



Ton Yi Industrial Corp.

2017 Annual General
Meeting

Conference Manual

June 23, 2017

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Ton Yi Industrial Corp.

2017 Annual Meeting Agenda

1. Time: 9:00 am, June 23 (Friday), 2017
2. Venue: 7F Conference Hall, No. 837, Zhongzheng N.Rd., Yongkang Dist., Tainan City, Taiwan (R. O. C.)
3. Conclude total number of shares represented and commence meeting
4. Chairman's opening remarks

Meeting Proceeding

One. Reports:

- (1) Reporting of the Company's 2016 Business Reports.
- (2) Reporting of Audit Committee's review over the Company's 2016 year-end closure.
- (3) Reporting of proposed 2016 employees' and directors' remuneration.
- (4) Reporting of total guarantees and endorsements made by the Company.
- (5) Reporting of total loans granted to third parties.
- (6) Reporting of total financial instruments undertaken by the Company.

Two. Acknowledgments:

- (1) Acknowledgment of the Company's 2016 Business Report and Financial Statements.
- (2) Acknowledgment of the Company's 2016 Earnings Appropriation.

Three. Discussions:

- (1) Operational Procedures For Company's Corporate Charter and Disposal of Assets.
- (2) Operational Procedures For Company's Rules of Procedure for Shareholdings' Meeting and Disposal of Assets.
- (3) Operational Procedures For Operational Procedures For Acquisition and Disposal of Assets and Disposal of Assets.

Four. Special motion

Five. Meeting dismissed

One. Reports

Report #1

Summary: Reporting of 2016 Business Reports.

Description: Reporting of the Company's 2016 Business Reports.
(Please refer to P10~P11 of the Conference Manual)

Report #2

Summary: Reporting of Audit Committee's review over the 2016 year-end closure.

Description:

- (I) The Company's 2016 financial statements have been audited by PricewaterhouseCoopers Taiwan and reviewed by the Audit Committee. An independent auditor's report and a review report were issued separately by the above two parties. (Please refer to P12~P36 of the Conference Manual)
- (II) This report was passed during the 5th meeting of the 16th board of directors.
- (III) Read out of the review report.

Report #3

Summary: Reporting of proposed 2016 employee' and director' remuneration.

Description:

- (I) Pursuant to Article 235-1 of the Company Law and Article 30 of the Company's Articles of Incorporation: The Company's net income, if any, should be an amount not less than 2% of the net income as the remuneration to employees and an amount not more than 2% of the net income as the remuneration to directors.
- (II) The Company's net income in 2016 after deducting the remuneration to employees and to directors amounted to NT\$1,304,451,499.
- (III) Pursuant to the Articles of Incorporation, employee remuneration totaling NT\$58,081,464 (or 4.82% of net income) and director remuneration totaling NT\$11,986,574 (or 0.99% of net income) have been proposed. Both amounts shall be distributed in cash.
- (IV) The difference between the employee and director remuneration actually distributed and the amount estimated in 2016 (the distributed amount is less than the estimated amount) was NT\$7,257,964 that was adjusted into the 2017 profit and loss account.
- (V) This agenda has been discussed by the Remuneration Committee and passed by the Board of Directors.

Resolution:

Report #4

Summary: Reporting of total guarantees and endorsements made by the Company.

Description: As at December 31, 2016, guarantees and endorsements totaling NT\$0 had been made in accordance with the Company's Guarantee and Endorsement Procedures.

Report #5

Summary: Reporting of total loans granted to third parties.

Description: As of December 31, 2016, loans totaling NT\$0 had been granted to third parties.

Report #6

Summary: Reporting of total financial instruments undertaken by the Company.

Description: All financial instruments undertaken by the Company were for hedging purpose. They were primarily intended to hedge against exchange rate risks arising from export debt entitlements and import debt obligations.

Unit: NTD thousands

Period	Amount of contract principal	Recognized gains (losses)
2016.01 ~ 2016.12	22,728	210

Two. Acknowledgments

Agenda #1 (Proposed by the board of directors)

Summary: Acknowledgment of the Company's 2016 Business Report and Financial Statements.

Description: The Company's 2016 Business Report and Financial Statements have been audited by PricewaterhouseCoopers Taiwan and are available for acknowledgment.

(Please refer to P10~P36 of the Conference Manual)

Resolution:

Agenda #2 (Proposed by the board of directors)

Summary: Acknowledgment of the Company's 2016 Earnings Appropriation.

Description: (I)The earnings distribution stipulated in the Articles of

Incorporation: The shareholder's dividend of the Company shall be 50%~100% of the accumulated distributable earnings; also, the cash dividend ratio shall not be less than 30% of the total dividend distribution for the year.

(II)The Company's 2016 separated financial report has been prepared and the net income amounted to NT\$1,069,141,009; also, after deducting the unappropriated earnings – beginning for NT\$24,615,497, the actuarial loss of the defined benefit plan for NT\$124,160,843, the legal reserve appropriated for NT\$96,959,566, and the special reserve for NT\$248,691,904, the distributable earnings for the year amounted to NT\$623,944,193.

(III)For the Company's 2016 Earnings Appropriation, a proposal has been made to pay a cash dividend of NT\$600,075,230 (NT\$380 per thousand shares) from available earnings. Please refer to P37 of the Conference Manual. The amount of cash dividends shall be calculated and truncated to the nearest NT\$1. Fractions that do not amount to a full NT\$1 shall be summed and recognized by the Company as other income.

(IV)Proposal to request shareholders' permission to authorize the board of directors for decisions such as the ex-dividend date and details concerning the cash dividend, which are to be announced in accordance with law.

(V) This agenda has been discussed by the Audit Committee and passed by the board of directors.

Resolution:

Tree. Discussions

Report #1 (Proposed by the Board of Directors)

Summary: Amendment of the Company's "Articles of Incorporation".
Proposed for discussion.

Description:

- (I) This amendment has been proposed in response to Article 26-2 of the Stock Exchange Act (the notice period and manner of the shareholders' meeting to the small order stock shareholders), voting in the shareholders' meeting can be exercised in writing and by electronic voting with the corresponding clauses amended in accordance with the actual operation.
- (II) This agenda has been discussed by the Audit Committee and passed by the board of directors.
- (III) Please refer to P38~P43 for a comparison of existing and revised terms of the "Articles of Incorporation"

Resolution:

Report #2 (Proposed by the Board of Directors)

Summary: Amendment of the Company's "Rules of Procedures for Shareholders Meetings". Proposed for discussion.

Description:

- (I) In response to the Company's implementing an electronic ballot, in addition to the reporting matters in the shareholders' meeting, the remaining motions will be voted on a case-by-case (separate) basis; also, the voting result will be recorded in the minutes of the shareholders' meeting and the Market Observation Post System.
- (II) This agenda has been discussed by the Audit Committee and passed by the board of directors.
- (III) Please refer to P44-45 for a comparison of existing and revised terms of the "Rules of Procedures for Shareholders Meetings"

Resolution:

Report #3 (Proposed by the Board of Directors)

Summary: Amendment of the Company's "Procedures for the Acquisition and Disposal of Assets". Proposed for discussion.

Description:

(I) In response to the amendments of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” according to FSC.Far.Zi No. 1060001296 by the Financial Supervisory Commission.

(II) This agenda has been discussed by the Audit Committee and passed by the board of directors.

(III) Please refer to P46-55 for a comparison of existing and revised terms of the “Procedures for the Acquisition and Disposal of Assets”

Resolution:

Four. Special motion

Five. Meeting dismissed

Following the recovery of global steel prices, the selling price of tin plates has also risen to the point where the Company was able to make a reasonable margin; meanwhile, sales volume of cold-rolled steel, TMBP and tin plates had also increased by 6% in 2016 over the previous year. Improvement of both price and volume are reflected favorably in figures such as gross profits and operating profits and although the PET plant in China experienced a decline in sales volume, it still managed to maintain profits at a level comparable to the previous year. Despite increased price and volume, the full-year average selling price of tin plates was still 8% lower than the previous year. This, combined with the loss of revenues from the PET segment, produced consolidated revenues of NT\$32.749 billion in 2016, down 9.5% from the previous year. Stand-alone revenues in 2016 amounted to NT\$15.914 billion, representing a 7% decrease, but net income had increased by 81% to NT\$1.069 billion. The loss of revenue was met by a significant increase in profits mainly due to the recovery of tin plate prices.

The global economy had changed much in the previous year. While the entire world was anticipating a rate hike in the United States, currencies of other countries had weakened, especially the RMB, which caused certain impact on the Company's operations. The sudden collapse of the RMB one year before last eroded much of the Company's profits that year, but with the implementation of hedging measures, the Company managed to avoid loss of operating profits from the continuous weakening of the RMB last year. Nevertheless, the weaker currency did result in some losses on translation of net asset value, given the extensive investments the Company has in China. The Company operates and invests in many parts of the world, therefore it pays constant attention to the exchange rate changes.

The Company values its duties not only to consumers, but to its employees and the environment as well. The Company prides itself in producing safe, healthy and appealing tin cans for various food and

beverages. It adds value to the food supply chain by making consumers feel safe about the products that they purchase, and contributes to the society by refining its production procedures in ways that minimize impact on the environment. Through after-sales service and research, we continue to refine the quality of products and services offered and take step towards sustainability. To ensure food safety, the Company has constructed a national-grade laboratory and passed international certifications including JIS G3303, ISO9001, ISO14001, OHSAS 18001 & TOSHMS. In 2014, the Company adopted ISO 22000, CNS12681 and CNS labeling to assure customers of the safety of the things that we make.

In 2017, we shall build on top of our existing advantage in tinplates, tin cans and PET bottles, and develop more advanced technology in the production of beverage containers. Our solid presence in China will enable us to capture the enormous potentials of the local beverage market and prepare us for expansions into the world market. For the coming future, Ton Yi Industrial will continue to devote attention towards corporate social responsibilities in areas such as technology improvements, talent training, environmental protection, food safety and corporate governance, and thereby creating a three-win among the employees, shareholders, and the society/environment.

Chairman: Chih-Hsien Lo Manager: Feng-Fu Chen Head of Accounting: Yi-Hsin Liu

Ton Yi Industrial Corp. (Attachment 2)

Audit Committeeal Corp.

We have reviewed the Company's 2016 Business Report, Financial Statements, and Earnings Appropriation prepared by the Board of Directors. The standalone and consolidated financial statements were audited by CPA Zi-Yu Lin and CPA Ming-Hsien Li of PricewaterhouseCoopers Taiwan, to which they issued an unqualified opinion. Business Report, Financial Statements, and Earnings Appropriation has reviewed the abovementioned reports and found no misstatements. We hereby issue this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

For

The 2017 Annual General Meeting

Ton Yi Industrial Corp.

Audit
Committee

Con v e n e r : Chin-Cheng Chien

M e m b e r : Ming-Long Wang

M e m b e r : Bing-Eng Wu

March 28, 2017

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Ton Yi Industrial Corp.

Opinion

We have audited the accompanying parent company only balance sheets of Ton Yi Industrial Corp. as of December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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 Ton Yi Industrial Corp. as of December 31, 2016 and 2015, and its parent company only financial performance and parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparations 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of Ton Yi Industrial Corp. in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 Ton Yi Industrial Corp. parent company only financial statements of 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, we do not provide a separate opinion on these matters.

Existence of sales revenues

Description

Please refer to Note 4(27) for the accounting policy on revenue recognition. The Company's sales revenues for the year ended December 31, 2016 was NT\$15,914,109 thousand.

The primary business of Ton Yi Industrial Corp. is selling Tin Plate products. The Company has a large volume of transactions from sales of numerous kinds of products to a wide range of customers in many different countries such as Taiwan, Asia, Europe, America, etc. For the customers and dealers who are from remote districts, the substantive of sales revenue need times to be confirmed. This matter also exists in the subsidiaries of Ton Yi Industrial Corp. (investments accounted for under equity method). Thus, the existence of sales revenue has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Inspecting whether approved additions to the merchandise master file data had been correctly entered in the merchandise master file which include basic information of customers, such as name of representative, location of company, amount of capital and scope of business for evaluating the creditworthiness of buyers.
2. Understanding, evaluating and validating management's controls in respect of the Company's sales transactions from customer order's approval, goods delivery, sales recording, reconciliation of cash receipts and customer's records to subsequent settlement of trade receivables. In addition, testing the internal control environment of the Company's effectiveness of revenue recognition.
3. Performing substantive test on selected sales transactions including confirming orders, shipping documents, invoices and cash receipts to verify the existence of sale revenues.

Inventory evaluation

Description

Please refer to Notes 4(7) for accounting policy on inventory valuation, Notes 5(2)A for accounting estimates and assumption uncertainty in relation to inventory valuation and Notes 6(4) for details of inventories. For the year ended December 31, 2016, inventory and allowance to reduce inventory to market amounted to NT\$2,035,218 thousand and NT\$8,000 thousand.

The Company's raw materials are often subject to fluctuation in the international steel prices. However, as the Tin Plate products are for necessities, such price changes may not be immediately reflected in reflect material costs immediately. In addition, the competition landscape within the steel industry in China will continue to affect the price of raw materials that would impact the estimation of net realizable value of inventory. This matter also applies to the subsidiaries of Ton Yi Industrial Corp. (investments accounted for under equity method). Thus, we consider the evaluation of inventory as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Evaluating the adequacy of allowance for inventory and the consistency of provision policy.
2. Assessing the reasonableness of the estimation of net realizable value of Tin plate products and discussing with management and examining related documents to confirm the adequacy of allowance for price decline.

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

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

Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, 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 auditor's 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 auditor's 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 audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lin, Tzu-Shu

Independent Accountants

Lee, Ming-Hsien

PricewaterhouseCoopers, Taiwan

Republic of China

March 28, 2017

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2016 AMOUNT	December 31, 2015 AMOUNT
Current assets			
1100	Cash and cash equivalents	\$ 9,114	\$ 4,801
1150	Notes receivable, net	97,510	160,650
1170	Accounts receivable, net	481,737	352,615
1180	Accounts receivable - related parties	714,160	709,492
1200	Other receivables	97,350	63,097
1210	Other receivables - related parties	-	7,627
130X	Inventory	2,027,218	1,571,397
1410	Prepayments	169,847	163,699
11XX	Total current assets	3,596,936	3,033,378
Non-current assets			
1523	Available-for-sale financial assets - non-current	122,642	130,896
1543	Financial assets carried at cost - non-current	501,050	501,050
1550	Investments accounted for under equity method	9,265,305	9,997,345
1600	Property, plant and equipment	11,927,726	12,864,316
1760	Investment property - net	5,914	10,099
1780	Intangible assets	-	35,319
1840	Deferred income tax assets	122,221	112,618
1915	Prepayments for business facilities	60	2,915
1920	Guarantee deposits paid	6,257	1,406
1985	Long-term prepaid rents	65,177	43,842
1990	Other non-current assets	8,185	9,407
15XX	Total non-current assets	22,024,537	23,709,213
1XXX	Total assets	\$ 25,621,473	\$ 26,742,591

(Continued)

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2016 AMOUNT	December 31, 2015 AMOUNT
Current liabilities			
2100	Short-term borrowings 6(12)	\$ 1,023,800	\$ 18,405
2110	Short-term notes and bills payable 6(13)	349,838	-
2150	Notes payable	13,325	24,074
2170	Accounts payable	405,078	221,537
2200	Other payables 6(27)	615,068	593,578
2230	Current income tax liabilities 6(25)	86,683	45,657
2310	Advance receipts	42,059	49,456
2320	Long-term liabilities, current portion 6(14) and 9	-	1,800,000
21XX	Total current liabilities	<u>2,535,851</u>	<u>2,752,707</u>
Non-current liabilities			
2540	Long-term borrowings 6(14) and 9	4,159,550	4,592,538
2550	Provisions for liabilities - non-current 6(15)(22)	75,389	74,001
2570	Deferred income tax liabilities 6(25)	205,489	204,508
2640	Accrued pension liabilities - non-current 5(2) and 6(16)	459,460	365,767
2645	Guarantee deposits received	5,500	5,500
25XX	Total non-current liabilities	<u>4,905,388</u>	<u>5,242,314</u>
2XXX	Total liabilities	<u>7,441,239</u>	<u>7,995,021</u>
Equity			
Share capital			
3110	Share capital - common stock 6(17)	15,791,453	15,791,453
3200	Capital surplus 6(18)	228,178	228,178
	Retained earnings 6(19)(25)		
3310	Legal reserve	1,439,699	1,379,732
3320	Special reserve	826,453	826,453
3350	Unappropriated retained earnings	969,596	589,910
3400	Other equity interest	(1,075,145)	(68,156)
3XXX	Total equity	<u>18,180,234</u>	<u>18,747,570</u>
Contingent liabilities and commitments			
3X2X	Total liabilities and equity 7 and 9	<u>\$ 25,621,473</u>	<u>\$ 26,742,591</u>

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

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earning per share)

		Year ended December 31	
		2016	2015
Items	Notes	AMOUNT	AMOUNT
4000	Sales revenue	\$ 15,914,109	\$ 17,152,577
5000	Operating costs	(13,778,246)	(15,572,801)
5900	Net operating margin	2,135,863	1,579,776
5910	Unrealized profit from sales	(142,201)	(44,739)
5920	Realized profit from sales	44,739	127,436
5950	Net operating margin	2,038,401	1,662,473
	Operating expenses		
6100	Selling expenses	(735,863)	(739,211)
6200	General & administrative expenses	(412,466)	(357,923)
6000	Total operating expenses	(1,148,329)	(1,097,134)
6900	Operating profit	890,072	565,339
	Non-operating income and expenses		
7010	Other income	39,929	41,796
7020	Other gains and losses	21,498	24,457
7050	Finance costs	(88,419)	(115,395)
7070	Share of profit of associates and joint ventures accounted for using equity method, net	364,045	181,839
7000	Total non-operating income and expenses	337,053	132,697
7900	Profit before income tax	1,227,125	698,036
7950	Income tax expense	(157,984)	(108,018)
8200	Profit for the year	\$ 1,069,141	\$ 590,018
	Other comprehensive income		
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss		
8311	Remeasurements of defined benefit plans	(\$ 149,591)	(\$ 30,055)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	25,430	5,109
	Components of other comprehensive income (loss) that will be reclassified to profit or loss		
8361	Exchange translation differences arising on translation of foreign operations	(998,623)	(494,736)
8362	Unrealized loss on valuation of available-for-sale financial assets	(8,254)	(47,444)
8399	Income tax relating to the components of other comprehensive income	(112)	801
8300	Other comprehensive loss for the year	(\$ 1,131,150)	(\$ 566,325)
8500	Total comprehensive (loss) income for the year	(\$ 62,009)	\$ 23,693
9750	Basic earnings per share from continuing operations	\$ 0.68	\$ 0.37
9850	Diluted earnings per share from continuing operations	\$ 0.67	\$ 0.37

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

TON YI INDUSTRIAL CORP
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital- common stock	Capital Reserves			Retained Earnings		Other Equity Interest		Total equity	
			Capital surplus, additional paid-in capital	Treasury stock transactions	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange difference arising on translation of foreign operations		Unrealized gain or loss on available-for-sa le financial assets
<u>2015</u>											
Balance at January 1, 2015		\$ 15,791,453	\$ 58,271	\$ 169,088	\$ 819	\$ 1,303,221	\$ 826,453	\$ 811,964	\$ 673,800	(\$ 200,577)	\$ 19,434,492
Distribution of 2014 net income (Note):											
Legal reserve		-	-	-	-	76,511	-	(76,511)	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	(710,615)	-	-	(710,615)
Profit for the year		-	-	-	-	-	-	590,018	-	-	590,018
Other comprehensive loss for the year		-	-	-	-	-	-	(24,946)	(493,935)	(47,444)	(566,325)
Balance at December 31, 2015		<u>\$ 15,791,453</u>	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 1,379,732</u>	<u>\$ 826,453</u>	<u>\$ 589,910</u>	<u>\$ 179,865</u>	<u>(\$ 248,021)</u>	<u>\$ 18,747,570</u>
<u>2016</u>											
Balance at January 1, 2016		\$ 15,791,453	\$ 58,271	\$ 169,088	\$ 819	\$ 1,379,732	\$ 826,453	\$ 589,910	\$ 179,865	(\$ 248,021)	\$ 18,747,570
Distribution of 2015 net income (Note):											
Legal reserve		-	-	-	-	59,967	-	(59,967)	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	(505,327)	-	-	(505,327)
Profit for the year		-	-	-	-	-	-	1,069,141	-	-	1,069,141
Other comprehensive loss for the year		-	-	-	-	-	-	(124,161)	(998,735)	(8,254)	(1,131,150)
Balance at December 31, 2016		<u>\$ 15,791,453</u>	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 1,439,699</u>	<u>\$ 826,453</u>	<u>\$ 969,596</u>	<u>(\$ 818,870)</u>	<u>(\$ 256,275)</u>	<u>\$ 18,180,234</u>

(Note) The employees' bonuses and directors' remuneration were \$58,920 and \$43,984 in 2014 and 2015, respectively, which had been deducted from net income for the year.

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

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,227,125	\$ 698,036
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for doubtful accounts	6(3)	383	347
(Reversal of allowance) provision for inventory market price decline	6(4)	(149,000)	139,000
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(364,045)	(181,839)
Unrealized profit from sales	6(7)	142,201	44,739
Realized profit from sales	6(7)	(44,739)	(127,436)
Depreciation on property, plant and equipment	6(8)(23)	1,017,305	1,052,307
Loss on disposal of property, plant and equipment	6(21)	51	25,031
Gain on disposal of investment property	6(21)	(5,993)	-
Amortization	6(10)(23)	35,319	35,319
Amortization of long-term prepaid rent	6(11)	2,866	2,505
Dividend income	6(20)	(5,152)	(3,458)
Interest income	6(20)	(138)	(90)
Interest expense	6(22)	88,419	115,395
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		63,778	(15,397)
Accounts receivable		(130,143)	14,618
Accounts receivable - related parties		(4,668)	360,865
Other receivables		(34,253)	51,131
Other receivables - related parties		7,627	(7,627)
Inventories		(306,821)	647,978
Prepayments		(6,148)	11,172
Changes in operating liabilities			
Notes payable		(10,749)	4,503
Accounts payable		183,541	112,492
Other payables		20,792	(76,137)
Advance receipts		(7,397)	8,910
Accrued pension liabilities - non-current		(55,898)	(54,323)
Cash inflow generated from operations		1,664,263	2,858,041
Cash dividends received from investments accounted for under equity method	6(7)	-	3,808
Dividends received		5,152	3,458
Interest received		138	90
Interest paid		(89,151)	(114,931)
Income tax paid		(100,262)	(116,775)
Net cash flows from operating activities		<u>1,480,140</u>	<u>2,633,691</u>

(Continued)

TON YI INDUSTRIAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(27)	(\$ 16,871)	(\$ 30,814)
Proceeds from disposal of property, plant and equipment		587	38
Proceeds from disposal of investment property		10,178	-
Increase in prepayments for equipment		(57,270)	(118,916)
Interest paid for prepayments for equipment	6(8)(22)	(869)	(473)
(Increase) decrease in guarantee deposits paid		(4,851)	4,776
Increase in long-term prepaid rent		(24,201)	-
Decrease (increase) in other non-current assets		<u>1,222</u>	<u>(1,968)</u>
Net cash flows used in investing activities		<u>(92,075)</u>	<u>(147,357)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings		1,005,395	(179,482)
Increase (decrease) in notes and bills payable		350,000	(100,000)
Increase in long-term borrowings		8,543,966	19,900,535
Decrease in long-term borrowings		(10,777,786)	(21,401,964)
Cash dividends paid	6(19)	<u>(505,327)</u>	<u>(710,615)</u>
Net cash flows used in financing activities		<u>(1,383,752)</u>	<u>(2,491,526)</u>
Net increase (decrease) in cash and cash equivalents		4,313	(5,192)
Cash and cash equivalents at beginning of year	6(1)	<u>4,801</u>	<u>9,993</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 9,114</u>	<u>\$ 4,801</u>

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Ton Yi Industrial Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Ton Yi Industrial Corp. and its subsidiaries (the “Group”) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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 Group 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 Preparations 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 Ton Yi Industrial Corp. consolidated financial statements of 2016. These matters were addressed in the context of our audit of the consolidated statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Existence of sales revenues

Description

Please refer to Note 4(30) for the accounting policy on revenue recognition. The Group's sale revenues from Tin Plate products for the year ended December 31, 2016 was NT\$19,469,132 thousand.

The primary business of Ton Yi Industrial Corp. and its subsidiaries is Tin Plate products. The Group has a large volume of transactions from sales of numerous kinds of products to a wide range of customers in many different countries such as Taiwan, Asia, Europe, America, etc. For the customers and dealers who are from remote districts, the substantive of sales revenue need times to be confirmed. This matter also exists in the subsidiaries of Ton Yi Industrial Corp. Thus, the existence of sales revenue has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Inspecting whether approved additions to the merchandise master file data had been correctly entered in the merchandise master file which include basic information of customers, such as name of representative, location of company, amount of capital and scope of business for evaluating the creditworthiness of buyers.
2. Understanding, evaluating and validating management's controls in respect of the Company's sales transactions from customer order's approval, goods delivery, sales recording, reconciliation of cash receipts and customer's records to subsequent settlement of trade receivables. In addition, testing the internal control environment of the Company's effectiveness of revenue recognition.
3. Performing substantive test on selected sales transactions including confirming orders, shipping documents, invoices and cash receipts to verify the existence of sale revenues.

Inventory evaluation

Description

Please refer to Note 4(9) for accounting policy on inventory valuation, Notes 5(2)A for the accounting estimates and assumption uncertainty in relation to inventory valuation. For the year ended December 31, 2016, Tin Plate products inventory and allowance to reduce inventory to market are NT\$3,022,593 thousand and NT\$40,503 thousand.

The Group's raw materials are often subject to fluctuation in the international steel prices. However, as the Tin Plate products are for necessities, such price changes may not be immediately reflected in reflect material costs immediately. In addition, the competition landscape within the steel industry in

China will continue to affect the price of raw materials that would impact the estimation of net realizable value of inventory. Thus, the inventory evaluation has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Evaluating the adequacy of allowance for inventory and the consistency of provision policy.
2. Assessing the reasonableness of the estimation of net realizable value of Tin plate products and discussing with management and examining related documents to confirm the adequacy of allowance for price decline.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Ton Yi Industrial Corp. as of and for the years ended December 31, 2016 and 2015.

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 Preparations of Financial Reports by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s 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 auditor’s

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 ROC GAAS 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 ROC GAAS, 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group 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 Group's to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Lin, Tzu-Shu

Independent Accountants

Lee, Ming-Hsien

PricewaterhouseCoopers, Taiwan

Republic of China

March 28, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability

for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2016 AMOUNT	December 31, 2015 AMOUNT
Current assets			
1100	Cash and cash equivalents	\$ 745,621	\$ 704,759
1150	Notes receivable, net	690,719	923,390
1170	Accounts receivable, net	1,873,439	1,447,523
1180	Accounts receivable - related parties	886,754	886,015
1200	Other receivables	118,097	85,058
1220	Current income tax assets	40,205	55,355
130X	Inventories	3,520,787	3,800,625
1410	Prepayments	729,133	1,165,797
1476	Other current financial assets	21,367	6,622
11XX	Total current assets	8,626,122	9,075,144
Non-current assets			
1523	Available-for-sale financial assets - non-current	122,642	130,896
1543	Financial assets carried at cost - non-current	501,050	501,050
1600	Property, plant and equipment - net	28,914,965	32,623,697
1760	Investment property - net	137,670	158,012
1780	Intangible assets	399,648	453,510
1840	Deferred income tax assets	572,239	590,677
1915	Prepayments for business facilities	3,696	43,769
1920	Guarantee deposits paid	89,800	90,730
1985	Long-term prepaid rents	503,015	525,685
1990	Other non-current assets	41,967	60,192
15XX	Total non-current assets	31,286,692	35,178,218
1XXX	Total assets	\$ 39,912,814	\$ 44,253,362

(Continued)

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2016 AMOUNT	December 31, 2015 AMOUNT	
Current liabilities				
2100	Short-term borrowings	6(12) and 9	\$ 2,575,599	\$ 2,898,530
2110	Short-term notes and bills payable	6(13)	349,838	-
2150	Notes payable		13,325	24,074
2170	Accounts payable		1,071,402	960,547
2180	Accounts payable - related parties	7	92,276	108,918
2200	Other payables	6(28)	1,331,162	1,429,725
2220	Other payables - related parties	7	104,386	73,766
2230	Current income tax liabilities	6(26)	88,944	53,369
2305	Other current financial liabilities		20,929	21,631
2310	Advance receipts		237,597	57,972
2320	Long-term liabilities, current portion	6(15) and 9	1,305,665	4,947,555
21XX	Total current liabilities		<u>7,191,123</u>	<u>10,576,087</u>
Non-current liabilities				
2530	Corporate bonds payable	6(14)	658,144	711,756
2540	Long-term borrowings	6(15) and 9	11,982,355	12,347,156
2550	Provisions for liabilities - non-current	6(16)(23)	75,389	74,001
2570	Deferred income tax liabilities	6(26)	375,518	324,455
2630	Long-term deferred revenue	6(28)	-	47,917
2640	Accrued pension liabilities - non-current	5(2) and 6(17)	459,460	365,767
2645	Guarantee deposits received		8,309	10,295
25XX	Total non-current liabilities		<u>13,559,175</u>	<u>13,881,347</u>
2XXX	Total liabilities		<u>20,750,298</u>	<u>24,457,434</u>
Equity attributable to owners of parent				
Share capital				
3110	Share capital - common stock	6(18)	15,791,453	15,791,453
3200	Capital surplus	6(19)	228,178	228,178
Retained earnings				
3310	Legal reserve	6(20)(26)	1,439,699	1,379,732
3320	Special reserve		826,453	826,453
3350	Unappropriated retained earnings		969,596	589,910
3400	Other equity interest		(1,075,145)	(68,156)
31XX	Equity attributable to owners of the parent		<u>18,180,234</u>	<u>18,747,570</u>
36XX	Non-controlling interest	4(3)	982,282	1,048,358
3XXX	Total equity		<u>19,162,516</u>	<u>19,795,928</u>
Contingent liabilities and commitments				
3X2X	Total liabilities and equity		<u>\$ 39,912,814</u>	<u>\$ 44,253,362</u>

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

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except for earning per share)

Items	Notes	Year ended December 31	
		2016 AMOUNT	2015 AMOUNT
4000			
4000			
5000			
5950			
6100			
6200			
6000			
6900			
7010			
7020			
7050			
7000			
7900			
7950			
8200			
8311			
8349			
8361			
8362			
8399			
8300			
8500			
8610			
8620			
8710			
8720			
9750			
9850			

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

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent											Non-controlling interest	Total equity
	Capital Reserves			Retained Earnings				Other Equity Interest			Total		
	Share capital - common stock	Capital surplus, additional paid-in capital	Treasury stock transactions	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange difference arising on translation of foreign operations	Unrealized gain or loss on available-for-sale financial assets				
2015													
Balance at January 1, 2015	\$ 15,791,453	\$ 58,271	\$ 169,088	\$ 819	\$ 1,303,221	\$ 826,453	\$ 811,964	\$ 673,800	(\$ 200,577)	\$ 19,434,492	\$ 1,174,555	\$ 20,609,047	
Distribution of 2014 net income(Note):													
Legal reserve	-	-	-	-	76,511	-	(76,511)	-	-	-	-	-	
Cash dividends	6(20)	-	-	-	-	-	(710,615)	-	-	(710,615)	(3,659)	(714,274)	
Profit for the year	-	-	-	-	-	-	590,018	-	-	590,018	(98,061)	491,957	
Other comprehensive loss for the year	-	-	-	-	-	-	(24,946)	(493,935)	(47,444)	(566,325)	(24,477)	(590,802)	
Balance at December 31, 2015	<u>\$ 15,791,453</u>	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 1,379,732</u>	<u>\$ 826,453</u>	<u>\$ 589,910</u>	<u>\$ 179,865</u>	<u>(\$ 248,021)</u>	<u>\$ 18,747,570</u>	<u>\$ 1,048,358</u>	<u>\$ 19,795,928</u>	
2016													
Balance at January 1, 2016	\$ 15,791,453	\$ 58,271	\$ 169,088	\$ 819	\$ 1,379,732	\$ 826,453	\$ 589,910	\$ 179,865	(\$ 248,021)	\$ 18,747,570	\$ 1,048,358	\$ 19,795,928	
Distribution of 2015 net income:													
Legal reserve	-	-	-	-	59,967	-	(59,967)	-	-	-	-	-	
Cash dividends	6(20)	-	-	-	-	-	(505,327)	-	-	(505,327)	-	(505,327)	
Profit for the year	-	-	-	-	-	-	1,069,141	-	-	1,069,141	1,489	1,070,630	
Other comprehensive loss for the year	-	-	-	-	-	-	(124,161)	(998,735)	(8,254)	(1,131,150)	(67,565)	(1,198,715)	
Balance at December 31, 2016	<u>\$ 15,791,453</u>	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 1,439,699</u>	<u>\$ 826,453</u>	<u>\$ 969,596</u>	<u>(\$ 818,870)</u>	<u>(\$ 256,275)</u>	<u>\$ 18,180,234</u>	<u>\$ 982,282</u>	<u>\$ 19,162,516</u>	

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

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,430,161	\$ 702,747
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for doubtful accounts	6(3)	7,500	-
Reversal of allowance for doubtful accounts	6(3)	-	(10,366)
(Reversal) provision for inventory market price decline	6(4)	(212,169)	169,676
Gain on disposal of non-current assets held for sale	6(5)(22)	-	(452,780)
Property, plant and equipment transferred to expenses	6(8)	9,000	356
Depreciation on property, plant and equipment	6(8)(9)	2,754,741	2,843,877
(Gain) loss on disposal of property, plant and equipment	6(22)	(18,975)	30,623
Gain on disposal of investment property	6(22)	(5,993)	-
Amortization	6(10)(24)	45,374	45,702
Amortization of long-term prepaid rent	6(11)	13,422	12,963
Dividend income	6(21)	(5,152)	(3,458)
Interest income	6(21)	(13,341)	(25,432)
Interest expense	6(23)	551,487	655,188
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		233,309	331,892
Accounts receivable		(429,847)	606,141
Accounts receivable - related parties		(739)	(196,323)
Other receivables		(33,039)	58,153
Inventories		495,546	1,084,919
Prepayments		436,664	620,468
Changes in operating liabilities			
Notes payable		(10,749)	4,503
Accounts payable		110,855	358,932
Accounts payable - related parties		(16,642)	(63,643)
Other payables		(44,733)	(30,886)
Other payables - related parties		30,620	22,653
Advance receipts		179,625	4,953
Long-term deferred revenue		(2,897)	(931)
Accrued pension liabilities - non-current		(55,898)	(54,323)
Cash inflow generated from operations		5,448,130	6,715,604
Dividends received		5,152	3,458
Interest received		13,341	25,432
Income tax refund		20,352	4,438
Interest paid		(561,341)	(622,493)
Income tax paid		(260,255)	(434,783)
Net cash flows from operating activities		<u>4,665,379</u>	<u>5,691,656</u>

(Continued)

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of disposal groups held for sale	6(28)	\$ -	\$ 387,937
(Increase) decrease in other current assets - other financial assets		(14,745)	47,357
Acquisition of property, plant and equipment	6(28)	(358,417)	(1,803,425)
Proceeds from disposal of property, plant and equipment		95,053	12,576
Acquisition of investment property	6(9)	(992)	(758)
Proceeds from disposal of investment property		10,178	-
Acquisition of intangible assets	6(10)	(2,404)	(346)
Increase in prepayments for equipment		(124,434)	(243,327)
Interest paid for prepayments for equipment	6(8)(23)	(869)	(773)
Decrease (increase) in guarantee deposits paid		930	(37,200)
Increase in long-term prepaid rent		(24,201)	(50,436)
Decrease in other non-current assets		18,225	16,298
Net cash flows used in investing activities		(401,676)	(1,672,097)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		(322,931)	(1,204,026)
Increase (decrease) in notes and bills payable		350,000	(100,000)
(Decrease) increase in other current liabilities - other financial liabilities		(702)	5,194
Proceeds from issuance of corporate bonds	6(14)	-	717,242
Increase in long-term borrowings		28,348,218	42,117,420
Decrease in long-term borrowings		(31,909,682)	(45,747,361)
(Decrease) increase in guarantee deposits received		(1,986)	115
Cash dividends paid	6(20)	(505,327)	(710,615)
Payment of cash dividends to non-controlling interests		-	(3,659)
Net cash flows used in financing activities		(4,042,410)	(4,925,690)
Effect of foreign exchange rate changes on cash and cash equivalents		(180,431)	38,987
Net increase (decrease) in cash and cash equivalents		40,862	(867,144)
Cash and cash equivalents at beginning of year	6(1)	704,759	1,571,903
Cash and cash equivalents at end of year	6(1)	\$ 745,621	\$ 704,759

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

Ton Yi Industrial Corp.

(Attachment 5)

2016 Earnings Appropriation

Unit: NTD

Item	Amount
Opening undistributed earnings	\$ 24,615,497
Less: Retained earnings adjustment for 2016~ Actuarial loss on defined benefit plans	(124,160,843)
Adjusted undistributed earnings	(99,545,346)
Plus: 2016 after-tax profit	1,069,141,009
Less: Provision for statutory reserve	(96,959,566)
Less : Provision for special reserve	(248,691,904)
Total distributable earnings	623,944,193
2016 earnings appropriation:	
Cash dividend (NT\$380 per thousand shares)	(600,075,230)
Closing undistributed earnings	\$ 23,868,963

Chairman: Chih-Hsien Lo Manager: Feng-Fu Chen Head of Accounting: Yi-Hsin Liu

Ton Yi Industrial Corp. (Attachment 6)
Comparison Table of Articles of Company' s Corporate Charter
Before and After Amendmant

Article	Revised terms	Existing terms	Explanation
Article 6:	The share certificates hereof, the registered ones, shall be duly signed by or affixed with no less than three Directors of the Company, duly authenticated by the competent authorities of the government or certification organization authorized thereby before issuance, Publicly issued shares are exempted from printing , and should be registered by Securities custody film.	It is not necessary for the Company to print stock certificates, but if stock certificates are to be issued, all of them have to be registered. Upon the competent authorities' approval to register or issue new shares, the share certificates hereof, shall be duly signed or sealed of no less than three Directors of the Company, and duly authenticated by the competent authorities of the government or the certification organization authorized thereby before issuance.	To revise the text and to follow the existing operation.
Article 7:	For transfer of shares, both the transferor and transferee shall fill out the application form, sign or affix seal thereon and apply	For transfer of any stock certificate, both the transferor and transferee shall fill out the application form,	To revise the text and to follow the existing operation.

Article	Revised terms	Existing terms	Explanation
	<p>to the Company for share transfer. Until the transfer procedures are completed in full and until the shares under transfer are entered into the Register (Roster) of Shareholders, the transferred shares shall not act against the Company. The matters regarding the Company's equity affairs shall be duly handled in accordance with the "Regulations Governing Equity Affairs of Public Companies" promulgated by the Stock Securities & Exchange Commission, Ministry of Finance.</p>	<p>sign or affix seals thereon and apply to the Company for stock certificate transfer. Until the transfer procedures are completed in full and until the shares under transfer are entered into the Register (Roster) of Shareholders, the transferred stock certificate shall not act against the Company. The matters regarding the Company's equity affairs shall be duly handled in accordance with the "Regulations Governing Equity Affairs of Public Companies" promulgated by the Stock Securities & Exchange Commission, Ministry of Finance.</p>	
<p>Article 9:</p>	<p>No transfer of shares shall be handled within sixty days prior to a shareholders' regular meeting, or within</p>	<p>No transfer of shares shall be handled within sixty days prior to a shareholders' regular meeting, or</p>	<p>Text revision</p>

Article	Revised terms	Existing terms	Explanation
	thirty days prior to a shareholders' extraordinary meeting, or within five days prior to allocation of dividend' bonus or any other benefits.	within thirty days prior to a shareholders' extraordinary meeting, or within five days prior to allocation of dividend' bonus or any other benefits.	
Article 12:	The shareholders' meeting hereof consists of two categories—the shareholders' regular meeting and shareholders' extraordinary meeting. The shareholders' regular meeting shall be convened by the board of directors once per annum within six months from the closing of each fiscal year, with notices for the shareholders' meeting to be served to all shareholders in writing thirty days in advance. The shareholders' extraordinary meeting may be called whenever it is deemed necessary with notices for the shareholders'	The shareholders' meeting hereof consists of two categories—the shareholders' regular meeting and shareholders' extraordinary meeting. The shareholders' regular meeting shall be convened by the board of directors once per annum within six months from the closing of each fiscal year, with notices for the shareholders' meeting to be served to all shareholders in writing thirty days in advance. The shareholders' extraordinary meeting may be called whenever it	According to the Securities Exchange Act Article 26-2 to revise.

Article	Revised terms	Existing terms	Explanation
	meeting to be served to all shareholders in writing fifteen days in advance. An issuer to shareholders who own less than 1,000 shares of nominal stocks may be given in the form of a public announcement; for a regular shareholders meeting.	is deemed necessary with notices for the shareholders' meeting to be served to all shareholders in writing fifteen days in advance.	
Article 13:	In the event where a shareholder is unable to attend a shareholders' meeting for any cause, the shareholder may appoint a proxy to attend the meeting on behalf of the shareholder by executing a power of attorney printed by Company, or participate by ways of electronic transmission. Other than measures specified in Article 177 of the Company Act, a shareholder may also appoint a proxy in accordance with the provisions set forth in the "Rules Governing Appointment	In the event where a shareholder is unable to attend a shareholders' meeting for any case, the shareholder may appoint a proxy to attend the meeting on behalf of the shareholder by executing a power of attorney in accordance with Article 177 of the Company Act.	Shareholders may exercise the voting power in writing and by ways of electronic transmission

Article	Revised terms	Existing terms	Explanation
	of Proxy by the Power of Attorney to Attend a Shareholders Meeting of Public Companies” published by the competent authority.		
Article 16:	Unless otherwise provided in laws, a shareholder shall be entitled to one voting right for each share held by him and he may exercise the voting power in writing or by ways of electronic transmission.	Unless otherwise provided in laws, a shareholder shall be entitled to one voting right for each share held by him.	Shareholders may exercise the voting power in writing and by ways of electronic transmission
Chapter 5	Managerial officers and Consultants	Managers and Employees	In line with the current situation.
Article : 34	These Articles were duly enacted on Mar 20, 1969 and duly amended on : 41 : Jun 20, 2013 42 : Jun 23, 2016 43 : Jun 23, 2017 This Articles of Association will be implemented after approved by a shareholders meeting. The same shall apply for any amendment.	These Articles were duly enacted on Mar 20, 1969 and duly amended on : 41 : Jun 20, 2013 42 : Jun 23, 2016 This Articles of Association will be implemented after approved by a shareholders meeting. The same shall apply for any amendment.	The latest revision date is added into it.

Article	Revised terms	Existing terms	Explanation

Ton Yi Industrial Corp. **(Attachment 7)**

Comparison Table of Articles of Company’s Rules of Procedure for Shareholdings’ Meeting Before and After Amendmant

Article	Revised terms	Existing terms	Explanation
十八	<p>A proposal shall be deemed duly resolved should there be no objection raised by any shareholder present in response to such an inquiry by the Chairman. Unless otherwise provided for under the Company Act or Articles of Association, a proposal for vote shall be resolved by a majority of the presenting shareholders. (delete)</p>	<p>A proposal shall be deemed duly resolved should there be no objection raised by any shareholder present in response to such an inquiry by the Chairman. Unless otherwise provided for under the Company Act or Articles of Association, a proposal for vote shall be resolved by a majority of the presenting shareholders. <u>Upon voting process, where there is no objection raised by any shareholders, the proposal shall be deemed resolved and has equal validity as a resolution resolved through voting process.</u></p>	<p>With the shareholders of the practical operations have been taken by case (or division) vote.</p>
十九	<p><u>Motions are to be voted on a case-by-case (separate) basis; also, the consent, opposition, and waiver voted on by the shareholders should be uploaded to the Market Observation Post</u></p>	<p>(Added)</p>	<p>With the shareholders of the practical operations have been taken by case (or division) vote.</p>

Article	Revised terms	Existing terms	Explanation
	<p><u>System.</u> When the same proposal has amendments or alternatives made available, the Chairman is to have the original proposal and the amendment and alternative put together and prioritized for voting. If one of the proposals is resolved, the other proposals will be deemed as vetoed without the need for further voting.</p>	<p>When the same proposal has amendments or alternatives made available, the Chairman is to have the original proposal and the amendment and alternative put together and prioritized for voting. If one of the proposals is resolved, the other proposals will be deemed as vetoed without the need for further voting.</p>	

Ton Yi Industrial Corp. (Attachment 8)

Comparison Table of Articles of Operational Procedures For Acquisition and Disposal of Assets Before and After Amendman

Article	Revised terms	Existing terms	Explanation
Article 4: Appraisal Procedures :	一、...omitted。 二、...omitted。 三、the Company, unless transacting with a government agency, ...。 四、Where the Company acquires or disposes of memberships or intangible assets and the transaction price reaches twenty percent (20%) or more of the paid-in capital of the Company or reaches NTD three hundred million (NTD 300,000,000) or more, unless transacting with a government agency...omitted 。 五、...omitted。	一、...omitted。 二、...omitted。 三、the Company, unless transacting with a government agency, ...。 四、Where the Company acquires or disposes of memberships or intangible assets and the transaction price reaches twenty percent (20%) or more of the paid-in capital of the Company or reaches NTD three hundred million (NTD 300,000,000) or more, unless transacting with a government agency...omitted 。 五、...omitted。	amendment in working as appropriate in accordance with Article 9 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" newly promulgated by Financial Supervisory Commission.
Article 5: Processing	I. The Company (I) Marketable	I. The Company (I) Marketable	It is amended in response to

Article	Revised terms	Existing terms	Explanation
Procedure :	<p>securities</p> <p>(II)Real property or equipment: The acquisition or disposal of real property or equipment for an amount more than NT\$300 million must be presented to the Board of Directors for discussion and acknowledgement. The land shall be investigated and evaluated by the Planning Division according to the market situation and then presented to the Chairman or the Director or President authorized by the Chairman for approval, while the other assets acquired shall be presented by the responsible department to the Chairman or the Director or President authorized by the Chairman for review and approval <u>in accordance with the Rules Governing the Capital Expenditure Budget.</u> The use of the assets should have a requisition</p>	<p>securities</p> <p>(II)Real property or equipment: The acquisition or disposal of real property or equipment for an amount more than NT\$300 million must be presented to the Board of Directors for discussion and acknowledgement. The land shall be investigated and evaluated by the Planning Division according to the market situation and then presented to the Chairman or the Director or President authorized by the Chairman for approval, while the other assets acquired shall have <u>a capital expenditure plan drafted by each department; also, if it is for an amount more than NT\$200,000, the benefit assessment report should be enclosed</u> and presented by the responsible department to the Chairman or the</p>	<p>the actual operation of the Company</p>

Article	Revised terms	Existing terms	Explanation
	<p>form enclosed for the approval of the supervisors at all levels in accordance with the level of authorities before having it handled in accordance with the procurement process. For the disposal of the assets, the using department is to fill out the Transaction Notice or Project Form for the disposal of the assets to be approved in accordance with the level of authorities in advance.</p>	<p>Director or President authorized by the Chairman for review and approval. The use of the assets should have a requisition form enclosed for the approval of the supervisors at all levels in accordance with the level of authorities before having it handled in accordance with the procurement process. For the disposal of the assets, the using department is to fill out the Transaction Notice or Project Form for the disposal of the assets to be approved in accordance with the level of authorities in advance.</p>	
<p>Article6 : Procedures of Public Announcement and Report:</p>	<p>I. Omitted (I) For the acquisition or disposal of real property with the related party, or, for the acquisition or disposal of assets other than the real property with the related party for an amount over 20%</p>	<p>I. Omitted (I) For the acquisition or disposal of real property with the related party, or, for the acquisition or disposal of assets other than the real property with the related party for an</p>	<p>The criteria for determining the domestic money market funds referred to in Paragraph 1 should be amended in accordance with Article 14 of the “Regulations</p>

Article	Revised terms	Existing terms	Explanation
	<p>of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million. Except for the purchase and sale of the bonds, repurchase/reverse repurchase bonds, and requisition or <u>repurchase</u> of the money market fund issued by the domestic <u>securities investment and trust industry</u>.</p> <p>(II) Omitted (III) Omitted (IV) <u>The acquisition or disposal of assets that refer to equipment used for business operation, traded with a non-related party for an amount more than NT\$1 billion</u> (V) For the acquisition of real property by the proprietary land construction, leased land construction, joint construction - unit sharing program, joint construction – ratio</p>	<p>amount over 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million. Except for the purchase and sale of bonds, repurchase/reverse repurchase bonds, and requisition or <u>redemption</u> of domestic money market funds.</p> <p>(II) Omitted (III) Omitted (IV) For asset trades, or investment in Mainland China, other than the practices stated in the three preceding paragraphs, for an amount over 20% of the paid-in capital or NT\$300 million; however, the following matters are not subject to such requirements:</p> <ol style="list-style-type: none"> 1. Bond trade 2. The trade of the repurchase/reverse repurchase bonds, 	<p>Governing the Acquisition and Disposal of Assets by Public Companies” that was newly issued by the Financial Supervisory Commission. Amend the announcement standard of the acquisition or disposal of equipment intended for business operation that is traded with the non-related party to NT\$1 billion for the public companies with a paid-in capital more than NT\$10 billion in accordance with Article 30 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” that was newly issued by the</p>

Article	Revised terms	Existing terms	Explanation
	<p>sharing program, and joint construction – sales sharing program, the Company is expected to invest for an amount over NT\$500 million.</p> <p><u>(VI)</u> For asset trades, or investment in Mainland China, other than the practices stated in the <u>five</u> preceding paragraphs, for an amount over 20% of the paid-in capital or NT\$300 million; however, the following matters are not subject to such requirements:</p> <ol style="list-style-type: none"> 1. Omitted 2. The trade of repurchase/reverse repurchase of bonds, and requisition or <u>repurchase</u> of domestic money market funds issued by the <u>domestic securities investment and trust industry</u> <p>II. Omitted</p>	<p>and requisition or <u>redemption</u> of domestic money market funds</p> <ol style="list-style-type: none"> 3. The acquisition or disposal of assets that refers to equipment used for business operation, traded with a non-related party for an amount <u>less than</u> NT\$500 million. 4. For the acquisition of real property by proprietary land construction, leased land construction, joint construction - unit sharing program, joint construction – ratio sharing program, and joint construction – sales sharing program, the Company is expected to invest for an amount less than NT\$500 million. <p>II. Omitted III. Omitted IV. The mandatory</p>	<p>Financial Supervisory Commission.</p>

Article	Revised terms	Existing terms	Explanation
	III. Omitted IV. The mandatory disclosures with any error or omission found at the time of announcement <u>should be reported and announced again within 2 days from the event date.</u> V. Omitted	disclosures with any error or omission found at the time of announcement should be reported and announced again. V. Omitted	
Article 11I: Resolution procedures	...Except for the purchase and sale of the bonds, repurchase/reverse repurchase bonds, and requisition <u>or repurchase of money market funds issued by the domestic security investment and trust industry</u> , hereinafter omitted.	...Except for the purchase and sale of the bonds, repurchase/reverse repurchase bonds, and requisition <u>or redemption</u> of domestic money market funds, hereinafter omitted.	The criteria for determining the domestic money market funds referred to in Paragraph 1 should be amended in accordance with Article 14 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” that was newly issued by the Financial Supervisory Commission.
Article 14: Principles and Guidelines for Trading VI. Division of powers and responsibilities: (I) Trader: An VI. Division of powers and responsibilities:	It is amended in response to the actual operation of the Company

Article	Revised terms	Existing terms	Explanation
	<p>executive officer of a derivative commodity transaction of the Company who is appointed by the Chairman or the director or President authorized by the Chairman. They are responsible for the formulation of the trading strategy within the scope of authorization, the execution of the trade command, the disclosure of future transaction risks, and providing information to the relevant departments for reference promptly.</p> <p>(II) <u>Finance Department</u>: Responsible for the confirmation of <u>the</u></p>	<p>(I) Trader: An executive officer of a derivative commodity transaction of the Company who is appointed by the Chairman or the director or President authorized by the Chairman. They are responsible for the formulation of the trading strategy within the scope of authorization, the execution of the trade command, the disclosure of future transaction risks, and providing information to the relevant departments for reference promptly.</p> <p>(II) <u>Accounting Department</u>: Responsible for <u>the</u></p>	

Article	Revised terms	Existing terms	Explanation
	<p><u>transaction, reserve the transaction records, regularly initiating the assessment of the fair value of the position held and the settlement of the derivatives.</u></p> <p>(III) <u>Accounting Department: Responsible for having bookkeeping processed and relevant information disclosed in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” .</u></p> <p>.....</p>	<p><u>confirmation of the transactions that are to be booked according to the relevant provisions with the transaction records reserved; also, regularly initiating the assessment of the fair value of the position held and then presented to the designated traders with the derivatives-related matters disclosed in the financial statements.</u></p> <p>(III) <u>Finance Department: Responsible for the settlement of the derivatives.</u></p>	
Article 18:	When processing mergers, settlements, acquisitions, or share transfers, the	When processing mergers, settlements, acquisitions, or share transfers, the	According to Article 22 of the “Regulations Governing the

Article	Revised terms	Existing terms	Explanation
	<p>Company shall appoint an accountant, attorney, or securities underwriter to express an opinion on the reasonableness of the stock conversion ratio, the purchase price, or the allotment of the cash dividend or other properties to shareholders before convening the board meeting and then presented in the board meeting for discussion and approval. <u>If the Company merged with a subsidiary that has 100% stock shares or total capital directly or indirectly held by the Company; or for a merger between subsidiaries with 100% stock share or capital directly or indirectly held by the Company, it is not necessary to obtain the opinion of the aforementioned</u></p>	<p>Company shall appoint an accountant, attorney, or securities underwriter to express an opinion on the reasonableness of the stock conversion ratio, the purchase price, or the allotment of the cash dividend or other properties to shareholders before convening the board meeting and then present this in the board meeting for discussion and approval.</p>	<p>Acquisition and Disposal of Assets by Public Companies” that was newly issued by the Financial Supervisory Commission, the Company shall be exempted from obtaining an opinion on the reasonableness of the stock conversion ratio for a merger between a 100% invested subsidiary and the Company or a merger between a respectively 100% invested subsidiary in accordance with the Merger & Acquisitions Law.</p>

Article	Revised terms	Existing terms	Explanation
	<u>specialists on the</u> <u>reasonableness of</u> <u>such merger,</u> <u>settlement,</u> <u>acquisition, or</u> <u>share transfer.</u>		

Directors' Minimum, (Attachment 9) Individual and Aggregate Shareholding

1. According to Article 26 of Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, directors must aggregately hold at least 2.4% of the Company's outstanding shares (37,899,488) in their own names.
2. Paid-up capital of the Company: NT\$15,791,453,420 in 1,579,145,342 outstanding shares.
3. Minimum shareholding required from all directors: 37,899,488 shares.
4. Directors' individual and aggregate shareholding as at the book closure date prior to this annual general meeting:

Title	Name		No. of shares held
Chairman	Chih-Hsien Lo	Representative of Uni-President Enterprises Corporation	719,357,425
Director	Jui-Sheng Wang		
Director	Chao-Kai Huang		
Director	Chih-Chung Chen		
Director	Xiu-Ling Kao	Representative of Kao Chyuan Investment Co., Ltd.	25,520,700
Director	Shing-Chi Liang		5,920,028
Director	Kuo-Keng Chen		7,859,222
Independent Director	Ming-Long Wang		0
Independent Director	Chin-Cheng Chien		0
Independent Director	Bing-Eng Wu		0
Shareholding of all directors (including independent directors)			758,657,375

Ton Yi Industrial Corp. Appendix (1)
Rules of Procedures for Shareholders' Meeting

Amemd on June 20, 2013

1. Shareholders' meetings of the Company shall proceed according to the Rules of Procedures for Shareholders' Meeting (the "Rules").
2. The term "shareholder" as set forth in the Rules shall mean a shareholder himself and any proxy authorized by a shareholder.
3. The Company shall state the time for accepting registration for the meeting and the location where the registration will take place as well as other special notes in the meeting notice. Registration by shareholders shall start at least 30 minutes prior to the commencement of the meeting. The registration location shall be clearly identified and there shall be an adequate number of qualified staff to assist with the registration procedure. A shareholder wishing to attend a shareholders' meeting shall present an attendance card, sign-in card or other supporting attendance documents. A proxy solicitor shall provide such identification documents for verification as well. A shareholder shall submit the sign-in card as a substitute for sign-in to represent its attendance of the meeting. The total number of shares present at the meeting shall be calculated based on the sign-in cards plus the number of shares exercising their voting power in writing or through electronic transmission.
4. The attendance and vote of a shareholders' meeting shall be computed on the basis of the number of shares.
5. A shareholders' meeting shall be held on the premises of the Company or a place that is convenient for shareholders to attend. A shareholders' meeting shall start no earlier than 9 a.m. or no later than 3 p.m.
6. Unless otherwise stipulated by laws, a shareholders' meeting shall be called by the Board of Directors (the "Board") and be chaired by the Chairman of the Board. Where the Chairman is on leave or unable to exercise his authority for

any reason, the Vice Chairman shall act on his behalf. Where the Vice Chairman is on leave or unable to exercise his authority for any reason, the Chairman shall designate one of the Directors to act on his behalf. Where no such designee is designated, the Chairperson shall be elected from the directors. In the event where the shareholders' meeting is convened by a convener entitled to hold the meeting other than the Board, the convener shall be the Chairperson. In the event where there are more than two conveners, the Chairperson shall be elected from the conveners.

If one of the Directors is appointed to act as the Chairperson of the meeting in accordance with the preceding paragraph, he or she shall have served as a Director for more than 6 months and have a sound knowledge of the Company's financial and business status. The same shall apply to the situation where the Chairperson is the representative of a legal-entity director.

7. The Company may appoint lawyers, accountants or other relevant personnel to attend the shareholders' meeting. All staff members assisting the procedure of the shareholders' meeting shall wear an identification badge.
8. The Company shall record, in audio or video, the meeting in its entirety on a continuous and uninterrupted basis from the time that any shareholders register for attendance, including the registration process, proceedings of the meeting and the voting and vote counting process.

The aforementioned recordings shall be retained for at least one year. However, in the event any shareholder files a lawsuit in accordance with Article 189 of the Company Act, such recordings shall be kept until the conclusion of litigation.

9. The Chairman shall call the meeting to order at the specified time. Where the number of shares represented by the attending shareholders has not reached the required quorum of one-half of total issued shares, the Chairman may announce a postponement of the meeting. The total postponements shall be limited to two instances and the total time any such delays shall not exceed

one hour. If after two postponements, the number of shares represented by the shareholders present does not reach the specified quorum but represents more than one-third of the total issued shares, a tentative-resolution may be adopted according to Section 1 of Article 175 of the Company Act. Should the number of shares represented by shareholders in attendance constitute more than one-half of the total issued shares before the shareholders' meeting adjourns, the Chairman may offer the tentative-resolution to the meeting for resolution again in accordance to Article 174 of the Company Act.

10. Should the shareholders meeting be convened by the Board, the agenda of the meeting shall be set by the Board and the meeting shall proceed according to the agenda, and such agenda shall not be amended without the resolution being passed by the shareholders' meeting. In the event where the shareholders' meeting is convened by a person with convening rights other than the Board, the provision set forth in the preceding paragraph shall apply. Unless duly resolved at the meeting, where the meeting agenda (including extemporaneous motions) set forth in the two preceding paragraphs has not been completed, the Chairman shall not announce to adjourn the meeting. After the adjournment of the meeting, shareholders shall not elect a chairman and resume the meeting at the same or an alternative venue. If the Chairman adjourns the meeting in violation of the Rules, the present shareholders may elect another Chairperson by a majority vote to continue the meeting accordingly.
11. Prior to addressing the meeting, a shareholder shall fill out a speech note, to summarize the key subjects of his speech, the shareholder's account number (or the code of the attendance card) and the name of the shareholder. The sequence of speakers shall be determined by the Chairman.

Should any shareholder in attendance submit a speech but not actually speak at the meeting, it shall be deemed that the speech has not been made by the

shareholder. In case of a discrepancy between what was summarized on the floor note and what was actually spoken, the contents actually spoken shall prevail.

When a shareholder is properly addressing the meeting, no other shareholder shall speak to interrupt unless otherwise permitted by the Chairman and the speaking shareholder. The Chairman shall stop such interruption of any violating shareholder.

12. Each shareholder is entitled to speak no more than twice on the same discussion proposal, unless agreed to otherwise by the Chairman. Each speech is limited to five minutes, and the Chairman may stop any speech of any shareholder that is in violation of the aforementioned time limit or the content of which is beyond the scope of the discussion proposal.
13. Where a legal entity is entrusted to attend a shareholders' meeting on someone else's behalf, such legal entity may appoint only one representative to attend the meeting. Where a legal entity shareholder has appointed two or more representatives to attend the meeting, only one representative can speak for the same discussion proposal.
14. The Chairman may respond in person or through an appropriate appointee after the speech of a shareholder.
15. In the event where the Chairman considers the discussion of a proposal has reach the extent necessary for a resolution to be reached, the Chairman may announce discontinuation of the discussion and proceed to the voting process.
16. Voting counting for a resolution or election shall be conducted in public at the place of the shareholders meeting. The Chairman shall appoint persons responsible for supervising and counting of ballots. However, the persons responsible for supervising the ballots must be appointed from the shareholders. The voting results, including the numbers of votes, shall be

announced on-site immediately at the meeting and recorded in writing.

Where Directors are elected at the meeting, the election shall be conducted in accordance with the applicable election rules of the Company and the election results, including the list of elected Directors and numbers of votes for the election of Directors, shall be announced on-site immediately at the meeting.

17. The Chairman may announce a recess as deemed appropriate during the proceeding of a shareholders' meeting.
18. A proposal shall be deemed duly resolved should there be no objection raised by any shareholder present in response to such an inquiry by the Chairman. Unless otherwise provided for under the Company Act or Articles of Association, a proposal for vote shall be resolved by a majority of the presenting shareholders.

Upon voting process, where there is no objection raised by any shareholders, the proposal shall be deemed resolved and has equal validity as a resolution resolved through voting process.

19. In the event of an amendment proposal or substitute proposal to an original proposal, the Chairman shall decide on the order of the vote of the amendment or substitute proposal together with the original proposal. However, if one of the proposals has been approved, the others shall be deemed overruled and no further voting shall be required.
20. The Chairman may direct disciplinary personnel (or security guards) to assist in safeguarding the order of the meeting venue. The Chairman may direct the disciplinary personnel (or security guards) to remove shareholders from the venue if the shareholders have violated the Rules and refused to obey the instructions of the Chairman, impeded the proceedings of the meeting and furthermore does not comply after having being asked to stop. The disciplinary personnel (or security guards) shall, while helping safeguard the order of the meeting venue, wear an arm-band with the words "Disciplinary

Personnel.”

21. All matters not specified in the Rules shall be subject to the Company Act, Articles of Association and other relevant laws and regulations.
22. The Rules and any amendments hereof, shall be implemented after adoption by shareholders meeting.

Ton Yi Industrial Corp. Appendix (2)
Articles of Association

Amended on Jun 23, 2016

Chapter 1 General Provisions

Article 1: The Company is duly incorporated under the provisions governing a company limited by shares as set forth in the Companies Act in the full name of Ton Yi Industrial Corp.

Article 2: The businesses operated by the Company are as follows:

1. Domestic and export sales of processed and manufactured various types of metal sheets, printed sheets and other processed materials.
2. Domestic and export sales of processed and manufactured tinted steel plates and raw steel plates.
3. Domestic and export sales of manufactured cans and tinline machinery.
4. Provide processing and manufacturing technology for tin cans, tinted steel plate and other raw steel plate.
5. F199990 other wholesale business (oxidized metal, aliphatic acid, tin products and oxidized tin).
6. ZZ99999 other businesses not prohibited or restricted by law except any business requiring special approval.

Article2-1: The Company may invest in other enterprise and be free from the restriction of total investment amount referred to in the Companies Act.

Any matters regarding long-term equity investment shall be resolved in accordance with the resolutions of the Board of Directors.

The aforementioned business operations shall abide by relevant laws.

Article 3: The Company may make external endorsement/guarantee due to the business.

Article 4: The Company's head office is based in Tainan, and may establish branches and representative offices domestically or overseas if necessary.

Chapter 2 Shares

- Article 5: The total capital stock of the Company shall be in the amount of NTD 17,847,009,180 divided into 1,784,700,918 shares at a par value of NTD 10 each, and may be paid-up in installments. Where any increase in capitalization occurs, the Company may issue shares over par value. The Company may issue preferred shares within the amount of aforementioned shares, and the unissued shares are authorized to be issued by the Board of Directors when deemed necessary for the business.
- Article 6: It is not necessary for the Company to print stock certificates, but if stock certificates are to be issued, all of them have to be registered. Upon the competent authorities' approval to register or issue new shares, the share certificates hereof, shall be duly signed or sealed of no less than three Directors of the Company, and duly authenticated by the competent authorities of the government or the certification organization authorized thereby before issuance.
- Article 7: For transfer of any stock certificate, both the transferor and transferee shall fill out the application form, sign or affix seals thereon and apply to the Company for stock certificate transfer. Until the transfer procedures are completed in full and until the shares under transfer are entered into the Register (Roster) of Shareholders, the transferred stock certificate shall not act against the Company. The matters regarding the Company's equity affairs shall be duly handled in accordance with the "Regulations Governing Equity Affairs of Public Companies" promulgated by the Stock Securities & Exchange Commission, Ministry of Finance.
- Article 8: The shareholders hereof shall have their seal specimen cards, ID Cards or profit-seeking enterprise certificates submitted to and archived at the Company upon opening accounts. The specimen seals shall be taken as the grounds for the shareholders to receive dividend, bonus and exercise shareholders' interests. A shareholder who has lost or changed his registered specimen seal shall fill out the application form and submit it along with the supporting documents verifying his/her capacity along with the Xerox copy (photocopy) thereof, the new registered seal impression card and share certificates to the Company in person for registration. The new registered seal impression card

comes into effect on the date which the application is approved. In case of application for change in the shareholder name because of succession, the inheritor shall submit supporting documents verifying the lawful succession.

Article 9: No transfer of shares shall be handled within sixty days prior to a shareholders' regular meeting, or within thirty days prior to a shareholders' extraordinary meeting, or within five days prior to allocation of dividend' bonus or any other benefits.

Article 10: The following formalities shall take place for processing any application pertaining to the loss of share certificates and replacement of such:

1.A shareholder who has lost his/her share certificates shall report to the security authority and apply to the Company with an application form for registration of the lost share certificates.

2.Such shareholder shall apply to the court for public summons in accordance with the Code of Civil Procedure and shall submit to the Company the application form, duplicate copy, and the receipt issued by the court verifying the receipt of the application within five days, otherwise the application shall be annulled.

3.Upon expiry of the public disclosure dunning, the shareholder may apply for reissuance of share certificates by providing the invalidating judgment to the Company.

Article 11: The Company may collect adequate handling charge cover printing cost and revenue stamp tax for transfer of the share certificates.

Chapter 3 Shareholders' Meeting

Article 12: The shareholders' meeting hereof consists of two categories—the shareholders' regular meeting and shareholders' extraordinary meeting. The shareholders' regular meeting shall be convened by the Board of Directors once per annum within six months from the closing of each fiscal year, with notices for the shareholders' meeting to be sent to all shareholders at least thirty days in advance. A shareholders' extraordinary meeting may be called whenever it is deemed necessary with notices for the shareholders' meeting to be sent to all shareholders fifteen days in advance.

Article 13: In the event where a shareholder is unable to attend a shareholders' meeting for any reason, the shareholder may appoint a proxy to attend the meeting on behalf of the shareholder by executing a power of attorney in accordance with Article 177 of the Company Act.

Article 14: If the shareholders' meeting is convened by the Board of Directors, it shall be chaired by the Chairman of Board. If the Chairman is absent or fails to perform the duty with justified reasons, the chairperson may be assumed by Vice-Chairman of the Board. If the Vice-Chairman is absent or fails to perform the duty with justified reasons, the chairperson shall be assumed by a Director designated by the Chairman. If no such designee is appointed, the chairperson shall be elected out of the Directors. If the shareholders' meeting is called by any convener other than the Board of Directors, the chairperson shall be assumed by the convener. If there are more than two conveners, the chairperson shall be elected out of the conveners. In the event where the chairman adjourns the meeting and is in violation of the rules, another person shall be nominated to be the chairperson and be elected by a majority of shareholder votes to continue with the meeting accordingly.

Article 15: Unless otherwise provided for in the Companies Act, decisions in the shareholders' meeting shall be resolved by a majority vote in the meeting attended by shareholders representing a majority of the total issued shares. When the number of shareholders present does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present. A notice of such tentative resolution shall be given to each of the shareholders, and reconvene a Shareholders' meeting within one month. In the aforesaid meeting of shareholders, if the tentative resolution is again adopted by a majority of those present who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution under the preceding article.

Article 16: Unless otherwise provided in laws, a shareholder shall be entitled to one voting right for each share held by him/her.

Article 17: Meeting minutes shall be kept for every meeting, specifying the date, month, year and location of the meeting, the name of the Chairman, the method of adopting resolutions, a summary of the essential points of the proceedings and the results of the meeting, and bearing the

signature or seal of the Chairman of the meeting. The minutes shall be distributed to all shareholders of the Company within twenty (20) days after the close of the meeting and the distribution of the minutes may be effected by means of a public notice in accordance with the Company Act. The aforesaid minutes shall be kept persistently throughout the life of the Company and processed in accordance with Article 183 of the Company Act.

Article 18: The Directors' meeting is authorized to agree on the remuneration of Directors according to the contribution of the Director toward business operations and also the standard generally prevailing in the same trade.

Chapter 4 Board of Directors

Article 19: The Company shall establish the Board of Directors constituted by seven (7) to ten (10) Directors, for whom the election thereof adopts the candidates nomination system and on the shareholders' meeting votes shall be cast on the candidates list based on the cumulative ballot system specified in Article 198 of the Company Act; provided that the total number of registered shares held by all of the Directors shall not be less than a certain percentage of the total number of the Company's outstanding shares. The rules governing the aforesaid shareholding percentage and the verification and execution thereof shall be established in compliance with orders of the competent authority. The rules governing the election of the Board of Directors shall be passed by a shareholder's meeting.

In order to abide by Article 14-2 of the Securities and Exchange Act, the number of independent Directors shall not be less than 2 persons, and shall not be lower than one-fifth of the overall directorships on the board. The matters of qualifications, shareholdings, non-compete limitations, impartiality and nomination and selection of independent Directors shall be in accordance with related law and regulation.

The election of all Directors of the Company shall adopt a nomination approach, and the nomination process shall be in accordance to Article 192-1 of the Companies Act.

Article19-1: The Company shall establish an Audit Committee in accordance with Articles 14-4 and 181-2 of the Securities and Exchange Act. The exercise of powers of supervisors under the Company Act and

Securities and Exchange Act shall now be carried out by members of the Audit Committee. The Audit Committee shall include all of the independent Directors of the Company. It shall not be fewer than three persons in number, one of whom shall be committee convenor, and at least one of whom shall have accounting or financial expertise. The Company's Board of Directors may establish other functional committees of which the committee charter may be stipulated by the Board of Directors.

Article 20: The Directors constitute the Board of Directors and shall elect one Chairman from among the Directors by a majority vote at a meeting attended by over two-thirds of the Directors and one Vice-Chairman may be elected from among the Directors to assist the chairman. The Chairman shall represent the Company externally and shall take charge of the Company's business operation internally pursuant to laws, these Articles and resolutions of shareholders' meetings and Directors' meetings.

Article 21: The Board of Director shall be chaired by the Chairman of the Board. If the Chairman is absent or fails to perform the duty with justified reasons, the chairperson may be assumed by the Vice-Chairman of the Board. If the Vice-Chairman is absent or fails to perform such duty for any reason, the chairperson shall be assumed by a Director designated by the Chairman. If no such designee is appointed, the chairperson shall be elected from remaining Directors.

Article 22: The Directors have a three-year tenure of office and are eligible for reelection. In the event where the period of tenure is reached and the election has not taken place, the duties and tenure of the Directors shall be extended to such time that the election has taken place, however the competent authority may, ex officio, order that the Company complete the reelection within the specified time limit. If reelection is not held within the specified time limit, the Directors shall be discharged automatically ex officio upon expiry of the specified time limit. Where one third or more of the seats of the Directors are vacant, a special (extraordinary) meeting of shareholders shall be duly held by the Board of Directors within sixty days to elect supplemental Directors.

Article 23: Directors hold the following responsibilities and powers: (I) review and accredit a variety of operating rules, (II) resolve business policies, (III) review budgets and final account closing, (IV) propose the ratio for

profit allocation or loss coverage, (V) propose for increase/decrease of capital, (VI) determination of major personnel lineups, (VII) enforce the decisions resolved in the shareholders' meeting and (VIII) exercise other responsibilities and powers as bestowed by law and the shareholders' meeting.

Article23-1: The Company may purchase liability insurance for Directors and important officers to insure their business performance during the tenure of office. The Board of Directors is authorized with full power to implement this policy.

Article 24: Board of Directors Meeting shall be convened at least once per quarter. A temporary meeting may be called in the case of any emergency or upon request of a majority of the Directors. The Directors' meeting and temporary meeting, if any, shall be called by the Chairman of the Board pursuant to laws, provided that the first Directors meeting at each term shall be called by the Director winning the most votes pursuant to laws.

The convening of the Board of Directors meetings shall be announced in writing, fax or email.

Article 25: All business of the Company will be carried out by the Chairman after it is resolved by the Board of Directors. Except otherwise specified in the Company Act, the resolutions of the Board of Directors shall be passed by the majority of Directors present at the board meeting. In the event where a Director is unable to attend a meeting, he/she may appoint another Director on his behalf by issuing a written proxy, stating therein the scope of authorization with reference to the subjects to be discussed at the meeting. However, each Director may accept the appointment to act as the proxy of only one other Director. The resolutions of a Board meeting shall be recorded in the minutes with the signature or seal of the Chairman of the meeting and kept in the Company.

Chapter 5 Managers and Employees

Article 26: The Company may appoint one or more managerial personnel who shall manage all affairs of the Company in accordance with the Board resolutions. The managerial personnel and the employment, discharge and remuneration thereof 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 27: The Company may retain a certain number of consultants as resolved by the Board of Directors.

Chapter 6 Accounting

Article 28: The Company's fiscal year starts from January 1 and runs until December 31 of every calendar year. The final account closing shall be conducted at end of every fiscal year.

Article 29: The Company takes the calendar year as its fiscal year. Upon closing of each fiscal year, the Board of Directors shall produce the following documents and proposals to the shareholders' meeting in accordance with the legal procedures for adoption: (I) Business report; (II) Financial statements and (III) Proposals of profit allocation or loss coverage.

Article 30: Annual profits concluded by the Company shall be subject to employee remuneration of no lesser than 2% and director remuneration of no higher than 2%. However, profits must first be taken to offset against cumulative losses if any.

The annual profit mentioned in Paragraph 1 shall refer to pre-tax profit before employees' and directors' remuneration.

Employees' remuneration can be paid to employees of affiliated companies that satisfy certain criteria.

Article 31: The Company operates in a rapidly changing environment and is currently in the growing stage of its life cycle. Distribution of earnings should depend on the Company's future budgeted capital spending and capital requirements, and weighed against the source of capital in order to decide the amount of earnings to be retained or distributed in cash to shareholders.

Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses; any balances remaining will then be subject to a 10% provision for statutory reserves followed by a provision or reversal of special reserves. The residual balance plus undistributed earnings carried from the previous year will be available for distribution. 50% to 100% of

distributable earnings shall be distributed as shareholders' dividends, with cash dividends amounting to no lesser than 30% of total dividends proposed for the year. Earnings appropriation plans shall be proposed by the board of directors and are subject to shareholdersing to no lesser than 30% of to.

Chapter 7 Supplementary Provisions

Article 32: The organizational rules and operational rules shall be separately worked out by the Board of Directors.

Article 33: Any matters inadequately provided for herein shall be subject to Company Act and other laws and regulations concerned.

Article 34: These Articles were duly enacted on Mar 20, 1969 and duly amended on:

1. Oct 7, 1970
2. Mar 1, 1974
3. May 15, 1974
4. Jun 12, 1974
5. Mar 1, 1975
6. Dec 28, 1975
7. Oct 2, 1976
8. Jan 11, 1977
9. May 10, 1977
10. Mar 1, 1978
11. May 15, 1981
12. Aug 15, 1981
13. Mar 5, 1985
14. Sep 18, 1985
15. Apr 20, 1986
16. Jul 14, 1986
17. Jun 3, 1987
18. Aug 12, 1988

19. Jun 28, 1989
20. Sep 12, 1990
21. Jun 20, 1991
22. Jun 8, 1992
23. Jun 30, 1993
24. May 26, 1994
25. Jun 23, 1995
26. Jun 22, 1996
27. Jun 14, 1997
28. Jun 22, 1998
29. Jun 14, 1999
30. Jun 16, 2000
31. Jun 22, 2001
32. Jun 24, 2002
33. Jun 19, 2003
34. Jun 4, 2004
35. Jun 17, 2005
36. Jun 12, 2007
37. Jun 19, 2008
38. Jun 12, 2009
39. Jun 21, 2011
40. Jun 20, 2012
41. Jun 20, 2013
42. Jun 23, 2016

This Articles of Association will be implemented after approved by a shareholders meeting. The same shall apply for any amendment.

Ton Yi Industrial Corp.

Chairman Chih- Hsien Lo

Ton Yi Industrial Corp. Appendix (3) Operational Procedures for Acquisition or Disposal of Assets

Amended on June 13, 2014

(Translation)

Chapter 1 General Provisions

Article 1: The acquisition or disposal of assets by Ton Yi Industrial Corp. (the “Company”) shall be done in accordance with this operational procedures (the “Procedures”) in addition to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission of the Executive Yuan (hereinafter the “FSC”) and any other laws and regulations.

Article 2: Assets referred to in the Procedures include the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, certificates representing interests in domestic funds, foreign mutual funds, depositary receipts, call (put) warrants, beneficiary interest securities, and asset-backed securities and other long-term or short term investments.
2. Real property (including land, houses and buildings, investment property, and rights to use land) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights and other intangible assets.
5. Creditors claims of financial institutions (including receivables, bills purchased and discounted, loans and overdue receivables)

6. Derivatives
7. Assets acquired or disposed of in connection with merger, spin-offs, acquisitions or transfer of shares in accordance with the law.
8. Other important assets.

Article 3: Terms under the Procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other laws, or to transfer of shares from another company through issuance of new shares of its own as the consideration thereof under paragraph 8 of Article 156 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date

of payment, date of consignment trade, date of transfer, date of board of directors resolution or other date that can confirm the identity of the counterpart and the monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the date of occurrence shall be the above applicable date or the date of receipt of approval from the competent authority, whichever is earlier.

6. Mainland China area investment: Refers to investments in the mainland China conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland China Area promulgated by the Investment Commission of the Ministry of Economic Affairs.

Article 4: Appraisal Procedures :

1. Where the Company acquires or disposes of any securities investment or engages in any transaction of derivatives, the finance department shall perform an analysis of relevant return and evaluate possible risks. For any acquisition or disposal of real property or equipment, each division shall draft capital expenditure plan in advance and perform feasibility evaluation about the purpose and expected return of the acquisition or disposal. Where the Company envisages transacting with a related party, an evaluation of the reasonableness of the transactional terms and conditions shall be performed in accordance with Chapter two of the Procedures.
2. Where the Company envisages acquiring or disposing of securities, prior to the date of occurrence of the event, the Company shall obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant (the "CPA"), for reference in appraising the transaction price, and if the amount of the transaction reaches twenty percent (20%) of the Company's paid-in capital or NTD three hundred million (NTD 300,000,000) or more, the Company shall additionally engage a CPA prior to

the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of No. 20 of Statement of Auditing Standards published by the ROC Accounting Research and Development Foundation (ARDF). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.

3. In acquiring or disposing of real property or other equipment where the transaction amount reaches twenty percent (20%) of the Company's paid-in capital or NTD three hundred million (NTD 300,000,000) or more, the Company, unless transacting with a government agency, 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:
 - (1) Where due to special circumstances it is necessary to give a limited price, specified price or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall apply to any future changes to the terms and conditions of the transactions.
 - (2) Where the transaction price is NTD one billion (NTD 1,000,000,000) or more, appraisal results from two or more professional appraisers shall be required.
 - (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction price, or all the appraisal results for the assets to be disposed of are lower than the transaction price, a CPA shall be engaged to perform the

appraisal in accordance with the provisions of No. 20 of the Statement of Auditing Standards published by the Accounting Research and Development Foundation and render a specific opinion regarding the reason for the discrepancy and the fairness of the transaction price:

(i) The discrepancy between one appraisal result and the transaction price reaches twenty percent (20%) or more of the transaction price.

(ii) The discrepancy between the appraisal results of two or more professional appraisers reaches ten percent (10%) or more of the transaction price.

(4) No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period applies and no more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

4. Where the Company acquires or disposes of memberships or intangible assets and the transaction price reaches twenty percent (20%) or more of the paid-in capital of the Company or reaches NTD three hundred million (NTD 300,000,000) or more, unless transacting with a government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of No. 20 of Statement of Auditing Standards by the Accounting Research and Development Foundation.

5. The calculation of the transaction prices referred to in the preceding three subparagraphs shall be done in accordance with Article 6, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained in

accordance with the Procedures need not be counted toward the transaction price.

6. Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
7. The price determination manner and the basis of reference for the Company's acquisition or disposal of assets shall, in addition to the professional price appraisal and opinions of relevant experts such as the accountant pursuant to the above provisions, be in compliance with the following:
 - (1) For the acquisition or disposal of securities that are already traded on any centralized trading market or over-the-counter trading center, the price shall be determined based on the price of the stock or bond at the time of trading.
 - (2) For the acquisition or disposal of securities that are not traded on any centralized trading market or over-the-counter trading center, the price shall be determined in consideration of the net value per share, technical and profit-making capabilities, future development potential, market interest rate, face value interest rate of the bond and debtor's creditworthiness, etc. and also in reference to the latest closing price at that time.
 - (3) For the acquisition or disposal of membership, the price shall be determined in consideration of the return that may be generated and in reference to the latest closing price at the time. For the acquisition or disposal of intangible assets such as patent right, copyright, trademark right and license right, the price shall be determined in reference to international or market practice, remaining life and the impact on the Company's technology and business.
 - (4) For the acquisition or disposal of real property or equipment,

the price shall be determined in reference to the current value under public announcement, appraised current value, actual closing price or book value of real property in the vicinity and suppliers' price proposals. Where the Company transacts with a related party, calculation shall first be made in accordance with Chapter two hereof in order to evaluate whether the transaction price is reasonable.

- (5) Company business requirements shall be taken into consideration for the engagement of transactions of derivatives. Then reference shall be made to the trading situation of the relevant product and the trading situation of Taiwanese stocks and the stock markets in South Eastern Asian countries and European and American markets, as well as evaluation reports by reputable financial institutions or securities firms that has dealt with the Company about the future trend of the stock market, foreign exchange rate and interest rate. The above-mentioned information shall be consolidated before a decision can be made about the appropriate undertaking timing, undertaken products and undertaken amounts.
- (6) In performing a merger, spin-off, acquisition or transfer of shares, the nature of business, net value per share, asset value, technical and profit-making capabilities, production capacity and future growth potential shall be taken into consideration.
8. When the Company performs a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to pass a resolution, a CPA, an attorney, or a securities underwriter shall be engaged to provide opinions on the reasonableness of the share swap proportion, acquisition price, or cash or other property distributed to shareholders and such opinions shall be submitted to the board of directors for discussion and approval.

Article 5: Processing Procedure :

1. The Company shall proceed with the acquisition or disposal of

assets specified in Article 2 of the Procedures in accordance with the following rules:

(1) Securities :

(i) For any purchase and sale of securities that are not traded on the centralized trading market or over-the-counter trading center with the sale or purchase price of NTD ten million (NTD 10,000,000) or lower, the chairman, the director authorized by the chairman or the general manager shall be authorized to make decisions. For any price exceeding NTD ten million (NTD 10,000,000) (inclusive), the chairman, the director authorized by the chairman or the general manager shall submit the proposal to the board of directors for discussion or ratification. The relevant procedure shall be carried out by the finance department.

(ii) For any purchase and sale of securities that are traded through a stock exchange or over-the-counter market, the chairman shall authorize the finance department to carry out the transaction through a stock exchange or over-the-counter market based on the market value of the securities at that time.

(2) Real property or other fixed assets: Acquisition or disposal of real property or other fixed assets for which the transaction price reaches NTD three hundred million (NTD 300,000,000) or more shall be submitted to the board of directors for discussion and recognition. Except parcels of land which shall be investigated in detail and assessed by the Administrative Service Department and submitted to the chairman, director authorized by the chairman or the general manager for approval, a capital expense plan shall be drafted by relevant department for the acquisition of all other real properties or fixed assets. For transactions worth more than NTD two hundred thousand (NTD200,000), a benefit assessment report shall be provided for the chairman, the director authorized by the chairman or the general manager's review and approval. When a fund is to be used,

the request for approval of fund usage shall also be submitted for the approval of all levels of supervisors according to the approval authorization and the request will be proceeded with in accordance with the purchase procedures. For the disposal, the utilizing department shall fill in the asset variation notice or submit as a project for approval, and the disposal thereof will be proceeded with upon approval of parties with approval authorization.

- (3) Derivatives : Transactions of derivatives shall be done in accordance with Chapter three of the Procedures.
 - (4) Transaction with a related party: Such transaction shall be proceeded pursuant to Chapter two of the Procedures.
 - (5) Merger, spin-off, acquisition or transfer of shares: Relevant procedures shall be carried out and relevant information shall be prepared in accordance with Chapter 4 hereof. Any merger, spin-off or acquisition shall be subject to prior approval by resolution of shareholders meeting. However, if other laws provide that no shareholder resolution is necessary, it may be waived. Any transfer of shares shall be subject to prior approval by the board of directors.
 - (6) Others: The transaction shall be carried out in accordance with internal control system and decision making authorization. For any of the circumstances under Article 185 of the Company Act, prior approval by resolution of shareholders meeting shall be obtained.
2. The execution department of the Company for acquiring or disposing of securities and transactions regarding derivatives is the Department of Finance and Accounting and staffs assigned by the chairman, the director authorized by the chairman or the general manager. The execution department for real property and other assets is the departments using such real property or assets and other relevant departments with authorization. The execution department for merger, spin-off, acquisition, or

transfer of shares shall be the departments assigned by the chairman, the director authorized by the chairman or the general manager. After the acquisition or disposal of an asset is evaluated and approved in accordance with relevant rules, the execution department shall proceed with the transaction procedures, including making contracts, collecting and paying, deliver and inspection and acceptance, and handle the same based on the nature of the asset in accordance with procedures regarding internal control related matters. Furthermore, transactions involving a related party, engaging in transactions of derivatives and merger, spin-off, acquisition or transfer of shares shall also be proceeded with in accordance with Chapter 2 to Chapter 4 of the Procedures.

Article 6: Procedures of Public Announcement and Reporting :

1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format and with contents by regulations within two (2) days commencing immediately from the date of occurrence of the event:
 - (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 twenty percent (20%) or more of paid-in capital, ten percent (10%) or more of the company's total assets, or NTD three hundred million (NTD 300, 000, 000) or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements or subscription or redemption of domestic money market funds.
 - (2) Engage in merger, spin-off, acquisition or transfer of shares.
 - (3) Engage in transactions of derivatives where the loss thereof reaches the limits on aggregate loss of all or individual contracts as specified in the Procedures.

(4) Where an asset transaction other than any of those referred to in the preceding three subparagraphs, or an investment in the Mainland China area reaches twenty percent (20%) or more of paid-in capital or NTD three hundred million (NTD 300,000,000); provided, this shall not apply to the following circumstances:

1. Trading of government bonds.
2. Trading of bonds under repurchase and resale agreement, subscription or redemption of domestic money market funds.
3. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NTD five hundred million (NTD 500,000,000).
4. 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 less than NTD five hundred million (NTD 500,000,000).

2. The amount of transactions above shall be calculated as follows:

- (1) The amount of any individual transaction.
- (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.
- (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.

- (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

The aforesaid "within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

3. 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 publicly listed companies in the R. O. C. and enter the information in the format shown in the attachment into the information reporting website designated by the FSC by the tenth (10th) day of each month.
4. 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.
5. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with paragraph 1 of this Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within two (2) days commencing immediately from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, spin-off, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

- (3) Change to the originally publicly announced and reported information.

Article 7: Investment Scope and Limit :

1. The total amount of assets acquired by the Company for non-operational use shall not exceed fifty percent (50%) of shareholder's equity. The total amount of securities acquired shall not exceed one hundred and fifty percent (150%) of shareholder's equity. Acquisition of any individual security shall not exceed thirty percent (30%) of shareholder's equity. This provision shall not be applicable if there is approval by resolution of shareholders meeting.
2. The total amount of real property purchased for non-operational use by any subsidiary shall not exceed fifty percent (50%) of its capital amount or shareholder's equity (whichever is higher), the total amount of securities purchased shall not exceed one hundred and fifty percent (150%) of its capital amount or shareholder's equity (whichever is higher), the amount of investment in any individual security shall not exceed fifty percent (50%) of its capital or shareholder's equity (whichever is higher), but the provision shall not be applicable if there is approval by the board of directors of such company and ratification by the board of directors of the Company.

Article 8: Control Procedures for the Acquisition and Disposal of Assets by Subsidiaries:

1. Subsidiaries of the Company shall establish the "Processing Procedure for Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Supervisory Commission and the Procedures. Following approval by the board of directors, such procedures shall be submitted to each supervisor and submitted to the shareholders meeting for approval. The same shall be applicable to any amendment thereof. Article 27 should be applied if the Company has

instituted an Audit Committee.

2. Subsidiaries of the Company shall submit monthly report to the Company, prior to the second (2nd) date of each month, on the status of all transactions involving derivative products up to the previous month.
3. If any subsidiary of the Company in not a publicly listed company and if the assets acquired or disposed of reaches the threshold for public announcement filing, the Company shall be notified on the date of occurrence of the fact and the Company shall make filing for public announcement on the designated website in accordance with the rules. The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches twenty percent (20%) of paid-in capital or ten percent (10%) of the total assets.

Article 9: Penalty :

If the manager or personnel of the Company responsible for acquisition or disposal of assets violates the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the FSA or the Procedures, a oral warning shall be rendered for first violation, following by written warning for continual violation. Persons who violate the aforesaid repeatedly or materially shall be transferred from the original position.

Chapter 2 Related Party Transactions

Article 10: When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted in accordance with both previous Chapter and this Chapter and the reasonableness of the transaction terms is appraised, if the transaction amount reaches ten percent

(10%) or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Chapter. The calculation of the transaction amount shall be made in accordance with Article 4, paragraph 1, subparagraph 5 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 11: Resolution Procedures :

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 twenty percent (20%) or more of paid-in capital, ten percent (10%) or more of the company's total assets, or NTD three hundred million (NTD 300,000,000) or more, except in trading of government bonds or bonds tender repurchase and resale agreements, or subscription or redemption of domestic money market funds, the unit responsible for implementation may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to the Audit Committee and obtain the consent of the Audit Committee and proposed to the board of directors for a resolution:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty,

and that trading counterparty's relationship to the company and the related party.

5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 6 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee in accordance with the Procedures need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

Article 12: Assessment on Reasonableness of Transaction Conditions:

When the Company acquires real property from a related party, the reasonableness of the transaction costs shall be evaluated by the following means and an accountant shall be engaged to verify the result and provide substantial opinion, unless the related party acquired the real property through inheritance or as a gift, or more than five (5) years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction, or the real property is acquired through

signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been seventy percent (70%) or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one (1) year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
3. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means provided under subparagraph 1 or 2 above respectively.

Article 13: Matters to be processed where the Calculated Transaction Cost is lower than the Transaction Price:

1. If the transaction cost calculated from the results of an evaluation in accordance with the previous article is lower than the transaction price, unless any of the following circumstances exist and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and accountant, Article 4 shall be applicable.

(1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighbouring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

3. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

(2) The company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

2. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a

distance of no more than five hundred (500) meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than fifty percent (50%) of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

3. Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with aforementioned Article are uniformly lower than the transaction price, and if there is no circumstance provided under paragraph 1 of this Article, the following steps shall be processed:
 - (1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. The Company has set aside a special reserve may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
 - (2) Independent directors of the Audit Committee shall comply with Article 218 of the Company Act.
 - (3) Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Chapter 3 Monitoring of Transactions of Derivative Products

Article 14: Transaction Principles and Guidelines :

1. Types of Transactions : The types of transactions in which the Company may engage include forward contracts, options, interest rate and foreign exchange rate swaps, futures and compound contracts combining any of the above products. Any required transaction in any other product may only be carried out following approval by resolution of the board of directors.
2. Operational or Hedging Strategies: Transactions in derivative products carried out by the Company are divided into transactions for hedging purpose and transactions that are not for hedging purpose (i.e., for transaction purpose). The strategy shall be to focus on the main purpose of hedging. The main selection of transaction products shall be for avoiding the risk of foreign exchange income, expense, asset or indebtedness incurred from the operation of the Company's business. In case of any change of objective environment, "non-hedging transactions" in derivative products may be engaged at appropriate timing in the market in order to increase additional non-operational income or reduce non-operational loss. Further, to the extent possible, the selected transaction counterparties shall be financial institutions that have business dealings with the Company in order to avoid credit risk. The type of transaction shall be clearly defined as hedging transaction or financial operation in pursuit of investment return prior to the transaction as the basis for accounting.
3. Transaction Amount Limits:
 - (1) Hedging Transactions: The maximum hedging limit shall be the net positions of foreign exchange (including net positions expected to incur in the future) after consolidation of assets and debt.

(2) Non-Hedging Transactions: Limit on unsettled transactions shall not exceed USD one hundred million (USD 100,000,000). The personnel executing the trade shall first submit an analysis report on foreign exchange trends, its details must clearly analyze the trends in the foreign exchange market and recommend operating mode, and may proceed only upon getting the approval from the chairman, the director authorized by the chairman or general manager.

4. Global and Individual Contract Loss Limit Amount

(1) Hedging Transactions: After a position is established, in case of any of the following, recommendations of corresponding measures shall be proposed immediately to president or the supervisor authorized by the chairman or the director authorized by the chairman or general manager for decision:

1. Evaluated loss amount for any single contract exceeds twenty percent (20%) of the transaction contract amount for consecutive two months.
2. Evaluated loss amount for all contracts exceed ten percent of the total transaction contract amount for consecutive two months.

(2) Non-Hedging Transactions: After a position is established, in case of any of the following, recommendations of corresponding measures shall be proposed immediately to the chairman, the director authorized by the chairman or general manager for decision:

1. Evaluated loss amount for any single contract exceeds twenty percent of the transaction contract amount.
2. Evaluated loss amount for all contracts exceed ten percent of the total transaction contract amount.

5. Authorization Amount :

- (1) Hedging Transactions: Based on the changes of company revenue and risk position, the chairman or the director authorized by the chairman or general manager designated person may carry out trading of USD five million (USD 5,000,000) (inclusive) and below for any single trade, whereas for any single trade exceeds USD five million (USD 5,000,000), the approval from the chairman, the director authorized by the chairman or general manager must first be obtained before proceeding.
- (2) Non-Hedging Transactions: To reduce risks, all transactions must be approved by the chairman, the director authorized by the chairman or general manager before proceeding.
- (3) In order to accommodate the management control of the bank, the authorized person must inform the bank regarding the company authorization.

6. Division of Responsibilities:

- (1) Trading Personnel: Will serve as the execution staff for the Company's transactions of derivative products shall be designated by the chairman or the director authorized by the chairman or general manager. The personnel shall be responsible for devising trading strategy, executing trading orders and disclosure of future trading risks within the authorized limit, and provide timely information to all relevant departments for reference.
- (2) Accounting Division: Responsible for confirming transactions, booking accounting entries and retaining trading records according to relevant stipulations, regularly carrying out fair market value assessment on the positions held (which assessment will be provided the trading personnel) and disclosing relevant matters pertaining to derivatives in the financial statements.
- (3) Finance Division: Responsible for settlement of derivative

trades.

7. Principles for Performance Evaluation:

- (1) Hedging Transactions: Performance evaluation shall be based on the foreign exchange (interest) rate cost on the Company's books and the profit and loss incurred from derivative financial transactions. There shall be at least two evaluations every month and the performance shall be submitted to management for reference.
- (2) Non-Hedging Transactions: Performance evaluation shall be based on the profit and loss actually incurred. There shall be at least one evaluation every week and the performance shall be submitted to management for reference.

Article 15: Risk Management Measures:

In engaging in transactions of derivative products, the Company's risk management scope and the risk management measures to be taken are as follows:

1. Credit Risk Consideration: In principle, the selected transaction counterparties shall be financial institutions or brokerage agents that have dealings with the Company, with a good reputation and the ability to provide professional information.
2. Market Price Risk Consideration: The future market price fluctuation of derivative products may incur uncertain losses. Therefore after positions are established, the profit and loss shall continue to be followed. When the loss exceeds the preset loss stop point, report shall be made immediately to the chairman, the director authorized by the chairman or general manager for decision
3. Liquidity Risk Consideration: In order to ensure the liquidity of transaction products, the transaction institution must have

sufficient equipment, information and transaction capability to perform transactions in any market.

4. Processing Risk Consideration: The authorization amount and processing flow shall be strictly complied with in order to avoid any processing risk
5. Legal Risk Consideration: As far as possible, use international standardized documents when signing any agreements with financial institutions to avoid legal risks.
6. Product Risk Consideration: The internal transaction person shall possess complete and correct professional knowledge about the transacted derivative product in order to avoid loss from misuse of derivative products.
7. Cash Settlement Risk Consideration: The authorized transaction person shall strictly comply with the rules of authorization amount and shall also pay attention to the cash flow of the Company in order to ensure that there is sufficient cash for settlement.
8. Transaction personnel may not also serve as confirmation and settlement personnel.
9. Verification personnel shall regularly verify accounts with banks or through confirmation letters and shall verify whether the total amount of transaction has exceeded the limit provided under this Procedure at all times.
10. Weighing Risk. In accordance to Paragraph 8 herein, the supervising personnel and administering personnel shall not belong to the same department, and report to the board of directors or a senior executive from a different department.
11. All positions shall be evaluated at least once every week. In case of hedging transactions pursuant to business requirement, evaluation shall be performed at least twice every month. The

evaluation report shall be submitted to the chairman, the director authorized by the chairman or general manager.

Article 16: Internal Audit System:

The internal audit staff of the Company shall regularly understand the appropriateness of internal control for transactions of derivative products, perform monthly audit on the operating procedure of the transaction department with regard to transactions of derivative products and prepare audit reports. If any significant breach of this rule is discovered, an immediate report shall be submitted to chairman, the director authorized by the chairman or general manager and the audit committee shall be informed in writing.

Article 17: Regular Evaluation Method and Handling of Abnormal Situations:

1. Transactions of derivative products shall be regularly evaluated on monthly or weekly basis and profit and loss as well as open positions of non-hedging transactions during the current month or current week shall be listed and submitted to chairman, the director authorized by the chairman or general manager as reference for management performance evaluation and risk consideration.
2. The senior executive designated by the board of directors shall pay attention to the monitoring and control of risk for transactions of derivative products at all times. The board of directors shall evaluate whether the performance of transactions of derivative products complies with the fixed operational strategies and whether the risk undertaken is within the Company's scope of tolerance.
3. The senior executive authorized by the board of directors shall manage transactions of derivative products based on the following principles:
 - (1) Regularly evaluate whether the risk management measures currently used are appropriate and ensure that the relevant provisions under the "Rules Governing the Acquisition and

Disposal of Asset” established by the Financial Supervisory Commission and this Procedure are complied with.

- (2) Monitor transaction and profit and loss situations. Take necessary corresponding measures if any anomaly is discovered and report immediately to the board of directors.
4. The Company shall establish a record book for transactions of derivative products, detailing the types and amounts of transactions of derivative products, the dates of approval by the board of directors, monthly or weekly regularly evaluation reports and matters subject to regular evaluations by the board of directors and senior executive authorized by the board of directors.

Chapter 4 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

Article 18: The Company that conducts a merger, spin-off, 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.

Article 19: The Company that conducts a merger, spin-off or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another law exempts a company from convening a shareholders meeting to approve the merger, spin-off or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, spin-off, or acquisition fails to convene or pass a

resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, spin-off or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 20: Unless another act provides otherwise or the FSC is notified in advance, when the Company participates in any merger, split or acquisition, it shall convene the board meeting and the shareholders meeting on the same day as the other participating companies to resolve on matters of merger, split or acquisition. When the Company participates in any transfer of shares, it shall convene the board meeting on the same day as the other participating companies.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five (5) years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings. When participating in

a merger, spin-off, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two (2) days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation. Where any of the companies participating in a merger, spin-off, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 2 and 3.

Article 21: Share exchange ratio and acquisition price:

The share exchange ratio or acquisition price shall not be amended at will pertaining to any merger, split, acquisition or share transfer except for any of the following circumstances:

1. Capital increase in cash, issuance of convertible corporate bonds, issuance of shares without consideration, issuance of corporate bonds with warrants attached, special shares with warrants attached, stock warrants and other securities of the nature of equity.
2. Disposal of the Company's major assets or any other action which impacts the financial or business well-being of the Company.
3. Occurrence of major disaster, evolutionary change in technology or any other event which affects shareholders' interest or stock price.
4. Any one party of the companies involved in a merger, split, acquisition or share transfer, making an adjustment through treasury shares buyback in accordance with law.

5. Change of entity, or increase or decrease of the number of entities participating in a merger, split, acquisition or share transfer.
6. Change of any other condition that may be changed under the agreement and for which public disclosure has been made.

Article 22: Matters which must be provided in the agreement:

Where the Company participates in a merger, split, acquisition or transfer of shares, the deal agreement shall specify the rights and obligations of the participating companies, the share exchange ratio and the acquisition price which may be changed as stated in the previous article, and the following matters:

1. The handling for breach of contract.
2. The principles for handling securities of equity nature issued or treasury shares repurchased by the distinguished company or the split company before the consummation of a merger or a split.
3. The quantity of and the principles for handling treasury shares which may be repurchased in accordance with law by the participating company after the record date for calculation of share exchange ratio.
4. The manner in which increase or decrease in number of participating entities is to be handled.
5. The estimated progress schedule for executing the project and the estimated completion date.
6. The relevant handling procedures related to the expected date for convening the shareholders meeting in accordance with law, where completion of the project becomes delayed.

Article 23: Other noted matters for the Company's participating in a merger, split, acquisition or share transfer:

1. The requirement for all persons participating in or knowing the merger, split, acquisition or share transfer to enter into a written non-disclosure undertaking. Before announcement of the information, all persons involved shall neither reveal the project nor engage in buying or selling of any share or other securities of equity nature of any company which is related to the transaction either in his own name or in the name of any other person.
2. Subsequent to the announcement of the merger, split, acquisition or share transfer, if a further merger, split, acquisition or share transfer is contemplated with another company, unless the number of participating entities is decreased and the shareholders meeting has resolved and authorized the board of directors to make changes, in which circumstances no additional resolution from the shareholders meeting shall be necessary, all completed procedures or legal actions under the original proposal shall be redone.
3. Where a company participating in the merger, split, acquisition or share transfer is not a public reporting company, the Company shall enter into an agreement with such company and proceed in accordance with Article 20 hereunder and the two preceding paragraphs of this article.

Chapter 5 Other Important Matters

Article 24: Where the Company acquires or disposes of assets, relevant contracts, meeting minutes, record books, price appraisal reports and opinions of accountants, attorneys or securities underwriters shall be maintained for at least 5 years at the Company unless otherwise stipulated by law.

Article 25: With regards to price appraisal reports issued by expert

appraisals or opinions of accountants, attorneys or securities underwriters, the aforementioned persons shall not be a related party to any of the companies to a transaction.

Article 26: Where an acquisition or disposal of assets by the Company is subject to approval by the board of directors according to the Procedures or other laws or regulations and where the director voices objection which is recorded or stated in writing, such director objection information shall be submitted to the audit committee. If the Company has independent directors, the opinions of each independent director shall be fully taken into consideration. For any objection or reservation an independent director might have, it shall be specified in the minutes of board meetings.

Article 27: The Procedures shall be implemented after the audit committee's consent, the board of directors' passage by resolution and the shareholders meeting's approval and so shall the amendment thereto. If any director expresses dissent and such dissent has been recorded in the minutes or substantiated by a written declaration, the Company shall submit the director's dissenting opinion to the audit committee. When the Procedures are submitted to discussion by the board of directors, the board of directors shall fully take into account each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

The aforementioned all members of the audit committee and all members of the directors refer to actual incumbent audit committee