

HSIN KUANG STEEL CO., LTD.

2018 General Shareholders Meeting

Time : 9:00 AM, June 19 (Tuesday), 2018

Location : No. 120, Gongye 8th Road, Guanyin District, Taoyuan City

(The Company's Guanyin Plant Conference Office)

Attendance : Total outstanding Hsin Kuang shares : 309,807,603 shares , Total shares represented by shareholders present in person or by proxy : 187,456,334 shares , Percentage of shares held by shareholders present in person or by proxy : 60.51% .

Chairman : Mr.Alexander M.T.Su, the Chairman of the Board of Directors

Recorder : Jessica P.H.Liu

Directors present : Alexander M.T.Su (Chairman of Han De Investment Co., Ltd.) 、 Trickle T.C.Chang (Chairman of Trickle Co., Ltd.) 、 Ming-shan,Jheng 、 Fisher C.H.Yu 、 Johnathon Y.J.Su 、 Shih-yang,Chen

Independent Directors present : Winston Won 、 Po-Yung Chu 、 Paul T.Y.Huang

Staff present : Deloitte & Touche Chao-Ling Chen, CPA

Tung Wah Law Firm Ke-ming Liao, Lawyer

I 、 The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order .

II 、 Chairman's Address (omitted)

III 、 Report Items :

Case 1 2017 Business Report.

Case 2 Audit Committee's Report.

Case 3 Report on the 2017 distribution of remunerations to employees and directors.

Case 4 Report on the Company's total amount for endorsement, guarantee and amount of loans to third parties.

VI 、 Acceptance and Discussions :

Case 1 : Ratification of the 2017 business report and final financial statements. (proposed by the Board of Directors)

Description : (1) The Company's 2017 financial statements, including the balance sheet, comprehensive income statement, statement of changes in equity and the cash flow statement, have been audited by Chao-Ling Chen, CPA and Chiang-Pao Liu, CPA and recognized in the 6th meeting of the Company's 14th-term Board of Directors.

(2) Please refer to and ratify Attachment 1 from page 10 to page 11 and Attachment 3 and 4 from page 13 to 33 of the Proceedings Manual for the Company's 2017 Business Report, CPA Auditing Report and the aforementioned financial statements.

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results :

Shares represented at the time of voting : 187,287,325

Voting Results*	% of the total represented share present
Votes in favor: : 177,382,639 votes (28,541,834 votes)	94.71%
V otes against : 22,836votes (22,836 votes)	0.01%
Votes invalid : none	0.00%
Votes abstained : 9,881,850 votes (9,326,558 votes)	5.28%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the 2017 Business Report and Financial Statements be and hereby were accepted as submitted.

Case 2 : Approval of 2017 earnings distribution proposal.(proposed by the Board of Directors)

Description: (1) The earnings distribution proposal is for the distribution of distributable earnings of 2017 in cash dividend of NT\$1.5 per ordinary share. In the event that the total number of the Company's stocks in circulation is affected for any reason, please authorize the Chairman to adjust the distribution ratio based on the total amount of earnings to be distributed and the resolution in this shareholders meeting in accordance with the quantity of the Company's shares in external circulation on the record date.

(2) The cash dividends shall be calculated to the NT\$ and fractional amounts of less than NT\$1 shall be tallied and listed under stockholders' equity.

(3) The Company's 2017 Earnings Distribution Statement was approved in the 6th meeting of the Company's 14th-term Board of Directors and approved by Supervisors as the submitted proposal. Please refer to Attachment 5 on page 33 of the Proceedings Manual and ratify.

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results :

Shares represented at the time of voting : 187,456,334

Voting Results*	% of the total represented share present
Votes in favor: : 177,382,676 votes (28,541,871 votes)	94.63%
Votes against : 24,836 votes (24,836 votes)	0.01%
Votes invalid : none	0.00%
Votes abstained : 10,048,822 votes (9,324,521 votes)	5.36%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

Case 3: Approval of the distribution of cash paid from capital reserves.(proposed by the Board of Directors)

Description: (1) Pursuant to Article 241 of the Company Act, the Company plans to allocate NT\$153,096,870 from the capital reserve that originate from the income on premiums of stocks issued at values exceeding their nominal value and the conversion price of the conversion of corporate bonds to distribute NT\$0.50 for each ordinary share.

(2) In the event that the total number of the Company's stocks in circulation is affected for any reason, please authorize the Chairman to adjust the distribution ratio based on the total amount of capital reserve to be distributed and the resolution in this shareholders meeting in accordance with the quantity of the Company's shares in external circulation on the payment date.

(3) The distribution of cash dividends shall be calculated to the NT\$ and fractional amounts of less than NT\$1 shall be tallied and listed under stockholders' equity.

(4) After the approval of the proposal by the general shareholders' meeting, the shareholders are requested to authorize the Board of Directors to decide the payment date for distribution.

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results :

Shares represented at the time of voting : 187,456,334

Voting Results*	% of the total represented share present
Votes in favor: : 177,584,674 votes (28,543,869 votes)	94.73%
Votes against : 22,849 votes (22,849 votes)	0.01%
Votes invalid : none	0.00%
Votes abstained : 9,848,811 votes (9,324,510 votes)	5.26%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

Case 4 : Approval of the amendment of the Procedures for Acquisition and Disposal of Assets.
(proposed by the Board of Directors)

Description : (1).Article 7, Article 8, and Article 9 are amended in accordance with the actual requirements for the Company's business operations.

(2). Table of Comparison of Revised Articles of the Company's "Procedures for the Acquisition or Disposal of Assets" was approved in the 6th meeting of the Company's 14th-term Board of Directors. Please refer to Attachment 6 from page 34 to page 35 of the Proceedings Manual and ratify.

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results :

Shares represented at the time of voting : 187,456,334

Voting Results*	% of the total represented share present
Votes in favor: : 177,483,612 votes (28,539,807 votes)	94.68%
V otes against : 23,839 votes (23,839 votes)	0.01%
Votes invalid : none	0.00%
Votes abstained : 9,948,883 votes (9,327,582 votes)	5.31%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

V 、 Extempore Motions :

(Questions raised by the shareholders and the management's responses were omitted)

There being no other business and special motion, upon a motion duly made and seconded, the meeting was adjourned.

VI 、 Meeting adjourned

Hsin Kuang Steel Co., Ltd.

Business Report

2017 was a great year and overall business performance was great. The steel industry in 2017 continued the recovery that started in 2016 and the outlook of the steel market is very positive. All of the Company's plants are operating at full production capacity, and we have achieved the best sales performance in recent years with smooth operations in procurement, production, sales as well as concerted efforts from employees.

Financial Performance

The Company's combined revenue for 2017 totaled NT\$ 8.35 billion, which was a NT\$1.94 billion and 30.3% increase from the NT\$6.41 billion of the previous year. The net operating profit totaled NT\$990 million, which was a NT\$240 million and 32% increase from the NT\$750 million from the previous year. The EPS was NT\$3.49, which was a NT\$0.82 and 30.7% increase from the NT\$2.67 from the previous year.

In products sales, the Company's operating goal in 2017 was the sale of 380,000 metric tons of steel products and the combined sales of the year reached 360,000 metric tons. The achievement rate was 94.7%. Compared with the 335,000 metric tons from 2016, sales increased by 25,000 metric tons and grew by 7.5%.

In income and expenditure, cash flow in 2017 from business activities amounted to NT\$518.96 million, which mainly consisted of the bills receivable and accounts receivable generated in sales as well as inventories in response to supply and demand operations etc. Cash outflow for investment activities amounted to NT\$1,018.58 million mainly due to the purchase of properties, investment in plants and equipment, and joint ventures with affiliates. Cash inflow from financing activities amounted to NT\$647.82 million mainly due to long-term and short-term loans necessary for operations and the issuance of convertible corporate bonds. The closing cash and cash equivalents of the period was NT\$810.18 million.

Annual Corporate Development

The 2018 business strategies include: ①. Procurement: Strengthen supplier relationships and management and make acquisitions when prices are low; ②.

Business: Adopt complex management styles for sales of multiple categories of steel; ③. Customer relationship management: Focus on the value curve and develop new customers. ④. Public and private construction: Adopt concerted cooperation and accept new purchase orders. ⑤. Strategic integration and mid to long-term plans: Implement supply chain integration, work with joint ventures and world-class steel plants, supply and manufacture steel parts for underwater foundations for offshore wind power projects, develop solar photovoltaic materials, and expand overseas investments.

Based on the guidance of the aforementioned strategies, we shall implement the following:

1. Blue Ocean strategy: Optimize the inventory structure, integrate value chains, cultivate talent, and expand overseas markets.
2. Strengthen business management: Cultivate regional talent, adopt value-oriented strategies for profit centers, intensify development of direct customers and those with whom we have not conducted transactions in a long time, assess and strengthen the capacity of the Central Region Steel Coil Cutting Center, and integrate supply chains.
3. Strengthen manufacturing management system: Improve production efficiency, utilization rates, improve labor safety management, improve production quality, reduce the outflow of mixed materials, improve environmental management, and implement production and management resources of joint ventures.
4. Simplify corporate procedures: Introduce tags into the production system, assess improvements of the CRM database system with the aim of increasing efficiency and reducing lead time, and improve procedures.

The total annual sales goal of 2018 is set at 383,000 metric tons of steel. The domestic steel market is completely free. The steel supply volume and prices are affected by factors such as China Steel's production capacity and periodic wholesale prices as well as competition from major steel makers from Japan, Russia, Brazil, India, Korea, and Europe. We must keep abreast of the volume, price, and lead time in the supply chain and pay close attention to the domestic midstream and downstream demand. With the reputation we have accumulated in the industry throughout the years and the updated and expanded plants, equipment, manpower logistics, and cutting and processing capabilities, all our employees are confident of reaching the operation target of 383,000 metric tons this year under the guidance of the overarching strategy and key execution points.

Future Outlook

The government's policies for the promotion of solar power, offshore wind power, Forward-looking Infrastructure Development, and expansion of domestic demand coupled with strong economic development in the United States and Europe and Mainland China's advancement of output reduction and environmental protection measures contribute to a stable outlook of the domestic steel market this year. We shall continue to implement expansion policies, intensify task-based assignments for the departments, cultivate talent and recruit outstanding talent. We shall advance tasks while implementing effective management, develop existing customers and production lines, and work hard to develop new customers and new products to embrace the new year.

Legal Representative: Ming-Te Su
Accounting Officer: Pai-Hui Liu

Managerial Officer: Ming-Te Su Chief

Audit Committee's Report

The Board of Directors has prepared and submitted the 2017 business report, financial statements, and earnings distribution proposal, of which the financial statements have been audited by Deloitte. These have been reviewed by the Audit Committee as correctly portraying the Company's business activities. In accordance with the Securities and Exchange Act and the Company Act, this report is submitted for shareholder's examination.

Hsin Kuang Steel Co., Ltd.

Audit Committee Convener

March 13, 2018

Independent Auditor's Report and 2017 Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Hsin Kuang Steel Company Limited (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Estimated Impairment of Trade Receivables

As of December 31, 2017, the net amount of notes receivable, trade receivables and overdue receivables, in New Taiwan dollars (“NT\$”), was NT\$2,279,394 thousand, representing 16% of the Company and its subsidiaries’ total assets. When the management estimates the recoverability of note receivables, trade receivables and overdue receivables, it is based on the objective impairment evidence of the individual receivables and the condition of collateral or other credit enhancements. When there is no objective impairment evidence, the allowance for impairment loss recognized against trade receivables is based on historical experience with the counterparties and the aging of receivables. Since the amount of trade receivables is significant for the consolidated financial statements and the estimation of impairment of notes receivable, trade receivables and overdue receivables is subject to management’s judgment, it has been identified as a key audit matter.

Refer to Notes 4, 5 and 9 to the accompanying consolidated financial statements for the accounting policies and related information on the estimated impairment of trade receivables.

For our audit procedures performed in respect of the above area, we:

1. Understood and tested the design and operating effectiveness of key control over the estimated impairment of trade receivables;
2. Obtained the accounting policies for the provision of impairment of trade receivables and the aging report in order to confirm whether the sales customers have credit insurance or collateral, assessed the overall economic situation, and assessed the reasonableness of management’s assumptions on the estimated impairment of trade receivables and the reasonableness of the customer credit management;
3. Tested the completeness and accuracy of the aging of receivables, compared the aging report to those of previous years, reviewed the bad debt write-offs in the current year and the prior year, and checked the recoverability of outstanding debts;
4. Examined and assessed the reasonableness of the overdue receivables of subsequent-to-period-end cash receipts, and considered if additional provisions were required.

Investments in Associates and Joint Ventures

In the year of 2017, the Company and its subsidiaries incurred NT\$211,110 thousand gain on bargain purchase from the 50% equity acquisition of Mason Metal Industry Co., Ltd. To comply with the accounting treatment for the transaction of investments in associates and joint ventures, the management needs to determine the fair value of identifiable assets and liabilities, and such process involves some subjective and hypothetical judgements for the future cash flows, asset values, discount rates and etc., with a certain degree of complexity. If the fair value assessment is not appropriate, the financial statements will be misstated, so the gain from bargain purchase in investments in associates and joint ventures has been identified as a key audit matter.

Refer to Notes 4 and 12 to the accompanying consolidated financial statements for the accounting policies and related information on the investments in associates and joint ventures.

For our audit procedures performed in respect of the above area, we:

1. Acquired and examined the contracts of equity acquisition and the relating report of purchase price allocation issued by external appraisal experts.
2. Assigned the internal appraisal experts of the firm to assist the auditors in assessing the reasonableness of the assumptions used in determining the fair value of identifiable assets and liabilities in the reports of purchase price allocation mentioned above.
3. Recalculated the gain on bargain purchase to confirm its accuracy and examined whether the disclosures of relevant information are complied with the accounting standards.

Other Matters

We have also audited the parent company only financial statements of Hsin Kuang Steel Company Limited for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chao-Ling Chen and Chiang-Pao Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 810,178	6	\$ 668,153	6
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 34)	1,038,156	7	823,390	7
Available-for-sale financial assets - current (Notes 4 and 8)	81,767	1	330,402	3
Notes receivable (Notes 4, 5, 9 and 34)	1,018,597	7	966,558	8
Trade receivables (Notes 4, 5, 9 and 33)	1,257,797	9	1,330,865	11
Amounts due from customers for construction contracts (Notes 4 and 10)	-	-	2,345	-
Other receivables	504	-	68,178	-
Prepayments	2,748,943	20	2,263,475	19
Inventories (Notes 4, 5 and 11)	82,035	1	42,915	-
Other current financial assets (Notes 4, 13 and 34)	90,246	1	70,073	1
Other current assets (Note 18)	17,235	-	435	-
Total current assets	7,145,458	52	6,566,789	55
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4, 8 and 34)	1,940,049	14	1,908,377	16
Investments accounted for using the equity method (Notes 4 and 15)	533,065	4	39,725	-
Property, plant and equipment (Notes 4, 16 and 34)	3,835,473	28	3,033,067	26
Investment properties (Notes 4, 17 and 34)	268,846	2	271,313	2
Deferred tax assets (Notes 4 and 26)	13,498	-	6,629	-
Other non-current assets (Notes 4, 5, 9 and 18)	81,849	-	95,256	1
Total non-current assets	6,672,780	48	5,354,367	45
TOTAL	\$ 13,818,238	100	\$ 11,921,156	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 19)	\$ 3,479,674	25	\$ 3,395,094	28
Short-term bills payable (Notes 4 and 19)	469,508	4	189,774	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	38,012	-	91	-
Notes payable (Notes 4, 21 and 33)	424,604	3	420,766	3
Trade payables (Notes 4, 21 and 33)	9,660	-	68,644	-
Other payables (Note 22)	159,637	1	235,508	2
Current tax liabilities (Notes 4 and 26)	133,329	1	11,157	-
Current portion of long-term borrowings and bonds payable (Notes 4 and 19)	1,017,508	7	318,884	3
Other current liabilities	104,359	1	76,018	1
Total current liabilities	5,836,291	42	4,715,936	39
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 20)	532,148	4	-	-
Long-term borrowings (Notes 4 and 19)	935,230	7	1,608,558	14
Provisions - non-current (Note 4)	3,570	-	-	-
Deferred tax liabilities (Notes 4 and 26)	4,590	-	3,733	-
Net defined benefit liabilities - non-current (Notes 4 and 23)	27,780	-	19,692	-
Other non-current liabilities	300	-	300	-
Total non-current liabilities	1,503,618	11	1,632,283	14
Total liabilities	7,339,909	53	6,348,219	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24)				
Share capital	3,061,937	22	2,991,876	25
Capital surplus	867,686	6	1,016,806	9
Retained earnings				
Legal reserve	654,386	5	579,610	5
Special reserve	19,407	-	231,141	2
Unappropriated earnings	1,638,702	12	744,667	6
Total retained earnings	2,312,495	17	1,555,418	13
Other equity	28,820	-	(19,407)	-
Total equity attributable to owners of the Company	6,270,938	45	5,544,693	47
NON-CONTROLLING INTERESTS	207,391	2	28,244	-
Total equity	6,478,329	47	5,572,937	47
TOTAL	\$ 13,818,238	100	\$ 11,921,156	100

The accompanying notes are an integral part of the consolidated financial statements.

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 33)				
Sales	\$ 8,190,258	114	\$ 6,398,105	117
Construction revenue	740	-	-	-
Other operating revenue	<u>160,914</u>	<u>2</u>	<u>13,581</u>	<u>-</u>
Total operating revenue	<u>8,351,912</u>	<u>116</u>	<u>6,411,686</u>	<u>117</u>
OPERATING COSTS (Note 33)				
Cost of goods sold	(7,208,382)	(100)	(5,484,318)	(100)
Construction costs	(53)	-	-	-
Other operating costs	<u>(29,678)</u>	<u>-</u>	<u>(10,379)</u>	<u>-</u>
Total operating costs	<u>(7,238,113)</u>	<u>(100)</u>	<u>(5,494,697)</u>	<u>(100)</u>
GROSS PROFIT	<u>1,113,799</u>	<u>16</u>	<u>916,989</u>	<u>17</u>
OPERATING EXPENSES (Notes 4 and 25)				
Selling and marketing expenses	(190,809)	(3)	(148,301)	(2)
General and administrative expenses	<u>(153,696)</u>	<u>(2)</u>	<u>(95,577)</u>	<u>(2)</u>
Total operating expenses	<u>(344,505)</u>	<u>(5)</u>	<u>(243,878)</u>	<u>(4)</u>
OTHER OPERATING INCOME AND EXPENSES (Note 25)	<u>225,231</u>	<u>3</u>	<u>78,989</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>994,525</u>	<u>14</u>	<u>752,100</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 25)				
Other income	13,418	-	11,729	-
Gain from bargain purchase - acquisition of associates and joint ventures	211,110	3	-	-
Other gains	98,027	1	140,895	3
Finance costs	(111,489)	(1)	(94,132)	(2)
Share of profit or loss of associates and joint ventures	<u>3,873</u>	<u>-</u>	<u>688</u>	<u>-</u>
Total non-operating income and expenses	<u>214,939</u>	<u>3</u>	<u>59,180</u>	<u>1</u>

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 1,209,464	17	\$ 811,280	15
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(135,932)</u>	<u>(2)</u>	<u>(61,496)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>1,073,532</u>	<u>15</u>	<u>749,784</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	<u>(2,955)</u>	<u>-</u>	<u>(3,107)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statement of foreign operations	(10,405)	-	(8,529)	-
Unrealized gain on available-for-sale financial assets	<u>58,600</u>	<u>1</u>	<u>471,450</u>	<u>8</u>
	<u>48,195</u>	<u>1</u>	<u>462,921</u>	<u>8</u>
Other comprehensive income for the year, net of income tax	<u>45,240</u>	<u>1</u>	<u>459,814</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,118,772</u>	<u>16</u>	<u>\$ 1,209,598</u>	<u>22</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,066,226	15	\$ 747,774	14
Non-controlling interests	<u>7,306</u>	<u>-</u>	<u>2,010</u>	<u>-</u>
	<u>\$ 1,073,532</u>	<u>15</u>	<u>\$ 749,784</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,111,498	16	\$ 1,207,628	22
Non-controlling interests	<u>7,274</u>	<u>-</u>	<u>1,970</u>	<u>-</u>
	<u>\$ 1,118,772</u>	<u>16</u>	<u>\$ 1,209,598</u>	<u>22</u>
EARNINGS PER SHARE (Note 27)				
From continuing operations				
Basic	<u>\$ 3.49</u>		<u>\$ 2.67</u>	
Diluted	<u>\$ 3.30</u>		<u>\$ 2.62</u>	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
							Other Equity		Total	Non-controlling Interests	Total Equity
							Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
	Share Capital		Capital Surplus	Retained Earnings			Unappropriated Earnings				
Shares (In Thousands)	Amount	Legal Reserve		Special Reserve							
BALANCE AT JANUARY 1, 2016	\$ 275,638	\$ 2,756,380	\$ 1,045,575	\$ 579,610	\$ -	\$ 231,141	\$ 17,523	\$ (499,891)	\$ 4,130,338	\$ 30,172	\$ 4,160,510
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	231,141	(231,141)	-	-	-	-	-
Appropriation of 2015 earnings											
Cash dividends distributed from capital surplus	-	-	(165,976)	-	-	-	-	-	(165,976)	-	(165,976)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	(1,938)	(1,938)
Other changes in capital surplus:											
Recognition of employee share options by the Company	-	-	66	-	-	-	-	-	66	(1,960)	(1,894)
Changes in percentage of ownership interests in subsidiaries	-	-	1,424	-	-	-	-	-	1,424	-	1,424
Convertible bonds converted to ordinary shares	22,562	225,616	131,370	-	-	-	-	-	356,986	-	356,986
Net profit for the year ended December 31, 2016	-	-	-	-	-	747,774	-	-	747,774	2,010	749,784
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	-	(3,107)	(8,489)	471,450	459,854	(40)	459,814
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	744,667	(8,489)	471,450	1,207,628	1,970	1,209,598
Issuance of ordinary shares under employee share options	988	9,880	4,347	-	-	-	-	-	14,227	-	14,227
BALANCE AT DECEMBER 31, 2016	299,188	2,991,876	1,016,806	579,610	231,141	744,667	9,034	(28,441)	5,544,693	28,244	5,572,937
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	(211,734)	211,734	-	-	-	-	-
Appropriation of 2016 earnings											
Legal reserve	-	-	-	74,776	-	(74,776)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(306,194)	-	-	(306,194)	-	(306,194)
Cash dividends distributed from capital surplus	-	-	(244,955)	-	-	-	-	-	(244,955)	-	(244,955)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	(914)	(914)
Other changes in capital surplus:											
Changes in percentage of ownership interests in subsidiaries, associates and joint ventures	-	-	(3)	-	-	-	-	-	(3)	21,987	21,984
Equity component of issuance on convertible bonds	-	-	54,892	-	-	-	-	-	54,892	-	54,892
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,066,226	-	-	1,066,226	7,306	1,073,532
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(2,955)	(10,373)	58,600	45,272	(32)	45,240
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	1,063,271	(10,373)	58,600	1,111,498	7,274	1,118,772
Changes of non-controlling interests	-	-	-	-	-	-	-	-	-	150,800	150,800
Cancellation of treasury shares	7,006	70,061	40,946	-	-	-	-	-	111,007	-	111,007
BALANCE AT DECEMBER 31, 2017	\$ 306,194	\$ 3,061,937	\$ 867,686	\$ 654,386	\$ 19,407	\$ 1,638,702	\$ (1,339)	\$ 30,159	\$ 6,270,938	\$ 207,391	\$ 6,478,329

The accompanying notes are an integral part of the consolidated financial statements.

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,209,464	\$ 811,280
Adjustments for:		
Depreciation expense	77,138	75,797
Amortization expense	740	1,031
Impairment loss on receivables	34,385	8,793
Net gain on fair value change of financial assets held for trading	(294,293)	(9,136)
Net loss (gain) on fair value change of financial liabilities held for trading	24,856	(5,556)
Finance costs	111,489	94,132
Interest income	(958)	(985)
Dividend income	(83,483)	(61,876)
Compensation costs of employee share options	-	1,424
Share of profit of associates and joint ventures	(3,873)	(688)
Loss (gain) on disposal of property, plant and equipment	208	3,926
Gain on disposal of associates	10,037	(102,218)
Net loss on disposal of available-for-sale financial assets	55,796	-
Impairment loss recognized on available-for-sale financial assets	3,860	1,715
Write-downs (reversal of write-downs) of inventories	9,241	(305,355)
Net (gain) loss on foreign currency exchange	(47,116)	782
Net defined benefit liabilities	5,160	(21,262)
Gain from bargain purchase - acquisition of associates	(211,110)	-
Changes in operating assets and liabilities		
Decrease (Increase) in financial assets held for trading	129,527	(205,321)
Increase in notes receivable	(52,189)	(9,181)
Decrease (increase) in trade receivables	74,102	(205,929)
Decrease in amounts due from customers for construction contracts	2,345	5,378
Decrease (increase) in other receivables	57,637	(61,443)
(Increase) decrease in inventories	(494,709)	25,878
Increase in prepayments	(39,120)	(21,210)
Decrease (increase) in other current assets	(16,800)	2,105
Increase in notes payable	3,838	335,200
(Decrease) increase in trade payables	(60,679)	42,425
(Decrease) increase in other payables	(81,670)	160,674
Increase in other current liabilities	28,341	41,057
Cash generated from operating activities	452,164	601,437
Interest received	958	985
Dividends received	83,483	61,876
Income tax paid	(17,648)	(766)
Net cash generated from operating activities	518,957	663,532

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	\$ (47,729)	\$ (39,142)
Proceeds from sale of available-for-sale financial assets	246,434	-
Proceeds from the capital reduction of available-for-sale financial assets	9,731	12,450
Acquisition of joint ventures	(302,677)	-
Net cash outflow on acquisition of subsidiaries	(594)	-
Proceeds from disposal of non-current assets held for sale	-	246,137
Payments for property, plant and equipment	(851,031)	(278,057)
Proceeds from disposal of property, plant and equipment	2,120	14,084
Increase in refundable deposits	(84)	(40,466)
Payments for investment properties	-	(239,222)
Increase (decrease) in other current financial assets	(20,173)	10,234
Increase in prepayments for equipment	(55,209)	(49,771)
Dividends received from associates	634	763
Net cash used in investing activities	<u>(1,018,578)</u>	<u>(362,990)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	10,023,901	8,558,258
Repayments of short-term borrowings	(9,885,397)	(8,766,874)
Increase (decrease) in short-term bills payable	280,000	(510,000)
Proceeds from issue of convertible bonds	601,200	-
Proceeds from long-term borrowings	750,000	823,900
Repayments of long-term borrowings	(617,666)	(504,481)
Dividends paid	(551,149)	(165,976)
Proceeds from issue of ordinary shares under employee share options	-	14,227
Interest paid	(102,959)	(76,834)
Decrease in non-controlling interests	149,886	(3,898)
Net cash generated from (used in) financing activities	<u>647,816</u>	<u>(631,678)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(6,170)</u>	<u>993</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	142,025	(330,143)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>668,153</u>	<u>998,296</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 810,178</u>	<u>\$ 668,153</u>

The accompanying notes are an integral part of the consolidated financial statements.(Concluded)

Independent Auditor's Report and 2017 Individual Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying financial statements of Hsin Kuang Steel Company Limited (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2017 are stated as follows:

Estimated Impairment of Trade Receivables

As of December 31, 2017, the net amount of notes receivable, trade receivables and overdue receivables, in New Taiwan dollars ("NT\$"), was NT\$2,272,799 thousand, representing 17% of the Company's total assets. When the management estimates the recoverability of note receivables, trade receivables and overdue receivables, it is based on the objective impairment evidence of the individual receivables and the condition of collateral or other credit enhancements. When there is no objective impairment evidence, the allowance for impairment loss recognized against trade receivables is based on historical experience with the counterparties and the aging of receivables. Since the amount of trade receivables is significant for the financial statements and the estimation of impairment of notes receivable, trade receivables and overdue receivables is subject to management's judgment, it has been identified as a key audit matter.

Refer to Notes 4, 5 and 9 to the accompanying financial statements for the accounting policies and related information on the estimated impairment of trade receivables.

For our audit procedures performed in respect of the above area, we:

1. Understood and tested the design and operating effectiveness of key control over the estimated impairment of trade receivables;
2. Obtained the accounting policies for the provision of impairment of trade receivables and the aging report in order to confirm whether the sales customers have credit insurance or collateral, assessed the overall economic situation, and assessed the reasonableness of management's assumptions on the estimated impairment of trade receivables and the reasonableness of the customer credit management;
3. Tested the completeness and accuracy of the aging of receivables, compared the aging report to those of previous years, reviewed the bad debt write-offs in the current year and the prior year, and checked the recoverability of outstanding debts;
4. Examined and assessed the reasonableness of the overdue receivables of subsequent-to-period-end cash receipts, and considered if additional provisions were required.

Investments in Associates and Joint Ventures

In the year of 2017, the Company incurred NT\$206,762 thousand gain on bargain purchase from the 49% equity acquisition of Mason Metal Industry Co., Ltd. To comply with the accounting treatment for the transaction of investments in associates and joint ventures, the management needs to determine the fair value of identifiable assets and liabilities, and such process involves some subjective and hypothetical judgements for the future cash flows, asset values, discount rates and etc., with a certain degree of complexity. If the fair value assessment is not appropriate, the financial statements will be misstated, so the gain from bargain purchase in investments in associates and joint ventures has been identified as a key audit matter.

Refer to Notes 4 and 12 to the accompanying financial statements for the accounting policies and related information on the investments in associates and joint ventures.

For our audit procedures performed in respect of the above area, we:

1. Acquired and examined the contracts of equity acquisition and the relating report of purchase price allocation issued by external appraisal experts.
2. Assigned the internal appraisal experts of the firm to assist the auditors in assessing the reasonableness of the assumptions used in determining the fair value of identifiable assets and liabilities in the report of purchase price allocation mentioned above.
3. Recalculated the gain on bargain purchase to confirm its accuracy and examined the relevant whether the disclosures of relevant information are complied with the accounting standards.

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our

auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chao-Ling Chen and Chiang-Pao Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2018

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

HSIN KUANG STEEL COMPANY LIMITED

BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 707,695	5	\$ 512,490	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	503,339	4	522,760	5
Available-for-sale financial assets - current (Notes 4 and 8)	81,767	1	330,402	3
Notes receivable (Notes 4, 5, 9, 31 and 32)	1,016,708	7	972,621	9
Trade receivables (Notes 4, 5, 9 and 31)	1,253,091	9	1,253,978	11
Other receivables (Notes 9 and 31)	501	-	13,651	-
Inventories (Notes 4, 5 and 10)	2,743,288	20	2,197,079	19
Prepayments	80,896	1	38,464	-
Other current financial assets (Notes 4, 11 and 32)	87,706	1	65,576	1
Other current assets (Note 15)	207	-	429	-
Total current assets	6,475,198	48	5,907,450	52
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4, 8 and 32)	1,850,769	14	1,811,627	16
Investments accounted for using the equity method (Notes 4 and 12)	1,351,258	10	512,323	4
Property, plant and equipment (Notes 4, 13 and 32)	3,595,147	26	2,807,392	25
Investment properties (Notes 4, 14 and 32)	268,846	2	271,313	2
Deferred tax assets (Notes 4 and 24)	13,498	-	6,422	-
Other non-current assets (Notes 4, 5, 9 and 15)	57,731	-	71,150	1
Total non-current assets	7,137,249	52	5,480,227	48
TOTAL	\$ 13,612,447	100	\$ 11,387,677	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 16)	\$ 3,449,674	25	\$ 3,202,344	28
Short-term bills payable (Notes 4 and 16)	469,508	4	189,774	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	38,012	-	91	-
Notes payable (Notes 4, 18 and 31)	424,271	3	433,608	4
Trade payables (Notes 4, 18 and 31)	9,820	-	73,151	-
Other payables (Note 19)	147,742	1	128,613	1
Current tax liabilities (Notes 4 and 24)	131,731	1	10,679	-
Current portion of long-term borrowings and bonds payable (Notes 4, 16 and 17)	1,010,526	8	308,418	3
Other current liabilities	104,325	1	75,935	1
Total current liabilities	5,785,609	43	4,422,613	39
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	532,148	4	-	-
Long-term borrowings (Notes 4 and 16)	737,512	5	1,396,658	12
Provisions - non-current (Note 4)	3,570	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	27,780	-	19,692	-
Deferred tax liabilities (Notes 4 and 24)	4,590	-	3,721	-
Other non-current liabilities (Note 4)	250,300	2	300	-
Total non-current liabilities	1,555,900	11	1,420,371	12
Total liabilities	7,341,509	54	5,842,984	51
EQUITY (Notes 4 and 21)				
Share capital	3,061,937	23	2,991,876	26
Capital surplus	867,686	6	1,016,806	9
Retained earnings				
Legal reserve	654,386	5	579,610	5
Special reserve	19,407	-	231,141	2
Unappropriated earnings	1,638,702	12	744,667	7
Total retained earnings	2,312,495	17	1,555,418	14
Other equity	28,820	-	(19,407)	-
Total equity	6,270,938	46	5,544,693	49
TOTAL	\$ 13,612,447	100	\$ 11,387,677	100

The accompanying notes are an integral part of the financial statements.

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 31)	\$ 8,167,783	100	\$ 6,262,775	100
OPERATING COSTS (Notes 23 and 31)	<u>(7,134,503)</u>	<u>(87)</u>	<u>(5,364,745)</u>	<u>(86)</u>
GROSS PROFIT	<u>1,033,280</u>	<u>13</u>	<u>898,030</u>	<u>14</u>
OPERATING EXPENSES (Notes 4 and 23)				
Selling and marketing expenses	(183,472)	(2)	(138,688)	(2)
General and administrative expenses	<u>(145,392)</u>	<u>(2)</u>	<u>(88,534)</u>	<u>(1)</u>
Total operating expenses	<u>(328,864)</u>	<u>(4)</u>	<u>(227,222)</u>	<u>(3)</u>
OTHER OPERATING INCOME AND EXPENSES (Note 23)	<u>159,076</u>	<u>2</u>	<u>69,644</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>863,492</u>	<u>11</u>	<u>740,452</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Other income	13,232	-	11,534	-
Other gains and losses	105,063	1	40,570	1
Finance costs	(106,240)	(1)	(90,316)	(2)
Gain from bargain purchase - acquisition of associates and joint ventures	206,762	3	-	-
Share of profit or loss of subsidiaries and joint ventures	<u>117,648</u>	<u>1</u>	<u>106,450</u>	<u>2</u>
Total non-operating income and expenses	<u>336,465</u>	<u>4</u>	<u>68,238</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,199,957	15	808,690	13
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(133,731)</u>	<u>(2)</u>	<u>(60,916)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>1,066,226</u>	<u>13</u>	<u>747,774</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	<u>(2,955)</u>	<u>-</u>	<u>(3,107)</u>	<u>-</u>

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (10,373)	-	\$ (8,489)	-
Unrealized gain on available-for-sale financial assets	<u>58,600</u>	<u>1</u>	<u>471,450</u>	<u>7</u>
	<u>48,227</u>	<u>1</u>	<u>462,961</u>	<u>7</u>
Other comprehensive income for the year, net of income tax	<u>45,272</u>	<u>1</u>	<u>459,854</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,111,498</u>	<u>14</u>	<u>\$ 1,207,628</u>	<u>19</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 3.49</u>		<u>\$ 2.67</u>	
Diluted	<u>\$ 3.30</u>		<u>\$ 2.62</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Available-for- sale Financial Assets	
BALANCE AT JANUARY 1, 2016	<u>275,638</u>	<u>\$ 2,756,380</u>	<u>\$ 1,045,575</u>	<u>\$ 579,610</u>	<u>\$ -</u>	<u>\$ 231,141</u>	<u>\$ 17,523</u>	<u>\$ (499,891)</u>	<u>\$ 4,130,338</u>
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	-	231,141	(231,141)	-	-	-
Appropriation of 2015 earnings									
Cash dividends distributed from capital surplus	-	-	(165,976)	-	-	-	-	-	(165,976)
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	1,424	-	-	-	-	-	1,424
Changes in percentage of ownership interest in subsidiaries	-	-	66	-	-	-	-	-	66
Convertible bonds converted to ordinary shares	22,562	225,616	131,370	-	-	-	-	-	356,986
Net profit for the year ended December 31, 2016	-	-	-	-	-	747,774	-	-	747,774
Other comprehensive income for the year ended December 31, 2016, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,107)</u>	<u>(8,489)</u>	<u>471,450</u>	<u>459,854</u>
Total comprehensive income for the year ended December 31, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>744,667</u>	<u>(8,489)</u>	<u>471,450</u>	<u>1,207,628</u>
Issuance of ordinary shares under employee share options	<u>988</u>	<u>9,880</u>	<u>4,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,227</u>
BALANCE AT DECEMBER 31, 2016	299,188	2,991,876	1,016,806	579,610	231,141	744,667	9,034	(28,441)	5,544,693
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	(211,734)	211,734	-	-	-
Appropriation of 2016 earnings									
Legal reserve	-	-	-	74,776	-	(74,776)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(306,194)	-	-	(306,194)
Cash dividends distributed from capital surplus	-	-	(244,955)	-	-	-	-	-	(244,955)
Other changes in capital surplus									
Equity Component of issuance of convertible bonds	-	-	54,892	-	-	-	-	-	54,892
Changes in percentage of ownership interests in subsidiaries, associates, and joint ventures	-	-	(3)	-	-	-	-	-	(3)
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,066,226	-	-	1,066,226
Other comprehensive income for the year ended December 31, 2017, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,955)</u>	<u>(10,373)</u>	<u>58,600</u>	<u>45,272</u>
Total comprehensive income for the year ended December 31, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,063,271</u>	<u>(10,373)</u>	<u>58,600</u>	<u>1,111,498</u>
Convertible bonds converted to ordinary shares	<u>7,006</u>	<u>70,061</u>	<u>40,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,007</u>
BALANCE AT DECEMBER 31, 2017	<u>306,194</u>	<u>\$ 3,061,937</u>	<u>\$ 867,686</u>	<u>\$ 654,386</u>	<u>\$ 19,407</u>	<u>\$ 1,638,702</u>	<u>\$ (1,339)</u>	<u>\$ 30,159</u>	<u>\$ 6,270,938</u>

The accompanying notes are an integral part of the financial statements.

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,199,957	\$ 808,690
Adjustments for:		
Depreciation expenses	77,138	73,330
Amortization expenses	690	529
Impairment loss on receivables	34,217	8,793
Net gain on fair value changes of financial assets held for trading	(163,629)	(8,308)
Net loss (gain) on fair value changes of financial liabilities held for trading	24,856	(5,556)
Finance costs	106,240	90,316
Interest income	(775)	(913)
Dividend income	(79,959)	(57,495)
Compensation costs of employee share options	-	1,424
Share of profit of subsidiaries, associates and joint ventures	(117,648)	(106,450)
Loss on disposal of property, plant and equipment	518	3,156
Net loss on disposal of available-for-sale financial assets	55,796	-
Impairment loss recognized on available-for-sale financial assets	3,860	1,715
Write-downs (reversal of write-downs) of inventories	1,986	(302,350)
Net gain on foreign currency exchange	(47,836)	(1,908)
Net defined benefit liabilities	5,160	(21,262)
Gain from bargain purchase - acquisition of associates	(206,762)	-
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	183,050	(159,198)
(Increase) decrease in notes receivable	(44,239)	3,559
Decrease (increase) in trade receivables	2,091	(167,711)
Decrease (increase) in other receivables	13,150	(6,919)
(Increase) decrease in inventories	(548,195)	35,788
Increase in prepayments	(42,432)	(24,213)
Decrease in other current assets	222	2,073
(Decrease) increase in notes payable	(9,337)	352,175
(Decrease) increase in trade payables	(65,026)	47,803
Increase in other payables	19,042	58,039
Increase in other current liabilities	28,390	41,068
Cash generated from operations	430,525	666,175
Interest received	775	913
Dividends received	79,959	57,495
Income tax paid	(16,763)	(48)
Net cash generated from operating activities	494,496	724,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(47,729)	(442)
Proceeds from sale of available-for-sale financial assets	246,434	-
Proceeds from the capital reduction of available-for-sale financial assets	9,731	12,450

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017	2016
Acquisition of associates and joint ventures	\$ (296,976)	\$ -
Net cash outflow on acquisition of subsidiaries	(231,700)	(16,625)
Payments for property, plant and equipment	(836,119)	(52,642)
Proceeds from disposal of property, plant and equipment	1,549	1,605
Increase in refundable deposits	(84)	(16,738)
Payments for investment properties	-	(239,222)
Decrease in other financial assets	(22,130)	7,816
Increase in prepayments for equipment	(55,209)	(49,771)
Dividends received from subsidiaries and associates	<u>5,220</u>	<u>161,903</u>
Net cash used in investing activities	<u>(1,227,013)</u>	<u>(191,666)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	9,761,730	8,184,440
Repayments of short-term borrowings	(9,460,638)	(8,481,302)
Increase (decrease) in short-term bills payable	280,000	(510,000)
Proceeds from issue of convertible bonds	601,200	-
Proceeds from long-term borrowings	750,000	600,000
Repayments of long-term borrowings	(600,000)	(500,000)
Proceeds from guarantee deposits received	250,000	-
Dividends paid	(551,149)	(165,976)
Proceeds from issue of ordinary shares under employee share options	-	14,227
Interest paid	<u>(103,421)</u>	<u>(73,117)</u>
Net cash generated from (used in) financing activities	<u>927,722</u>	<u>(931,728)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,205	(398,859)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>512,490</u>	<u>911,349</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 707,695</u>	<u>\$ 512,490</u>

The accompanying notes are an integral part of the financial statements.(Concluded)

Hsin Kuang Steel Co., Ltd.
Earnings distribution statement
2017

Unit: NT\$

Item	Amount
Net profit in 2017	1,066,226,100.00
Minus :	
—Ten percent set aside as the statutory surplus reserve	-106,622,610.00
Distributable earnings in 2017	959,603,490.00
Plus :	
—Unappropriated retained earnings from previous years	575,430,215.00
—Reversal of special surplus reserve	19,405,847.00
Minus :	
—Actuarial losses on defined benefit plan of the year	-2,955,201.00
Retained earnings available for distribution as of the end of 2017	1,551,484,351.00
Distributions :	
—Common stock cash dividend (NT\$1.50 per share)	-459,290,609.00
Undistributed retained earnings at the end of the period transferred to following year	1,092,193,742.00

Hsin Kuang Steel Co., Ltd.

Table of Comparison of Revised Articles of the Company's "Procedures for the Acquisition or Disposal of Assets"

18th Revision on March 13, 2018

Revised content (underlined)	Original content
<p>Article 7 Restrictions on the total amount of real property and securities acquired by the Company not for business use</p> <p>1.The restrictions on the total amount of real property and securities acquired by the Company not for business use are as follows:</p> <p>(1)Total amounts for the purchase of real estate not for business use may not exceed thirty percent (30%) of the net value of the Company's most recent financial statements.</p> <p>(2)The maximum amount of investment in securities may not exceed <u>eighty percent (80%)</u> of the net value of the Company's most recent financial statements.</p> <p>(3)The maximum amount of investment in individual securities may not exceed <u>sixty percent (60%)</u> of the net value of the Company's most recent financial statements.</p> <p>2.The restrictions on the total amount of real property and securities acquired by subsidiaries of the Company not for business use are as follows:</p> <p>(1)Total amounts for the purchase of real estate not for business use may not exceed ten percent (10%) of the net value of the subsidiary's most recent financial statements.</p> <p>(2)The maximum amount of investment in securities may not exceed fifty percent (50%) of the net value of the subsidiary's most recent financial statements. However, if the subsidiary is a professional investment company, the maximum amount shall be one hundred percent (100%) of the net value of the subsidiary's most recent financial statements.</p> <p>(3)The maximum amount of investment in individual securities may not exceed twenty-five percent (25%) of the net value of the subsidiary's most recent financial statements.</p> <p>3.The amount of investment in stocks of public companies permitted for the Company and its subsidiaries shall be processed in accordance with the Company's "Securities Investment Management Regulations".</p>	<p>Article 7 Restrictions on the total amount of real property and securities acquired by the Company not for business use</p> <p>1.The restrictions on the total amount of real property and securities acquired by the Company not for business use are as follows:</p> <p>(1)Total amounts for the purchase of real estate not for business use may not exceed thirty percent (30%) of the net value of the Company's most recent financial statements.</p> <p>(2)The maximum amount of investment in securities may not exceed one hundred percent (100%) of the net value of the Company's most recent financial statements.</p> <p>(3)The maximum amount of investment in individual securities may not exceed eighty percent (80%) of the net value of the Company's most recent financial statements.</p> <p>2.The restrictions on the total amount of real property and securities acquired by subsidiaries of the Company not for business use are as follows:</p> <p>(1)Total amounts for the purchase of real estate not for business use may not exceed ten percent (10%) of the net value of the subsidiary's most recent financial statements.</p> <p>(2)The maximum amount of investment in securities may not exceed fifty percent (50%) of the net value of the subsidiary's most recent financial statements. However, if the subsidiary is a professional investment company, the maximum amount shall be one hundred percent (100%) of the net value of the subsidiary's most recent financial statements.</p> <p>(3)The maximum amount of investment in individual securities may not exceed twenty-five percent (25%) of the net value of the subsidiary's most recent financial statements.</p> <p>3.The amount of investment in stocks of public companies permitted for the Company and its subsidiaries shall be processed in accordance with the Company's "Securities Investment Management Regulations".</p>

Revised content (underlined)	Original content														
<p>Article 8 Procedures for Assessment and Acquisition of Securities</p> <p>2.Degree and levels of authority delegated</p> <p>(1)<u>Acquisition or disposal of securities traded on the TWSE or OTC shall be processed by the transaction executor after assessment based on the following delegated authority:</u></p> <table border="1" data-bbox="172 430 766 622"> <tr> <th><u>Level</u></th><th><u>Transaction Amount</u></th></tr> <tr> <td><u>Board of Directors</u></td><td><u>More than NT\$100 million</u></td></tr> <tr> <td><u>Chairman of the Board</u></td><td><u>Below NT\$100 million</u></td></tr> <tr> <td><u>General Manager</u></td><td><u>Below NT\$50 million</u></td></tr> </table> <p>(2)<u>Acquisition or disposal of securities traded on the TWSE or OTC shall be assessed and reported by the transaction executor after assessment and implemented after receiving approval from the Board of Directors. However, the Board of Directors may authorize the Chairman to process the acquisition or disposal based on the following scope of authorization before reporting to the Board of Directors for retroactive ratification:</u></p> <table border="1" data-bbox="172 909 766 1211"> <tr> <th><u>Level</u></th><th><u>Transaction Amount</u></th></tr> <tr> <td><u>Board of Directors</u></td><td><u>More than NT\$100 million</u></td></tr> <tr> <td><u>The case shall be approved and reported by the Chairman to the next Board meeting for retroactive ratification.</u></td><td><u>NT\$100 million (inclusive)</u></td></tr> </table>	<u>Level</u>	<u>Transaction Amount</u>	<u>Board of Directors</u>	<u>More than NT\$100 million</u>	<u>Chairman of the Board</u>	<u>Below NT\$100 million</u>	<u>General Manager</u>	<u>Below NT\$50 million</u>	<u>Level</u>	<u>Transaction Amount</u>	<u>Board of Directors</u>	<u>More than NT\$100 million</u>	<u>The case shall be approved and reported by the Chairman to the next Board meeting for retroactive ratification.</u>	<u>NT\$100 million (inclusive)</u>	<p>Article 8 Procedures for Assessment and Acquisition of Securities</p> <p>2.Degree and levels of authority delegated</p> <p>(1)Acquisition or disposal of securities traded on the TWSE or OTC with a transaction amount of NT\$50 million (inclusive) or below shall be submitted to the General Manager for approval with an internal approval document: Transaction amounts above NT\$50 million shall require the approval of the Board of Directors.</p> <p>(2)Acquisition or disposal of securities traded on the TWSE or OTC shall be implemented only after the approval of the Board of Directors. However, the Board of Directors may authorize the Chairman to determine an acquisition or disposal within NT\$50 million before reporting to the Board of Directors for retroactive ratification.</p>
<u>Level</u>	<u>Transaction Amount</u>														
<u>Board of Directors</u>	<u>More than NT\$100 million</u>														
<u>Chairman of the Board</u>	<u>Below NT\$100 million</u>														
<u>General Manager</u>	<u>Below NT\$50 million</u>														
<u>Level</u>	<u>Transaction Amount</u>														
<u>Board of Directors</u>	<u>More than NT\$100 million</u>														
<u>The case shall be approved and reported by the Chairman to the next Board meeting for retroactive ratification.</u>	<u>NT\$100 million (inclusive)</u>														
<p>Article 9 Evaluation and Operating Procedures for the Acquisition or Disposal of Real Property or Other Fixed Assets</p> <p>3.Degree and levels of authority delegated</p> <p>The acquisition or disposal of real property or other fixed assets <u>may be executed directly by the transaction executor according to the Company's related internal policies based on the following delegated authority:</u></p> <table border="1" data-bbox="154 1469 766 1626"> <tr> <th><u>Level</u></th><th><u>Transaction Amount</u></th></tr> <tr> <td><u>Board of Directors</u></td><td><u>More than NT\$300 million</u></td></tr> <tr> <td><u>Chairman of the Board</u></td><td><u>Below NT\$300 million</u></td></tr> <tr> <td><u>General Manager</u></td><td><u>Below NT\$100 million</u></td></tr> </table>	<u>Level</u>	<u>Transaction Amount</u>	<u>Board of Directors</u>	<u>More than NT\$300 million</u>	<u>Chairman of the Board</u>	<u>Below NT\$300 million</u>	<u>General Manager</u>	<u>Below NT\$100 million</u>	<p>Article 9 Evaluation and Operating Procedures for the Acquisition or Disposal of Real Property or Other Fixed Assets</p> <p>3.Degree and levels of authority delegated</p> <p>Acquisition or disposal of real property or other fixed assets with a transactions amount of NT\$100 million (inclusive) or below shall require internal approval procedures and shall be delivered to the General Manager for approval; Transaction amounts above NT\$100 million shall require the approval of the Board of Directors.</p>						
<u>Level</u>	<u>Transaction Amount</u>														
<u>Board of Directors</u>	<u>More than NT\$300 million</u>														
<u>Chairman of the Board</u>	<u>Below NT\$300 million</u>														
<u>General Manager</u>	<u>Below NT\$100 million</u>														
<p>Article 20 Date of Revision</p> <p><u>The Operating Procedures are submitted to the shareholders meeting on June 19, 2018 for review.</u></p> <p>The 1st amendment was on May 26, 1994. ... The 15th amendment was on March 18, 2014. The 16th amendment was on March 17, 2015. The 17th amendment was on March 14, 2017.<u>The 18th amendment was on March 13, 2018.</u></p>	<p>Article 20 Date of Revision</p> <p>The Operating Procedures were passed in the shareholders meeting on June 10, 2015.</p> <p>The 1st amendment was on May 26, 1994. ... The 15th amendment was on March 18, 2014. The 16th amendment was on March 17, 2015. The 17th amendment was on March 14, 2017.</p>														