yu Ke	600,000	600,000	1,269,643	1,269,643	40,000	40,000	0.13%	0.13%	None
Supervisor	Taiwan Zhi Di Co. LtdRepresentative : Chao-He Lin	600,000	600,000	16,179	16,179	40,000	40,000	0.04%	0.04%	None

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

12/31/2016

12/31/2018

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances, etc. (C)		Employee remuneration (D)				Total Remuneration (A+B+C+D) as a % of Net Income		Total Remuneration (A+B+C+D) as a % of Net Income
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash Amount	Share Value	Cash Amount	Share Value			
Chief Executive Officer	Shu-Chau Wang Ho	19,036,706	20,596,706	1,332,572	1,332,572	12,922,949	12,922,949	1,505,613	0	1,505,613	0	2.34%	2.46%	None
General Manager	Henry C. T. Ho													

Vice General Manager	Kuan-Ren Gu													
Vice General Manager	Bing-Hua Huang													
Vice General Manager	Bo-Xun Dong													
Vice General Manager	Qi-Xie Lin													
Vice General Manager of Operations Department	Fu-Jin Chen(Not e)													

Note: Mr. Fu-Jin Chen was promoted to Vice General Manager of Operations Department on 1/1/2017, no remuneration for Vice General Manager in 2016.

Remuneration Scale Table

Levels of remuneration paid to General Manager and Vice General Manager	Name of General Manager and Vice General Manager	
	The Company	All companies in the financial report
Less than NT\$2,000,000	None	None
NT\$2,000,000 (inclusive)~NT\$5,000,000(exclusive)	Kuan-Ren Gu 、Bing-Hua Huang 、Bo-Xun Dong 、Qi-Xie Lin	Kuan-Ren Gu 、Bing-Hua Huang 、Bo-Xun Dong 、Qi-Xie Lin
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Shu-Chau Wang Ho 、Henry C. T. Ho	Henry C. T. Ho
NT\$10,000,000 (inclusive)~NT\$15,000,000(exclusive)	None	Shu-Chau Wang Ho
NT\$15,000,000 (inclusive)~NT\$30,000,000(exclusive)	None	None
NT\$30,000,000 (inclusive)~NT\$50,000,000(exclusive)	None	None
NT\$50,000,000 (inclusive)~NT\$100,000,000(exclusive)	None	None
Over NT\$100,000,000	None	None
Total	6	6

(4) Manager's name and the distributi on of employee bonus

12/31/2016

	Title	Name	Stock Value	Cash Amount	Total	Ratio (%) accounted to the Total Net Income After Tax %
Manager	Chief Executive Officer	Shu-Chau Wang Ho	0	3,043,654	3,043,654	0.21%
	General Manager	Henry C. T. Ho				
	ViceGeneral Manager	Kuan-Ren Gu				
	ViceGeneral Manager	Bing-Hua Huang				
	ViceGeneral Manager	Bo-Xun Dong				
	ViceGeneral Manager	Qi-Xie Lin				
	ViceGeneral Operation Manager	Fu-Jin Chen(Note)				
	Assistant Manager	Chang-Hong Li				
	Assistant Manager	Ru-Yin Fan				
	Assistant Manager	Zheng-Bin Qiu				
	Assistant Manager	Zhen-Yuan Chen				
	Assistant Manager	De-Xiu Chen				
	Assistant Manager	Hsiu-Chih Chen				
	Assistant Manager	Jun-Sheng Jian				
	Assistant Manager	Ru-Yu He				
	Assistant Manager	Zhe-Chong Lin				
	Works Director	Ming-Zong Liu				
	Works Director	Zong-Yu Wang				

Notes: Mr. Fu-Jin Chen was promoted to the Vice General Manager of Operation Department.

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

Title	2015 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	2016 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
Director	6.98%	5.46%
Supervisor		
General Manager, ViceGeneral Manager		

- i. The remuneration of the Company's 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.
- ii. 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.

4. Corporate Governance Practices

(1) Board of Directors Operation Status

In the last year, board meetings were held 8 (A) times. The directors and supervisors' attendance status is as follows:

Title	Name	Number of actual attendee (B)	By Proxy	Actual attendance (participation) rate (%) 【B/A】	Note
Chairman	Shen Yuan Investment Co., Ltd. Representative : Henry C. T. Ho	8	0	100%	None
ViceChairman	Shen Yuan Investment Co., Ltd. Representative : Shu-Chau Wang Ho	8	0	100%	None
Director	Shen Yuan Investment Co., Ltd. Representative : George Y. S. Ho	7	0	87.50%	None
Director	Shen Yuan Investment Co., Ltd. Representative : Hui-Ming Wu	8	0	100%	None
Director	Episil Holding Incorporation Representative : Chih-Ming Huang	8	0	100%	None
Director	Liang Cheng Investment Co., Ltd. Representative : Pao-He Chen	7	0	87.50%	None
Director	Yen-Liang Ho	7	0	87.50%	None
Independent Director	I-Chi Liu	7	1	87.50%	None
Independent Director	Chuang-Hsi Chang	8	0	100%	None
Supervisor	He Zhao Investment Co., Ltd. Representative : Yuan-Yu Ke	8	0	100%	None
Supervisor	Taiwan Zhi Di Co. Ltd Representative : Chao-He Lin	8	0	100%	None

Other matters that should be recorded:

- During operations of the Board of Directors, the meeting date, period, content, qualified opinion and resolution made by any independent director should be specified if it is according to any of the following situations:
 - Resolutions stated in Securities and Exchange Act §14-3: None
 - Except for the matters stated above, other resolutions by the Board of Directors opposite or reserved by the independent directors that are recorded or stated in paper : None
- he 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.
- Project of 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.Strengthening the function of the Board of the Directors this year and in the most recent year like establishment of Auditing Committee, Improvement of Information Transparency and assessment of implementation: Accordance with the establishment of the Auditing Committee in 2017, the Board of Directors specially invited the Securities and Futures Market Development Foundation of R.O.C to arrange a lecture on “How to improve the positive functions of the Board of Directors and its affiliates committees” on Aug 8th , 2016.

(2) Participation of supervisors in Board of Directors’ operation

In the last year, board meetings were held 8 (A) times. The supervisors' attendance status is as follows:

Title	Name	Attendance in person (B)	Attendance rate (%) (B/A)	Note
Supervisor	He Zhao Investment Co., Ltd. Representative: Yuan-Yu Ke	8	100%	None
Supervisor	Taiwan Zhi Di Co. Ltd Representative : Chao-He Lin	8	100%	None

Other matters that should be recorded:

1. Supervisors formation and their responsibilities:

- (1) 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.
- (2) Supervisors' communication with internal auditors and CPAs (for example, communication over the Company's financial and business status-the methods and results, etc.):
 - i. In addition to presenting work reports during board of directors meetings, the Company's internal audit chief should quarterly hold seminars for reviewing the Company's internal control systems to the supervisors and get the concerned auditing opinion.
 - ii. When supervisors have doubts against the company's financial status, they may communicate with the financial managers and accountants face to face or by telephone 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.

Note: Audit Committee Operational Status: The Company’s Audit Committee will be set up in June 2017 after the 22nd directors and supervisors’ expiration.

(3) The Company and its subsidiaries ' Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice for TWSE/TPEX Listed Companies”

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

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>2. The Company Stock Equity Structure and Shareholders' Rights</p> <p>(1) Did the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly?</p> <p>(2) Does the company have in possession the list of major shareholders that have actual control over the company as well as the list of major shareholders with final control?</p> <p>(3) Did the company establish and execute risk control mechanism for affiliates, and firewall methods?</p> <p>(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>(1) The company has appointed a spokesperson and deputy-spokesperson to announce and publicize important information and handle and respond to the inventors suggestions.</p> <p>(2) The company has commissioned stock transfer agencies to handle the company's shareholder services and assigned dedicated personnel to taking charge of declaration processing and gathering relevance.</p> <p>(3) Guarantee endorsement and financing for affiliated enterprises are subjected to strict internal regulations</p> <p>(4) The company has a Ethical Code of Conduct for Directors, Supervisors and Managers to prohibit anyone from using undisclosed information to engage in the transaction of marketable securities.</p>	No difference
<p>3. The Board of Directors' compositions and responsibilities</p> <p>(1) Does the Board of Directors establish diverse goals based on its member compositions and realize such goals?</p> <p>(2) Does the Company voluntarily establish other functional committees in addition to compensation committee and audit committee?</p> <p>(3) Does the Company have Board of Directors performance assessment guidelines and assessment methods in place and perform the assessments periodically on a yearly basis?</p>	✓		<p>(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 Compensation Committee was set up on Dec. 21, 2011. And the Audit Committee will be set up in June 2017 when the the 22nd directors and supervisors' expiration. Except these, there is no other functional committees.</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>	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company evaluate the independence of CPAs on a regular basis?			<p>(1) The Board of directors convenes a meeting at least once on a quarterly basis. 8 Board of Directors meetings were held in 2016. The average attendance rate of the directors and supervisors was above 95.5%.</p> <p>(2) The attendance rate of directors and supervisors at the 2016 shareholders' meeting was 81.8%.</p> <p>(3) The Company arranges all kinds of continuing education every year for the directors and supervisors. The relevant subjects about the Corporate Governance include finance, risk management, sales, commerce, law, accounting, CSR, internal control and responsibility for the financial reports and so on. In 2016, total 24 persons attended 72 hours of the trainings, the averaged at 6.5 hours in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."</p> <p>(4) The Company assessed the CPA's independence and suitability annually, the evaluation report of it will be issued to discussed at the 23 meeting of The 22nd Board of Directors.</p>	
4. As a TWSE/TPEX listed company, does the Company have set corporate governance (concurrent) unit or personnel in responsible for the concerned affairs (including but not limited to offering necessary materials for the directors and supervisors, executing matters pursuant to board of directors' resolutions, executing the corporate registration and change of registration,	✓		The Company's Management Department is responsible for corporate governance	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
proceedings for the board of directors and shareholder meetings and so on)				
5. Does the Company establish communication channels and dedicate section for stakeholder (including but not limited to the shareholders, employees, clients and suppliers) on its website to respond to important issues of corporate social responsibility concerns?	✓		<p>The Tung Hong Steel Enterprise Co., Ltd. valued the rights and interests of the related persons, set up public relationship division for them to get the direct communications. Besides offering CSR management information about the Company, it continued to review and improve its CSR performance by understanding the issues concerned by the related parties.</p> <p>(1) The external interests parties include the shareholders, clients, distributors, suppliers, contractors, government agencies, media, residents in local community, steel industry peers and so on. The Company has the designated contact channel which is announced on the Company's official website and can accept the notifications, suggestions, appeals and reports and has a designated person to handle and respond to them.</p> <p>(2) The internal interests parties include the employees, directors, supervisors and managers, noted that the Company has set up separate appeals channels on the website for different interests parties. In order to maintain the employee's rights and interests. avoid others improper infringement of the interests of the company, the employees can use letters by paper or email, oral report face-to-face or by telephone to the dividend supervisors or the management departments of each works for appeals and report.</p> <p>(3) Internal and External email for appeals: tungho@tunghosteel.com</p>	No difference
6. Does the company commit a professional shareholder service agency to deal with	✓		The company has commissioned professional stock agencies to handle matters related to the shareholders' meeting:	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
shareholder affairs?			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	
7. Disclosure of information (1) Does the Company set up website to disclose financial operations and corporate governance information? (2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesperson system, the legal entities announcements uploaded to website, etc.) to disclose information?	✓		(1) In addition to disclosure of financial and business information on the Market Observation Post System as requested by law, the Company has dedicated an investor service section on its website (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.	No difference
8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)? ?	✓		(1) The Company's website has the investors section and Corporate Governance section to disclose crucial company codes, financial, business and corporate governance information as well as status of implementation. (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. (3) Directors and supervisors must implement the continuing education as needed and will be disclosed on the Market Observation Post System. (4) The company has a systematic approach for collecting, analyzing and integrating business information pertaining to	No difference

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>exchange rates, market situations and the economic environment and for formulating necessary strategies. Furthermore, the company convenes meetings to track and review such information to effectively identify risks so that necessary response measures can be taken.</p> <p>(5) The company has purchased liability insurances for directors and supervisors to reduce and disperse the risks of directors or supervisors from causing major damages to the Company and its shareholders due to their illegal actions.</p> <p>(6) Please reference the operations overview section of the annual report for related comments on labor and supplier relations</p>	

9. Explanations about the improvement on the result of Corporate Governance Evaluation announced by the Corporate Governance Center of Taiwan Stock Exchange in the most recent years and giving priority measures to matters which have not yet been improved

Explanations on the evaluation index that the Company has not gained the marks but has strengthened the improvement according to the result of the third Corporate Governance Evaluation will be shown as follows:

- (1) Index 1.14 : Does the Company’s annual report disclose the implementation of the resolutions made by the Shareholders’ Meeting?
Improvement measures: will explain the implementation about resolutions made by the Shareholders’ Meeting and Board of Directors during the current fiscal year and up to the date of publication of the annual report in item 11 of Section of Corporate Governance in the 2016 Shareholders’ Meeting Annual Report.
- (2) Index 1.5 : Does the Company input the shareholders’ approval, opposition and abstention on each motion to the specified internet information reporting system on the very date of the Shareholders’ Meeting?
Improvement measures: The Company will complete the input on the very date of the 2016 Shareholders’ Meeting.
- (3) Index 3.10 : Does the Company establish the Auditing Committee in compliance with the rules and regulations?
Improvement measures : The Company’s Auditing Committee will be established in June 2017 after the term expiration of the 22nd directors and supervisors.
- (4) Index 3.34 : Does the Company disclose the communications between the independent directors and the internal auditing managers and the CPAs, such as the Company’s financial report, methods, matters and results pertaining to corporate finances and/or operations, etc.):) on the Company’s website?
Improvement measures : On Mar 27 2017 at the Board of Directors’ meeting, the Company has begun to record the communications between the independent directors and the internal auditing managers and the CPAs in details pertaining to financial reports. By the meetings the independent

Evaluation Items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>directors can freely communicate with the CPAs about the content of financial reports, and the communication method, matters and results will be disclosed on the Company’s website thereafter.</p> <p>(5) Index4.20 : Does the Company at least disclose the corporate governance information such as rules of the Company or the corporate governance structure on the Company’s website?</p> <p>Improvement measures : Recently the Company will establish the Audit Committee in June 2017, and in July 2017 the Board of Directors will propose to amend the Company’s “Organization and Position Function Rukes”. After the rules amendment, the new organization chart will be displayed on the Company’s website.</p>				

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

i. Remuneration committee member profiles

ID	Condition Name	Does the person has over 5 years of working experiences and professional qualifications listed below			Status of Independence (Note 1)								Number of other public companies in which the member also serves as a member of their compensation committee	Note
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private tertiary education institute	Judges, prosecutors, lawyers, accountants or other professional and technical staff sought after the company that are required to pass national exams or obtain certificates	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chuang-Hsi Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	I-Chi Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Others	Cheng-Ming Chu	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	None

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

- (1) Not an employee of the company or its affiliates.
- (2) Non-company or its affiliated company director or supervisor. Independent directors for the company or its parent company and its subsidiary company, or set in compliance with the local rules and regulations are exempt.
- (3) They are not individual shareholders who hold shares, together with those held by their spouses, minor children or held under others' name, in an aggregate amount of more than 1% of the total outstanding shares of the Company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- (4) They are not spouses or relative within the second degree of kinship or lineal relative within the third degree of kinship, or any of the persons in the preceding three subparagraphs.
- (5) They are not directors, supervisors or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Company or ranks among the top 5 corporate shareholders in the terms of share volume held.
- (6) They are not directors, supervisors, managers or shareholders holding 5% or more shares of a specific company or institution and who also have financial or business dealings with the Company.
- (7) They are not professionals or owners, partners, directors, supervisors, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the Company or to its affiliates.
- (8) Not any of the circumstances in Article 30 of the Company Act.

ii. Operation status information for the remuneration committee

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

(B) Current term for the members: The term is from June 18 2014 to the 22nd board of directors expires.

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

Title	Name	Actual attendance number (B)	By proxy	Actual Attendance Rate (%) (B/A)	Note
Convener	Chuang-Hsi Chang	3	0	100%	None
Member	I-Chi Liu	3	0	100%	None
Member	Cheng-Ming Chu	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

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

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<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 in 2015 and disclosed the Principles on its website following approval from the board of directors. The company will develop concrete plans and implement such plans according to the Principles.</p> <p>(2) From 2015, the company has organized social responsibility training on a regular basis for departmental and plant employees involved in the implementation of CSR reports.</p> <p>(3) The Company established the CSR Promotion Group, the General Manager as the chairman of the group, Vice General Manager and Works Director as the vice chairman. Under the group, there are corporate governance, environmental sustainability, product responsibility, employee relations, social welfare total five sections, the related departments will have assess on the interests parties on a regular basis and provide 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>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p> <p>(4) No difference</p>

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<p>2. Development of Environmental Sustainability</p> <p>(1) Is the Company committed to improving the efficiency of the various resources or using recycled materials which have a low impact on the environment?</p> <p>(2) Did the Company establish an appropriate environmental management system based on its industry characteristics?</p> <p>(3) Did the Company monitor the impact of climate change on business operations implement greenhouse gas audit and formulate energy conservation and carbon reduction as well as greenhouse gas cutback strategy?</p>	✓		<p>(1) 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. In 2016 the recycled steel used for production is 95.3%, increased by 2.92% compared with 2015; the total wastes weight in 2016 is 216,814.28 tons, decreased by 14.35% compared with 2015. The summary rate of recycled and reused wastes is 99.82%.</p> <p>(2) The company's plants have assembled designated units, invested in environmental protection-related tasks, continued to improve equipment facilities and select high-efficiency motor, enhanced the improvement of process energy consumption, and promoted multiple environmental management certifications (ISO 14001, ISO 50001, etc.). The plants have participated in the greenhouse. gas reduction and guidance endeavors promoted by the Industrial Development Bureau, Ministry of Economic Affairs, using PDCA (Plan-Do-Check-Act) model to promote the continual improvement of environmental management plans.</p> <p>(3) 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 2016 was 654,197 metric tons of CO2e, a reduction of 12.97% from 2015.</p>	<p>(1) No difference.</p> <p>(2) No difference.</p> <p>(3) No difference</p>

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<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>(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 Works have all obtained the OHSAS 18001/TOSHMS occupational health and safe management system certifications and registration and set up the operational safety target. It reached an all-direction safe and health management by the recycling management mechanism in planning, execution, checking and improvement to guarantee the safe and health of all the employees and to create a zero-disaster working environment.</p> <p>(4) The Company quarterly convenes employer-employee meetings and establishes positive employees-employer relations</p> <p>(5) The company offers training project, builds a positive environment necessary for operational requirements and duty planning, and arranges career development project depending on occupational adaptability and career planning.</p>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p> <p>(4) No difference</p> <p>(5) No difference</p>

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
(6) Does the company establish any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service?			(6) The Company ensures product and service quality in pursuant to relevant regulations and establishes a sound after-sales service channel.	(6) No difference
(7) Does the Company comply with applicable laws, regulations, and international guidelines in the marketing and labeling of products and services?			(7) The Company's products have passed verification standards of relevant certification organizations: <ul style="list-style-type: none"> i. CNS trademark certification from the Bureau of Standards, Ministry of Economic Affairs ii. Bureau of Standards, Ministry of Economic Affairs, product registration and certification records iii. ISO 9001 quality management system certification iv. ISO 14001 quality management system certification v. ISO 50001 quality management system certification vi. JIS MARK factory certification by Japanese Ministry of International Trade and Industry vii. British Lloyd's E.U. construction use steel material CE Mark certification viii. Australian Certification Authority for Reinforcing and Structural Steels hot-rolled steel product ACRS certification ix. American Bureau of Shipping ABS marine steel manufacturing certification x. .Norway det Norske Veritas DNV marine steel manufacturing certification xi. German zulassungsbescheinigung GL marine steel 	(7) No difference

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<p>(8) Has the company evaluated the records of suppliers' impact on the environment and society before doing business with the supplier?</p> <p>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society?</p>			<p>manufacturing certification</p> <p>xii. French Bureau Veritas BV marine steel manufacturing certification</p> <p>xiii. British Lloyd's Register LR marine steel manufacturing certification</p> <p>xiv. Nippon Kaiji Kyokai Class NK marine steel manufacturing certification</p> <p>(8) The company periodically assesses its supplier records as a basis for determining whether to continue cooperating with its suppliers</p> <p>(9) The Company is undertaking integration of green energy supply chain, such as encouraging suppliers to ensure both product quality and compliance with energy conservation and environmental protection regulations. In addition, the company motivates suppliers to value labor rights, build a safe and healthy work environment, and improve unfavorable labor conditions.</p>	
<p>4. Enhancing information disclosure</p> <p>(1) Has the company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the MOPS?</p>	✓		Has already established a website and disclosed the relevant information in accordance with the law and corporate social responsibility.	No difference.
5.If the Company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation:No difference.				
6.Other critical information to better understanding the corporate social responsibility practices:				

Evaluation Items	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<p>(1)The Company actively promotes social welfares and community participation through educatin sponsorship, arts and culture, academic scholarship, and donations. In 2016, the Company has made the following sponsors and donations:</p> <p>i. Donated NT\$10,000,000 in assist of stricken region reconstruction for 2016 Taiwan earthquake(0206)</p> <p>ii. Donated to the Presbyterian Church in Taiwan in the Taiwan Heart Reconstruction Plan</p> <p>iii. Donated to Kingdom Yu Shan Education Foundation for 2016 Reading Plan</p> <p>iv. Danated to Pingtungnese cappella orchestra training program (project period from 2015 to 2024)</p> <p>v. Donated to Tung Ho Steel Foundation to handle “International Artist Residency Program”, “Kaohsiung International Steel & Iron Sculpture Festival 2016 ” 、”Industry and Culture Development” book publication plan and the creative materials.</p> <p>vi. Donated to the activity expenditure of Taiwan Lantern Festival 2016 in Taoyuan</p> <p>vii. Donated to the activity expenditure of Miaoli County West Lake Township 2016 Flowers Feast Marathon</p> <p>viii. 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."</p> <p>(2) Participated in 2016 TCSA, Taiwan Corporation Sustainable Award, Corporate Sustainability Report (Traditional Manuafacture Industry) Silver Award</p> <p>(3) The Company has a long-term Focus on environmental issues. In Apr. 2015, donated and responded to National Geographic Channel’s "World Earth Day Run for the Earth fever" environmental road running activities.</p> <p>(4) The Company dedicated to promote the CNS trademark certification. In Oct 2016, Was awarded the 17th National Standardization Prize(Positive character Promotion CNS trademark certification) by the Bureau of Standards, Metrology and Inspection (BSMI) of the Ministry of Economic Affairs.</p>				
<p>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:</p> <p>The company plans to publish its first CSR Report 2015 in the year of 2016 and acquire third-party SGS verification in accordance with GRI G4 Core Item amd AA1000AS Type I Middle Guarantee degreed requested which have been disclosd on the Company's website.</p>				

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

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

Evaluation Items	Implementation Status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Descriptions	
<p>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>(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 project on integrity management?</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> <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</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>(1) No difference.</p> <p>(2) No difference.</p> <p>(3) No difference.</p> <p>(4) No difference.</p> <p>(5) No difference.</p>

Evaluation Items	Implementation Status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons for deviation
	Yes	No	Descriptions	
<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>(2) The company records the reported event in writing and such event is investigated, handled and submitted as a report by relevant units</p> <p>(3) According to the nature of the reported case and the situation of the whistle-blower, the company adopts necessary protective measures for keeping the whistle-blower's identity confidential to protect the whistle-blower against retaliation.</p>	<p>(1) No difference.</p> <p>(2) No difference.</p> <p>(3) No difference.</p>
<p>4. Enhancing information disclosure</p> <p>(1) Did the company disclose the content and effectiveness of its integrity management principles on the company's website and the Market Observation Post System?</p>	✓		<p>(1) The company's "Best Practice Principles" is published on the company's website and the Market Observation Post System</p>	No difference.
<p>5. If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any discrepancy between the principles and their implementation:</p> <p>The company has established its own principles of integrity management based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed</p>				

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

(7) The Company and its subsidiaries have 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).

(8) The Company 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).

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

i. Statement on Internal Control

Tung Ho Steel Enterprise Corporation

Internal Control System Statement

Date: March 27, 2017

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

- 1、The company acknowledges that the company's Board of Directors and managers are responsible for the implementation and maintenance of the internal control system, and that the company has already established such a system. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, timeliness, transparency, and regulatory compliance will be achieved.
- 2、Internal control regulations possess inherent shortcomings. Regardless of its design, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- 3、The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitoring operations. Each component also comprised several items. Please refer to "Governing Regulations" for details.
- 4、The Company has already adopted the aforementioned internal control system judgment items to inspect the effectiveness of the internal control system design and implementation.
- 5、Based on the aforementioned evaluation results, the company believes that the design and execution of its December 31, 2016 internal control system (including those adopted for supervision and management of subsidiary branches) are effective in terms of understanding of operational effectiveness, level of efficiency fulfillment, financial reporting reliability, timeliness, transparency, and regulatory compliance-related internal control system items; and that the company can reasonably achieve the aforementioned goals.
- 6、This statement of declaration shall be the primary content of annual report and prospectus, and shall be made available to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act
- 7、This declaration statement has been authorized by the Board of Directors on March 27, 2017, and all nine attendees of the Board have approved the contents of the declaration statement.

Tung Ho Steel Enterprise Corporation

Chairman: Henry C.T. Ho

General manager: Henry C.T. Ho

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

(10)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

(11)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
The 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 Company's employees' compensation totaled NT\$37,570,000, and the compensation for the directors, supervisors totaled NT\$30,062,610 in 2015 3. Passed the Company's 2015 financial statements. 4. Passed the Company's 2015 consolidated financial statements. 5. Passed the company's 2015 earnings appropriation, distribute 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 Company increasing investment US\$434,593 for the Fuco International Ltd., ie. Vietnam Fuco Steel Corporation Ltd. 8. Passed the donation to the Tung Ho Steel Foundation to handle steel sculpture art creation activity and its expenditures in NT\$4,700,000 and 161 metric tons of waste steel 	Approved by all the attending directors with no dissenting opinion.
The Board of Directors	2016.05.09	<ol style="list-style-type: none"> 1. The Company's 2016 first quarterly consolidated financial report. 2. Passed to subscribe 70 million common stock in capital increase of Tung Kang Steel Structure Co., Ltd.with an upper limits of NT\$700million 3. Passed the subsidiary Fuco Steel Corporation Ltd. applied short-term loan from the Company amount equivalent to US \$ 10 million for the upper limit 	Approved by all the attending directors with no dissenting opinion
Shareholders' Meeting	2016.06.21	<p>Contents and implementation status for the critical resolutions at the 2016 Shareholders' Meeting:</p> <ol style="list-style-type: none"> 1. Matters to be discussed <ol style="list-style-type: none"> (1)Passed to revise the Company's the Articles of Incorporation implementation status: The Company got approval from the Administry of Economy to admend the registration on August 24th 2016 and 	Approved by all the attending directors with no dissenting opinion

Nature of the meeting	Meeting Date	Critical resolution matters	Resolution status
		<p>disclose it on the Company website.</p> <p>(2) Passed to amend the election method of Directors and supervisors implementation status : after finishing The Shareholders' Meeting 2016, the Company amended the original method name into "Director Election Method" and amend the contents of Article 1, Article 2, Article 3, Article 4, Article 8, Article 9 and Article 10 and disclose them on the Company website.</p> <p>2. Admitted matters</p> <p>(1) Passed recognition of the business report and financial statements for 2015 Implementation status : after approval by all the attending shareholders, the earning appropriation was executed.</p> <p>(2) Passed recognition of the earning appropriation for 2015 Implementation status : After the Company finished the 2016 Shareholders' meeting, it held the Board of Directors' Meeting immediately to resolve related matters about the baseline date for distribution. The Board of Directors resolved to distribute cash dividend for NT\$1,098,043,593, NT\$1.10 per share. Ex-dividend-date was on Jul 25th 2016. Dividend distribution date is Aug 19th 2016. All the critical resolution content by the Shareholders' Meeting will be disclosed in the Company's website at Investors/Shareholders Service/Shareholders section/Minutes for 2016 Annual Meeting of Shareholders in details</p>	
The Board of Directors	2016.06.21	<ol style="list-style-type: none"> 1. Report on the execution of "Enhancement of the Ability to Compile Financial Reports Project Plan." 2. Passed to set the Company 2016 distribute cash dividend ex-dividend date. 3. Passed the Company capital increase of Fuco International Ltd. and then reinvest to Vietnam Fuco Steel Corporation Ltd. and also directly increase the capital to Fuco Steel Corporation Ltd. totally US\$17.5 million. 4. Passed to modify the investment structure to hold directly 100% equity of Fuco Steel Corp. Ltd. in Vietnam, and liquidate Fuco International Ltd. 	Approved by all the attending directors with no dissenting opinion.
The Board of Directors	2016.08.08	<ol style="list-style-type: none"> 1. Report on the execution of "Enhancement of the Ability to Compile Financial Reports Project Plan." 2. Passed the Company capital increase of Fuco International Ltd. and then reinvest to Vietnam Fuco Steel Corporation Ltd. and also directly increase the capital to Fuco Steel Corporation Ltd. totally US\$24.5 million. 3. Passed to make a donation to " Tung Ho Steel Foundation" to sponsor the cost of the publication of the series books of industry and cultural development. 4. Passed the guaranteed case with the First Commercial Bank for the subsidiary Dongyuan International Co., 	Approved by all the attending directors with no dissenting opinion.

Nature of the meeting	Meeting Date	Critical resolution matters	Resolution status
		Ltd in application for US\$1,182,000 5. Passed Passed the loan guarantee endorsement application case of US\$ 6 million with the Bank SinoPac for the subsidiary Fujian Tung Kang Steel Co., Ltd.	
The Board of Directors	2016.11.08	The Company's 2016 third quarterly consolidated financial statements.	Approved by all the attending directors with no dissenting opinion.
The Board of Directors	2016.12.20	1. Passed to carry out a capital increase for Tung Ho Steel Vietnam Corporation Ltd. of an amount of USD 18 million. 2. Passed the proposal for Audit Plan 2016	Approved by all the attending directors with no dissenting opinion.
The Board of Directors	2017.02.07	1. Passed the Company capital increase of USD 16,500,000 to Tung Ho Steel Vietnam Corp., Ltd. 2. Passed the proposal of loan guarantee endorsement application case with the First Commercial Bank for the subsidiary Tung Ho Steel Vietnam Corp., Ltd.in amount of US\$13,000,000 3. Passed the proposal of the loan guarantee endorsement renewal application case with Mega International Bank f for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. .in amount of US\$15,000,000 4. Passed the proposal of the loan guarantee endorsement renewal application case with Mega International Bank f for the subsidiary Tung Ho Steel Vietnam Corp., Ltd. .in amount of US\$25 million.	Approved by all the attending directors with no dissenting opinion.
The Board of Directors	2017.03.27	1. The total employee remuneration for 2016 was NT\$44,173,294 and the total remuneration to directors and supervisors was NT\$35,336,635 2. Passed the Company's 2016 standalone financial statements. 3. Passed the Company's 2016 consolidated financial statements. 4. Passed the company's 2016 earnings appropriation, distribute cash dividend at NT\$1.3 per share 5. Passed the admendment of the Company's the Articles of Incorporation 6. Passed the opening of the Company 2017 Shareholders' Meeting and to handle proposal issued by the shareholders holding greater than a 1 percent stake of the Company and to nominate the candidates for the directors and so on. 7. Passed the proposal of the loan guarantee endorsement renewal application case with the Taipei Fubon Commercial Bank Co., Ltd. for the subsidiary Fujian Tung Kang Steel Co., Ltd. in amount of US\$10 million. 8. Passed the proposal of the loan guarantee endorsement renewal application case with the Taipei Fubon Commercial Bank Co., Ltd. for the subsidiary Tung Ho Steel Vietnam Corp., Ltd., in amount of US\$37 million. 9. Passed the proposal of the short-term loan guarantee endorsement application case with Mizuho Bank, Ltd.	Approved by all the attending directors with no dissenting opinion.

Nature of the meeting	Meeting Date	Critical resolution matters	Resolution status
		Ho Chi Minh City Branch f for the subsidiary Tung Ho Steel Vietnam Corp., Ltd., in amount of US\$20 million.	

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

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

5. Information on CPA professional fees

(1) Information on fees to CPAs

Name of the accounting firm	CPA name		Audit period	Note
KPMG Taiwan	Ci-hui Li	Hui-Zhi Kou	105.01~105.12	None

Currency Unit: NT\$ Thousand

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

Currency Unit: NT\$Thousand

Name of the accounting firm	CPA name	Public expense item	Non-public expenses for audit					Audit period	Note
			System design	Business registration	Human Resources	Others	sSubtotal		
KPMG Taiwan	Ci-Hui Li 、 Hui-Zhi Kou	6,440	0	0	0	480	480	2016.01~ 2016.12	2016 R&D advisory expense of NT\$480,000

(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.**

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

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

Title	Name	2016		2017 till Mar 31st	
		Number of shares held added (subtracted)	held added (subtracted) The numbers of pledged shares added (subtracted)	Number of shares held added (subtracted)	The numbers of pledged shares added (subtracted)
Director	Shen Yuan Investment Co., Ltd	0	0	0	0
Director	Shen Yuan Investment Co., Ltd Representative : Shu-Chau Wang Ho	0	0	0	0
Director	Shen Yuan Investment Co., Ltd Representative : George Y. S. Ho	0	0	0	0
Director	Shen Yuan Investment Co., Ltd Representative : Henry C. T. Ho	0	0	0	0
Director	Shen Yuan Investment Co., Ltd Representative : Hui-Ming Wu	0	0	0	0
Director	Liang Cheng Investment Co., Ltd.	0	0	0	0
Director	Liang Cheng Investment Co., Ltd. Representative : Pao-He Chen	0	0	0	0
Director	Episil Holding Incorporation	0	0	0	0
Director	Episil Holding Incorporation Representative : Chih-Ming Huang	0	0	0	0
Director	Yen-Liang Ho	0	0	0	0
Independent Director	I-Chi Liu	0	0	0	0
Independent Director	Chuang-Hsi Chang	0	0	0	0
Supervisor	He Zhao Investment Co., Ltd.	0	0	0	0
Supervisor	He Zhao Investment Co., Ltd. Representative : Yuan-Yu Ke	0	0	0	0
Supervisor	Taiwan Zhi Di Co. Ltd	0	0	0	0
Supervisor	Taiwan Zhi Di Co. Ltd Representative : Chao-He Lin	0	0	0	0
Chairman/ General Manager	Henry C. T. Ho	0	0	0	0
Vice Chairman	Shu-Chau Wang Ho	0	0	0	0
Vice General Manager of Productions Department	Fu-Jin Chen(Note1)	60,000	0	0	0
Vice General Manager of Operations Department	Kuan-Ren Gu	0	0	0	0
Vice General Manager of Operations Department	Bing-Hua Huang	135,000	0	0	0

Vice General Manager of Assets and Trade Department	Qi-Xie Lin	0	0	0	0
Vice General Manager, Financial Department	Bo-Xun Dong	100,000	0	0	0
Assistant Manager of General Manager Office	Chang-Hong Li	0	0	0	0
Assistant Manager of Operations Department	Ru-Yin Fan	0	0	0	0
Assistant Manager of Operations Department	Zheng-Bin Qiu	0	0	0	0
Assistant manager of the investment department	Hsiu-Chih Chen	0	0	0	0
Assistant manager of the investment department	Zhen-Yuan Chen	0	0	0	0
Assistant manager of the investment department	De-Xiu Chen	0	0	0	0
Assistant Manager of Assets and Trade Department	Jun-Sheng Jian	0	0	0	0
Assistant manager of the systems engineering department	Zhe-Chong Lin	0	0	0	0
Assistant manager of the management department	Ru-Yu He	0	0	0	0
Director of Taoyuan Works	Yi-Zhi Xu(Note2)	0	0	0	0
Director of Miaoli Works	Ming-Zong Liu	0	0	0	0
Director of Kaohsiung Works	Zong-Yu Wang	0	0	0	0
Major shareholders holding more than 10% of the shares	Shen Yuan Investment Co., Ltd	0	0	0	0

Note 1 : position adjustment on Jan 1 2017

Note 2 : took office on Jan 1 2017

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

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

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

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

04/18/2017

NAME	PERSONAL SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHAREHOLDING BY NOMINEE ARRANGEMENT		SHAREHOLDERS WITH THE TOP 10 SHAREHOLDING RATIOS WHO ARE RELATED, OR THEIR SPOUSES AND SECOND-DEGREE RELATIVES' NAMES AND THEIR RESPECTIVE RELATIONSHIPS		NOTE
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or name)	relation	None
Shen Yuan Investment Co., Ltd.	120,199,779	12.04%	0	0	0	0	None	None	None
Shen Yuan Investment Co., Ltd. Representative : Shu-Chau Wang Ho	10,695,847	1.07%	20,429,294	2.05%	0	0	Chen-Hsiung Ho	Married couple	None
Shen Yuan Investment Co., Ltd. Representative : George Y. S. Ho	100,000	0.01%	0	0	0	0	Chen-Hsiung Ho	Father/Son	None
Shen Yuan Investment Co., Ltd.	142,426	0.01%	75,000	0.01%	0	0	Chen-Hsiung Ho	Father/Son	None

Representative : Henry C. T. Ho									
Shen Yuan Investment Co., Ltd. Representative : Hui-Ming Wu	128,432	0.01%	0	0	0	0	None	None	None
Nan Shan Life Insurance Company Ltd.	58,443,500	5.85%	0	0	0	0	None	None	None
Sen Yi Investment Co., Ltd.	51,888,877	5.20%	0	0	0	0	None	None	None
China Life Insurance Co., Ltd	33,725,597	3.38%	0	0	0	0	None	None	None
He Zhao Investment Co., Ltd.	30,700,887	3.08%	0	0	0	0	None	None	None
Public Service Pension Fund Management Committee	29,800,385	2.99%	0	0	0	0	None	None	None
Norges Bank under the trust of Citibank	25,107,972	2.52%	0	0	0	0	None	None	None
Fubon Life Insurance Co., Ltd.	24,300,000	2.43%	0	0	0	0	None	None	None
Shin Kong Life Insurance Co., Ltd.	23,872,000	2.39%	0	0	0	0	None	None	None
Chen-Hsiung Ho	20,429,294	2.05%	10,695,847	1.07%	0	0	None	None	None

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

Unit: 1000 shares; %

Reinvestment business	Investment by the Company		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Siaogang Warehouse	2,384	19.87	0	0	2,384	19.87
Hexawave Inc	11,688	16.35	2,396	3.35	14,084	19.70
Taiwan Aerospace	1,621	1.19	0	0	1,621	1.19
Overseas investment	1,000	1.11	0	0	1,000	1.11
Li-Shi Venture Capital Inc	770	5.68	0	0	770	5.68
Li-Yu Venture Capital	607	4.76	0	0	607	4.76
Taiwan High Speed Rail	49,505	1.18	0	0	49,505	1.18
Dongjing Investment	0	9.04	0	0	0	9.04
Industrial Bank of Taiwan Second Venture Capital	1,313	4.17	0	0	1,313	4.17
Global Venture	2,800	2.33	0	0	2,800	2.33
Chien Shing Harbour Service	8,560	11.65	0	0	8,560	11.65
Katec Creative Resources Corp.-special stock	577	65.18	0	0	577	65.18
Tung Ho Wind Power	15,500	100.00	0	0	15,500	100.00
Fata Xingye	10,000	100.00	0	0	10,000	100.00
Tung Yuan International Corporation	0.08	100.00	0	0	0.08	100.00
Tung Kang Steel Structure	188,157	97.48	4,322	2.24	192,479	99.72
Taiwan Steel United Inc	24,829	24.84	0	0	24,829	24.84
Katec Technology	4,268	46.19	0	0	4,268	46.19
Katec Creative Resources Corp.	95,724	99.01	0	0	95,724	99.01
BySources Investment	500	49.00	0	0	500	49.00
Goldham Development Ltd.	15,000	100.00	0	0	15,000	100.00
Tung Ho Steel Vietnam Corp.Ltd	0	100.00	0	0	0	100.00
Fujian Tung Kang Steel	0	0	0	100.00	0	100.00
Tung Kang Engineering & Constructio	0	0	25,000	100.00	25,000	100.00
Fujian Sino-Japan Metal	0	0	0	35.00	0	35.00
3 Oceans International Inc.	0	0	1,840	66.67	1,840	66.67
DUCHOA International	0	0	0	49.25	0	49.25

China Products	0	0	3	0.66	3	0.66
Tech Alliance Venture Capital	0	0	1,792	5.69	1,792	5.69
Ding-Xing Development	0	0	150	15.00	150	15.00

IV. Fund-raising Conditions

1. Capital and Shares

(1) Source of capital

04/18/2017

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

(2) Shareholder structure

Benchmark date:04/18/2017

Shareholder structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individual investors	Foreign organizations and foreign individuals	Total
Number of people	5	15	153	67,124	262	67,559
Number of shares held	30,957,668	169,880,322	292,545,711	359,282,668	145,555,079	998,221,448
Shareholding ratio	3.10%	17.02%	29.31%	36.00%	14.58%	100%

(3) Shareholding distribution status

NT\$10 per share

Benchmark date: 04/18/2017

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	27,626	5,454,112	0.55
1,000 - 5,000	27,997	62,075,280	6.22
5,001- 10,000	6,162	46,847,647	4.69
10,001- 15,000	2,029	25,066,007	2.51
15,001- 20,000	1,143	20,902,547	2.09
20,001- 30,000	1,033	25,104,188	2.51
30,001- 50,000	726	28,957,889	2.90
50,001- 100,000	435	31,083,288	3.11
100,001- 200,000	195	27,808,262	2.79
200,001- 400,000	90	24,709,504	2.48
400,001- 600,000	36	17,384,206	1.74
600,001- 800,000	14	9,742,829	0.98
800,001-1,000,000	12	10,946,257	1.10
1,000,001 and above	61	662,139,432	66.33
Total	67,559	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:04/18/2017

Share Name of the main shareholders	Number of shares held	Shareholding ratio (%)
Shen Yuan Investment Co., Ltd	120,199,779	12.04%
Nan Shan Life Insurance Company Ltd.	58,443,500	5.85%
Sen Yi Investment Co., Ltd.	51,888,877	5.20%
China Life Insurance Co., Ltd.	33,725,597	3.38%
He Zhao Investment Co., Ltd.	30,700,887	3.08%
Public Service Pension Fund Management Committee	29,800,385	2.99%
Citibank (Taiwan) Commercial Bank is commissioned to Safeguard Norges Bank Investment Accounts	25,107,972	2.52%
Fubon Life Insurance Co., Ltd.	24,300,000	2.43%
Shin Kong Life Insurance Co., Ltd.	23,872,000	2.39%
Chen-Hsiung Ho	20,429,294	2.05%

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

Unit: NT\$

Year			2015	2016	up to March 31, 2017
Item					
Market price per share	Maximum		24.30	22.40	25.00
	Minimum		16.25	16.15	20.70
	Average		20.89	19.36	23.16
Book value per share	Pre-distribution		23.03	23.50	Not Applicable
	Post-distribution (Note 1)		21.93	尚未分配	Not Applicable
Earnings per share	Weighted average number of shares (in thousands)		998,222	998,222	Not Applicable
	Earnings per share	Before retroactive (Note 2)	1.27	1.49	Not Applicable
		After retroactive (Note 2)	1.27	Not distributed	Not Applicable
Dividend per share	Cash dividends (NT\$)		1.10	1.30(註六)	Not Applicable
	Stock dividend ends	Earnings	0	0	Not Applicable
		Capital Reserve	0	0	Not Applicable
	Share Distribution				
Return on investment	Accumulated unpaid dividends		0	0	Not Applicable
	Price-earnings ratio (Note 3)		16.45	12.99	Not Applicable
	Price-dividend ratio (Note 4)		18.99	14.89	Not Applicable
	Cash dividend yield (Note 5)		5.27%	6.71%	Not Applicable

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 2016 annual earnings distribution on March 27, 2017. The cash dividend allocation of NT\$1.30 per share was proposed but is subject to approval by the annual meeting of shareholders.

(6) Dividend policy and implementation status

i. Dividend policy:

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

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

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

- ii. Dividend allocation proposed by the shareholders' meeting: After the company's 22nd annual Board of Director's meeting of the 22nd term has approved to allocate cash dividends of NT\$1.30 per share, amounting to NT\$1,297,687,882 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

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

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

If employee remuneration is distributed in the form of new stock, employee stock shall be calculated based on the closing price of the day before the Board of directors' meeting.

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

The company's remuneration to employees and director/supervisor in 2016 amounted to NT\$44,173,294 and NT\$35,338,635, as regulated by the company's Articles of Incorporation that have been approved by the board of directors. If the estimated amount differs from the actual distributed amount, then the difference will be treated as changes in accounting estimates and recognized in profit and loss in the distribution year.

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

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

The company's remuneration to employees and director/supervisor in 2016 amounted to NT\$44,173,294 and NT\$35,338,635, If the estimated amount differs from the actual distributed amount, then the difference will be treated as changes in accounting estimates and recognized in profit and loss in the distribution year.

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

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

The 2015 employee remuneration distributed in 2016 amounted to NT\$37,578,263, while the director/supervisor remunerations for the same period amounted to NT\$30,062,610. 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	37,578,263	37,578,263	None
Director 、 Supervisor remuneration	30,062,610	30,062,610	None

(9) Stock buyback: Not applicable

2. Corporate Bonds

(1) Corporate bond issuance status

03/31/2017

Company bond type		The 6th domestic unsecured convertible bonds
Date of issue		101.11.05
share par value		NT\$100,000
Location of issuance		Taipei Exchange
Issuing price		Issued based on share par value
Total		NT\$2,500,000,000
Interest rate		0%
Period		5 years
Guarantee institution		None
Commissioned party		Trust Department of Fubon Commercial Bank Co., Ltd.
Underwriting institution		Cathay Securities Corporation
Certified attorney		Kuncheng Wang
CPA		Ci-Hui Li 、 Qiu-Hua Wu
Repayment method		Unless conversion method is used or unless redeemed, the full amount shall be repaid with cash upon maturity.
Outstanding principal		NT\$132,600,000
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		Not Applicable
Other rights attached	Converted to ordinary (exchange or subscription) shares, global depository receipts, or other marketable securities as of the date of this annual report.	0
	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 information

Unit: NT\$

Company bond type		The 6th domestic unsecured convertible bonds		
Item	Year	2015	2016	up to March 31, 2017
	Maximum	103.00	106.00	108.00
Convert to company bond market price	Minimum	101.00	101.95	101.00
	Average	101.68	102.66	105.06
Conversion price		26.73 or 25.20 (Note 1)	25.20 or 23.75 (Note 2)	23.75
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. Preferred Shares : None

4. Issuance of global depositary receipts (GDR)

Benchmark date: 03/31/2017

Issuance (processing) date			09/22/1994
Item			
Issuance (processing) date			09/22/1994
Location of issuance			Bourse de Luxembourg
Total amount issued			USD103,200,000
Unit issuance price			USD17.20
Total issuance units			6,000,000 單位
Source of securities with recognized value			Common shares of Tung Ho Steel Enterprise Corporation
Number of value recognized securities			68,610,809 shares
Rights and obligations of the depositary receipt holders			Enjoy the same rights and obligations as Tung Ho Steel Enterprise Corporation shareholders
Commissioned party			The Bank of New York Mellon Corporation
Depository institution			The Bank of New York Mellon Corporation
Custodian institution			Far Eastern International Bank
Unredeemed balance			800,073 units
Unredeemed balance			The issuance expenses shall serve as capital reserve reduction, and the subsisting period expenses shall serve as current expenses
Critical agreement matters for depositary and custodial contracts			The depository institution shall exercise the voting rights of the original securities attached to the depositary receipts in accordance with the instructions provided by the deposit receipt holders as well as the depositary contract and the laws and regulations of the Republic of China
Market Price per unit	2015	Maximum	7.88
		Minimum	4.96
		Average	6.63
	2016	Maximum	6.93
		Minimum	4.84
		Average	6.00
	Up to 03/31/2017	Maximum	8.15
		Minimum	6.50
		Average	7.30

5. **Employee stock warrants, new restricted employee shares : None**
6. **Issuance of new shares due to acquisition of shares of another company : None**
7. **Implementation of fund usage plan status**

Issued the 6th unsecured convertible bonds

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

Unit: NT\$Thousand

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

- (4) **Status of actually predetermined benefit achievements: This financing plan is expected to repay NT\$2,500,000,000 in bank loans by the 4th quarter of 2012. Based on the actual interests stipulated in the loan contract, this move can save NT\$2,726,000 for interest expenses in 2012 and can save approximately NT\$32,722,000 in interest expenses each year thereafter in addition to being able to improve the financial structure. The plan's effectiveness in interest saving and financial burden reduction appears reasonable.**
- (5) **Status of execution: This fund raising was completed at the end of the 4th quarter in 2012, and a report was submitted to the Taiwan Stock Exchange notifying them that the original plan items have been completed in January 2013.**

V. Business Overview of the Company and Its Subsidiaries

1. Business content

(1) Scope of business

i. Main content:

Parent Company/ Subsidiary	Company Name	Main Content and the Company's Current Products(Service)
Parent Company	TUNG HO STEEL ENTERPRISE CORP.	(1) Manufacturing processing and sales of rebar, flat iron, angle iron, channel iron, wire rod, 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

		<p>processing operations</p> <p>(6) Oxygen manufacturing and trading.</p> <p>(7) Manufacturing, processing, and trading of steel plates, bars, and rails.</p> <p>(8) Design, manufacture, processing, and trading of various structural steel, steel materials, and mechanical bodies.</p> <p>(9) Development, design, manufacturing, and sales of the various steel industry equipment, device, and accessories.</p> <p>(10) Design, manufacture, maintenance, sales, and installation construction contract operations for environmental protection equipment products</p> <p>(11) Import and export operations for various products mentioned above</p> <p>(12) Project management, technical advisory, and consultancy operations for the various relevant businesses mentioned above.</p> <p>(13)) The data storage and processing equipment manufacturing industry</p> <p>(14) Wired communication machinery and equipment manufacturing industry</p> <p>(15) Wireless communication machinery and equipment manufacturing industry</p> <p>(16) Electronic component manufacturing industry</p> <p>(17) Specific professional zone development industry.</p> <p>(18) Leisure agriculture industry</p> <p>(19) Amusement park industry</p> <p>(20) New County and Community Construction and Investment</p>
Subsidiary	Tung Kang Steel Structure Co., Ltd.	<p>(1)Steel reproceeding industry and steel structure engineering professional construction industry.</p> <p>(2)Proceeding and sale of rebar</p>
	Katec Creative Resources Corp.	<p>(1)Waste disposal industry</p> <p>(2)Waste resource recycling industry</p>
	Tung Kang Wind Power Corp.	Development, production, transmission and sales of wind power
	Fata Xingye Co. Ltd.	resource recycling, leasing, recycled materials wholesales and international trade
	Tung Kang Engineering & Construction Co., Ltd.	<p>(1)New construction engineering transation.</p> <p>(2)Proceeding and sales of rebar.</p>
	Fujian Tung Kang Steel Co., Ltd.	<p>(1)Production of steel structure and its complements with the service of installation support</p> <p>(2)Stones, construction and decoration materials, welding materials, plastic products, aluminum products, bamboo products, metallurgical materials, metal products.</p> <p>(3) Technology, import and export of goods (excluding domestic distribution) (involving the approval of the permit project, only allowed in the scope of approval of the permit and the period of production and operation)</p>
	Tung Ho Steel Vietnam Corp. Ltd.	Production and sales of billets

ii. Business Breakdown

Item Products	As a percentage of cumulative operating revenue for 2015	As a percentage of cumulative operating revenue for 2016	As a percentage of cumulative operating revenue for Q1 2017
Rebar	46%	36%	32%
Section steel	34%	39%	32%
Billets	0%	10%	20%
Others (Note)	20%	15%	16%
Total	100%	100%	100%

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

(2) Status of the industry

i. Current status and development of the industry:

Consolidated Revenue for Tung Ho Steel was NT\$25.21 billion in 2016, , which declined considerably by 18.82% compared to NT\$31.053 billion in 2015. Consolidated sales declined by 9.97% from 1.7709 million metric tons in 2015 to 1.5943 million metric tons in 2016. Consolidated revenue decline is mainly due to the continuous decline in international steel prices. In the first three quarters of 2016, the main global economies continued a poor prospect like 2015. With series of economic adjustment and anti-corruption measures, the emerging countries specially China, have severely impacted the economic growth which obviously slowed down global demand for steel and substantially dropped global raw material prices. The global steel prices have reversed with the global coking prices big rising in Q4 2016 and China 's strong implementation to backward steel production capacity policy. However, the annual 2016 consolidated EPS of Tung Ho Steel has still contrarian growth to 1.49 compared with the 1.27 in 2015. An overview of Tung Ho Steel'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. Acquired in the beginning in 2015, Tung Kang Vietnam has made contributions to the parent company's profit for the first year joining the Tung Ho Steel Family.

In 2016, global crude steel output was 1.629 billion metric tons, a slight increase of 0.4% compared to 2015. The growth rate of China's crude steel also registered a slight increase with China 's strong implementation to backward steel production capacity policy. But China stressed the strict implementation of the elimination of frequency furnace "land steel" policy, which has an obvious impact on the global steel and iron market in the second half of 2016. Meanwhile with huge rising of the international coking coal prices, the global steel price has finally got rid of haze for many years and bottomed out, but in the past few decades, the Chinese steel industry has the phenomenon of excessive investment, which still cast a shadow on the global steel price trend. Whether the Chinese can implement the policy of shuttering their backward production capacity and yielding will still be the focus paid more attention to the global steel and iron industry.

This year, on May 20, Taiwan's new government took office. Under the ECFA framework of cross-strait trade reactivation and trade negotiations, the cross-straits trade negotiation will be faced with great dilemma. Domestic and international investment plans to Taiwan are waiting and seeing, with doldrums of the domestic real estate investment, the overall Taiwan steel demand is suffered from the great negative growth pressure. Global trade protectionism is emerging, Taiwan's steel industry must face the competition and challenges imposed by the steel industries worldwide. Firms must strengthen their global competitiveness, and

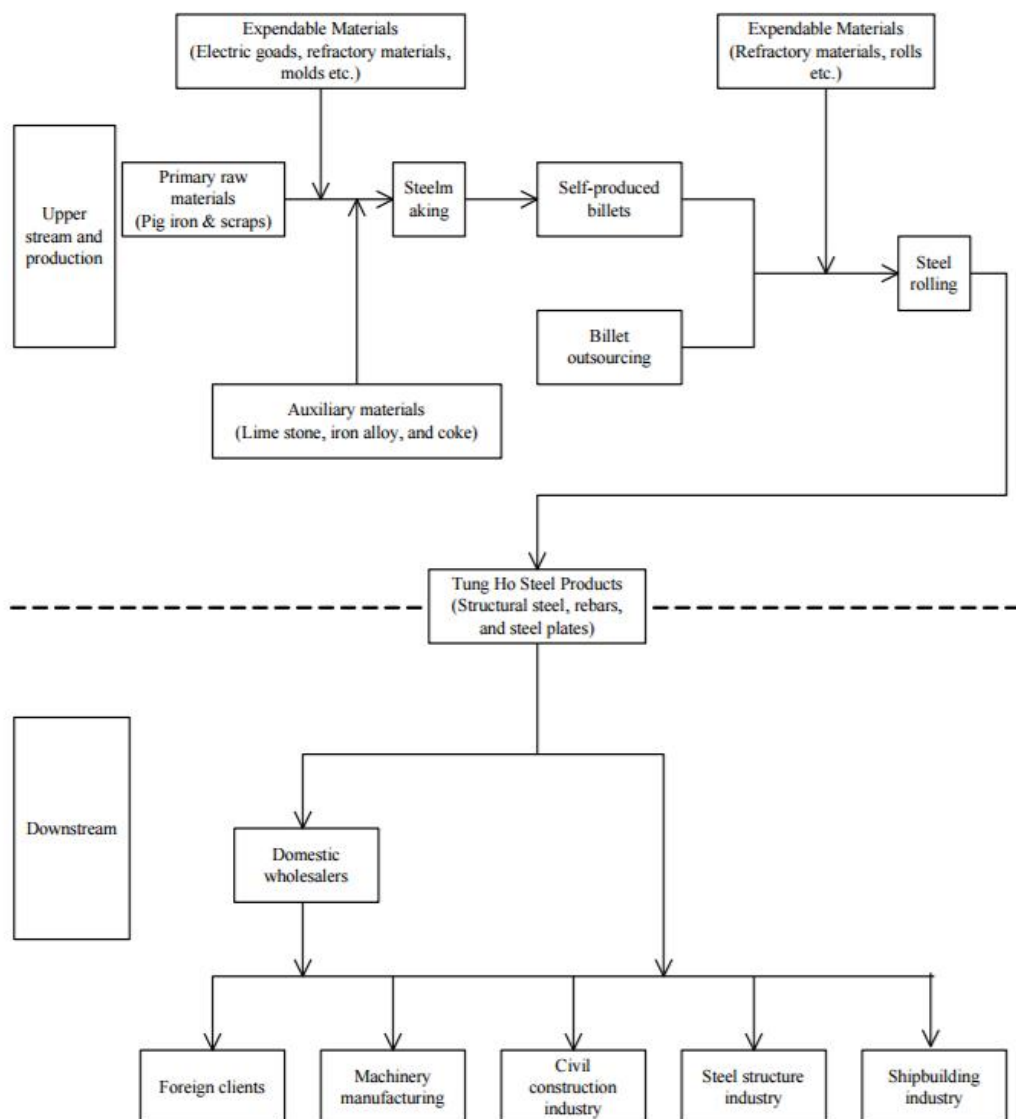
government must propose the related policy in response to the global trade protectionism, like national standard certification and registration system and so on, which has been conducted worldwide. Steel industries in Taiwan have already voiced their need for a national standard authentication system that is prevalently adopted around the world. However, the government in Taiwan has yet to adopt specific measures.

In Jan 2016, Tung Ho Steel formally merged Vietnam Fuco Steel, and renamed as Tung Ho Steel Vietnam Corp. Ltd. thereafter. This is the first overseas investment for Tung Ho Steel in Electric furnace refining, rolling steel works. Tung Ho Steel layouted Southeast Asia emerging steel market, focusing on the Vietnamese and Southeast Asian Nations Association for their future rapid economic growth in accompany with the demand for steel. For the first year, there is only steel billets business, but for the whole year in the center of technology transfer, personnel training and equipment transformation, it has begun to make specific contribution to the parent company. Up till now the rolling steel works is still in construction, will be planned to be hot tersed in Q3 2017. Tung Ho Steel Vietnam Corp. Ltd. will become the first oversea professional construction steel production base for Tung Ho Steel. With the development of Vietnam and Southeast Asian Nations Association, it will add positive contribution to the business performance of the parent company year by year.

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 three pillars as 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 project. The advantage will become the main contract business, but also to replace the export tax rebate to rely on to undertake overseas business transformation opportunities.

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. But it is worried that the Taiwan energy policy has become a political issue, and Electricity price policy has become a tool for election kidnapping. The current political chaos has not allowed any experts to discuss. It will be a main uncertainty in the future economy development in Taiwan, if the energy policy can't be built on a long-term and stable basis.

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



(3) Overview of Technology and R&D

i. R&D program for the current two years

R&D Items	2016 R&D program	2017 R&D program
(1)Steel making	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	a. Research project on the off-gas inspections of electric furnace and the dynamic control of furnace burners and sprayed carbon room b. High purity and high malleable steel billets development c. Development of low alloy ultra - high strength steel plate d. Development of high strength rebar e. Development of high-grade marine steel f. Development of ultra-high-strength steel g. Furnace slag recycling technology

	materials.	<p>development</p> <p>h. Restored melted slag process development</p> <p>i. The development of new steel grades</p> <p>j. Testing of various smelting supplies and refractory materials.</p>
(2)Steel rolling	<p>a. Development of precision threaded rebar multi-type coupler.</p> <p>b. R & D program of using low-energy direct rolling process new technology to develop more than 1.6 times more ultra-high strength and earthquake resistant rebar which leads the industry.</p> <p>c. To lead the industry's flat steel billets section rolling technology to produce thin plate thicker than 50mm of the thickness of hot-rolled H-beam R & D project.</p> <p>d. New technology and new product development of ultra-large hot rolling H-beam</p> <p>e. Initial development with the same open-roll roller B value is equal to 300mm multi-size H-beam special rolling new technology research and development project.</p> <p>f. Leading domestic research and development of hot-rolled one-piece U-shaped steel sheet pile development project.</p> <p>g. Development of ultra-high-strength steel</p> <p>h. New dimension development for H-beams of various specifications (U.S. standard and E.U. Standard)</p> <p>i. New dimension development for channel steel of ASTM specifications.</p> <p>j. New dimension development for I-Beams of ASTM specifications.</p>	<p>a. Development of precision threaded rebar multi-type coupler.</p> <p>b. R & D program of using low-energy direct rolling process new technology to develop more than 1.6 times more ultra-high strength and earthquake resistant rebar which leads the industry</p> <p>c. Development of steel billets welding technology and the use of direct rolling technology continuous uninterrupted rolling reinforcement program</p> <p>d. To lead the industry's flat steel billets section rolling technology to produce thin plate thicker than 50mm of the thickness of hot-rolled H-beam R & D project.</p> <p>e. New technology and new product development of ultra-large hot rolling H-beam.</p> <p>f. Initial development with the same open-roll roller B value is equal to 300mm multi-size H-beam special rolling new technology research and development project.</p> <p>g. Leading domestic research and development of hot-rolled one-piece U-shaped steel sheet pile development project.</p> <p>h. Leading the development of special H-H rolling method rolling wing gradient to U.S. standard steel manufacturing technology R&D project</p> <p>i. R&D Project of Circular Rolling Technology for Tandem Rolling Mill</p> <p>j. Development of ultra-high-strength steel</p> <p>k. New dimension development for H-beams of various specifications (U.S. standard and E.U. Standard)</p> <p>l. New dimension development for channel steel of ASTM specifications.</p> <p>m. New dimension development for I-Beams of ASTM specifications.</p>
(3)Others	<p>a. Research project on the Planning of an Integrative Greenhouse Gas Reduction Strategy</p>	<p>a. Research project on Establishing Strategic Planning of Integrated Air Pollution Prevention System for Tung Ho Miaoli Plant.</p>

ii. R&D expense invested in the last year and until the date of issuing the annual report

Unit: NT\$

Item \ Year	2015	2016	2017 until March 31, 2017
Total R&D expense invested in Taoyuan plant	11,024,772	9,912,944	2,152,660
Total R&D expense invested in Miaoli plant	29,323,306	20,011,824	4,881,331
Total R&D expense invested in Kaohsiung plant	8,186,533	7,496,325	2,063,748
Investment in the devices for research purpose	0	0	0
Total research expense	48,534,611	37,421,093	9,097,739
Percent of total research expense in the net sales	0.16%	0.15%	0.12%

(4) Short/long-term business development plan

i. Short-term development plan: Marketing & sales strategies

- A. Think about how to cope with the negative impact of the higher interest rate imposed to the global major economies, and the higher cost for funds acquisition due to the further restriction of global easing monetary policy.
- B. Work out the solution to cope with the impact of possible price rise of electricity due to stopping construction of the 4th nuclear plant in Taiwan. In addition, it must strengthen the control for more cost variables due to the electricity price elasticity adjustment mechanism in the future.
- C. With the negotiation progress of agreement of trade in services and goods under ECFA architecture, work out and implement the solution for coping with the government's drawback and low-price dumping of the steel products made in China.
- D. Enhance the monitoring of international raw material and the trend of fluctuating price of steel products, and discrete the sources of purchasing raw materials.
- E. Get out of the trouble of low-price competition and low gross margin of steel products due to excess capacity.
- F. Flexibly cope with the changes of market supply and demands, and cooperation-competition relationship due to the new capacity of China and other regions globally.
- G. Supervise the government to check the registration system based on CNS national standards for various steel products ASAP.
- H. Further implement the production/sale plan for orders, and intensify the production planned as cost control.
- I. Strengthen and integrate sale channels at home and abroad.

ii. Long-term development plan: Marketing & sales strategies

- A. Develop market for products with high value-added.
- B. Re-integrate the market positioning and product orientation of Tung Ho Steel based on the changes of market supply and demands, and cooperation-competition relationship.
- C. Review and work out the solutions and possibilities of eliminating trade barriers in the developing countries, and strengthen the implementation of evaluation for overseas investment feasibility.
- D. Get into Vietnam and ASEAN market, get a better understanding of the local laws and tax laws, and actively study the local laws.

2. Market, production/sale overview

(1) Market analysis

i. The target sale regions of major products

The region type of the acquired company is listed as below, in which the income is classified based on the geographic location of the customer.

Region type	Unit: NT\$ thousand	
	2016	2015
Income from external customers:		
Taiwan	\$ 19,017,305	26,753,876
China	765,071	1,867,017
Vietnam	2,325,124	0
Other countries	3,102,058	2,432,519
	<u>\$ 25,209,558</u>	<u>31,053,412</u>

ii. Future market supply-demand situation

The annual consolidated output of Tung Ho Steel in 2016 showed a decline rate of 1.40% if compared with that in 2015, with the annual consolidated sale volume greatly dropping by 18.82%. On the contrary, the after-tax EPS of the year was increased to 1.49. It indicates the importance and emergency of actively investing into the emerging market in southeast Asia. Under the circumstance of output recession in Taiwan in long terms, it is difficult to keep continuous growth of EPS.

In the prospect of 2017, as the global steel price rose since the fourth quarter of 2016, most steel manufacturers in China improved the profit status greatly, and many of them put the idle capacity into production. In March of this year, the daily crude steel output of China hit another new record, which was accompanied with great risk and uncertainty for the operation of steel industry in the second half of this year.

Taiwan's energy and electricity pricing policy has become a political issue. The energy policy of stopping the 4th nuclear plant and costly alternative energy will possibly result in dramatic increase of overall operation cost and the bring more variables for cost control. Moreover, ECFA Agreement of Trade in Services and Goods will fully open the uncertain factors that cause impact on Taiwan's economy, which causes the hesitation of private investment of fixed capitals. This year the private investment is reduced sharply and the total budget of governmental public projects hits a record low. In that part of the steel materials for construction structure, the office and residential housing demands remaining slow down the transaction paces under the governmental policies for curbing property speculation. The shrinkage of practical demands is the greatest issue for the steel industry this year. Taiwan's new government promotes the looking-forward plant to expand the domestic needs, with the expectation to vitalize the long-term economic recession in Taiwan.

iii. Favorable and unfavorable factors of development prosperity

A. Favorable factors

- a. Taoyuan Plant of Tung Ho Steel used the production process with the main axis of energy conservation and eco-friendly design since it was put into production on October 31, 2010, which can save the power consumption cost of unit rebar manufacturing by 30%~40% if compared with the traditional rebar manufacturers. The second production line that is planned to be put into production in the third quarter of 2017 will help Tung Ho Steel further implement the energy conservation

and eco-friendly process.

- b. Branch line of Taipei MRT, Suhua Highway improvement project, Taichung MRT, Kaohsiung underground railway are in progress successively.
- c. Taiwan's new government promotes the looking-forward plant to expand the domestic needs.
- d. Tung Ho Steel develops the medium-capacity steel railway and guiderail developed for Neihsu MRT line, which is the only steel manufacturer in Asia achieving practical performance of medium-capacity steel railway. This can facilitate expanding the export market in U.S., China and Southeast Asia.
- e. The global climate warning and GHG emission reduction issue draw much attention. The "carbon tariff", "carbon tax and energy tax" and "carbon transaction" will be the common issues that must be faced by the global industries. The electric furnace of Tung Ho Steel has competitiveness over the high furnace process. Moreover, the investment into the energy conservation facilities takes a leading position in the industry.
- f. Get into Vietnam and ASEAN market for active layout.

B. Unfavorable factors

- a. The supply of international steel capacity exceeds the supply seriously, especially in China, Korea and Japan.
- b. The stopped 4th nuclear plant and the coming of costly alternative energy will increase the pressure of operating cost control.
- c. ECFA Agreement of Trade in Services and Goods will be fully opened, which will impact the industries of domestic needs in Taiwan. Especially, the steel industry will face the unfair competition that government provides drawback and low-price dumping of the steel products made in China.
- d. The integrated housing and land taxation will enter legislation and implementation very soon, which will show impact on the housing price in the future and affect the confidence of the contractor in investing and promoting projects.
- e. The global trade protectionism is rising.

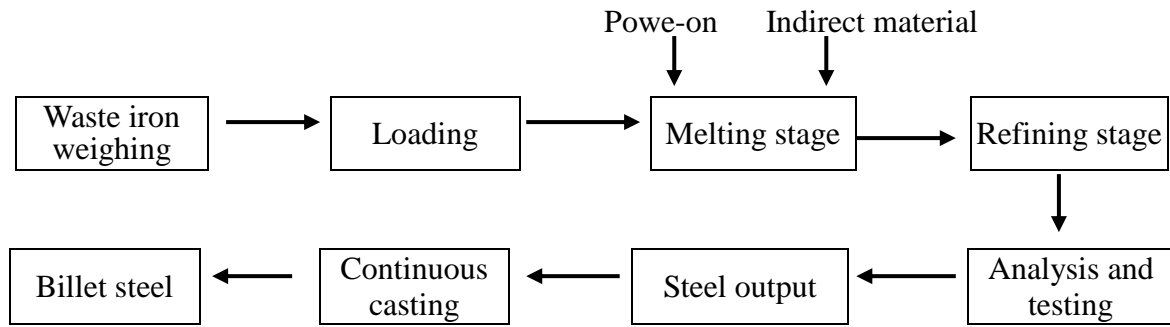
(2) Key applications and manufacturing processes of major products

i. Product applications

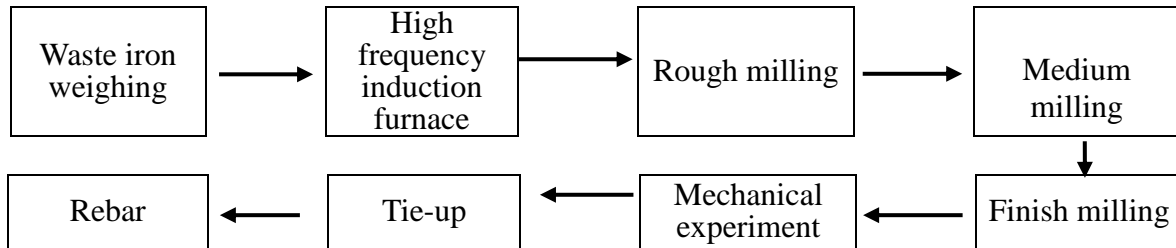
- A. Rebar: Steel materials for civil engineering and construction.
- B. Billet steel: Semi-products of rebar, steel rod, wire material, H-beam, channel, and steel plate.
- C. H-shaped steel: Structural steel material for steel-structured architecture and basic civil engineering.
- D. Universal steel plate: Structural steel material for welded H-beam, box column, H-shaped column and other combined steel.
- E. Channel: Structural steel material for steel-structured architecture and electro-mechanical facilities.
- F. U-shaped steel sheet pile: It is widely applied in retaining wall, harbor, cofferdam and other projects. It can be recycled for reuse with significant environmental-protection effect. The key features include high strength, light weight, high water resistance, strong endurance and simple construction.
- G. Steel structure: Plant, high-rise architecture, long-span architecture, civil engineering, steel material for architecture and general construction industry.
- H. Environmental treatment business-reduced iron: It is sold to the steel mill as raw material for steel refining.
- I. Environmental treatment business-crude zinc oxide: It is sold to the Zn metal refining plant as raw material.
- J. Environmental treatment business-furnace slag products: It is used as base course material and aggregate.
- K. Wind power generation: The power is sold to TaiPower and will be finally supplied for the end users.

ii. Manufacturing process

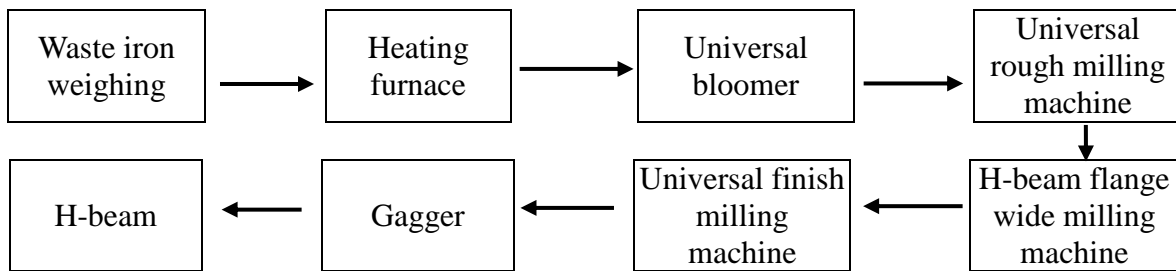
A. Refine billet steel



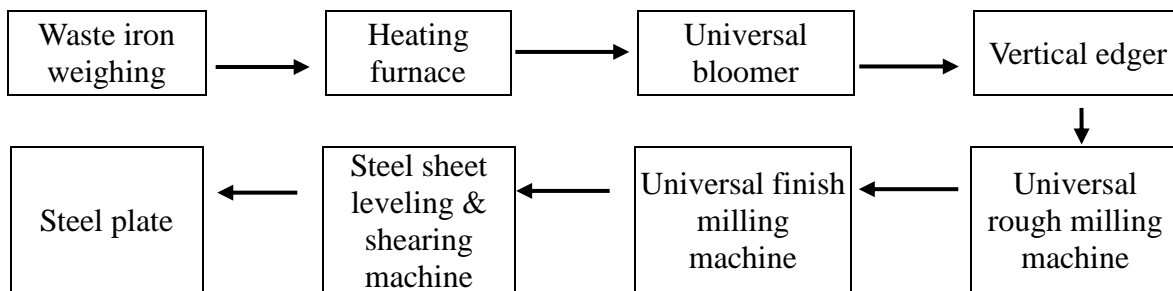
B. Mill rebar



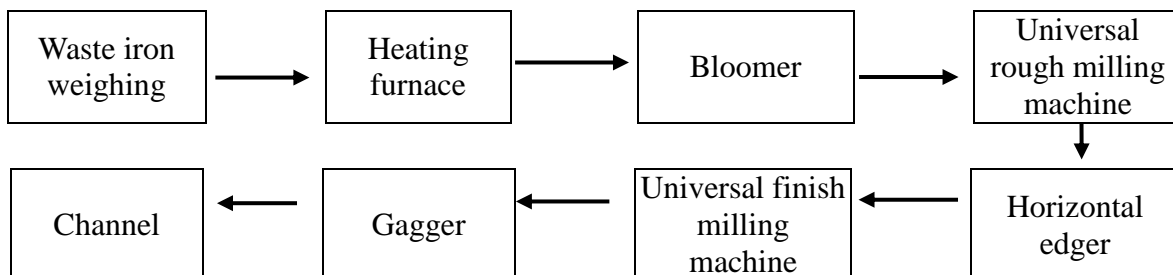
C. Mill H-beam



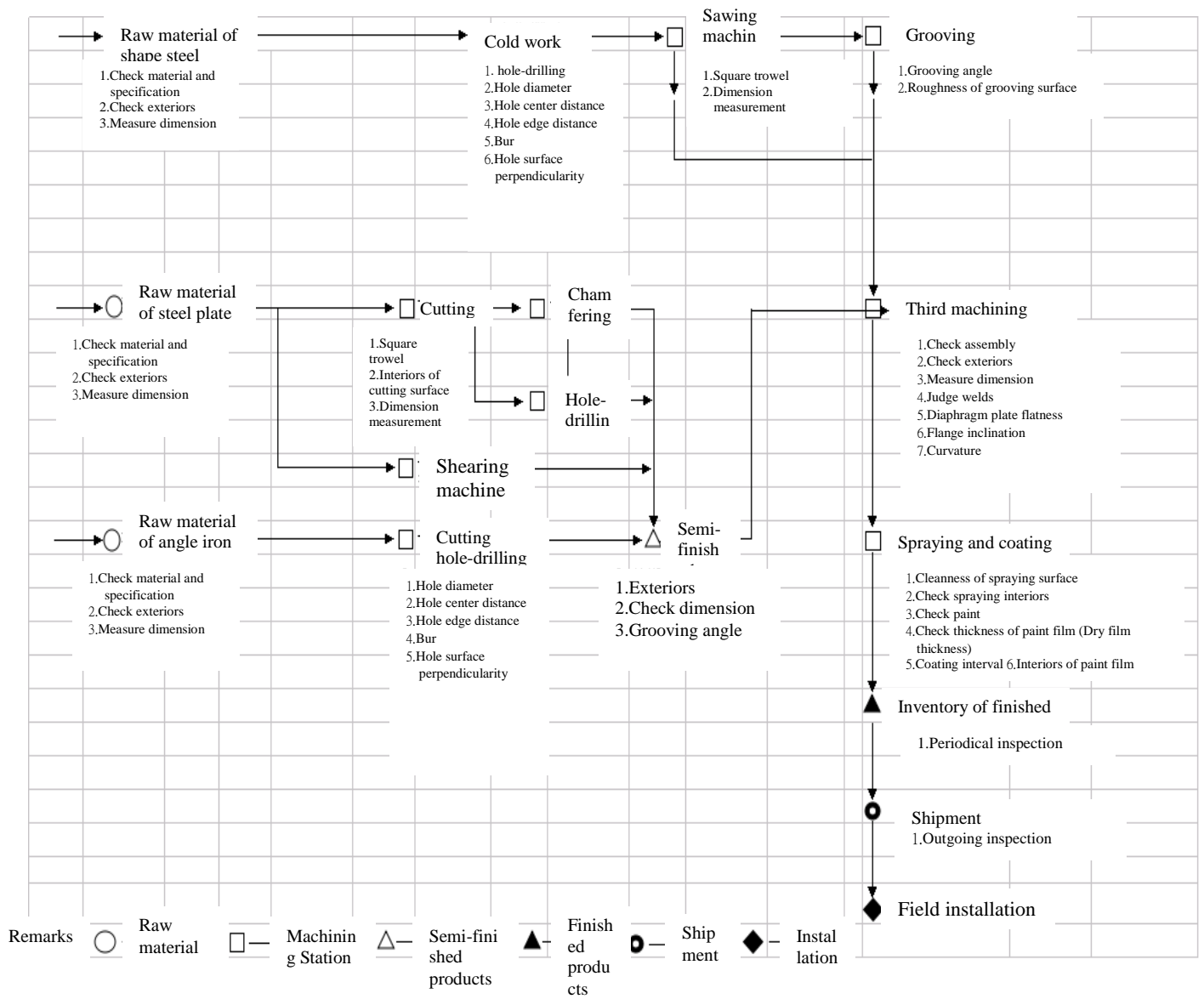
D. Mill universal steel plate



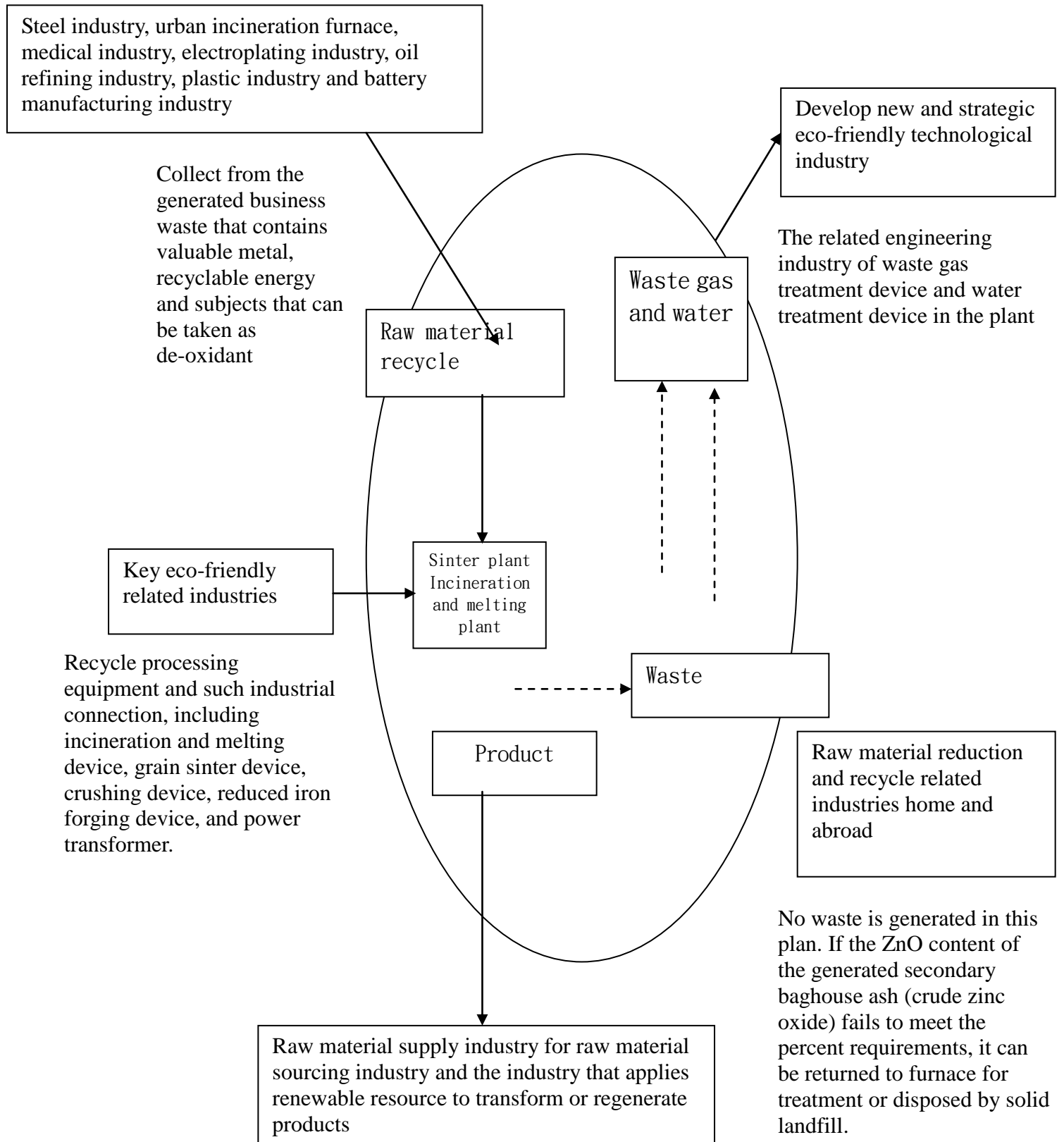
E. Mill channel



F. Steel construction process



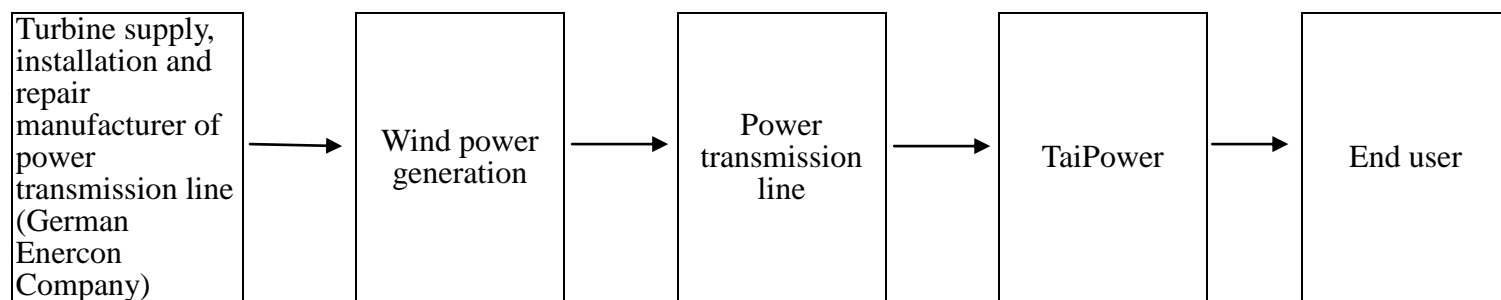
G. Eco-friendly process



No waste is generated in this plan. If the ZnO content of the generated secondary baghouse ash (crude zinc oxide) fails to meet the percent requirements, it can be returned to furnace for treatment or disposed by solid landfill.

The products output such as the reduced iron, Ni-Cr alloy furnace slag, secondary baghouse ash of high-concentration ZnO (crude zinc oxide) can be used as the raw material for steel plant and metal refining operators. The furnace slag can be used as the raw material for constructor.

H. Wind power generation



(3) Supply condition of main raw materials for parent company and subsidiaries

Unit: MT

Product Name	Quarter Quantity	Q1	Q2	Q3	Q4	Total
Waste steel (Note 1)	Domestic	180,845	253,445	203,320	212,924	850,534
	Foreign	118,015	228,878	201,709	151,735	700,337
Pig iron (Note 2)	Domestic	0	2,000	2,000	0	4,000
	Foreign	10,000	17,705	34,698	9,930	72,333
Silicon iron	Domestic	0	0	0	0	0
	Foreign	1,050	1,000	400	200	2,650
Manganese iron	Domestic	0	0	0	0	0
	Foreign	200	600	250	0	1,050
Ferrosilicon manganese (Note3)	Domestic	0	0	0	0	0
	Foreign	4,750	4,650	4,900	5,982	20,282
Electrode bar (Note 4)	Domestic	0	0	0	0	0
	Foreign	85	92	120	97	394
Steel plate (Note 5)	Domestic	4,838	8,991	4,122	4,299	22,250
	Foreign	2,984	4,523	4,878	4,133	16,518
Sectional material (Note 6)	Domestic	2,000	4,426	4,790	1,710	12,926
	Foreign	0	0	0	0	0
Fly ash (Note 7)	Domestic	2,353	2,513	2,616	2,301	9,783
	Foreign	0	0	0	0	0
Medical waste	Domestic	371	383	357	402	1,513

(Note 8)	Foreign	0	0	0	0	0
Light-burned magnesia (Note 9)	Domestic	0	0	0	0	0
	Foreign	200	500	272	300	1,272

(Note 1): The domestic purchases of waste steel are the sum of Tung Ho Steel and Tung Ho Steel Vietnam Corp. Ltd.

(Note 2): The domestic purchases of pig iron are the sum of Tung Ho Steel and Tung Ho Steel Vietnam Corp. Ltd..

(Note 3): The domestic purchases of ferrosilicon manganese are the sum of Tung Ho Steel and Tung Ho Steel Vietnam Corp. Ltd.

(Note 4): The electrode bar is the main raw material of Tung Ho Steel Vietnam Corp. Ltd.

(Note 5): The steel plate is the sum of Tung Ho Steel Structure and Tung Ho Steel Fujian Corp. Ltd.

(Note 6): The sectional material is the main raw material of Tung Ho Steel Fujian Corp. Ltd.

(Note 7): The fly ash is the main raw material of Katec Creative Resources Corp.

(Note 8): The medical waste is the main raw material of Katec Creative Resources Corp.

(Note 9): The light-burned magnesia is the main raw material of Tung Ho Steel Vietnam Corp. Ltd.

Product Name	Import area of main raw material of the parent company
Waste steel and pig iron	U.S., Japan, Russia, and etc.
Silicon iron, manganese iron and ferrosilicon manganese	China, India, Ukraine, and etc.
Electrode bar	Europe, Japan and China
Light-burned magnesia	Taiwan

(4) Customer name, amount of purchases(sales) and percent of those accounting for more than 10% of the purchases (sales) sum in the last two years

i. Customer name of those accounting for more than 10% of the sales sum in the last two years:

None.

ii. Customer name of those ranked top ten of the sales sum in the last two years

Item Year	Customer Name	Amount (NT\$ thousand)	Percent (%)	Item Year	Customer Name	Amount (NT\$ thousand)	Percent (%)	Reason for increase/decrease
2015	Lih Dar Steel CO., LTD.	2,003,465	6.45	2016	Lih Dar Steel CO., LTD.	1,955,245	7.76	Change of market demand/supply
	FENG HUEI IRON & STEEL CO., LTD.	1,286,428	4.14		MITSUI VIETNAM CO.,	1,899,138	7.53	
	GIR GAI TRADING CO., LTD.	1,260,261	4.06		FENG HUEI IRON & STEEL CO., LTD	1,396,492	5.54	
	SANWA	823,302	2.65		GIR GAI TRADING CO., LTD.	1,142,051	4.53	
	THYSSEN	804,955	2.59		Cheng Steel Corp.	936,573	3.72	
	Cheng Steel Corp.	800,296	2.58		SANWA	830,518	3.29	
	UMC	690,110	2.22		De Tai Steel	625,021	2.48	
	PECL	656,567	2.11		Superiority Steel Co., Ltd.	548,879	2.18	
	Superiority Steel Co., Ltd.	614,809	1.98		THYSSEN	529,621	2.10	
	De Tai Steel	570,995	1.84		KAISER STEEL CO., LTD.	510,654	2.03	

iii. Data of major suppliers in the last two years

Period	2015				2016				2017 until the last quarter			
Item	Name	Amount (NT\$ thousand)	Percent in the annual net purchase s (%)	Relationship with the issuer	Name	Amount (NT\$ thous and)	Percent in the annual net purchas es (%)	Relationship with the issuer	Name	Amount (NT\$ thousa nd)	Percent in the annual net purchases (%)	Relations hip with the issuer
1	Hua Ting	3,083,771	22.84	None	Hua Ting	2,147,825	13.53	None	Metaltrade Pacific	586,579	13.88	None
2	Others	10,417,421	77.16	None	Others	13,730,858	86.47	None	Others	3,639,798	86.12	None
Total	Net purchases	13,501,192	100	Inapplicabl e	Net purchases	15,878,683	100	Inapplicable	Net purchases	4,226,377	100	Inapplica ble

iv. Customer name of those ranked top ten of the purchases sum in the last two years

Item Year	Customer name	Amount (NT\$ thousa nd)	Percent (%)	Item Year	Customer Name	Amount (NT\$ thousa nd)	Percent (%)	Reason for increase/decrease
2015	Hua Ting	3,083,771	22.84%	2016	Hua Ting	2,147,825	13.53%	Increase/decrease of purchasing quantity and change of exchange rate
	Advanced TEK	1,004,606	7.44%		Advanced TEK	967,445	6.09%	
	Metaltrade Pacific	909,083	6.73%		Hong Mao	600,708	3.78%	
	Hong Mao	693,158	5.13%		Advanced TEK	448,607	2.83%	
	NSC	393,740	2.92%		Hanwa Taiwan	355,940	2.24%	
	Kamioka	392,782	2.91%		Shanghai Auper	285,878	1.80%	
	Borton Trading Limited	289,212	2.14%		Hong Ruen Co., Ltd.	268,780	1.69%	
	Hong Ruen Co., Ltd.	246,517	1.83%		Shang Yu	253,225	1.59%	
	HAMMOND	242,252	1.79%		NSC	252,609	1.59%	
	Ren Yi Corp.	205,521	1.52%		Fujian HX Steel	225,348	1.42%	

(5) Production value of the last two years

Unit: MT, NT\$ thousand

Year	2016			2015		
Production value Product name	Capacity	Output	Value	Capacity	Output	Value
Billet steel	3,300,000	1,605,558	17,310,382	2,500,000	1,524,608	19,181,426
Rebar	1,200,000	668,556	7,825,836	1,200,000	883,383	11,978,590
H-beam	1,000,000	536,188	7,353,300	1,000,000	512,139	8,352,122
Steel plate		38,434	537,007		46,024	772,916
Channel		37,943	580,315		36,754	676,876
I-beam		2,761	42,074		3,129	55,885
Steel sheet pile		28	590		311	6,359
Steel structure	123,600	180,056	7,567,110	123,600	115,297	6,013,535
Environmental protection treatment	46,368	17,285	225,483	46,368	22,169	256,376
Wind power generation	28,000	13,139	26,278	0	0	0
Others(Note)	0	311	4,934	0	334	5,058
Totals	5,697,968	3,100,259	41,473,309	4,869,968	3,144,148	47,299,143

Note: Others include rebar cutting/forming and selling, splice material selling, plant construction project, housing decoration project, parking lot construction project, Fata Xingye recycle field construction project, and plant steel structure reinforcement project.

(6) Sales volume of the last two years

Unit: MT, NT\$ thousand

Year	2016				2015			
Sales volume Product name	Domestic sale		Export		Domestic sale		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Billet steel	2,241	27,702	218,890	2,325,125	183	9,376	0	0
Rebar	657,915	8,844,496	17,988	260,784	876,032	13,963,160	18,982	296,173
H-beam	452,182	7,656,456	71,316	1,171,710	455,338	7,683,206	84,287	1,663,815
Steel plate (self-made)	12,819	223,691	0	0	33,223	135,392	50	977
Steel plate(traded)	5,197	95,819	0	0	12,427	230,810	0	0
Channel	14,669	240,937	23,767	404,231	15,014	260,648	20,375	396,262
I-beam	1,892	41,978	850	16,975	2,306	52,660	442	9,731
Steel structure	78,345	2,777,708	0	744,510	141,238	4,117,549	2,922	1,905,189
Steel material trading	2,975	41,377	0	0	3,234	67,921	4,739	25,411
Environmental protection treatment	20,063	261,495	0	0	20,525	230,837	380	0
Steel sheet pile	0	0	65	1,057	139	2,316	0	0
Wind power generation	13,139	26,278	0	0	0	0	0	0
Others(Note)	0	47,129	0	100	79,069	0	0	1,979
Total	1,261,437	20,285,066	332,876	4,924,492	1,638,728	26,753,875	132,177	4,299,537

Note: Others include rebar cutting/forming and selling, splice material selling, plant construction project, housing decoration project, parking lot construction project, Fata Xingye recycle field construction project, and plant steel structure reinforcement project.

3. Data of Employees

Number of employees, average service years, average age and education background distribution of the staff in the last two years and until the date of issuing the annual report

March 31, 2017

Year		2015	2016	This year until March 31, 2017
Number of employees	Headquarter	138	165	166
	Kaohsiung Plant	260	259	260
	Taoyuan Plant	449	443	445
	Miaoli Plant	548	520	525
	Contracted employees	9	8	9
	Foreign employees	162	153	154
	Total of parent company	1,566	1,548	1,559
	Subsidiaries (Including foreign employees)	476	771	859
	Total	2,042	2,319	2,418
Average age (Note)		37.30	42.34	43.25
Average service years(Note)		4.98	5.48	5.68
Education background distribution(Note)	Doctors	0.00	0.05	0.05
	Masters	4.27	4.03	4.17
	College	44.91	43.05	42.51
	Senior high school	42.84	37.59	37.74
	Below than senior high school	7.98	15.29	15.54

(Note) The average service years, average age and education background distribution should be calculated based on the regular staff, not including the contracted employees and the foreign employees.

4. Disbursements for environmental protection

To fulfill the environmental CSR, the Company and the subsidiaries invest into the environmental protection works. In 2016, the Company invested a total of NT\$368,427,000 in environmental protection (including: current expenditure NT\$317,125,000, and capital expenditure depreciation NT\$51,302,000). In 2017 until the first quarter, the Company invested a total of NT\$124,309,000 in environmental protection (including: current expenditure NT\$114,293,000, and capital expenditure depreciation NT\$10,016,000). In 2016 and until the date of issuing the annual report, the law compliance, corrective and preventive actions and the environmental protection expense of the Company and the subsidiaries are stated as below:

Parent company/Subsidiary		Violation against environmental protection	Fines	Corrective and preventive actions	Expense of environmental protection (Unit: NT\$ thousand)	
					2016	2017 until March 31, 2017
Parent company	Taoyuan Plant	None	None	None	187,387 (including: current expenditure NT\$165,007, and capital expenditure depreciation NT\$22,380)	70,214 (including: current expenditure NT\$67,529, and capital expenditure depreciation NT\$2,685)
	Miaoli Plant	None	None	None	172,120 (including: current expenditure NT\$144,488, and capital expenditure depreciation NT\$27,632)	51,794 (including: current expenditure NT\$44,786, and capital expenditure depreciation NT\$7,008)
	Kaohsiung Plant	None	None	None	8,920 (including: current expenditure NT\$7,630, and capital expenditure depreciation NT\$1,290)	2,301 (including: current expenditure NT\$1,970, and capital expenditure depreciation NT\$323)
Total					368,427	124,309
Subsidiary	Tung Ho Steel Structure Corp.	On Nov. 14, 2014, Yunlin Environmental Protection Bureau sent personnel for inspection, and found the following: (1)The Company obtained operation license for spraying process, and set up fly ash control and prevention facilities. However, it was insufficient to collect the grain pollutants effectively, which were scattered in air and the properties of others (crops). (2)It violated subparagraph 1-1 of Article 31, Air Pollution Control Law.	NT\$100,000	Purchased bag filter	144,875 (Depreciation of eco-friendly device)	86,925 (Depreciation of eco-friendly device)
	Katec Creative Resources Corp.	(1) On April 08, 2016, Department of Environmental Protection, Taoyuan City Government sent personnel for inspection and found that: the garbage piled in	(1) NT\$10,000 (2) NT\$200,000 (3) NT\$1,200 (4) NT\$100,000	(1)Move the garbage can to the area specified on the layout	6,188 (Including: current expenditure NT\$1,354, addition or renovation of	1,044 (Including: current expenditure NT\$268 and depreciation of eco-friendly device

		<p>the domestic garbage area was not stored in the area registered on the Industrial Waste Disposal Plan. Moreover, on May 24, 2016, it received the Notice of Penalty due to the violation of subparagraph 1-1 of Article 31 of the Waste Disposal Act and the provisions of subparagraph 1 of Article 52 of the same law.</p> <p>(2) On April 08, 2016, Department of Environmental Protection, Taoyuan City Government sent personnel for inspection and found that: the differential pressure of pulse bag filter is 47.9mmH₂O, which is not inconsistent with that registered on the license (100~250mmH₂O). Moreover, on May 26, 2016, it received the Notice of Penalty due to the violation of subparagraph 2 of Article 24 of Air Pollution Act and was punished based on subparagraph 2 of Article 56 of the same law.</p> <p>(3) On July 16, 2016, Department of Environmental Protection, Taoyuan City Government sent personnel for inspection and found that: along the driving path at the gate of the Company and the surrounding road, the black carbon ash was carried out of the plant with the driving track, which finally caused contamination on the road. Moreover, on August 22, 2016, it received the Notice of Penalty due to the violation of subparagraph 2 of Article 27 of Waste Disposal Act and was punished based on subparagraph 1-3 of Article 50 of the same law.</p> <p>(4) On Oct. 15, 2016, Department of Environmental Protection, Taoyuan City Government sent personnel for inspection and found that: the window on the upper of the engraving processing area was broken and not repaired, so the grain pollutants were not collected properly for treatment, which were scattered from the broken window to the area out of the plant. Moreover, on November 23, 2016, it received the Notice of Penalty due to the violation of subparagraph 1-1 of Article 31 of Air Pollution Prevention Act.</p>		<p>plan for storage.</p> <p>(2) Update and repair the pressure gauge of the device.</p> <p>(3) Add sprinkler system to clean the road periodically.</p> <p>(4) Fix and improve it immediately.</p>	<p>eco-friendly device (NT\$2,415, and depreciation of eco-friendly device (NT\$2,419)</p>	NT\$776)
--	--	--	--	--	--	----------

5. Labor-management relations

(1) Various staff benefits, further study, training, retirement system and the implementation status, and the labor agreements

i. Benefits

The Company and the subsidiaries truly believe the employees are the most valuable corporate assets, and are the driving force of the corporate operation. Therefore, we exert no effort on caring employees. We purchase labor insurance and national health insurance for the employees. Moreover, we purchase group insurance for all employees (including the foreign employees), including life insurance, accident insurance, business accident insurance and business trip accident insurance for the employees on foreign business trip, so as to guarantee the work and life safety of the employees. Other benefits include:

A. Set up Union of Employee Welfare Committee

Through the Employee Welfare Committees of each site, we conducted various employee welfare activities and provide allowances, such as: staff travel, community allowance, group insurance, scholarships for employee's children, festival cash for Dragon Boat, Mid-Autumn and Chinese New Year, festival cash for birthday, wedding and funeral subsidiary, pension and other welfare measures. The employees are encouraged to set up communities, including Mountain Climbing Society, Softball Society, Golf Society, Badminton Society, Hiking Society, and various community activities held in a non-scheduled way. In addition, we are glad to see the employees to participate in the health activities, such as hiking, doing physical exercises and aerobic exercises.

B. Set up dining hall to care for the health of the employee's food.

C. Set up staff dormitory for the employees who are from other counties and cities, and are inconvenient for commuting.

D. The periodical health check-up provided for the in-service employees is superior to that required by the laws, including general health check-up and special operation health check-up, which can assist the employees in implementing self-health caring management.

E. Establish integrated occupational medical staff health service

Invite physician stationed in the plant to provide individual health consultation and health evaluation (including evaluation of competency and functional recovery ability).

We combine the occupational physician, safety & health specialists and the professional nurseries who finish the occupational health caring training, to provide on-site and remote occupational preventive medicine, which can guarantee the health and the safety in the workplace. The services include the general medical consultation and referral, health education consultation, occupational injuries and diseases consultation, health promotion activity planning, safety training, health detection, health management, quality investigation for health check-up institutions and health management of infectious disease clustering condition, so as to promote the physical and mental health of the employees.

F. Irregularly provide medical care information, conduct health education activities, and provide publicity information of disease prevention and food nutrition and health; also remind the employees to pay attention to the bodyweight, and blood pressure. It should often measure blood pressure and take records, as well as conduct health education at the right times.

G. Staff remuneration: If profits are gained in the operating year, it shall be set aside and distributed to the employees. This is to share the operating fruits together with the employees.

H. Staff stock option: When cash capital increase, it shall preserve some shares among the newly issued shares, which is used for staff share prescription.

ii. Further-study training

The training is based on the principle of competency development. It makes annual training plan based on the operation demands and competency planning. Various internal and external training courses are conducted to enrich the knowledge and skills of the employees, and help them cultivate good working attitude. This can promote the competency development, and reserve managerial and professional talents at each level. At the meantime, it can encourage the employees to make self-study, improve the staff character of the organization, and develop competitive human resource. Its subsidiary Tung Ho Steel Vietnam Corp. Ltd. plans to open language courses, including English course, Chinese course and Vietnamese course, which provide free training for the employees and improve communication efficiency.

iii. Retirement system

The Staff Retirement Regulations are stipulated based on Labor Standards Act and Labor Pension Act. also the Pension Reserve Supervisory Committee is set up upon approval. Besides calculating the labor pension every year, it holds meeting regularly, so as to guarantee the rights and benefits of the employees. By the end of 2016, the labor pension reserve is sufficient to pay the pension for the employees to be retired in the following year. Thus, it doesn't need to set aside more on March 31, 2017. To apply for all employees retired under new pension system, we set aside 6% in the personal pension account based on the pension levels, while the employees can deposit pension voluntarily.

iv. Labor-management agreements

The Trade Union is set up in each site, which holds labor meeting regularly. The Trade Union shall select some members as the labor representatives for labor-management communication, which can coordinate the labor-management relationship and promote labor-management cooperation. In addition, Trade Union shall select some representative to serve as the members of the Employee Welfare Committee and the Pension Reserve Supervisory Committee, so as to supervise and guarantee the staff rights and benefits.

(2) Loss due to labor dispute in the last year and until the date of issuing the annual report, disclosure of the estimated amount occurring currently and possibly in the future , and the corresponding actions

There is no loss due to labor dispute in the last year and the date of issuing the annual report. In the future, the management system of the Company shall continuously insist on the principle of improving staff benefits and pursuing labor-management integration. So it is estimated that no labor-management dispute and loss will occur.

6. Important agreements between parent company and subsidiaries

Parent company & subsidiary	Name of company	Name of contract	Counterparty	Contractual period	Major content	Restriction terms
Parent company	Taoyuan Plant	Project contracting	Hua Cun Construction Corp.	March 01, 2016 –August 31, 2016	Device infrastructure of steel rolling line II and steel structure infrastructure construction project for Taoyuan Plant	1. Progress payment: 90% 2. Acceptance payment: 10%
		Project contracting	Qian Xiang Construction Corp.	April 01, 2016 –August 31, 2016	Extension steel structure, device infrastructure construction (including material warehouse) project in the steel plant	1. Progress payment: 90% 2. Acceptance payment: 10%
		Device purchasing	Hihlin Electric & Engineering Corp. –Hsinchu Branch	June 01, 2016-January 31, 2017	Steel rolling line II –purchasing transformer	1. Deposit: 30% 2. Device payment: 60% 3. Acceptance payment: 10%

		Material purchasing	TAEGUTEC	June 01, 2016-October 31, 2016	Purchasing tungsten steel collar	1. Deposit: 30% 2. Acceptance payment: 70%
		Material purchasing	Kimpson	June 01, 2016-October 31, 2016	Purchasing tungsten steel collar	1. Deposit: 30% 2. Acceptance payment: 70%
		Project contracting	Kingtown & Construction Co., Ltd.	August 01, 2016-December 31, 2016	Water treatment device infrastructure and steel structure project for steel rolling line II	1. Deposit: 30% 2. Progress payment: 60% 3. Acceptance payment: 10%
		Construction license application	Qian Boqing Architectural Firm	June 01, 2016-December 30, 2016	Appointment contract for license application (including various inspections), construction supervision, visa and consultation affairs for the expansion project, construction of retaining wall on the east side of the dross room for steel rolling line II of Taoyuan plant	1. Deposit: 30% 2. Progress payment: 60% 3. Acceptance payment: 10%
		Device purchasing	South Asia Plastic Industrial Corp., The Giant Enterprise Corp.	August 30, 2016-December 31, 2016	Steel rolling line II –purchasing high-low pressure plate	1. Deposit: 10% 2. Acceptance payment: 90%
		Device purchasing	Xin Cheng Steel Mechanical and Electrical Co., Ltd.	August 31, 2016-February 28, 2017	Lifting tool of crane magnet	1. Progress payment: 90% 2. Acceptance payment: 10%
		Project contracting	Tai-En Enterprises Corporation	November 01, 2016 –April 30, 2017	Public pipeline setting project	1. Deposit: 30% 2. Device payment: 60% 3. Acceptance payment: 10%
		Device purchasing	Tai-En Enterprises Corporation.	November 01, 2016 –May 31, 2017	Purchasing device for the cooling circulation system of induction heating furnace	1. Device payment: 40% 2. Progress payment: 50% 3. Acceptance payment: 10%
		Project contracting	Qian Xiang Construction Corp.	December 01, 2016 - May 31, 2017	Extension steel structure & office and toilet project for the cutting line	1. Progress payment: 90% 2. Acceptance payment: 10%
		Project contracting	Qi Xiang Enterprises Corporation	November 16, 2016 - April 30, 2017	High-low pressure weak electricity, drainage project for phase-II expansion of Taoyuan plant	1. Device payment: 80% 2. Progress payment: 10% 3. Acceptance payment: 10%
		Project contracting	Li Cheng Firefighting Enterprises Corporation	December 01, 2016 - April 30, 2017	Fire alarm system installation project for phase-II of Taoyuan Plant	1. Progress payment: 90% 2. Acceptance payment: 10%
		Project contracting	China Engineers Associates, Inc.	December 01, 2016- June 30, 2017	Hydraulic lubrication pipeline project for phase-II of Taoyuan Plant	1. Deposit: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	Qi Xiang Enterprises Corporation	December 01, 2016 - May 31, 2017	Electric project for phase-II of Taoyuan Plant	1. Device payment: 80% 2. Progress payment: 10% 3. Acceptance payment: 10%
	Miaoli Plant	Device purchasing contract	Taiwan Chugai RD Co., Ltd.	February 04, 2016 - June 30, 2017	Purchase device for dual-fuel renovation project of steel rolling heating furnace	(1)S/V device 1. Deposit: 10% 2. Design payment: 10% 3. Device payment: 70% 4. Acceptance payment: 10% (2)DCS device 1. Advance payment: 10% 2. Device payment: 80% 3. Acceptance payment: 10%

Subsidiaries	Katec Creative Resources Corp.	Device renovation	Yi Kao Mechanics Co., Ltd.	40 days since May 05, 2016	Project of adding feeding pallet conveyor for 252 254 electric melting furnace	1. Installation payment: 80% 2. Acceptance payment: 20%
		Device renovation	Qian Xiang Construction Corp.	October 11, 2016~October 22, 2016	Civil engineering for the washing platform	Acceptance payment: 100%
	Tung Ho Steel Wind Power Co.	Power trading contract	TaiPower	September, 2016 ~August, 2036	Purchasing all power generated from wind by Tung Ho Steel	The power supply (power generation) in the unit time (1 hour) can't be larger than the full-load capacity of the 5 turbines.
		Turbine maintenance contract	ENERCON Taiwan Ltd.	August, 2016~July, 2026	Responsible for turbine repair	None
	Tung Ho Steel Construction Corp.	Construction project	Good Plenty Industrial Co., Ltd.	June, 2016~Completion of the project	Office construction project for the plant of Good Plenty Industrial Co., Ltd.	1. Advance payment after signing contract: 10% 2. Project payment: 80% 3. Balance payment: 10%
		Construction project	Everest Chemical Co., Ltd.	March, 2016 ~Completion of the project	Chemical plant construction project of Everest Chemical Co., Ltd.	Project payment: 100%
		Construction project	Formosa Laboratories Inc.	August 04, 2016 ~May 12, 2017	Expansion contracting of D plant for Formosa Laboratories Inc.	1.Payment for signing contract: 10% 2.Project payment: 80% 3.Balance payment: 10%
		Construction project	Advanced Xing Ye Co., Ltd.	May ,2016~Completion of the project	Recycle field construction project of Advanced Xing Ye Co., Ltd.	1.Payment for signing contract: 30% 2. Project payment: 70%
		Construction project	Katec Creative Resources Corp.	October, 2016 ~Completion of the project	Plant construction project of Katec Creative Resources Corp	1. Advance payment after signing contract: 10% 2. Project payment: 90%
		Construction project	UCCTW	May ,2016~Completion of the project	Project of adding coal fired boiler in UCCTW Haihu plant	1. Advance payment after signing contract: 10% 2. Project payment: 90%
		Construction project	Fortune Electric Co., Ltd.	April 18, 2016 ~Completion of the project	Chemical plant construction project of Fortune Electric Co., Ltd.: water and electricity project (material)	Payment for goods: 100%
		Construction project	Fortune Electric Co., Ltd.	April 18, 2016~Completion of the project	Chemical plant construction project of Fortune Electric Co., Ltd.: water and electricity project salary)	Project payment: 100%
		Construction project	Tung Ho Steel Enterprise Corp.	June 20, 2016 ~August 31, 2017	Office construction project for Good and Robust Plant: 1,400MT bamboo rebars	Payment for goods: 100%
		Device purchasing	Rong Mao Steel Industrial Corp.	0, 2016~May, 2017	Purchasing crane devices for the Machining Division	1. Device arrival payment: 70% 2. Payment after device setting: 20% 3. Acceptance payment: 10%
	Tung Ho Steel Vietnam Corp. Ltd.	Device purchasing	Danieli	May 12, 2016 ~December 31, 2017	Purchasing steel rolling machine with 600,000 MT capacity	1. Deposit: 10% 2. Design payment: 20% 3. Device payment: 60% 4. Acceptance payment: 10%
		Device purchasing	MCC	May 12, 2016 ~August 31, 2017	Purchase roller bed before rolling steel in the furnace	1. Deposit: 10% 2. Design payment: 30% 3. Device payment: 45% 4. Installation payment: 10% 5. Acceptance payment: 5%
		Device purchasing	Inductotherm Taiwan	June 08, 2016~August 31, 2017	Purchasing induction heating furnace	1. Deposit: 10% 2. Device payment: 80% 3. Acceptance payment: 10%

		Device purchasing	LCEC	July 28, 2016 ~ April 30, 2017	Purchasing BS03,04,05,06 cranes for the steel rolling plant	1. Deposit: 30% 2. Device payment: 55% 3. Installation payment: 10% 4. Acceptance payment: 5%
		Device purchasing	MA Steel Electric	July 28, 2016~ April 30, 2017	Purchasing RM01,03,RS01,02,03,SP01 cranes for the steel rolling plant	1. Deposit: 10% 2. Design payment: 30% 3. Device payment: 40% 4. Installation payment: 10% 5. Acceptance payment: 10%
		Device purchasing	Jade Electric Manufacture Co., Ltd.	October 05, 2016 ~ May 30, 2017	Contract of purchasing magnetic chuck	1. Deposit: 30% 2. Device payment: 60% 3. Acceptance payment: 10%
		Project contracting	Danieli	October 18, 2016 ~ July 15, 2017	Steel rolling water treatment device	1. Deposit: 10% 2. Design payment: 20% 3. Device payment: 60% 4. Acceptance payment: 10%
		Project contracting	ABB	November 24, 2016 ~ April 30, 2017	Purchase 40MVA(TR3) power transformer	1. Deposit: 30% 2. Device payment: 50% 3. Installation payment: 10% 4. Acceptance payment: 10%
		Spare part purchasing	ANH HOANG NAM	December 15, 2016~ May 30, 2017	Transformer station expansion project	1. Deposit: 30% 2. Device payment: 30% 3. Installation payment: 20% 4. Acceptance payment: 20%
		Device purchasing	MA Steel Electric	December 15, 2016~ May 30, 2017	Purchase lathes	1. Deposit: 10% 2. Device payment: 70% 3. Installation payment: 10% 4. Acceptance payment: 10%
		Project contracting	Yi Ding+Fu ShunFa	October 28, 2016 ~February 28, 2017	Civil engineering for infrastructure in the steel cold-lathe area	1. Deposit: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%
		Project contracting	CDCC CONSTRUCTION	November 28, 2016 ~March 18, 2017	Civil engineering for infrastructure in the steel cutting, and packaging area	1. Deposit: 40% 2. Device payment: 50% 3. Acceptance payment: 10%
		Project contracting	HOANG LIEN SON CONSTRUCTION	December 20, 2016 ~ April 15, 2017	Civil engineering for infrastructure in the steel shearing area	1. Deposit: 20% 2. Progress payment: 70% 3. Acceptance payment: 10%

VI. Financial Summary of the Company and the Subsidiaries

1. Concise Balance Sheet and Comprehensive Income Statement for the last 5 years

(1) i. Concise Balance Sheet—Consolidated

Unit: NT\$ thousand

Item \ Year		Financial data of the last 5 years					Financial data of 2017 until March 31 (Note 2)
		2012	2013	2014 (Re-compiled)	2015	2016	
Current assets		17,441,686	17,555,853	16,166,959	14,890,132	12,504,478	12,669,743
Real properties, plants and devices (Note 1)		17,030,375	16,257,059	15,916,706	15,447,983	17,888,505	17,976,626
Intangible assets		0	0	0	0	213,235	197,200
Other assets (Note 1)		6,014,946	6,111,721	6,265,406	5,742,353	5,995,096	6,310,258
Total assets		40,487,007	39,924,633	38,349,071	36,080,468	36,601,314	37,153,827
Current liabilities	Before distribution	11,121,177	9,844,751	10,956,845	9,570,672	8,611,617	9,049,299
	After distribution	12,418,768	11,441,874	12,254,533	10,668,716	(Note 3)	(Note 3)
Non-current liabilities		7,353,907	6,825,536	4,224,607	3,433,779	4,436,843	4,134,540
Total liabilities	Before distribution	18,475,084	16,670,287	15,181,452	13,004,451	13,048,460	13,183,839
	After distribution	19,772,675	18,267,410	16,479,140	14,102,495	(Note 3)	(Note 3)
Equity attributable to owner of the parent company		21,884,466	23,138,429	23,058,648	22,991,941	23,462,063	23,883,408
Capital stock		9,917,712	9,982,021	9,982,215	9,982,215	9,982,215	9,982,215
Capital reserve		6,102,248	6,225,686	6,225,993	6,225,993	6,247,267	6,247,267
Retained earnings	Before distribution	6,377,562	7,215,861	6,687,711	6,620,474	7,034,617	7,533,341
	After distribution	5,079,971	5,618,738	5,390,023	7,718,518	(Note 3)	(Note 3)
Other equity		(513,056)	(285,139)	162,729	163,259	197,964	120,585
Treasury stock		0	0	0	0	0	0
Non-controlling interest		127,457	115,917	108,971	84,076	90,791	86,580
Total equity	Before distribution	22,011,923	23,254,346	23,167,619	23,076,017	23,552,854	23,969,988
	After distribution	20,714,332	21,657,223	21,869,931	21,977,973	(Note 3)	(Note 3)

Note 1: The determination for the book value of the Real properties, plants and devices, as well as the real properties for investment purpose are exempted based on the deemed cost in accordance with IFRSI regulations on the conversion date of January 1, 2012, and the deemed cost is based on the value of assets revaluation in accordance with Regulations Governing the Assets Revaluation of Profit-seeking Businesses before December 31, 2011.

Note 2: The consolidated financial data for the first quarter of 2017 is audited by the CPA.

Note 3: 2017 general meeting is not held yet, so the profit distribution plan is not settled.

ii. Concise Balance Sheet–Individual

Unit: NT\$ thousand

Year Item		Financial data of the last 5 years					Financial data of 2017 until March 31(Note 2)
		2012	2013	2014 (Re-compiled)	2015	2016	
Current assets		14,872,656	14,976,311	13,742,697	10,906,713	9,322,204	9,417,103
Real properties, plants and devices (Note 1)		14,892,042	13,933,045	13,433,265	12,811,483	12,390,131	12,521,316
Intangible assets		0	0	0	0	0	0
Other assets (Note 1)		7,758,640	7,821,637	8,002,077	7,505,176	12,127,572	13,189,284
Total assets		37,523,338	36,730,993	35,178,039	31,223,372	33,839,907	35,127,703
Current liabilities	Before distribution	8,868,424	7,266,627	8,230,300	5,064,475	5,943,370	7,112,125
	After distribution	10,166,015	8,863,750	9,527,988	6,162,519	(Note 3)	(Note 3)
Non-current liabilities		6,770,448	6,325,937	3,889,091	3,166,956	4,434,474	4,132,170
Total liabilities	Before distribution	15,638,872	13,592,564	12,119,391	8,231,431	10,377,844	11,244,295
	After distribution	16,936,463	15,189,687	13,417,079	9,329,475	(Note 3)	(Note 3)
Equity attributable to owner		21,884,466	23,138,429	23,058,648	22,991,941	23,462,063	23,883,408
Capital stock		9,917,712	9,982,021	9,982,215	9,982,215	9,982,215	9,982,215
Capital reserve		6,102,248	6,225,686	6,225,993	6,225,993	6,247,267	6,247,267
Retained earnings	Before distribution	6,377,562	7,215,861	6,687,711	6,620,474	7,034,617	7,533,341
	After distribution	5,079,971	5,618,738	5,390,023	7,718,518	(Note 3)	(Note 3)
Other equity		(513,056)	(285,139)	162,729	163,259	197,964	120,585
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	21,884,466	23,138,429	23,058,648	22,991,941	23,462,063	23,883,408
	After distribution	20,586,875	21,541,306	21,760,960	21,893,897	(Note 3)	(Note 3)

Note 1: The determination for the book value of the Real properties, plants and devices, as well as the real properties for investment purpose are exempted based on the deemed cost in accordance with IFRSI regulations on the conversion date of January 1, 2012, and the deemed cost is based on the value of assets revaluation in accordance with Regulations Governing the Assets Revaluation of Profit-seeking Businesses before December 31, 2011.

Note 2: The individual financial data for the first quarter of 2017 is not audited by the CPA.

Note 3: 2017 general meeting is not held yet, so the profit distribution plan is not settled.

(2) i. Concise Comprehensive Income Statement—Consolidated

Unit: NT\$ thousand

Item \ Year	Financial data of the last 5 years					Financial data of 2017 until March 31 (Note 1)
	2012	2013	2014 (Re-compiled)	2015	2016	
Operating income	39,899,070	35,119,213	35,892,185	31,053,412	25,209,558	7,443,650
Operating gross profit	3,825,287	3,703,070	2,887,797	3,033,804	2,970,262	1,049,798
Operating profit/loss	2,285,971	2,186,843	1,355,232	1,511,137	1,491,657	597,831
Non-operating income and expenditure	(219,606)	236,060	(71,259)	3,519	190,573	(23,159)
Before-tax net profit	2,066,365	2,422,903	1,283,973	1,514,656	1,682,230	574,672
Net Profit of continuing operations in the current period	1,735,702	2,100,150	1,050,153	1,245,679	1,479,564	496,103
Loss of discontinuous operations	0	0	0	0	0	0
Net profit(loss) of the current period	1,735,702	2,100,150	1,050,153	1,245,679	1,479,564	496,103
Other comprehensive profit/loss of the current period (after-tax net amount)	(10,402)	252,117	409,696	(39,593)	61,706	(78,969)
Total comprehensive profit/loss of the current period	1,725,300	2,352,267	1,459,849	1,206,086	1,541,270	417,134
Net profit attributable to owner of the parent company	1,770,133	2,117,078	1,057,263	1,269,089	1,484,673	498,724
Net profit attributable to non-controlling equity	(34,431)	(16,928)	(7,110)	(23,410)	(5,109)	(2,621)
Comprehensive profit/loss attributable to owner of the parent company	1,760,927	2,368,404	1,465,044	1,230,981	1,546,892	421,345
Total comprehensive profit/loss attributable to non-controlling equity	(35,627)	(16,137)	(5,195)	(24,895)	(5,622)	(4,211)
EPS	1.80	2.12	1.06	1.27	1.49	0.5

Note 1: The individual financial data for the first quarter of 2017 is audited by the CPA.

ii. Concise Comprehensive Income Statement–Individual

Unit: NT\$ thousand

Item \ Year	Financial data of the last 5 years					Financial data of 2017 until March 31 (Note 1)
	2012	2013	2014 (Re-compiled)	2015	2016	
Operating income	36,645,673	32,697,239	33,009,294	26,299,671	21,079,344	6,066,802
Operating gross profit	3,541,883	3,485,754	2,773,866	2,882,307	2,690,024	923,296
Operating profit/loss	2,227,153	2,209,158	1,466,159	1,682,453	1,529,153	617,603
Non-operating income and expenditure	(150,527)	221,115	(150,895)	(246,963)	158,267	(41,576)
Net Profit of continuing operation-departments in the current period	2,076,626	2,430,273	1,315,264	1,435,490	1,687,420	576,027
Loss of discontinuous operations	0	0	0	0	0	0
Net profit of the current period	1,770,133	2,117,078	1,057,263	1,269,089	1,484,673	498,724
Other comprehensive profit/loss of the current period (after-tax net amount)	(9,206)	251,326	407,781	(38,108)	62,219	(77,379)
Total comprehensive profit/loss of the current period	1,760,927	2,368,404	1,465,044	1,230,981	1,546,892	421,345
EPS	1.80	2.12	1.06	1.27	1.49	0.5

Note 1: The individual financial data for the first quarter of 2017 is not audited by the CPA.

(3) CPA Name and audit opinion of the last 5 years

Year	CPA Name	Audit opinion	Remarks
2016	Lee Cihui, Kou Huizhi	Unqualified opinion	None
2015	Lee Cihui, Kou Huizhi	Modified unqualified opinion	None
2014	Lee Cihui, Kou Huizhi	Modified unqualified opinion	None
2013	Lee Cihui, Kou Huizhi	Modified unqualified opinion	None
2012	Lee Cihui, Kou Huizhi	Modified unqualified opinion	None

2. Financial analysis of the last 5 years

(1) i. Financial analysis–Consolidated

<div>Year (Note 1)</div> <div>Analysis item (Note 3)</div>		Financial analysis of the last 5 years					Financial data of 2017 until March 31 (Note 2)
		2012	2013	2014 (Re-compiled)	2015	2016	
Fi na nc ial str uc tur e %	Debt to total assets	45.63	41.75	39.59	36.04	35.65	35.48
	Long-term fund ratio in the real properties, plants and devices	172.43	185.03	172.10	171.61	156.47	156.34
De bt- pa yi ng ab ilit y (%)	Current ratio	156.83	178.33	147.55	155.58	145.20	140.01
	Quick ratio	53.34	74.33	67.22	99.42	57.60	54.91
	Interest protection multiples	11.09	16.57	9.59	13.08	16.76	25.15
O pe ra bil ity	Receivables turnover (times)	10.41	9.00	8.90	7.86	7.77	10.96
	Average collection days	35.06	40.56	41.01	46.43	46.97	33.30
	Inventory turnover (times)	3.26	2.96	3.56	4.09	3.88	3.91
	Payables turnover (times)	16.79	17.51	17.38	17.52	14.79	15.83
	Average sales days	111.96	123.31	102.52	89.24	94.07	93.35
	Real properties, plants and devices turnover (times)	2.29	2.11	2.23	1.98	1.51	1.66
	Total assets turnover (times)	0.99	0.88	0.94	0.86	0.69	0.80
Pr ob ab ilit y	Return on assets (%)	4.58	5.52	2.97	3.58	4.28	5.57
	Return on equity (%)	7.99	9.28	4.52	5.39	6.35	8.35
	Before-tax profit to the paid-in capitals (%)	20.84	24.27	12.86	15.17	16.85	23.03
	Net profit margin (%)	4.35	5.98	2.93	4.01	5.87	6.66
	EPS (NT\$)	1.80	2.12	1.06	1.27	1.49	0.50
Ca sh flo w	Cash flow ratio (%)	27.04	44.17	38.29	59.35	36.92	-0.76
	Net cash flow adequacy ratio(%)	51.20	50.30	85.36	143.62	171.27	125.57
	Cash re-investment ratio (%)	3.42	6.67	5.88	9.86	4.44	-0.15
Le vera ge	Operating leverage	2.61	2.58	3.44	3.20	3.30	2.42
	Financial leverage	1.09	1.07	1.11	1.07	1.06	1.04

The changes of various financial ratios in the last 2 years reach 20%, which are explained as below:

1. Quick ratio is reduced to 57.60%. The main reason is that the cash and cash equivalents is reduced by NT\$1,905,410 thousand, showing the reduction rate of 47.71% if compared with that in the previous year.
2. Interest protection multiples is increased to 16.76. The main reason is that the before-tax net profit is increased by NT\$167,574 thousand, showing the increase rate of 11.06% if compared with that in the previous year.
3. Real properties, plants and devices turnover is reduced to 1.51%, and the total assets turnover is reduced to 0.69%. The main reason is that the operating income is reduced by NT\$5,843,854 thousand, showing the reduction rate of 18.82% if compared with that in the previous year.
4. Return on assets is increased to 4.28%. The main reason is that the after-tax net profit is increased by NT\$233,885 thousand, showing the increase rate of 18.78% if compared with that in the previous year. Moreover, the total assets in the beginning of this period is reduced by NT\$2,268,603 thousand, showing the reduction rate of 5.92% if compared with that in the previous year.
5. Net profit margin is increased to 5.87%. The main reason is that the after-tax net profit is increased by NT\$233,885 thousand, showing the increase rate of 18.78% if compared with that in the previous year. Moreover, the operating income is reduced by NT\$5,843,854 thousand, showing the reduction rate of 18.82% if compared with that in the previous year.
6. Cash flow ratio is reduced to 36.92%. The main reason is that the cash flow is reduced by NT\$2,500,741 thousand, showing the reduction rate of 44.02% if compared with that in the previous year. Moreover, the current liabilities is reduced by NT\$959,055 thousand, showing the reduction rate of 10.02% if compared with that in the previous year.
7. Cash re-investment ratio is reduced to 4.44%. The main reason is that the net cash flow of the operation activities is reduced by NT\$2,500,741 thousand, showing the reduction rate of 44.02% if compared with that in the previous year. Moreover, the gross amount of the real properties, plants and devices is increased by NT\$3,410,442 thousand, showing the increase rate of 10.22% if compared with that in the previous year.

The changes of financial statement audited by the CPA in the latest period (March 31, 2017) and various financial ratios in the latest year (December 31, 2016) reach 20%, which are explained as below:

1. Interest protection multiples is increased to 25.15. The main reason is that the profit gained in the first quarter of 2017 is greatly increased. As a result, the before-tax profit and the interest fee in the first quarter of 2017 show a high increase rate if compared with that in 2016.
2. Receivables turnover is increased to 10.96 and the average collection days is reduced to 33.30. The main reason is that the profit gained in the first quarter of 2017 is greatly increased, which promotes the sales. At the meantime, the balance of receivables in the beginning of 2016 is quite high.
3. Return on assets is increased to 5.57%, and return on equity is increased to 8.35%. The main reason is that the profit gained in the first quarter of 2017 is greatly increased. It is estimated that the after-tax net profit in this year will be increased by NT\$504,848 thousand, showing the reduction rate of 34.12% if compared with that in the previous year.
4. Cash flow ratio is reduced to -0.76%, cash re-investment ratio is reduced to -0.15%, and the cash flow is increased to 125.57%. The main reason is that there are many expenses related to business activities in the first quarter of 2017, which results in the reduction of cash flow in the operating activities.
5. Operating leverage is reduced to 2.42. The main reason is that it is estimated based on the figure in the first quarter of 2017 that the annual changes of operating cost and expense will be higher than that of 2016.

Note 1: The financial data of the above years is audited by the CPA.

Note 2: The financial statement of the first quarter of 2017 is audited by the CPA.

Note 3: The financial ratios are calculated based on the equations below:

1. Financial structure

(1) Debt to total assets = Total debts / total assets

(2) Long-term fund ratio in the real properties, plants and devices = (Total equity + non-current liabilities) / Net amount of real properties, plants and devices

2. Debt-paying ability

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

(2) Quick ratio = (Current assets — inventory — advance payment) / current liabilities.

- (3) Interest protection multiples = $\text{Net profit before income tax and interests expense} / \text{interests expense of the current period}$.
3. Operability
- (1) Receivables (Including payments receivable and the accounts receivable due to business) turnover = $\text{Net sales} / \text{Balance of average receivable of each period (including payment receivable and accounts receivable due to business)}$.
- (2) Average collection days = $365 / \text{Receivables turnover}$.
- (3) Inventory turnover = $\text{Sales cost} / \text{Average inventory amount}$.
- (4) Payables (Including payments payable and the accounts payable due to business) turnover = $\text{Sales cost} / \text{Balance of average payable of each period (including payment payable and accounts payable due to business)}$.
- (5) Average sales days = $365 / \text{Inventory turnover}$.
- (6) Real properties, plants and devices turnover = $\text{Net sales} / \text{Average net amount of real properties, plants and devices}$.
- (7) Total assets turnover = $\text{Net sales} / \text{Average total assets}$.
4. Probability
- (1) Return on assets = $(\text{After-tax profit/loss} + \text{Interests expense} \times (1 - \text{tax rate})) / \text{Average total assets}$.
- (2) Return on equity = $\text{After-tax profit/loss} / \text{Average total equity}$.
- (3) Net profit margin = $\text{After-tax profit/loss} / \text{Net sales}$.
- (4) EPS = $(\text{Profit/loss attributable to the owner of parent company} - \text{special stock dividend}) / \text{Weighted average issued shares}$. (Note 4)
5. Cash flow
- (1) Cash flow ratio = $\text{Net cash flow of operation activities} / \text{Current liabilities}$.
- (2) Net cash flow adequacy ratio = $\text{Net cash flow of operation activities in the last 5 years} / \text{The last 5 years (Capital expenditure} + \text{Inventory increase} + \text{Cash dividend})$.
- (3) Cash re-investment ratio = $(\text{Net cash flow of operation activities} - \text{cash dividend}) / (\text{Gross amount of real properties, plants and devices} + \text{Long-term investment} + \text{Other non-current assets} + \text{Operating funds})$. (Note 5)
6. Leverage:
- (1) Operating leverage = $(\text{Net amount of operating income} - \text{Changes of operating cost and expense}) / \text{Operating profit}$ (Note 6).
- (2) Financial leverage = $\text{Operating profit} / (\text{Operating profit} - \text{interest expense})$.

(1) ii. Financial analysis–Individual

Analysis item (Note 3)		Financial analysis of the last 5 years					Financial data of 2017 until March 31 (Note 2)
		2012	2013	2014 (Re-compiled)	2015	2016	
Financial structure	Debt to total assets	41.68	37.01	34.45	26.36	30.67	32.00
	Long-term fund ratio in the real properties, plants and devices	192.42	211.47	200.60	204.18	225.15	223.74
Debt-paying ability (%)	Current ratio	167.70	206.10	166.98	215.36	156.85	132.43
	Quick ratio	40.67	70.29	63.93	115.87	60.04	44.48
	Interest protection multiples	13.23	21.24	13.28	19.77	27.84	33.98
Operability	Receivables turnover (times)	13.59	11.65	10.51	9.59	9.65	11.49
	Average collection days	26.85	31.33	34.72	38.06	37.82	31.77
	Inventory turnover (times)	3.03	2.82	3.38	3.57	3.52	3.51
	Payables turnover (times)	23.53	25.10	23.20	23.00	21.18	19.48
	Average sales days	120.34	129.43	107.98	102.24	103.69	103.99
	Real properties, plants and devices turnover (times)	2.38	2.27	2.41	2.00	1.67	1.95
	Total assets turnover (times)	0.98	0.89	0.94	0.84	0.62	0.69
Profitability	Return on assets (%)	5.00	5.97	3.18	4.00	4.70	5.93
	Return on equity (%)	8.20	9.40	4.58	5.51	6.39	8.43
	Ratio in paid-in capitals (%)	22.46	22.13	14.69	16.85	15.32	24.75
		20.94	24.35	13.18	14.38	16.90	23.08
	Net profit margin (%)	4.83	6.47	3.20	4.83	7.04	8.22
Cash flow	EPS (NT\$)	1.80	2.12	1.06	1.27	1.49	0.50
	Cash flow ratio (%)	32.09	61.38	46.28	128.44	41.26	-1.783
	Net cash flow adequacy ratio(%)	54.28	55.06	92.25	172.40	193.83	155.63
Leverage	Cash re-investment ratio (%)	2.98	7.12	5.16	12.09	2.98	-0.28
	Operating leverage	1.22	2.27	2.95	2.67	2.77	-0.07

er ag e	Financial leverage	1.08	1.06	1.08	1.04	1.04	1.02
---------------	--------------------	------	------	------	------	------	------

The changes of various financial ratios in the last 2 years reach 20%, which are explained as below:

1. Current ratio is reduced to 156.85%. The main reason is that the current assets is reduced by NT\$1,584,509 thousand, showing the reduction rate of 14.53% if compared with that in the previous year.
2. Quick ratio is reduced to 60.04%. The main reason is that the cash and cash equivalents is reduced by NT\$2,149,339 thousand, showing the reduction rate of 62.95% if compared with that in the previous year.
3. Interest protection multiples is increased to 27.84. The main reason is that the before-tax net profit is increased by NT\$251,930 thousand, showing the increase rate of 17.55% if compared with that in the previous year.
4. Total assets turnover is reduced to 0.62. The main reason is that the operating income is reduced by NT\$5,220,327 thousand, showing the reduction rate of 19.85% if compared with that in the previous year.
5. Net profit margin is increased to 7.04%. The main reason is that the after-tax net profit is increased by NT\$215,584thousand, showing the increase rate of 16.99% if compared with that in the previous year. Moreover, the operating income is reduced by NT\$5,220,327 thousand, showing the reduction rate of 19.85% if compared with that in the previous year.
6. Cash flow ratio is reduced to 41.26%. The main reason is that the cash flow is reduced by NT\$4,052,927 thousand, showing the reduction rate of 62.31% if compared with that in the previous year. Moreover, the current liabilities is reduced by NT\$878,895 thousand, showing the reduction rate of 17.35% if compared with that in the previous year.
7. Cash re-investment ratio is reduced to 2.98%. The main reason is that the net cash flow of the operation activities is reduced by NT\$4,052,927 thousand, showing the reduction rate of 62.31% if compared with that in the previous year. Moreover, the long-term investment is increased by NT\$4,310,268 thousand, showing the increase rate of 90.05% if compared with that in the previous year.

Note 1: The financial data of the above years is audited by the CPA.

Note 2: The financial statement of the first quarter of 2017 is not audited by the CPA.

Note 3: The financial ratios are calculated based on the equations below:

1. Financial structure

(1) Debt to total assets = Total debts / total assets

(2) Long-term fund ratio in the real properties, plants and devices = (Total equity + non-current liabilities) / Net amount of real properties, plants and devices

2. Debt-paying ability

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

(2) Quick ratio = (Current assets - inventory - advance payment) / current liabilities.

(3) Interest protection multiples = Net profit before income tax and interests expense / interests expense of the current period.

3. Operability

(1) Receivables (Including payments receivable and the accounts receivable due to business) turnover = Net sales / Balance of average receivable of each period (including payment receivable and accounts receivable due to business).

(2) Average collection days = 365 / Receivables turnover.

(3) Inventory turnover = Sales cost / Average inventory amount.

(4) Payables (Including payments payable and the accounts payable due to business) turnover = Sales cost / Balance of average payable of each period (including payment payable and accounts payable due to business).

(5) Average sales days = 365 / Inventory turnover.

(6) Real properties, plants and devices turnover = Net sales / Average net amount of real properties, plants and devices

(7) Total assets turnover = Net sales / Average total assets.

4. Probability

(1) Return on assets = (After-tax profit/loss + Interests expense × (1 - tax rate)) / Average total assets.

(2) Return on equity = After-tax profit/loss / Average total equity.

(3) Net profit margin = After-tax profit/loss / Net sales.

(4) EPS = (Profit/loss attributable to the owner of parent company - special stock dividend) / Weighted average issued shares.

5. Cash flow

(1) Cash flow ratio = Net cash flow of operation activities / Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow of operation activities in the last 5 years / The last 5 years (Capital expenditure + Inventory increase + Cash dividend).

(3) Cash re-investment ratio = $(\text{Net cash flow of operation activities} - \text{cash dividend}) / (\text{Gross amount of real properties, plants and devices} + \text{Long-term investment} + \text{Other non-current assets} + \text{Operating funds})$.

6. Leverage:

(1) Operating leverage = $(\text{Net amount of operating income} - \text{Changes of operating cost and expense}) / \text{Operating profit}$

(2) Financial leverage = $\text{Operating profit} / (\text{Operating profit} - \text{interest expense})$.

3. Supervisor's Review Report on the Financial Statement of the last year

Supervisor's Review Report

It is hereby confirmed that

The Board of Directors prepares the 2016 Financial Statement, Earning Distribution Plan and Business Report, which are audited by CPA Li Cihui and Kou Huizhi from KPMG Taiwan. The above reports are reviewed by the supervisors, and no incompliance is found. The above report is presented as required by Article 219 of the Company Act, for further inspection.

Best Regards,

2017 General Meeting of Tung Ho Steel Enterprise Corp.

Supervisors: Ke Yuanyu
Lin Chaohe

March 27, 2017

3-1. Supervisor's Review Report on the Financial Statement of the last year –Consolidated

Supervisor's Review Report

It is hereby confirmed that

The Board of Directors prepares the 2016 Consolidated Financial Statement, which are audited by CPA Li Cihui and Kou Huizhi from KPMG Taiwan. The above reports are reviewed by the supervisors, and no incompliance is found. The above report is presented as required by Article 219 of the Company Act, for further inspection.

Best Regards,

2017 General Meeting of Tung Ho Steel Enterprise Corp.

Ke Yuanyu
Supervisors:
Lin Chaohe

March 27, 2017

- 4. Financial Statement of the last year:** Please refer to the Consolidated Financial Statement of Tung Ho Steel Enterprise Corp. and its subsidiaries.
- 5. Individual Financial Statement audited by the CPA in the last year:**
Please refer to the Individual Financial Statement of Tung Ho Steel Enterprise Corp.
- 6. The impact of trouble in financial turnover occurring in the Company and its subsidiaries in the last year and until the date of issuing the annual report on the financial status of the Company:** None.

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

1. Financial status

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

Unit: NT\$ thousand

Item \ Year	2016	2015	Difference	
			Amount	%
Current assets	12,504,478	14,890,132	-2,385,654	-16.02
Long-term investment	2,513,215	2,276,143	237,072	10.42
Real properties, plants and devices	17,888,505	15,447,983	2,440,522	15.80
Intangible assets	213,235	0	213,235	100.00
Real properties for investment purpose	1,681,336	1,664,929	16,407	0.99
Other assets	1,800,545	1,801,281	-736	-0.04
Total assets	36,601,314	36,080,468	520,846	1.44
Current liabilities	8,611,617	9,570,672	-959,055	-10.02
Long-term liabilities	4,436,843	3,433,779	1,003,064	29.21
Other liabilities	0	0	0	0.00
Total liabilities	13,048,460	13,004,451	44,009	0.34
Capital stock	9,982,215	9,982,215	0	0.00
Capital reserve	6,247,267	6,225,993	21,274	0.34
Retained earnings	7,034,617	6,620,474	414,143	6.26
Other equity	197,964	163,259	34,705	21.26
Total equity attributable to the owner of parent company	23,462,063	22,991,941	470,122	2.04
Non-controlling equity	90,791	84,076	6,715	7.99
Total equity	23,552,854	23,076,017	476,837	2.07

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

1. Intangible assets: It is increased by NT\$213,235 thousand if compared with that in the previous year. The main reason is due to the lease contract from which the profit can be gained by the subsidiary this year.
2. Long-term liabilities: It is increased by NT\$1,003,064 thousand if compared with that in the previous year. The main reason is due to the long-term loan increased by NT\$1,040,920 thousand.
3. Other equity: It is increased by NT\$34,705 thousand if compared with that in the previous year. The main reason is the unrealized valuation gain of the financial products available for sale is increased by NT\$392,762 thousand, and that the loss of exchange difference converted in the Financial Statement of the foreign site is NT\$358,057 thousand.

ii. Financial status comparison and analysis table –Individual

Unit: NT\$ thousand

Item \ Year	2016	2015	Difference	
			Amount	%
Current assets	9,322,204	10,906,713	-1,584,509	-14.53
Long-term investment	9,096,742	4,786,474	4,310,268	90.05
Real properties, plants and devices	12,390,131	12,811,483	-421,352	-3.29
Intangible assets	0	0	0	0.00
Real properties for investment purpose	1,681,336	1,664,929	16,407	0.99
Other assets	1,349,494	1,053,773	295,721	28.06
Total assets	33,839,907	31,223,372	2,616,535	8.38
Current liabilities	5,943,370	5,064,475	878,895	17.35
Long-term liabilities	4,434,474	3,166,956	1,267,518	40.02
Other liabilities	0	0	0	0.00
Total liabilities	10,377,844	8,231,431	2,146,413	26.08
Capital stock	9,982,215	9,982,215	0	0.00
Capital reserve	6,247,267	6,225,993	21,274	0.34
Retained earnings	7,034,617	6,620,474	414,143	6.26
Other equity	197,964	163,259	34,705	21.26
Total equity	23,462,063	22,991,941	470,122	2.04
Items with major change (change percent reaching 20% and the change amount reaching NT\$10,000 thousand) are explained as below:				
1. Long-term investment: It is increased by NT\$4,310,168 thousand if compared with that in the previous year. The main reason is due to the acquisition of a new subsidiary.				
2. Other assets: It is increased by NT\$295,721 thousand if compared with that in the previous year. The main reason is that the advance device payment is increased by NT\$499,297 thousand and the refundable deposit is reduced by NT\$193,131 thousand.				
3. Long-term liabilities: It is increased by NT\$1,267,518 thousand if compared with that in the previous year. The main reason is that the long-term loan is increased by NT\$1,300,000 thousand.				
4. Total liabilities: It is increased by NT\$2,146,413 thousand if compared with that in the previous year. The main reason is that the long-term loan is increased by NT\$1,300,000 thousand, the short-term loan is increased by NT\$2,336,273 thousand, the payables is increased by NT\$284,025 thousand, other payables is increased by NT\$262,304 thousand, and the debt due within one year is reduced by NT\$2,294,700 thousand.				
5. Other equity: It is increased by NT\$34,705 thousand if compared with that in the previous year. The main reason is the unrealized valuation gain of the financial products available for sale is increased by NT\$392,762 thousand, and that the loss of exchange difference converted in the Financial Statement of the foreign site is NT\$358,057 thousand.				

2. Financial performance

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

Unit: NT\$ thousand

Item \ Year	2016	2015	Increase/Decrease amount	Change percent(%)
Total operating income	25,567,735	31,373,009	-5,805,274	-18.50
Minus: Sales return	388	1,665	-1,277	-76.70
Sales allowance	357,789	317,932	39,857	12.54
Net operating income	25,209,558	31,053,412	-5,843,854	-18.82
Operating cost	22,239,296	28,019,608	-5,780,312	-20.63
Gross operating profit	2,970,262	3,033,804	-63,542	-2.09
Operating expense	1,478,605	1,522,667	-44,062	-2.89
Net operating profit	1,491,657	1,511,137	-19,480	-1.29
Non-operating income and expenditure	190,573	3,519	187,054	5,315.54
Before-tax net Profit of continuing operations	1,682,230	1,514,656	167,574	11.06
Minus: Expense of income tax	202,666	268,977	-66,311	-24.65
Net profit of the current period	1,479,564	1,245,679	233,885	18.78
Other comprehensive profit/loss (After-tax net amount)	61,706	(39,593)	101,299	-255.85
Total comprehensive profit/loss of the current period	1,541,270	1,206,086	335,184	27.79

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

1. Operating cost: It is reduced by NT\$5,780,312 thousand if compared with that in the previous year. The main reason is due to the reduction of operating income.
2. Non-operating income and expenditure: It is increased by NT\$187,054 thousand if compared with that in the previous year. The main reason is that the return on investment listed by equity method is increased by NT\$222,363 thousand.
3. Expense of income tax: It is reduced by NT\$66,311 thousand if compared with that in the previous year. The main reason is that the audit and final inspection of the subsidiary in the last year generate high expense of income tax.
4. Other comprehensive profit/loss: It is increased by NT\$101,299 thousand if compared with that in the previous year. The main reason is the re-measurement of the defined contribution plan is increased by NT\$80,953 thousand, the unrealized valuation gain of the financial products available for sale is increased by NT\$364,083 thousand, and that the loss of exchange difference converted in the Financial Statement of the foreign site is NT\$344,438 thousand.
5. Total comprehensive profit/loss of the current period: It is increased by NT\$335,184 thousand if compared with that in the previous year. The main reason is the net profit and other comprehensive profit/loss of the current period are both increased if compared with that in the previous years.

ii. Operation result comparison and analysis table –Individual

Unit: NT\$ thousand

Item \ Year	2016	2015	Increase/Decrease amount	Change percent(%)
Total operating income	21,429,250	26,614,432	(5,185,182)	-19.48
Minus: Sales return	388	1,664	(1,276)	-76.68
Sales allowance	349,518	313,097	36,421	11.63
Net operating income	21,079,344	26,299,671	(5,220,327)	-19.85
Operating cost	18,393,975	23,412,749	(5,018,774)	-21.44
Gross operating profit	2,685,369	2,886,922	(201,553)	-6.98
Minus: Unrealized sales gain	13,886	18,541	(4,655)	-25.11
Added by: Realized sales gain	18,541	13,926	4,615	33.14
Net amount of gross operating profit	2,690,024	2,882,307	(192,283)	-6.67
Operating expense	1,160,871	1,199,854	(38,983)	-3.25
Net operating profit	1,529,153	1,682,453	(153,300)	-9.11
Non-operating income and expenditure	158,267	(246,963)	405,230	-164.09
Before-tax net profit(loss)	1,687,420	1,435,490	251,930	17.55
Minus: Expense of income tax	202,747	166,401	36,346	21.84
Net profit(loss) of the current period	1,484,673	1,269,089	215,584	16.99
Other comprehensive profit/loss (After-tax net amount)	62,219	(38,108)	100,327	-263.27
Total comprehensive profit/loss of the current period	1,546,892	1,230,981	315,911	25.66

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

1. Operating cost: It is reduced by NT\$5,018,774 thousand if compared with that in the previous year. The main reason is due to the reduction of operating income.
2. Non-operating income and expenditure: It is increased by NT\$405,230 thousand if compared with that in the previous year. The main reason is that the return on investment listed by equity method is increased by NT\$478,950 thousand due to the high profit of reinvestment company.
3. Expense of income tax: It is increased by NT\$36,346 thousand if compared with that in the previous year. The main reason is that the before-tax net profit is increased by NT\$251,930 thousand if compared with that in the previous year.
4. Other comprehensive profit/loss: It is increased by NT\$100,327 thousand if compared with that in the previous year. The main reason is the unrealized valuation gain of the financial products available for sale is increased by NT\$364,083 thousand, and that the loss of exchange difference converted in the Financial Statement of the foreign site is NT\$345,410 thousand.
5. Total comprehensive profit/loss of the current period: It is increased by NT\$315,911 thousand if compared with that in the previous year. The main reason is the net profit and other comprehensive profit/loss of the current period are both increased if compared with that in the previous years.

3. Cash flow

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

Item \ Year	2016	2015	Increase(Decrease) percent %
Cash flow ratio	36.92	59.35	-37.39
Cash flow adequacy ratio	171.27	143.62	19.25
Cash re-investment ratio	4.44	9.86	-54.97
The items with the increase/decrease percent reaching 20% are explained as below:			
1. Cash flow ratio is reduced to 36.92%. The main reason is the net cash flow of business activities is reduced by NT\$2,500,741 thousand, showing a reduction rate of 44.02% if compared with that in the previous year; and the current liabilities is reduced by NT\$959,055 thousand, showing a reduction rate of 10.02% if compared with that in the previous year.			
2. Cash re-investment ratio is reduced to 36.92%. The main reason is the net cash flow of business activities is reduced by NT\$2,500,741 thousand, showing a reduction rate of 44.02% if compared with that in the previous year; and the gross amount of the real properties, plants and devices is increased by NT\$3,410,442 thousand, showing a reduction rate of 10.02% if compared with that in the previous year.			

ii. Liquidity analysis of the next year - Consolidated

Unit: NT\$ thousand

Cash balance at the beginning of the period	Cash flow from the business activities of the whole year	Cash outflow of the whole year	Cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Financing plan
2,088,474	2,911,662	3,901,980	1,098,156	N/A	N/A

1. Analysis on cash flow situation:

- (1) Business activities: It is estimated the 2017 operating income and earnings will be slightly reduced, so it is estimated that the net cash flow from the business activities would be NT\$2,911,662 thousand.
- (2) Investment plan: It is mainly the estimated cash flow for purchasing real properties, plants and devices.
- (3) Financing plan: It is mainly the estimated cash flow for paying stock dividend and repaying short/long-term loans and debts of the Company.

2. Remedial measures for estimated cash deficit and liquidity analysis: N/A.

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

Item \ Year	2016	2015	Increase(Decrease) percent %
Cash flow ratio	41.26	128.44	-67.88
Cash flow adequacy ratio	193.83	172.40	12.43
Cash re-investment ratio	2.98	12.09	-75.35
The items with the increase/decrease percent reaching 20% are explained as below:			
1. Cash flow ratio is reduced to 41.26%. The main reason is the net cash flow of business activities is reduced by NT\$4,052,927 thousand, showing a reduction rate of 62.31% if compared with that in the previous year; and the current liabilities is reduced by NT\$878,895 thousand, showing a reduction rate of 17.35% if compared with that in the previous year.			
2. Cash re-investment ratio is reduced to 2.98%. The main reason is the net cash flow of business activities is reduced by NT\$4,052,927 thousand, showing a reduction rate of 62.31% if compared with that in the previous year; and the gross amount of the real properties, plants and devices is increased by NT\$4,310,268 thousand, showing a reduction rate of 90.05% if compared with that in the previous year.			

ii. Liquidity analysis of the next year - Individual

Unit: NT\$ thousand

Cash balance at the beginning of the period	Cash flow from the business activities of the whole year	Cash outflow of the whole year	Cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Financing plan
1,265,088	2,502,942	3,029,288	738,742	N/A	N/A

A. Analysis on cash flow situation:

- Business activities: It is estimated the 2017 operating income and earnings will be slightly reduced, so it is estimated that the net cash flow from the business activities would be NT\$2,502,942 thousand.
- Investment plan: It is mainly the estimated cash flow for purchasing real properties, plants and devices and increasing the investment based on equity method.
- Financing plan: It is mainly the estimated cash flow for paying stock dividend and repaying short/long-term loans and debts of the Company.

B. Remedial measures for estimated cash deficit and liquidity analysis: N/A.

4. The impact of major capital expenditure in the last year on the financial business: None.

5. Re-investment policy, major reason for profit/loss of the last year, improvement plan and the investment plant of the next year: Please refer to p36~p38 of the Consolidated Financial Statement of Tung Ho Steel Enterprise Corp. and its subsidiaries.

6. Risk items, and the related analysis and evaluation

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

Item	2016	2015
Net operating income	25,209,558	31,053,412
Net interest expense (Note)	63,045	67,099
Net amount of exchange gains	(44,716)	(87,621)

Note: It refers to the amount deducted with interest income.

1. For the cost of funds needed by operation, the Company will acquire the funds that are favorable to the Company based on the cooperation of the corresponding bank and the trend of actual interest rate. Moreover, the net amount of interest income/expense in 2016 and 2015 account for (0.25%) and (0.22%) of the net operating income in the whole year, which are only a small proportion. It indicates the change of interest rate doesn't show significant influence on the Company. In addition, the Company keeps close connection with the bank any time, and pays attention to the market change, so as to obtain preferential interest rate of the loan. In the future, the Company will closely observe the change of market interest rate, and conduct financing by issuing convertible bonds at the appropriate time, so as to control interest cost and reduce the interest burden of the Company. The major capital expenditure will be evaluated cautiously. Through comparison with multiple methods, it selects the financing tool at a lower cost.

2. The main products of the Company include the billet steel, rebar, shape steel and steel structure. The domestic billet steel is mainly obtained by further processing on its own, only a few are for export. The billet steel product of subsidiary in Vietnam is mainly for domestic sale and export. Most rebar customers are located in Taiwan, which are priced based on NT\$, while a small part is for export. That is also the case for rebar and steel structure products, which are mainly for domestic sale, and a small part is for export. In 2015, the product export amount is about NT\$4.9 billion, accounting for about 19.53% of the total revenue. The amount of importing raw material is about NT\$7.8 billion. The export and import quotation are mainly based on US\$. The foreign currency income and expense for export and import can be set off, and the exposures of net foreign currency position is NT\$2.9 billion. To avoid the risk of fluctuating exchange rate, the exchange rate hedging tools mainly adopted by the Company include the forward foreign exchange and option transactions. Moreover, it takes the following specific actions to avoid foreign exchange risk:

- (1) It collects the information related to changes of exchange rate every day, so as to fully master the trend of exchange rate, based on which it determines conversion of currency or retaining of foreign currency loan.
- (2) In terms of foreign exchange dispatching, through frequent export and import goods transactions, its foreign exchange credits and liabilities can be set off to generate hedge effect naturally.
- (3) It consults with the Foreign Exchange Department about the hedging policies, and determines the foreign currency position based on the actual demands of funds and the level of exchange rate.

3. The direct influence of inflation on the Company is limited.

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

- i. In the last year, the Company doesn't engage in any financial operation of high-risk and high-leverage investment. Its US\$ forward foreign exchange transaction, option operations, and foreign exchange operations mainly aim to avoid the risk brought by the fluctuation of exchange rate and interest rate, and to stabilize the sale cost and fund cost. In the last year, it doesn't have great loss due to the transaction of derivative products. In addition, it policy of conducting derivative product transactions

is based on the practical hedge requirements, and subject to the “Procedures for Financial Derivatives Transactions”.

- ii. When lending funds to other parties, the Company follows “the Procedures for Lending Funds to Other Parties” of the Company and the subsidiaries. By the end of 2016, the subsidiary Oceans International Inc. lent funds to the reinvested company Dehe International Inc., with the amount of US\$500 thousand.
- iii. By the end of 2016, the Company provided endorsement and guarantee for the subsidiary Tung Ho Steel Fujian Corp. Ltd., with the amount of US\$16,000 thousand. The subsidiary Oceans International Inc. provided endorsement and guarantee for the reinvested company Fujian Sino-Japan Metal Corp., with the amount of US\$5,250 thousand. Moreover, it provided endorsement and guarantee for the reinvested company Dehe International Inc., with the amount of US\$2,167 thousand. All these operations are subject to “the Procedures for Endorsement & Guarantee”.

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

- i. 1. In terms of steelmaking: Off-gas detection and burner of electric furnace, dynamic control of carbon injection project research plan, high-cleanness and high-ductility billet steel development project, low-alloy and ultra-high strength steel plate development project, high-strength rebar development, high-end ship steel development, ultra-high strength steel material development, slag recycle technique development, and reducing slag recycle process development.
- ii. In terms of steel rolling: Development of various precise thread steel bar couplers, industrial leading development of new techniques of low-power direct rolling process that can improve the strength by more than 1.6 times to produce high-strength shock-resistant rebar, development of billet steel welding techniques and application of continuous rebar rolling of direct rolling technique, using the industrial-leading slab partial rolling technique to produce the ultra-thick hot rolled H-beam with the flange thickness higher than 50mm, new technique and new product development of ultra-high dimension hot rolled H-beam, new technique development of using the same ingot rolling to develop multi-dimension H-beam with B value equal 300mm, domestic-leading development of angle column for hot rolled integrated U-beam sheet pile, leading development of steel making technique using special H-H rolling method for rolling US standards shape steel with tapered flange, development of round shape material technique for serial reciprocate universal rolling machine, new dimension development of ASTM standards I beam, development of steel material of various shapes. All these are to diversify the products, so as to improve technique competency and increase the revenue and profits of the Company.
- iii. It has actively developed high-strength and high-value added rebar, steel plate and shape steel (BH, BOX, CROSS..).
- iv. It plans to invest another NT\$ 100 million as R&D expense.

(4) The impact of changes of key policies and laws home and abroad on the financial business and the corresponding actions: None.

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

The operation and development strategy of the Company is that it is dedicated to the elevation of technical competency and management effectiveness, production cost down, close production-sale cooperation, and uniform operation, so as to improve the competitiveness of the domestic market. Moreover, it actively expands the new market and new customers abroad. Besides, it is continuously engaged in the research and development of new steel products and applications, so as to enlarge and lay stable foundation for operation. Therefore, the industrial change doesn't show significant influence on the financial business of the Company.

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

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

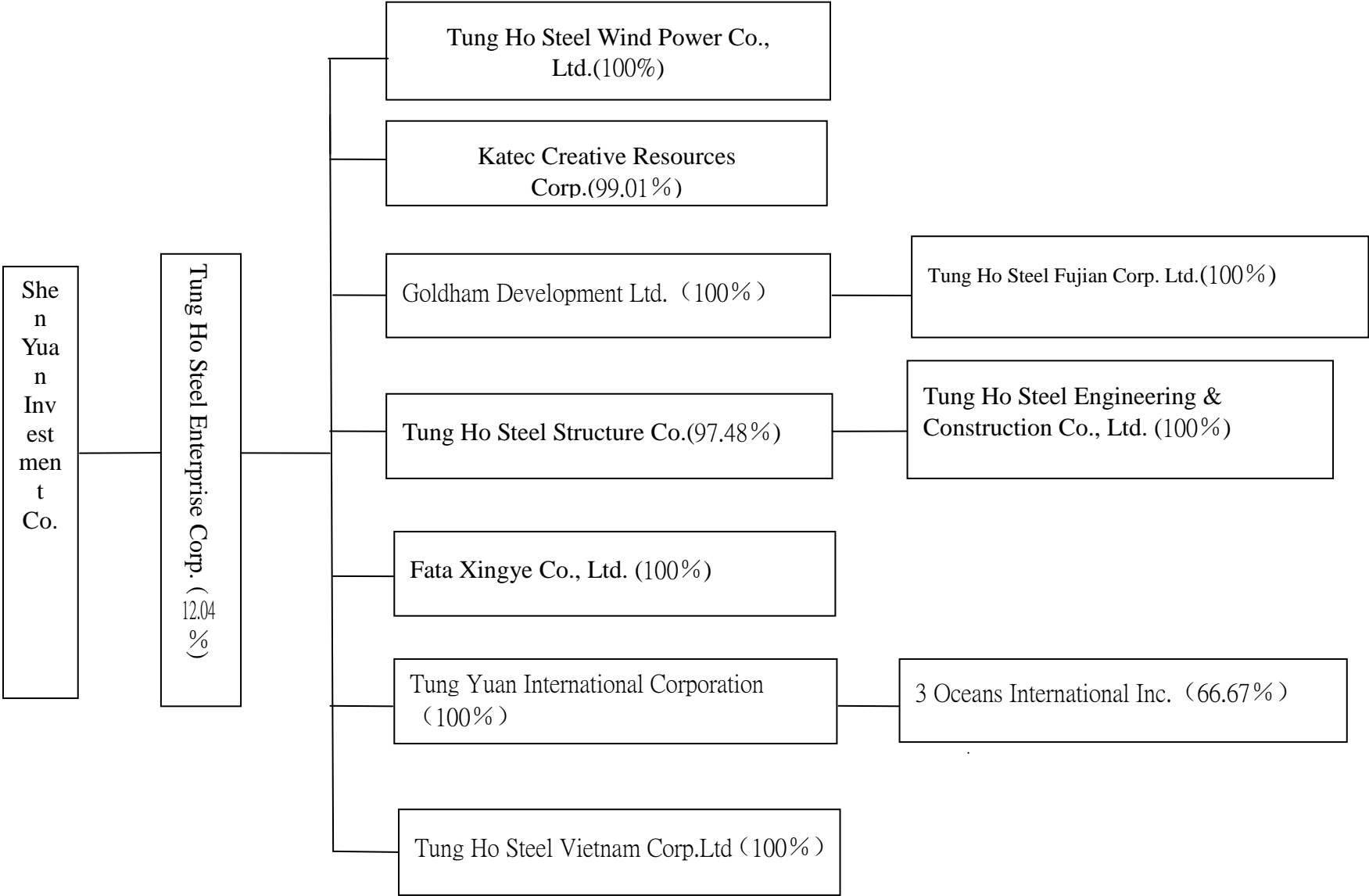
- (7) **Expected benefits and possible risks of merger, and the corresponding actions:** None.
- (8) **Expected benefits and possible risks of plant expansion and the corresponding actions:** None.
- (9) **Risk assumed by concentrated purchases/sales, and the corresponding actions:** None.
- (10) **Impact and risk of major stock option transfer or change among the directors, supervisors or the shareholders with more than 10% shareholding, and the corresponding actions:** None.
- (11) **Impact and risk of changes of management right on the Company, and the corresponding actions:** None.
- (12) **For the contentious or non-contentious events, it shall list the directors, supervisors, general manager, substantial person in charge, and shareholder with more than 10% shareholding, as well as the major contentious and non-contentious events or administrative litigation event related to the affiliates currently or in the past according to the judgment. For those that the result might show substantial influence on the shareholder's equity or price of securities, it shall disclose its fact, target amount, start date of litigation, major involved parties and handling situation until the date of using the annual report:** None.
- (13) **Other risks and the corresponding actions:** None.
- 7. Other important matters:** None.

VIII. Special Records

1.Data of affiliates

(1) Consolidated Business Report of affiliates

i. Organizational structure of affiliates



ii. Basic information of affiliates

Unit: NT\$ thousand

Name of enterprise	Date of establishment	Address	Paid-in capital	Main business items or production items
Tung Yuan International Corporation	1992.11	P.O.Box 957,Offshore Incorporations Centre,Road Town,Tortola,British Virgin Islands	2,645	Investment of various businesses home and abroad
3 Oceans International Inc.	2004.3	Britannia House,22,2 nd Floor, Cator Road,Bandar Seri Begawan BS 8811,Brunei Darussalan	89,010	Investment of various businesses home and abroad
Tung Ho Steel Structure Co.	1993.07	6F, No. 9, Sec. 1, Chang'an E. Rd., Taipei City	1,930,120	Manufacturing of metal structure and architectural components
Tung Ho Steel Engineering & Construction Co., Ltd.	1991.09	9F, No. 9, Sec. 1, Chang'an E. Rd., Taipei City	250,000	General construction industry
Fata Xingye Co., Ltd.	2015.03	No. 116, Caota, Neighborhood 8, Baojhang Village, Guanyin District, Taoyuan City	100,000	Waste resources recycle industry
Katec Creative Resources Corp.	1995.08	No. 231, Huanke Rd., Datan Village, Guanyin District, Taoyuan City	975,704	General waste disposal and treatment industry —
Tung Ho Steel Wind Power Co., Ltd.	2009.10	9F, No. 9, Sec. 1, Chang'an E. Rd., Taipei City	155,000	Power generation
Goldham Development Ltd	1997.11	1st Floor,Lake Building, Wickhams Cay 1, Road Town, Tortola,British Virgin Islands	483,750	Investment of various businesses home and abroad
Tung Ho Steel Fujian Corp. Ltd.	1998.01	No. 5, Yanxi Rd., Hong Kuan Industrial Village,Yangxia Township, Fuqing City, Fujian Province	483,750	Production of steel structure products and supplementary products, provision of the corresponding installation and supporting services
Tung Ho Steel Vietnam Corp.Ltd	2007.04(Note)	Phu My II Industrial Zone, Phu My Town, Tan Thanh District, Ba Ria Vungtau Province, Vietnam	3,934,500	Production and sale of billet steel

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

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

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

Name of enterprise	Job title	Name of representative	Shareholding	
			Shares	Percent
Tung Yuan International Corporation.	Director Director Director	Representative of Tung Ho Steel Enterprise Corp.: Shuzhao Hou Wang Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou Representative of Tung Ho Steel Enterprise Corp.:Boxun Dong	82	100.00%
3 Oceans International Inc.	Director Director	Representative of Tung Yuan International Corporation: Jieteng Hou Representative of Tung Yuan International Corporation: Qixie Lin	1,840,000	66.67%
Tung Ho Steel Structure Co.	Chairman Director Director Director Director	Shuzhao Hou Wang Representative of Tung Ho Steel Enterprise Corp.: Boxun Dong Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou Representative of Tung Ho Steel Enterprise Corp.: Binghua Huang Representative of Tung Ho Steel Enterprise Corp.:Huiming Wu	188,157,253	97.48%
Tung Ho Steel Engineering & Construction Co., Ltd.	Chairman Director Director Supervisor	Representative of Tung Ho Steel Structure Co.: Yongzhi Chen Representative of Tung Ho Steel Structure Co.: Jieteng Hou Representative of Tung Ho Steel Structure Co.: Kunren Gu Representative of Tung Ho Steel Structure Co.: Zhao Liu	25,000,000	100.00%
Fata Xingye Co., Ltd.	Chairman Director Director Supervisor	Representative of Tung Ho Steel Enterprise Corp.: Kunren Gu Representative of Tung Ho Steel Enterprise Corp.:Jieteng Hou Representative of Tung Ho Steel Enterprise Corp.: Yongzhi Chen Representative of Tung Ho Steel Enterprise Corp.:Xiuqi Chen	10,000,000	100.00%
Goldham Development Ltd.	Director Director Director	Representative of Tung Ho Steel Enterprise Corp.: Shuzhao Hou Wang Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou Representative of Tung Ho Steel Enterprise Corp.:Boxun Dong	15,000,000	100.00%
Tung Ho Steel Fujian Corp. Ltd.	Chairman	Zhengbin Qiu	0	100.00%

	General Manager	Zhengbin Qiu		
Katec Creative Resources Corp.	Chairman Director Director Director Director Supervisor	Representative of Tung Ho Steel Enterprise Corp.:Fujin Chen Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou Representative of Tung Ho Steel Enterprise Corp.:Qinglian Huang Representative of Tung Ho Steel Enterprise Corp.:Changqing He Representative of Tung Ho Steel Enterprise Corp.:Xiuqi He Representative of Tung Ho Steel Enterprise Corp.:Ruyu He	95,724,402	99.01%
Tung Ho Steel Wind Power Co., Ltd.	Chairman Director Director Supervisor	Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou Representative of Tung Ho Steel Enterprise Corp.: Shuzhao Hou Wang Representative of Tung Ho Steel Enterprise Corp.:Xiuqi Chen Representative of Tung Ho Steel Enterprise Corp.: Ruyu He	15,500,000	100.00%
Tung Ho Steel Vietnam Corp., Ltd.	Chairman Director Director General Manager	Representative of Tung Ho Steel Enterprise Corp.:Binghua, Huang Representative of Tung Ho Steel Enterprise Corp.: Jieteng Hou Representative of Tung Ho Steel Enterprise Corp.:Qixie Lin Dexiu, Chen	0	100.00%

v. Business overview of affiliates

Unit: NT\$ thousand

Name of enterprise	Amount of capital	Total assets (Note 1)	Total liabilities (Note 1)	Net value (Note 1)	Operating income (Note 2)	Net operating profit(loss) (Note 2)	Net profit/loss of the current period (Note 2)	EPS
Tung Yuan International Corporation(Note 3)	2,645	995,065	484	994,581	0	(35)	(35)	(423)
3 Oceans International Inc.(Note 4)	89,010	80,770	161	80,609	100	(4,928)	(4,928)	(1.79)
Tung Ho Steel Structure Co.	1,930,120	3,488,474	1,123,448	2,365,026	2,664,540	(86,895)	1,469	0.01
Tung Ho Steel Engineering & Construction Co., Ltd.	250,000	399,014	158,196	240,818	364,638	3,886	3,146	0.13
Fata Xingye Co., Ltd.	100,000	99,954	10	99,944	0	(211)	199	0.02
Goldham Development Ltd(Note 4)	483,750	477,426	0	477,426	0	10,538	7,749	0.52
Tung Ho Steel Fujian Corp. Ltd.	483,750	817,402	339,976	477,426	920,111	10,538	7,749	N/A
Katec Creative Resources Corp.	975,704	910,774	43,896	866,878	262,256	(111,214)	(108,826)	(1.12)
Tung Ho Steel Wind Power Co., Ltd	155,000	686,908	605,918	80,990	26,278	6,482	(3,860)	(0.25)
Tung Ho Steel Vietnam Corp.Ltd	3,934,500	3,865,926	1,253,809	2,612,117	2,325,346	108,651	89,242	N/A

Note 1: NT\$ to US\$ exchange rate on December 31, 2016 was USD1:NTD32.25; NT\$ to RMB exchange rate on the same day was CNY1:NTD4.617.

Note 2: NT\$ to US\$ average exchange rate in 2016 was USD1:NTD32.263; NT\$ to US\$ average exchange rate in the same year was CNY1:NTD4.849.

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

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

(2) Relations Report

Declaration

It is hereby declared that the 2016 Relations Report of the Company (from January 1st~December 31st) is prepared based on “the Regulations Governing the Preparation of Consolidated Business Report of the Affiliates, the Consolidated Financial Statement of the Affiliates, and the Relations Report”. The information disclosed above doesn’t have great inconsistency with the related information disclosed in the notes of Financial Statement during the same period.

Enterprise: Tung Ho Steel Enterprise Corp.

Chairman: Jieteng Hou

March 27, 2017

CPA Opinion Statement

CPA Audit Opinion on Relations Report

To: Tung Ho Steel Enterprise Corp.

2016 Relations Report of Tung Ho Steel Enterprise Corp. is audited by CPAs based on the regulations of Document SFC (6)No. 04448 issued by the former Securities and Futures Commission, Ministry of Finance on November 30, 1999. It aims to inspect whether the 2016 Relations Report of the Company is prepared based on “the Regulations Governing the Preparation of Consolidated Business Report of the Affiliates, the Consolidated Financial Statement of the Affiliates, and the Relations Report”, and whether the information disclosed above doesn’t have great inconsistency with the related information disclosed in the notes of Financial Statement during the same period audited by the CPAs on March 27, 2017. The report is presented based on the inspection result.

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

KPMG Taiwan

CPA : Li Cihui
Kou Huizhi

Approval
document No.
issued by : SFC (6)No. 0930104860
competent : SFC (6)No. 0930106739
authority of
securities

March 27, 2017

(1) Overview of relations between the affiliate and the controlling company

Unit: Shares; %

Name of controlling company	Control reason	Shareholding and pledge of the controlling company			Director, supervisor or manager appointed from the controlling company	
		Shares held	Shareholding percent	Shares pledged	Job title	Name
Shen Yuan Investment Co.	Substantial control	120,199,779	12.04%	0	Chairman Deputy Chairman General Manager Director Director	Jieteng Hou Shuzhao Hou Wang Jieteng Hou Yushu Hou Huiming Wu

(2) Situation of purchases/sales transactions: None.

(3) Situation of financial situations: None.

(4) Financing condition: None.

(5) Assets lease condition:

Unit: NT\$

Transaction type (rental or lease)	Target		Lease period	Lease purpose	Lease expense basis	Collection (payment) method	Comparison with general rental level	Total lease expense	Payment/collection of the current period	Other agreements
	Name	Location								
Lease	Office	F, No. 9, Sec. 1, Chang'an E. Rd., Taipei City	January 01, 2016 December 31, 2016	Business purpose	2,000/month every 33 m2	Annual	At the same level	22,857 (without tax)	Collected	None

(6) Situation of other key transactions: None.

(7) Situation of endorsement & guarantee: None.

2. Handling of private securities in the last year and until the date of issuing the annual report: None.

3. The Company's shares held or sold by the subsidiary in the last year and until the date of issuing the annual report: None.

4. Other supplementary notes: None.

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