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Yungtay Engineering Co., Ltd.  
2017 General Shareholders' Meeting  
Agenda Handbook

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Date: June 16, 2017

Venue: 3F, No. 260, Section 2, Bade Road, Taipei City

(Central Motion Picture Co. Auditorium)

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Yungtay Engineering Co., Ltd.  
2017 General Shareholders' Meeting  
**Agenda**

Time: June 16, 2017 at 9 a.m.

Venue: Central Motion Picture Co. Auditorium, 3F, No. 260, Section 2, Bade Road, Taipei City

1. Chairman call meeting to order
2. Chairman's address
3. Report Items
  - (1) 2016 Business Report
  - (2) Supervisors' Review of 2016 Financial Statements
  - (3) 2016 Distribution of Remuneration of Employees, Directors and Supervisors
4. Proposed Resolutions
  - (1) Adoption of 2016 Financial Statements
  - (2) Adoption of Distribution of 2016 Earnings
5. Discussion Items
  - (1) Amendments to the Procedures for Acquisition or Disposal of Assets
6. Other Business and Special Motion
7. Meeting Adjourned

## Report Items

1. 2016 Business Report

Refer to Page 12 of the Handbook.

2. Supervisors' Review of 2016 Financial Statements

Refer to Page 13 of the Handbook.

3. Distribution of remuneration of employees and directors and supervisors in 2016

Description: Along with the resolution of the Board of Directors, the Remuneration Committee of Yungtay Engineering Co., Ltd. resolved on the proposal for the distribution of remuneration of employees NT\$48,399,755 and directors and supervisors NT\$5,377,751 in 2016, all paid in cash, with the ratio of 2.52% and 0.28% respectively.

## Proposed Resolutions

Item 1 (Proposed by the Board of Directors)

Proposal: To adopt 2016 Business Report, Balance Sheet, Income Statement, Statement of Change in Equity and Cash Flow Statement of Yungtay Engineering Co., Ltd.

Description: 2016 Business Report (refer to Page 12 of the Handbook), Balance Sheet, Income Statement, Statement of Change in Equity and Cash Flow Statement of Yungtay Engineering Co., Ltd. (refer to Page 14 to 37 of the Handbook) are audited and certified by CPA Lin, Sheng-Ping and Chen, Hsiu-Li from Jiang Sheng & Co., CPAs.

Resolution:

Item 2 (Proposed by the Board of Directors)

Proposal: To adopt the distribution of earnings of Yungtay Engineering Co., Ltd. in 2016.

Description: The distribution of earnings is as follows:

### 2016 Distribution of Earnings Table

Unit: NT\$

Distributable earnings:

Undistributed earnings at the beginning of the period	2,793,995,838
Add: net income after tax for the period	1,554,994,448
Add: changes in equity of associates accounted for using equity method	414,144
Less: changes in equity of associates disposal of investees accounted for using equity method	(128,128)
Less: adjustment on actuarial gains or losses	(17,503,745)
Total distributable earnings for this period:	4,331,772,557

Distribution items:

Legal reserve from earnings	155,499,445
Dividends (NT\$1.2 per share by cash)	492,984,000
Bonuses (NT\$1.2 per share by cash)	492,984,000
Undistributed earnings at the end of the period	3,190,305,112

Note: Cash dividends are rounded to the nearest whole number. The total amount of cash dividends less than NT\$1 each shall be recognized as other income.

Resolution:

## Discussion Items

Item 1 (Proposed by the Board of Directors)

Proposal: To approve the amendments to the Procedures for Acquisition or Disposal of Assets.

Description: According to the amendment of government regulations, the Company amends the Procedures for Acquisition or Disposal of Assets. Please refer to the comparison table.

Comparison table for amendments to the Procedures for Acquisition or Disposal of Assets of Yungtay Engineering Co., Ltd.

Amended Article	Existing Article	Description
<p>Article 9: In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (following content omitted)</p>	<p>Article 9: In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government authority, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (following content omitted)</p>	<p>In accordance with the amendment of government regulations.</p>
<p>Article 11: Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government <u>agency</u>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall</p>	<p>Article 11: Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government authority, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall</p>	<p>In accordance with the amendment of government regulations.</p>

Amended Article	Existing Article	Description
<p>comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	
<p>Article 14: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>repurchase</u> of money market funds <u>issued by a domestic securities investment trust enterprise</u>, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:  (following content omitted)</p>	<p>Article 14: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:  (following content omitted)</p>	<p>In accordance with the amendment of government regulations.</p>
<p>Article 24: The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. <u>Nevertheless, for affiliates merged by</u></p>	<p>Article 24: The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p>In accordance with the amendment of government regulations.</p>

Amended Article	Existing Article	Description
<p><u>the Company with 100% of already issued shares or total capital directly or indirectly owned by the Company, or mergers between affiliates with 100% of already issued shares or total capital directly or indirectly owned by the Company, the obtaining of the opinions on reasonableness issued by the aforementioned experts may be exempted.</u></p>		
<p>Article 32: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the competent authority of Securities and Exchange Act designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1.Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>repurchase of money market funds issued by a domestic securities investment trust enterprise.</u></p> <p>2.Merger, demerger, acquisition, or transfer of shares.</p>	<p>Article 32: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the competent authority of Securities and Exchange Act designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1.Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>2.Merger, demerger, acquisition, or transfer of shares.</p> <p>3.Losses from derivatives trading</p>	<p>In accordance with the amendment of government regulations.</p>



Amended Article	Existing Article	Description
<p>3.Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4.Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, <u>and the transaction amount meets one of the following provisions:</u></p> <p><u>A.A public company which paid-in capital is less than NT\$10 billion and the transaction amount is NT\$500 million or more.</u></p> <p><u>B.A public company which paid-in capital is NT\$10 billion or more and the transaction amount is</u></p>	<p>reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4.<u>Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</u></p> <p><u>A.Trading of government bonds.</u></p> <p><u>B.Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</u></p> <p><u>C.Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</u></p> <p>D.Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is <u>less than NT\$500 million.</u></p>	

Amended Article	Existing Article	Description
<p><u>NT\$1 billion or more.</u></p> <p>5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is NT\$500 million <u>or more</u>.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted</p>	<p>E. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is <u>less</u> than NT\$500 million.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted</p>	

Amended Article	Existing Article	Description
<p>toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days commencing immediately from the date of being informed.</u></p> <p>The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	

Resolution:

## Other Business or Special Motion

## Appendix

## 2016 Business Report

For year of 2016, the consolidated operating revenue of Yungtay Engineering Co., Ltd. is NT\$ 19,582,000,000 , a decrease of 15.22% than the operating revenue in 2015, and the net income after tax is approximately NT\$ 1,555,000,000 with an earning per share of NT\$ 3.8 .

In terms of research and development, the research and development expenditure in 2016 is approximately NT\$ 598,000,000 , a decrease of 7.7% than the expenditure in the previous year, and the expenditure is mainly for the development of high-speed elevators, machine-room permanent magnet series of models, new machine-room-less elevator system, modernization of host machines, maintenance of smartphone specialized system, elevator central monitoring system and elevator installation service techniques. In this year, the company will continue to invest in the enhancement of elevator control system functions, continuous improvement of high-speed elevators, corresponding upgrades and renewal of all models, development for modernization of permanent magnet host machines, new appearance design of elevators and product adaptability integrated development etc.

The trend in 2017 indicates that due to the sky high housing prices over the last few years along with the government policy on housing related restrictions, the real estate economics in Taiwan is low, and the overall housing transaction volume in Taiwan is even below the quantity of 240,000 units, a new record low since the statistical data available in 1999. Based on the concern of the decrease of real estate transaction volume and the conservative promotions of projects by constructors, the annual sales quantity of elevators of Yungtay in Taiwan is estimated to be approximately 2,880 units. As the economic growth in China slows down along with the consideration on the housing inventory from the previous over-developed real estate market and the impacts of the policy on related adjustments and controls, the annual sales quantity of elevators of Yungtay in China is estimated to be approximately 13,000 units.

Yungtay Engineering Co., Ltd. continues to uphold the principle of “No.1 in Technology, No. 1 in Quality, No. 1 in Service” in order to reduce costs, increase competitiveness, enhance information management and continue to devote in the development of energy-saving and environmental friendly products along with improvement of quality. While facing such highly uncertain operation environment, the company continuously and actively launches in the elevator modernization market and improves the service quality of elevator maintenance in order to seek the greatest profits for all shareholders continuously. Finally, we look forward to your valuable feedbacks and sincerely appreciate your great support and care.

Sincerely yours,

Representative: Hsu,Cho-Li    Manager: Hsu,Tso-Ming    Accounting Supervisor: Chen,Chun-Hsu

## **Supervisors' Review Report**

The Board of Directors have prepared and submitted to us 2016 Business Report, Statement of Comprehensive Income, Statement of Change in Equity, Cash Flow Statement (and Consolidated Financial Statements) and Distribution of Earnings Table. We, the Supervisors, have duly examined the same as correct and accurate. We hereby report to the 2016 General Shareholders' Meeting in accordance to Article 219 of Company Act.

Sincerely,  
2016 General Shareholders' Meeting  
Yungtay Engineering Co., Ltd.

Supervisor: Cheng, Wan-Lai  
Chang, Kuang-Ming  
Liang, Yu-Ming

March 16, 2017

## **Independent Auditors' Report**

The Board of Directors and Shareholders  
Yungtay Engineering Company Limited

### **Opinion**

We have audited the accompanying consolidated financial statements of Yungtay Engineering Company limited and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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 as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 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, 2016. 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 Company's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

#### Revenue recognition

Refer to Note 6(21) "Merchandise revenue and related maintenance revenue which are related with elevator in 2016" to the consolidated financial statement, with the ratio of 99.88% to the total sales revenue. All of the Company's clients almost come from construction industry with which the Company signed the contract of elevator sales and the contract of maintenance. The recognition point of revenue lies in the completion of elevator installation which has been examined and qualified by the competent authority, and the maintenance revenue is accounted for by the given time in accordance with the terms of contract.

Whether the recognition point of revenue is reached in every reporting period requires the management to make judgment and determination. Consequently, revenue recognition point together with right allocation of sales revenue is a Key Audit Matter item. Our corresponding audit procedures included reviewing the important contracts on a sample basis; evaluating the recognition point of elevator revenue, maintenance revenue accompanied by related product and service to ensure the correctness and reasonableness of revenue recognition.

#### Assessment of impairment of Goodwill

Refer to Note 6(13) "Goodwill with amount of NT\$209,427 thousand as at December 31, 2016" to the consolidated financial statement. Whether any indication thereof exists, the Company should review for indication of impairment of Goodwill on each balance sheet date. The estimation of the recoverable amount (fair value less cost to sell and value in use) of cash-generating unit to which Goodwill is allocated to, requires the management to make judgment. The major factors of key assumption included projected future sales revenue, gross margin, growth rate, changes of other operating cost and estimations of discounted future cash flows of cash-generating unit as well as the pre-tax discount rate. Since the calculation of recoverable amount involved several key assumptions and estimations, which directly impact the amount recognized as impairment losses, we believe that the review of impairment of Goodwill is a Key Audit Matter item.

Corresponding audit procedures included:

Conducting the compliance test to ensure the management to make right computation in performing the impairment test of cash-generating unit to which Goodwill is allocated to; recalculating and evaluating the validity and reasonableness of such key assumptions as the future year's revenue, cost, expense and discounted future cash flows forecast together with pre-tax discount rate, which were used to calculate the recoverable amount of relevant cash-generating unit to which Goodwill is allocated to.

## **Other Matter**

We have also audited the parent company only financial statements of Yungtay Engineering Company Limited as of and for the years ended December 31, 2016 and 2015 on which we have expressed an unqualified 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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of 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, managements 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 Supervisors) 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'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 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 to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 safeguard.

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, 2016 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.

Member of  
Russell Bedford International  
Taipei, Taiwan (Republic of China)  
March 16, 2017

Lin, Seng Ping  
CPA of Republic of China

Member of  
Russell Bedford International  
Taipei, Taiwan (Republic of China)  
March 16, 2017

Chen, Hsiu Li  
CPA of Republic of China

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.*

*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.*

Yungtay Engineering Co., Ltd. and its Subsidiaries  
Consolidated Balance Sheet - Asset  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 4,361,037	16	\$ 4,431,513	15
1110	Financial asset at fair value through profit or loss	6(2)	406,969	1	303,303	1
1125	Available-for-sale financial assets-current	6(2)	-	-	4,936	-
1135	Derivative financial assets for hedging	6(3)	-	-	11,281	-
1150	Note receivable, net	6(4)	290,769	2	407,161	1
1170	Accounts receivable, net	6(4)	4,286,109	15	5,035,207	17
1200	Other receivables		22,914	-	14,123	-
130x	Inventories	6(5)	7,972,356	29	9,333,808	31
1410	Prepayments	6(6)	488,716	2	547,469	2
1460	Non-current assets held for sale	6(7)	56,523	-	90,750	-
1478	Refundable deposits	6(8)	567,966	2	607,805	1
1470	Other current assets		-	-	52	-
11xx	Total current assets		<u>18,453,359</u>	<u>67</u>	<u>20,787,408</u>	<u>68</u>
15xx	Non-current assets					
1543	Financial assets at cost-noncurrent	6(9)	288,932	1	290,435	1
1550	Investments accounted for using the equity method	6(10)	421,435	2	402,332	1
1600	Property, plant and equipment	6(11)	6,138,314	22	5,914,132	19
1760	Investment property, net	6(12)	888,614	3	859,064	3
1780	Intangible assets	6(13)	284,841	1	370,532	1
1840	Deferred income tax assets	6(24)	975,197	3	1,375,414	5
1915	Prepayments for equipment	6(11)	86,555	-	187,875	1
1920	Refundable deposits	6(8)	62,832	-	67,251	-
1985	Long-term prepaid rents	6(14)	259,316	1	210,700	1
1990	Advances to employees and official business		17,264	-	24,438	-
1990	Other non-current assets, others	12(1)	19,409	-	11,990	-
15xx	Total non-current assets		<u>9,442,709</u>	<u>33</u>	<u>9,714,163</u>	<u>32</u>
1xxx	Total assets		<u>\$ 27,896,068</u>	<u>100</u>	<u>\$ 30,501,571</u>	<u>100</u>

(Notes attached are part of the consolidated financial statements)

Yungtay Engineering Co., Ltd. and its Subsidiaries  
Consolidated Balance Sheet – Liabilities and Equity  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
21xx	Current liabilities					
2125	Derivative financial assets for hedging	6(3)	\$ 8,369	-	\$ -	-
2150	Notes payable		384,756	1	500,699	2
2170	Accounts payable		2,538,511	9	2,777,961	9
2200	Other payables	6(15)	1,292,947	5	1,377,616	5
2230	Current income tax liabilities	6(24)	236,857	1	368,026	1
2250	Liability reserve	6(16)	-	-	-	-
2310	Advanced payments	6(17)	9,367,096	34	10,944,861	36
2313	Deferred revenue	6(21)	370,621	1	392,312	1
2399	Other current liabilities		1,608	-	13,088	-
21xx	Total current liabilities		<u>14,200,765</u>	<u>51</u>	<u>16,374,563</u>	<u>54</u>
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(24)	7,985	-	9,506	-
2630	Long-term deferred revenue	6(21)	148,973	-	175,482	1
2640	Net defined benefit liabilities-noncurrent	6(19)	1,480,836	5	1,536,050	5
2645	Deposit received	6(18)	146,557	1	195,546	1
2670	Other non-current liabilities		447	-	1,134	-
25xx	Total non-current liabilities		<u>1,784,798</u>	<u>6</u>	<u>1,917,718</u>	<u>7</u>
2xxx	Total liabilities		<u>15,985,563</u>	<u>57</u>	<u>18,292,281</u>	<u>61</u>
31xx	Total equity attributable to owners of parent					
3100	Share capital	6(20)	4,108,200	14	4,108,200	13
3200	Capital surplus	6(20)	256,332	1	205,581	1
3300	Retained earnings	6(20)				
3310	Legal reserve		2,741,305	10	2,556,338	8
3350	Undistributed earnings		4,331,773	16	4,088,177	13
3400	Other equity	6(20)	363,526	1	1,102,857	4
3500	Treasury stock	6(20)	(69,411)	-	(69,411)	-
31xx	Equity attributable to owners of parent		<u>11,731,725</u>	<u>42</u>	<u>12,036,742</u>	<u>39</u>
36xx	Non-controlling interest		<u>178,780</u>	<u>1</u>	<u>172,548</u>	<u>-</u>
3xxx	Total equity		<u>11,910,505</u>	<u>43</u>	<u>12,209,290</u>	<u>39</u>
3x2x	Total liabilities and equity		<u>\$27,896,068</u>	<u>100</u>	<u>\$30,501,571</u>	<u>100</u>

(Notes attached are part of the consolidated financial statements)

Yungtay Engineering Co., Ltd. and its Subsidiaries  
Consolidated Statement of Comprehensive Income  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
4000	Operating revenue	6(21)	\$ 19,581,652	100	\$ 23,098,740	100
5000	Operating costs	6(5)	(13,934,011)	(71)	(16,899,340)	(73)
5900	Gross profits from operations		5,647,641	29	6,199,400	27
6000	Operating expenses					
6100	Selling expenses		(1,343,435)	(7)	(1,623,592)	(7)
6200	Administrative expenses		(1,568,328)	(8)	(1,594,325)	(7)
6300	Research and development expenses		(597,909)	(3)	(647,579)	(3)
	Total operating expenses		(3,509,672)	(18)	(3,865,496)	(17)
6900	Operating income		2,137,969	11	2,333,904	10
7000	Non-operating income and expenses					
7010	Other income	6(22)	41,975	-	61,488	-
7020	Government grants	6(22)	23,938	-	12,992	-
7020	Other gains and losses	6(22)	(66,431)	-	41,367	-
7050	Finance costs	6(22)	(51)	-	(59)	-
7060	Share of (loss) profit of associates accounted for using the equity method	6(10)	47,751	-	44,783	-
	Total non-operating income and expenses		47,182	-	160,571	-
7900	Profit before tax		2,185,151	11	2,494,475	10
7950	Income tax expenses					
7951	Current income tax (expenses)	6(24)	(269,929)	(1)	(651,074)	(3)
7952	Deferred income tax (expenses)	6(24)	(330,733)	(2)	35,389	-
8000	Profit for the period from continuing operations		1,584,489	8	1,878,790	7
8100	Gains (losses) from discontinuing operation, net		-	-	-	-
8200	Profits for the period		1,584,489	8	1,878,790	7
8300	Other comprehensive income (loss), net					
8310	Items not reclassified into gains and losses					
8311	Re-measurement on defined benefits plan	6(19)	(21,089)	-	(94,967)	-
8320	Share of other comprehensive gains and losses of associates accounted for using the equity method		414	-	(1,154)	-
8349	Income tax related to items not reclassified	6(24)	3,585	-	16,144	-
	Total items not reclassified into gains and losses		(17,090)	-	(79,977)	-

Code	Account	Note	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
8360	Items to be reclassified into gains and losses					
8361	Exchange differences on translation of foreign financial statements	6(20)	(713,674)	(4)	(178,746)	(1)
8362	Unrealized gains (losses) from financial assets available-for-sale		697	-	(345)	-
8370	Share of other comprehensive gains and losses of associates accounted for using the equity method		(26,354)	-	(6,170)	-
	Total items to be reclassified into gains and losses		(739,331)	(4)	(185,261)	(1)
8500	Total comprehensive income for the period		\$ 828,068	4	\$ 1,613,552	6
8600	Profit attributable to					
8610	Profit attributable to owners of parent		\$ 1,554,995	8	\$ 1,849,671	7
8620	Profit attributable to non-controlling interests		29,494	-	29,119	-
	Total		\$ 1,584,489	8	\$ 1,878,790	7
8700	Comprehensive income attributable to					
8710	Comprehensive income attributable to owners of parent		\$ 798,574	4	\$ 1,584,433	6
8720	Comprehensive income attributable to non-controlling interests		29,494	-	29,119	-
	Total		\$ 828,068	4	\$ 1,613,552	6
	Earnings per share (in NT dollar)	6(25)				
9750	Basic earnings per share (in NT dollar)		\$ 3.80		\$ 4.53	

(Notes attached are part of the consolidated financial statements)



Yungtay Engineering Co., Ltd. and its Subsidiaries  
Consolidated Statement of Change in Equity  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Account	Equity attributable to owners of parent									Total equity
	Share capital	Capital surplus	Retained earnings		Other equity			Treasury stock	Non-controlling interests	
			Legal reserve	Undistributed earnings	Cumulative translation differences of foreign operations	Unrealized gains (losses) from available-for-sale financial assets	Total			
Balance as of January 1, 2015	\$ 4,108,200	244,192	2,354,168	3,753,113	1,288,470	(352)	(69,411)	11,678,380	173,763	11,852,143
Distribution of earnings in 2014										
Legal reserve			202,170	(202,170)				-	-	-
Cash dividends				(1,232,460)				(1,232,460)	-	(1,232,460)
Adjustments of capital surplus for parent company's cash dividends paid to subsidiaries		6,389						6,389	-	6,389
Profits in 2015				1,849,671				1,849,671	29,119	1,878,790
Other comprehensive income in 2015				(79,977)	(183,819)	(1,442)		(265,238)	-	(265,238)
Total comprehensive income in 2015	-	-	-	1,796,694	(183,819)	(1,442)	-	1,584,433	29,119	1,613,552
Non-controlling interests from cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(30,334)	(30,334)
Balance as of December 31, 2015	\$ 4,108,200	250,581	2,556,338	4,088,177	1,104,651	(1,794)	(69,411)	12,036,742	172,548	12,209,290
Balance as of January 1, 2016	\$ 4,108,200	250,581	2,556,338	4,088,177	1,104,651	(1,794)	(69,411)	12,036,742	172,548	12,209,290
Distribution of earnings in 2015										
Legal reserve			184,967	(184,967)				-	-	-
Cash dividends				(1,109,214)				(1,109,214)	-	(1,109,214)
Adjustments of capital surplus for parent company's cash dividends paid to subsidiaries		5,751						5,751	-	5,751
Profits in 2016				1,554,995				1,554,995	29,494	1,584,489
Other comprehensive income in 2016				(17,090)	(739,504)	173		(756,421)	-	(756,421)
Total comprehensive income in 2016	-	-	-	1,537,905	(739,504)	173	-	798,574	29,494	828,068
Non-controlling interests from cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(23,123)	(23,123)
Disposal of equity attributed to non-controlling interests	-	-	-	-	-	-	-	-	(139)	(139)
Changes in disposal of equity investees	-	-	-	(128)	-	-	-	(128)	-	(128)
Balance as of December 31, 2016	\$ 4,108,200	256,332	2,741,305	4,331,773	365,147	(1,621)	(69,411)	11,731,725	178,780	11,910,505

(Notes attached are part of the consolidated financial statements)

Yungtay Engineering Co., Ltd. and its Subsidiaries  
Consolidated Statement of Cash flow  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2016	2015
AAAA	Cash flows from operating activities:		
A10000	Profit before tax for the period	\$ 2,185,151	\$ 2,494,475
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss) before tax to net cash provided by operating activities		
A20100	Depreciation expense	370,018	382,565
A20200	Amortization expense	15,945	15,938
A20300	Provision for bad debt expense	31,600	168,992
A20400	Loss (gain) on financial asset at fair value through profit or loss	1,138	(28,098)
A20900	Interest expense	51	59
A29900	Expenses recognized from long-term prepaid rents	6,439	5,479
A21200	Interest income	(31,230)	(52,388)
A21300	Dividend income	(10,745)	(9,100)
A22300	Share of loss (gain) of associates accounted for using equity method	(47,751)	(44,783)
A22500	Loss (gain) on disposal of property, plant and equipment	(880)	4,492
A22500	Loss (gain) on abandonment of property, plant and equipment	17,045	9,311
A22700	Loss (gain) on disposal of investment properties	71	-
A22800	Loss (gain) on disposal of intangible assets	(3,053)	-
A23000	Loss (gain) on disposal of non-current assets available-for-sale	(2,669)	(6,816)
A23100	Loss (gain) on disposal of investments	445	217
A23700	Loss on decline for inventory valuation (Gain on inventory value recoveries)	(5,492)	16,067
A23700	Loss on decline for goodwill valuation	64,975	-
A23800	(Gain on reversal of) impairment losses on investment property	(159)	2,108
A23800	(Gain on reversal of) impairment losses on non-current assets classified as held for sale	(1,814)	(4,916)
A24100	Unrealized foreign exchange loss (gain)	17,597	7,188
A20010	Total adjustments to reconcile profit (loss)	<u>421,531</u>	<u>466,315</u>
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31110	Decrease (increase) in held-for-trading financial assets	(104,804)	(51,697)
A31130	Decrease (increase) in notes receivable, net	116,392	(111,241)
A31150	Decrease (increase) in accounts receivable, net	686,903	(1,029,067)

<b>Code</b>	<b>Account</b>	<b>2016</b>	<b>2015</b>
A31180	Decrease (increase) in other receivables	(8,155)	(5,352)
A31200	Decrease (increase) in inventory	1,365,724	1,459,175
A31230	Decrease (increase) in prepayments	(15,998)	171,905
A31240	Decrease in other current assets	52	-
A31000	Total change in operating assets	2,040,114	433,723
A32000	Change in operating liabilities		
A32130	Increase (decrease) in notes payable	(115,943)	(145,838)
A32150	Increase (decrease) in accounts payable	(239,450)	(344,700)
A32180	Increase (decrease) in other payables	(106,571)	14
A32210	Increase (decrease) in advance payments	(1,573,411)	(931,362)
A32200	Increase (decrease) in liability reserve	-	(548)
A32230	Increase (decrease) in other current liabilities	(199)	(35)
A32240	Increase (decrease) in net defined benefit liabilities	(76,302)	(95)
A32990	Increase (decrease) in deferred revenue	(48,200)	71,802
A32000	Total change in operating liabilities	(2,160,076)	(1,350,762)
A30000	Total change in operating assets and liabilities	(119,962)	(917,039)
A20000	Total adjustments	301,569	(450,724)
A33000	Cash inflow (outflow) generated from operations	2,486,720	2,043,751
A33100	Interest received	30,594	52,087
A33200	Dividends received (dividends accounted for using the equity method included)	13,325	12,970
A33300	Interest paid	(51)	(59)
A333500	Income tax paid	(401,098)	(542,754)
AAAA	Net cash flows from operating activities	2,129,490	1,565,995
BBBB	Cash flow from investing activities:		
B00400	Profit from disposal of available-for sale financial assets non-current value	5,188	1,101
B01400	Financial assets measured at cost-recovered funds, non-current	1,503	125
B01900	Disposal of investment using equity method	-	644
B02600	Disposal of non-current assets available-for-sale	22,302	11,379
B02700	Acquisition of property, plant and equipment (Note 6(26))	(818,545)	(820,836)
B02800	Proceeds from disposal of property, plant and equipment	27,324	18,418
B04500	Acquisition of intangible assets	(11,680)	(17,137)
B04600	Proceeds from disposal of intangible assets	4,465	-
B03800	Decrease in refundable deposits	44,258	97,337
B05500	Proceeds from disposal of investment properties	9	-
B06800	Decrease (increase) in other non-current assets	8,124	17,040
B07100	(Increase) in prepayments on equipment	(65,679)	(140,627)
BBBB	Net cash flows in investing activities	(782,731)	(832,556)
CCCC	Cash flows from financing activities:		
C03100	(Decrease) in deposits received	(48,989)	(29,219)
C04400	Decrease in other non-current liabilities	(687)	(688)

<b>Code</b>	<b>Account</b>	<b>2016</b>	<b>2015</b>
C04500	Cash dividends paid	(1,126,586)	(1,256,405)
C05800	Change in non-controlling equity	(139)	-
CCCC	Net cash flows from financing activities	(1,176,401)	(1,286,312)
DDDD	Effect of change in exchange rate	(240,834)	(76,767)
EEEE	Net (decrease) increase in cash and cash equivalents	(70,476)	(629,640)
E00100	Cash and cash equivalents at beginning of period	4,431,513	5,061,153
E00200	Cash and cash equivalents at end of period	\$ 4,361,037	\$ 4,431,513

(Notes attached are (Notes attached are part of the consolidated financial statements)

## **Independent Auditors' Report**

The Board of Directors and Shareholders  
Yungtay Engineering Company Limited

### **Opinion**

We have audited the accompanying parent company only financial statements of Yungtay Engineering Company limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2016 and 2015, and its parent company only financial performance and its parent company only 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 parent company only 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 parent company only financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the is parent company only financial statements for the year ended

December 31, 2016 are stated as follows:

### Revenue recognition

Refer to Note 6(21) “Merchandise revenue and related maintenance revenue which are related with elevator in 2016” to the consolidated financial statement, with the ratio of 99.88% to the total sales revenue. All of the Company’s clients almost come from construction industry with which the Company signed the contract of elevator sales and the contract of maintenance. The recognition point of revenue lies in the completion of elevator installation which has been examined and qualified by the competent authority, and the maintenance revenue is accounted for by the given time in accordance with the terms of contract.

Whether the recognition point of revenue is reached in every reporting period requires the management to make judgment and determination. Consequently, revenue recognition point together with right allocation of sales revenue is a Key Audit Matter item. Our corresponding audit procedures included reviewing the important contracts on a sample basis; evaluating the recognition point of elevator revenue, maintenance revenue accompanied by related product and service to ensure the correctness and reasonableness of revenue recognition.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, managements 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 Supervisors) are responsible for overseeing the Company’s financial reporting process.

### **Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only

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 parent company only 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 safeguard.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2016 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.

Member of  
Russell Bedford International  
Taipei, Taiwan (Republic of China)  
March 16, 2017 Lin, Seng Ping  
CPA of Republic of China

Member of  
Russell Bedford International  
Taipei, Taiwan (Republic of China)  
March 16, 2017 Chen, Hsiu Li  
CPA of Republic of China

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.*

*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.*



Yungtay Engineering Co., Ltd.  
Parent Company Only Balance Sheet - Asset  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	\$1,353,550	8	\$1,213,819	7
1110	Financial asset at fair value through profit or loss	6(2)	406,969	2	303,303	2
1125	Available-for-sale financial assets					
	Current	6(2)	-	-	4,936	-
1150	Note receivable, net	6(3)	212,497	2	259,168	2
1170	Accounts receivable, net	6(3)	1,001,654	6	994,453	6
1200	Other receivables	7(2)	12,090	-	985	-
130x	Inventories	6(4)	1,081,088	7	1,080,464	6
1410	Prepayments	6(5)	11,000	-	11,878	-
1460	Non-current assets held for sale	6(6)	-	-	33,683	-
	Total current assets		<u>4,078,848</u>	<u>25</u>	<u>3,902,689</u>	<u>23</u>
15xx	Non-current assets					
1543	Financial assets at cost-noncurrent	6(8)	286,557	2	288,060	2
1550	Investments accounted for using the equity method	6(9)	9,381,336	57	9,983,605	59
1600	Property, plant and equipment	6(10)	1,302,883	8	1,278,334	8
1760	Investment property, net	6(11)	986,156	6	958,973	6
1780	Intangible assets	6(12)	8,226	-	6,702	-
1840	Deferred income tax assets	6(20)	307,290	2	318,763	2
1915	Prepayments for equipment	6(10)	23,375	-	1,759	-
1920	Refundable deposits	6(7)	41,618	-	42,707	-
1990	Advances to employees and official business		7,710	-	3,889	-
1990	Other non-current assets, others	12(1)	11,040	-	11,040	-
15xx	Total non-current assets		<u>12,356,191</u>	<u>75</u>	<u>12,893,832</u>	<u>77</u>
1xxx	Total assets		<u>\$16,435,039</u>	<u>100</u>	<u>\$16,796,521</u>	<u>100</u>

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.  
Parent Company Only Balance Sheet – Liabilities and Equity  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
21xx	Current liabilities					
2150	Notes payable		296,924	2	303,246	2
2170	Accounts payable		407,998	2	449,457	3
2200	Other payables	6(13)	252,482	2	244,565	1
2230	Current income tax liabilities	6(20)	196,824	1	130,726	1
2310	Advance payments	6(14)	1,922,289	12	1,945,731	12
2313	Deferred revenue	6(17)	95,602	1	94,064	1
2335	Receipts under custody		1,193	-	1,186	-
21xx	Total current liabilities		<u>3,173,312</u>	<u>20</u>	<u>3,168,975</u>	<u>20</u>
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(20)	7,967	-	9,008	-
2630	Long-term deferred revenue	6(17)	35,922	-	40,568	-
2640	Net defined benefit liabilities-noncurrent	6(15)	1,480,836	9	1,536,050	9
2645	Deposit received		5,277	-	5,178	-
25xx	Total non-current liabilities		<u>1,530,002</u>	<u>9</u>	<u>1,590,804</u>	<u>9</u>
2xxx	Total liabilities		<u>4,703,314</u>	<u>29</u>	<u>4,759,779</u>	<u>29</u>
31xx	Equity					
3100	Share capital	6(16)	4,108,200	24	4,108,200	24
3200	Capital surplus	6(16)	256,332	2	250,581	1
3300	Retained earnings	6(16), 6(20)				
3310	Legal reserve		2,741,305	17	2,556,338	15
3350	Undistributed earnings		4,331,773	26	4,088,177	24
3400	Other equity	6(16)	363,526	2	1,102,857	7
3500	Treasury stock	6(16)	(69,411)	-	(69,411)	-
3xxx	Total equity		<u>11,731,725</u>	<u>71</u>	<u>12,036,742</u>	<u>71</u>
3x2x	Total liabilities and equity		<u>\$16,435,039</u>	<u>100</u>	<u>\$16,796,521</u>	<u>100</u>

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.  
Parent Company Only Statement of Comprehensive Income  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
4000	Operating revenue	6(17)	5,489,385	100	5,635,774	100
5000	Operating costs	6(4)	(3,606,337)	(66)	(4,044,656)	(72)
5900	Gross profits from operations		1,883,048	34	1,591,118	28
5910	Unrealized sales profit		(948)	-	(904)	-
5920	Realized sales profit		904	-	565	-
5950	Gross profits from operations, net		1,883,004	34	1,590,779	28
6000	Operating expenses					
6100	Selling expenses		(53,085)	(1)	(63,105)	(1)
6200	Administrative expenses		(405,811)	(7)	(390,992)	(7)
6300	Research and development expenses		(149,243)	(3)	(131,825)	(2)
	Total operating expenses		(608,139)	(11)	(585,922)	(10)
6900	Operating income		1,274,865	18	1,004,857	18
7000	Non-operating income and expenses					
7010	Other income	6(18)	20,110	-	30,865	1
7020	Other gains and losses	6(18)	(12,845)	-	5,024	-
7050	Finance costs	6(18)	(62)	-	(71)	-
7070	Share of (loss) profit of subsidiaries and associates accounted for using the equity method	6(9)	584,753	11	1,043,060	19
	Non-operating income and expenses		591,956	11	1,078,878	20
7900	Profit before tax		1,866,821	34	2,083,735	38
7950	Income tax expenses					
7951	Current income tax (expenses)	6(20)	(297,809)	(6)	(256,530)	(5)
7952	Deferred income tax (expenses)	6(20)	(14,017)	-	22,466	-
8000	Profit for the period from continuing operations		1,554,995	28	1,849,671	33
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Profits for the period		1,554,995	28	1,849,671	33
8300	Other comprehensive income (loss), net					
8310	Items not reclassified into gains and losses					
8311	Re-measurement on defined benefits plan		(21,089)	-	(94,967)	(2)
8321	Re-measurement on defined benefits of associates accounted for using the equity method		414	-	(1,154)	-

Code	Account	Note	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
8349	Income tax related to items not reclassified		3,585	-	16,144	-
	Total items not reclassified into gains and losses		(17,090)	-	(79,977)	(2)
8360	Items to be reclassified into gains and losses					
8362	Unrealized gains (losses) from available-for-sale financial assets		697	-	(345)	-
8380	Share of other comprehensive income(loss) of subsidiaries and associates accounted for using the equity method		(740,028)	(13)	(184,916)	(3)
	Total items to be reclassified into gains and losses		(739,331)	(13)	(185,261)	(3)
8500	Total comprehensive income for the period		\$798,574	15	\$1,584,433	28
	Earnings per share (in NT dollar)	6(21)				
9750	Basic earnings per share (in NT dollar)		3.80		4.53	

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.  
Parent Company Only Statement of Change in Equity  
December 31, 2016 and 2015  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Account	Retained earnings				Other equity			Total equity
	Share capital	Capital surplus	Legal reserve	Undistributed earnings	Cumulative translation differences of foreign operations	Unrealized gains (losses) from available-for-sale financial assets	Treasury stock	
Balance as of January 1, 2015	\$ 4,108,200	244,192	2,354,168	3,753,113	1,288,470	(352)	(69,411)	11,678,380
Distribution of earnings in 2014								
Legal reserve			202,170	(202,170)				-
Cash dividends				(1,232,460)				(1,232,460)
Adjustments of capital surplus for parent company's cash dividends paid to subsidiaries		6,389						6,389
Profits in 2015 (Note 2)				1,849,671				1,849,671
Other comprehensive income in 2015				(79,977)	(183,819)	(1,442)		(265,238)
Total comprehensive income in 2015	-	-	-	1,769,694	(183,819)	(1,442)	-	1,584,433
Balance as of December 31, 2015	\$ 4,108,200	250,581	2,556,338	4,088,177	1,104,651	(1,794)	(69,411)	12,036,742
Balance as of January 1, 2016	\$ 4,108,200	250,581	2,556,338	4,088,177	1,104,651	(1,794)	(69,411)	12,036,742
Distribution of earnings in 2015								
Legal reserve			184,967	(184,967)				-
Cash dividends				(1,109,214)				(1,109,214)
Adjustments of capital surplus for parent company's cash dividends paid to subsidiaries		5,751						5,751
Profits in 2016 (Note 2)				1,554,995				1,554,995
Other comprehensive income in 2016				(17,090)	(739,504)	173		(756,421)
Total comprehensive income in 2016	-	-	-	1,537,905	(739,504)	173	-	798,574
Changes in disposal of equity investees				(128)				(128)
Balance as of December 31, 2016	\$ 4,108,200	256,332	2,741,305	4,331,773	365,147	(1,621)	(69,411)	11,731,725

Note 1: The employee's bonus and the remuneration of directors and supervisors in 2015 are NT\$ 50,828,000 and NT\$5,647,000 respectively, which have been deducted from the parent company only statement of comprehensive income.  
Note 2: The employee's remuneration and the remuneration of directors and supervisors in 2016 are NT\$ 48,424,000 and NT\$5,380,000 respectively, which have been deducted from the parent company only statement of comprehensive income.

(Notes attached are part of the parent company only financial statements)

Yungtay Engineering Co., Ltd.  
Parent Company Only Statement of Cash flow  
December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2016	2015
AAAA	Cash flows from operating activities:		
A10000	Profit before tax for the period	\$ 1,866,821	\$ 2,083,735
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss) before tax to net cash provided by operating activities		
A20100	Depreciation expense	48,392	43,267
A20200	Amortization expense	4,883	4,776
A20300	Provision for bad debt expense	-	10,000
A20400	Loss (gain) on financial asset at fair value through profit or loss	1,138	(1,621)
A20900	Interest expense	62	71
A21200	Interest income	(9,466)	(21,890)
A21300	Dividend income	(10,644)	(8,975)
A23900	Net unrealized sales loss(profit)	44	339
A22400	Share of loss (gain) of subsidiaries and associates accounted for using the equity method	(584,753)	(1,043,060)
A22500	Loss (gain) on disposal of property, plant and equipment	127	(122)
A22500	Loss (gain) on abandonment of property, plant and equipment	54	2,024
A22700	Loss on disposal of investment property	71	-
A23100	Loss on disposal of investments	445	230
A23700	Loss on decline for inventory valuation (Gain from price recovery of inventory)	(5,492)	1,067
A24100	Unrealized foreign exchange loss (gain)	18,705	3,550
A20010	Total adjustments to reconcile profit (loss)	<u>(536,434)</u>	<u>(1,010,344)</u>
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31110	Increase (decrease) in held-for-trading financial assets	(104,804)	(78,174)
A31130	Decrease (increase) in notes receivable, net	46,671	(49,532)
A31150	Decrease (increase) in accounts receivable, net	(7,201)	(112,935)
A31180	Decrease (increase) in other receivables	32	(11)
A31200	Decrease (increase) in inventory	3,648	232,088
A31230	Decrease (increase) in prepayments	878	5,071
A31000	Total change in operating assets	<u>(60,776)</u>	<u>(3,493)</u>
A32000	Change in operating liabilities		
A32130	Increase (decrease) in notes payable	(6,322)	(12,085)
A32150	Increase (decrease) in accounts payable	(41,459)	(22,857)
A32180	Increase (decrease) in other payables	8,827	(14,063)
A32210	Increase (decrease) in advance payments	(23,442)	(33,528)

<b>Code</b>	<b>Account</b>	<b>2016</b>	<b>2015</b>
A32230	Increase (decrease) in other current liabilities	7	(60)
A32240	Increase (decrease) in net defined benefit liabilities	(76,303)	(95)
A32990	Increase (decrease) in deferred revenue	(3,108)	18,398
A32000	Total change in operating liabilities	(141,800)	(64,290)
A30000	Total change in operating assets and liabilities	(202,576)	(67,783)
A20000	Total adjustments	(739,010)	(1,078,127)
A33000	Cash inflow (outflow) generated from operations	1,127,811	1,005,608
A33100	Interest received	9,794	22,743
A33200	Dividends received (dividends accounted for using the equity method included)	385,591	44,417
A33300	Interest paid	(62)	(71)
A333500	Income tax paid	(231,711)	(314,317)
AAAA	Net cash flows from operating activities	1,291,423	758,380
BBBB	Cash flow from investing activities:		
B00400	Profit from disposal of available-for-sale financial assets noncurrent value	5,188	1,102
B01400	Proceeds from capital reduction of financial assets at cost	1,503	-
B02400	Proceeds from capital reduction of investments accounted for using equity method	66,575	-
B02700	Acquisition of property, plant and equipment (Note 6(22))	(64,661)	(63,706)
B02800	Proceeds from disposal of property, plant and equipment	29	475
B04500	Acquisition of intangible assets	(6,407)	(1,735)
B03700	(Increase) in refundable deposits	-	(1,560)
B03800	Decrease in refundable deposits	1,089	-
B05500	Acquisition of investment properties	8	-
B06700	Decrease (increase) in other non-current assets	(3,821)	(321)
B07100	(Increase) in prepayments on equipment	(23,375)	(1,759)
BBBB	Net cash flows in investing activities	(23,872)	(67,504)
CCCC	Cash flows from financing activities:		
C03000	Increase in deposits received	99	105
C04500	Cash dividends paid	(1,109,214)	(1,232,460)
CCCC	Net cash flows from financing activities	(1,109,115)	(1,232,355)
DDDD	Effect of change in exchange rate	(18,705)	(3,550)
EEEE	Net (decrease) increase in cash and cash equivalents	139,731	(545,029)
E00100	Cash and cash equivalents at beginning of period	1,213,819	1,758,484
E00200	Cash and cash equivalents at end of period	\$ 1,353,550	\$ 1,213,819

(Notes attached are part of the parent company only financial statements)

## Yungtay Engineering Co., Ltd.

### Rules of Procedure for Shareholders' Meeting

**Article 1** Meetings of shareholders shall be acted upon in accordance with these rules.

**Article 2** The Company shall state the registration time, location, and other notices in the Notice of General Shareholders' Meeting.

The registration shall be held at least 30 minutes prior to the meeting; the registration location shall be clearly marked and staffed.

The shareholders or their representatives (shareholders) present shall wear attendance badges, attendance cards, or other badges; representatives on behalf shareholders shall also bring their ID cards for examination.

The attendance book shall be prepared for shareholders' to sign in, or shareholders present may turn in their attendance cards.

The total attendance and vote at the Shareholders' Meeting shall be calculated in accordance with the attendance book or the attendance cards submitted, adding the number of shares whose voting rights are exercised in writing or electronically.

The agenda handbooks, annual reports, attendance cards, speaker's slips, votes, and other meeting data shall be distributed to shareholders present; votes shall be given to those eligible for the election of directors and supervisors.

**Article 3** If a shareholders' meeting is convened by the board, the chairman of the board shall be the chairman presiding at the meeting. If the chairman of the board is on leave or cannot perform his duties for some reason, the vice chairman shall preside at the meeting on the chairman's behalf; if the Company does not have a vice chairman or the vice chairman is on leave or cannot perform his duties for some reason, the chairman shall designate one managing director to act on his behalf. If the Company does not have a managing director, the chairman shall designate one director to act on his behalf. If the chairman has not appointed an agent or the designated director cannot perform his duties for some reason, the meeting chair shall be elected from among the directors present.

The managing director or the director acting on the chairman's behalf shall serve for more than six months and understand the financial and operating conditions of the Company.

If the meeting is convened by any other person besides the board of directors who is entitled to convene the meeting, such person shall be the chairman to preside at the meeting. If there are more than two persons convening the meeting, then shall be the one elected by the other.

**Article 4** The chairman shall call the meeting to order at the time scheduled for the meeting, provided, however, that if during postpone the shareholders' meeting to a later time, provided, however, that the maximum number of times a shareholder meeting may be postponed shall be two and total time of postponement shall not exceed one hour. If after two postponements no quorum can



yet be constituted but the shareholders present at the meeting represent more than one third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Act. If before the end of the meeting and at enough shares become present to constitute a quorum, the chairman may then re-submit the tentative resolutions to the meeting for approval, in accordance with Article 174 of the Company Act.

**Article 5** The agenda for the shareholders' meetings shall be set by the Board of Directors if the meeting is convened by the Board of Directors. The meeting shall be conducted in accordance with the agenda, which may not be altered without a resolution adopted at the shareholders' meeting. The preceding provisions of this Article apply mutatis mutandis to cases where shareholders' meetings are convened by any person(s), other than the Board of Directors, entitled to convene the meeting.

Unless otherwise resolved at the shareholders' meeting, the chairman may not announce adjournment of the meeting unless the scheduled agenda items (including Special Motions) set forth in the preceding provisions of this Article are concluded.

After the meeting is adjourned, shareholders may not separately elect a chair and resume the meeting at the original or another venue. If the chairman announces adjournment of the meeting and violates these rules of procedure, the meeting may be continued after electing one of the attendees to be the meeting chairman in accordance to the approval of the majority of the votes represented by the attending shareholders.

**Article 6** (Deleted).

**Article 7** The Company may appoint designated attorneys, certified public accounts or other relevant persons to attend shareholders' meetings.

The staff members who take charge of the shareholders' meeting affairs shall wear identification certificates or armbands.

**Article 8** The Company shall record the registration, shareholders' meetings, and vote counting processes by audio or video.

The recording mentioned in the preceding paragraph shall be kept for at least one year. The litigations brought by shareholders in accordance with Article 189 of Company Act shall be recorded until closed.

To maintain the order of the meeting, attendants other than the mass media and clerks designated by the Company are restricted from taking pictures or recording to avoid interfering with the proceedings or offending personal privacy of shareholders present.

**Article 9** When a shareholder attending the meeting wishes to speak, he or she shall first fill out a speaker's card, specifying therein the major points of his or her speech, account number (or number appeared on attendance pass) and account name. The chairman shall determine sequence of shareholders' speeches.

A shareholder in attendance who submits a speaker's slip but does not speak shall be deemed to have not spoken. In the case where the contents of a shareholder's speech differ from those

specified on the speaker's card, the contents of the actual speech shall prevail.

Unless otherwise permitted by the chairman and speaking shareholder, no shareholder shall interrupt the speech of the speaking shareholder; the chairman shall stop any such interruptions.

**Article 10** A shareholder may not speak more than twice on the same resolution without the chairman's consent, with five minutes maximum for each speech.

The chairman may stop any shareholder who violates the above rules or exceeds the scope of the agenda item.

**Article 11** Any legal entity designated as proxy by shareholder(s) to be present at the meeting may appoint only one representative to attend the meeting.

If a corporate shareholder designates two or more representatives to attend the meeting, only one of the representatives so designated may speak on any one motion.

**Article 12** The chairman may respond or designate other persons to respond after an attending shareholder's speech.

**Article 13** When the chairman considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

**Article 14** The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman, provided, however, that the person supervising the casting of votes shall be a shareholder.

The vote counting process of the voting and election shall be announced at the venue of the meeting once completed, including the weights. And the result of the vote counting process shall be recorded.

The election of directors and supervisor shall be held in accordance with election regulations formulated by the Company. The result of the election shall be announced at the scene, including the list of elected directors and supervisors and the weights.

The votes mentioned in the preceding paragraph shall be sealed and signed by the tellers and kept for at least a year. The litigations brought by shareholders in accordance with Article 189 of Company Act shall be recorded until closed.

**Article 15** During the process of the meeting, the chairman may announce a recess at an appropriate time.

**Article 16** Unless otherwise specified in the Company Act and the Articles of Association, resolutions shall be adopted by a majority of the votes represented by the attending shareholders.

The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after inquiry by the chairman. If have any objection, the motion shall be voted by casting ballots.

**Article 17** If there is an amendment or replacement proposal to the original proposal, the chairman shall decide the sequence of voting for such proposals, provided that if any one of the proposals has been approved, the others shall be deemed vetoed and no further voting is required.

**Article 18** The chairman may direct disciplinary officers (or security personnel) to maintain the order of the

Meeting. For identification purposes, they shall wear a badge bearing the words of “disciplinary officer.”

**Article 19** If the matters do not provided this rules, shall pursuant to applicable laws and regulations and Articles of Association.

**Article 20** These rules and procedures shall be effective after ratification at the shareholders’ meetings. The same applies to modifications.

Yungtay Engineering Co., Ltd.

Articles of Association

**Chapter 1 General Provisions**

Article 1: The Company, organized under the Company Act as a Company limited by shares, and shall be named Yungtay Engineering Co., Ltd. (hereinafter, “the Company”).

Article 2: The Company’s scope of business is as follows:

1. CB01010 Machinery and Equipment Manufacturing
2. F113010 Wholesale of Machinery
3. E603020 Elevator Construction
4. E604010 Machinery Installation Construction
5. F401010 International Trade
6. E599010 Pipe Lines Construction
7. E605010 Computing Equipment Installation Construction
8. E603040 Fire Fighting Equipment Construction
9. E603090 Illumination Equipment Construction
10. E603050 Cybernation Equipment Construction
11. H701010 Residence and Buildings Lease Construction and Development
12. F112040 Wholesale of Petrochemical Fuel Products
13. F113020 Wholesale of Household Appliance
14. F113030 Wholesale of Precision Instruments
15. F113050 Wholesale of Computing and Business Machinery Equipment
16. JE01010 Rental and Leasing Business
17. IF01010 Traditional Physical Management
18. IB01010 Buildings Public Security Check
19. G202010 Parking Garage Business
20. J101010 Buildings Cleaning Service
21. CB01030 Pollution Controlling Equipment Manufacturing
22. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
23. CC01080 Electronic Parts and Components Manufacturing
24. CB01990 Other Machinery Manufacturing Not Elsewhere Classified
25. E701010 Telecommunications Construction
26. I301010 Software Design Services
27. I301020 Data Processing Services

28. I301030 Digital Information Supply Services
29. CA02010 Metal Architectural Components Manufacturing
30. H703100 Real Estate Rental and Leasing

- Article 2-1: The Company can invest other companies and become their shareholders. The amount of investment is not limited by the percentage of paid-up share capital.
- Article 3: The Company is headquartered in Taipei City, Taiwan and when necessary may establish branches at home and abroad according to resolutions by the board of directors.
- Article 4: Any and all public announcements to be made by the Company shall be published in a conspicuous place on a daily newspaper circulating in the municipality or county (city) wherein the company is located, or uploaded to Market Observation Post System, or through other common ways.

## **Chapter 2 Shares**

- Article 5: The authorized capital of the Company is NT\$4.6 billion, consisting of 460 million shares, all of common stock, with a par value of NT\$10 per share. The board of directors is authorized to issue the shares in separate installments as required.
- Article 6: The share certificates of the Company shall without exception be in registered form, signed by, or affixed with the seals of five directors, and stamped and authenticated by the competent governmental authority upon issuance. Shares issued by the Company and registered with centralized securities depository enterprises need not be in certificate form.
- Article 7: Shareholders or representatives shall fill in signature cards and send to the Company for record. The procedures apply to any change. Acquisition of shares or dividends, contacts in writing, and exercise of all rights shall be made with signature.
- Article 8: If a shareholder's seal is lost, damaged, or replaced, the shareholder shall fill in the application form for seal change or loss, stating the share number, and shareholdings and submit the application form, new seal, ID card, and shares to the Company for the registration of new seal. If the shareholder entrusts a representative to register the new seal, the representative shall submit the shareholder's ID card or the seal certificate issued by the household registration office, the power of attorney, and the representative's ID card to the Company for the registration of new seal.
- Article 9: If intending to transfer shares, shareholders shall fill in the application form for share transfer and have the assignors and assignees sign and submit the application form and shares to the Company for share transfer. After being registered in the shareholders register, they shall be the shareholders of the Company. If the procedures mentioned above are not performed, the original shareholders remain unchanged. Successors

shall provide the valid proof documents to apply for the change in the title.

Article 10: In case of share loss or damage, shareholders shall inform the Company in writing and receive new shares in accordance with Company Act and related laws and regulations.

Article 11: If shares are defaced or reissued in accordance with the provisions of the preceding two articles, a fee will be charged by the Company.

Article 12: All entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

### **Chapter 3 Shareholders' Meeting**

Article 13: Shareholders' meetings of the Company are of two kinds: regular shareholders meetings and extraordinary shareholders meetings. The regular shareholders' meeting is called once per year within six months of the close of the fiscal year. Extraordinary shareholders meetings may be called in accordance with applicable laws and regulations whenever necessary.

Article 14: The convener of the shareholders' meeting shall inform shareholders of time, venue, and subject of the meeting or extraordinary meeting 30 days or 15 days prior to the meeting or extraordinary meeting respectively.

Article 15: For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy. A proxy shall act on behalf of the shareholder in accordance with Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies and related laws and regulations.

Article 16: The chairman of the board shall be the chairman presiding at the meeting. If the chairman of the board is on leave or cannot perform his duties for some reason, the board of directors shall designate one director. If the board of directors does not designate one director, the shareholders' meeting shall be convened by others who have the right to convene a meeting and he or she shall be the chairman. If there is more than one person with the rights to convene a shareholders' meeting, they shall nominate a chairman from among themselves.

Article 17: Unless otherwise provided by applicable law or regulation, a resolution of the shareholders' meeting shall be adopted by the consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, by shareholders who represent a majority of the total issued shares.

Article 18: Each shareholder of the Company is entitled to one vote per share, unless otherwise provided in Article 179 of Company Act.

Article 19: The resolutions of the shareholders meeting shall be recorded in the minutes stating the time, venue, and chairman's name, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting and distributed to all shareholders within 20 days. The making and distribution of such minutes may be made in electronic form. The distribution of such minutes mentioned in the preceding paragraph may include the announcement on the market observation post system.

#### **Chapter 4 Directors and Board of Directors**

Article 20: The Company shall have seven to eleven directors, to be elected by the shareholders' meeting from among candidates with legal capacity. The term of office shall be three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities.

Article 20-1: Pursuant to the provisions of Securities and Exchange Act, the Company's board of directors shall include two to three independent, at least 1/5 of total directors. The election of independent directors shall be based on a candidate nomination system. Other related matters shall proceed in accordance with the regulations of competent authorities.

Article 21: The board of directors shall consist of the directors of the Company; the chairman of the board of directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors.

Article 22: Meetings of the board of directors shall be called once per quarter; though in emergency situations, a meeting may be called whenever necessary. Except for the first meeting of the board of directors of every new term, all other meetings of the board of directors shall be convened and presided by the chairman of the board of directors. If the chairman of the board is on leave or cannot perform his duties for some reason, the board of directors shall designate one director. If the board of directors does not designate one director, the chairman of shall be elected from among the directors present.

Article 23: Unless otherwise provided for by applicable law or regulation, a resolution of the board of directors shall be adopted by the consent of a majority of the votes represented by those the majority in attendance at the board of directors meeting. The resolutions of the meetings of the board of directors shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting.

Article 24: If there exists a shortfall of one-third of directors, the board of directors shall convene a shareholders' meeting for the by election of absent directors. The term of newly

elected directors shall continue for the original term of the directors replaced.

Article 25: A directors may authorize a director to attend the meeting of the board of directors on behalf of them with the power of attorney stating the scope of authorization.

Article 26: (Deleted).

### **Chapter 5 Supervisors**

Article 27: The Company shall have two or three supervisors, to be elected by the shareholders' meeting from among candidates with legal capacity. The term of office is three years, and they may continue in office if reelected. The aggregate shareholding percentages of the entire body of supervisors shall comply with the regulations prescribed by the competent authority.

Article 28: In addition to performing their duties of supervision in accordance with laws and regulations, supervisors of the Company may attend the meeting of the board of directors and state their opinions without votes.

Article 29: If all supervisors have been dismissed, the board of directors shall convene a shareholders' meeting for the by election of absent supervisors. The term of newly elected supervisors shall continue for the original term of the supervisors replaced.

Article 30: Supervisors shall not act as directors or managers of the Company or perform other duties.

### **Chapter 6 Managers**

Article 31: The Company may appoint managers, including one Chief Executive Officer, whose commissioning, decommissioning and pay rate shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a majority of the entire directors of the Company.

Article 32: (Deleted).

### **Chapter 7 Finance**

Article 33: The fiscal year of the Company is fixed from January 1 to December 31.

Article 34: After the close of each fiscal year, the following reports shall be prepared by the board of directors and submitted to the supervisors for review. Supervisors shall prepare the review report accordingly and submit it to the general shareholders' meeting for reviewing and for ratification:

- (1) Business Report
- (2) Financial Statements
- (3) Proposal Concerning Appropriation of Net Profits or Recovering of Losses



Article 35: If the Company makes profits in a fiscal year, it shall appropriate at least 1% as the remuneration of employees by share or cash, determined by the Board of Directors; the Company may request Remuneration Committee to submit the proposal for up to 1% of the earnings mentioned above as the remuneration of directors and supervisors to the Board of Directors for resolution. The distribution of remuneration of employees and directors and supervisors shall be reported in the Shareholders' Meeting.

However, the distribution of remuneration of employees and directors and supervisors based on the ratio mentioned in the preceding paragraph shall be made after deducting the reserve for offsetting the accumulated losses, if any.

Article 35-1: If the Company makes profits in a fiscal year, such profits shall be used to offset the losses and pay the taxes in accordance with applicable laws; then, 10% of the remaining earnings shall be held as the legal reserve, followed by the special reserve and dividends. The rest of such profits shall be appropriated in accordance with the following procedures:

- (1) Shareholders' bonuses.
- (2) Retained earnings.

The distribution ratio mentioned in the preceding paragraph shall be determined by the Board of Directors and then adopted in the General Shareholders' Meeting.

Article 35-2: The dividends and bonuses shall be distributed by the Company from 50% of net profit after tax for the period. Among the dividends and bonuses, cash dividends shall account for 50% or more in response to the mature market development of major products and operations of the Company the abovementioned distribution ratio may be adjusted subject to actual demands for business development or investments.

Article 36: The remuneration of directors, supervisors, and employees shall be paid regardless of profits or losses.

Article 36-1: The remuneration of directors (including the chairman) and supervisors shall be paid in accordance with the recommendations of Remuneration Committee and the normal standards in the same trade.

## **Chapter 8 Supplementary Provisions**

Article 37: (Deleted).

Article 38: Any matters not sufficiently provided for in these Articles of Association shall be handled in accordance with the Company Act and other applicable laws or regulations.

Article 39: The amendments to Articles of Association shall be approved by a majority of shareholders in attendance at a meeting attended by shareholders accounting for at least two-thirds of total shares. If the shareholding mentioned in the preceding

paragraph is short, the amendments to Articles of Association shall be approved by at least two-thirds of shareholders having votes in attendance at a meeting attended by shareholders accounting for a majority of total shares issued.

Article 40: The Company may provide endorsements and guarantees and act as a guarantor.

Article 41: These Articles of Association were enacted on June 16, 1966 and took effect after the approval and registration by the competent authority.

The 1st amendment was made on December 27, 1967.

The 2ed amendment was made on November 25, 1968.

The 3rd amendment was made on March 31, 1972.

The 4th amendment was made on March 30, 1973.

The 5th amendment was made on April 16, 1973.

The 6th amendment was made on June 25, 1976.

The 7th amendment was made on June 27, 1977.

The 8th amendment was made on June 29, 1978.

The 9th amendment was made on May 11, 1979.

The 10th amendment was made on April 18, 1980.

The 11th amendment was made on December 12, 1980.

The 12th amendment was made on April 17, 1981.

The 13th amendment was made on May 28, 1982.

The 14th amendment was made on November 21, 1982.

The 15th amendment was made on May 27, 1983.

The 16th amendment was made on June 8, 1983.

The 17th amendment was made on October 21, 1983.

The 18th amendment was made on April 20, 1984.

The 19th amendment was made on April 10, 1985.

The 20th amendment was made on April 25, 1985.

The 21st amendment was made on May 11, 1985.

The 22ed amendment was made on April 25, 1986.

The 23rd amendment was made on February 28, 1987.

The 24th amendment was made on April 24, 1987.

The 25th amendment was made on April 22, 1988.

The 26th amendment was made on January 26, 1989.

The 27th amendment was made on April 21, 1989.

The 28th amendment was made on April 23, 1990.

The 29th amendment was made on April 26, 1991.

The 30th amendment was made on May 7, 1993.

The 31st amendment was made on May 27, 1994.

The 32ed amendment was made on May 12, 1995.

The 33rd amendment was made on May 23, 1997.

The 34th amendment was made on May 22, 1998.

The 35th amendment was made on May 21, 1999.

The 36th amendment was made on May 18, 2000.

The 37th amendment was made on June 6, 2002.

The 38th amendment was made on May 23, 2003.

The 39th amendment was made on May 7, 2004.

The 40th amendment was made on May 6, 2005.

The 41st amendment was made on June 23, 2006.

The 42ed amendment was made on June 15, 2012.

The 43rd amendment was made on June 12, 2014.

The 44rd amendment was made on June 16, 2016.

The establishment of audit committee and supervisors and other related matters are set in accordance with Article 14-4 of Securities and Exchange Act and Regulations Governing Exercise of Power by Audit Committee of Public Companies.

Yungtay Engineering Co., Ltd.  
Shareholdings of Directors and Supervisors

Paid-up capital: 410,820,000

Transfer suspended from: April 18, 2017

Title	Name	Shares held in share register
Chairman	Hsu, Tso-Li	17,000,000
Director	Hitachi, Ltd. Representative: Nagashima, Makoto	31,817,168
Director	Hsu, Tso-Ming	2,159,709
Director	Hsu, Jui-Chun	0
Director	Wu, Feng-Ming	422,930
Director	Hsu, Yu-Hsin	138,000
Director	Tsao, Tien-Po	4,134
Independent Director	Hsu, Hsien-Cheng	10,569
Independent Director	Chang, Kung-Hsiao	542
Total shares held by all directors		51,553,052
Statutory minimum shares held by all directors		16,000,000
Supervisor	Chang, Kuang-Ming	1,190,260
Supervisor	Cheng, Wan-Lai	586,508
Supervisor	Qi Shen Investment Co., Ltd. Representative: Liang, Yu-Ming	2,989,126
Total shares held by all supervisors		4,765,894
Statutory minimum shares held by all supervisors		1,600,000

**Imputed Earnings per Share in 2016 after distribution of remuneration of employees and directors and supervisors**

Not applicable (Since January 1, 2008, the remuneration of employees and directors and supervisors is recognized as expenses for the period).

**The Impact of Stock Dividend Issuance on Business Performance and Earning per Share (EPS)**

Not applicable (no proposal for stock dividend issuance is proposed in the General Shareholders' Meeting).