



Ton Yi Industrial Corp.

2016 Annual General  
Meeting

# Conference Manual

June 23, 2016

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# Ton Yi Industrial Corp.

## 2016 Annual Meeting Agenda

1. Time: 9:00 am, June 23 (Thursday), 2016
2. Venue: 7F Conference Hall, No. 837, Zhongzheng N Road, Yongkang District, Tainan City
3. Conclude total number of shares represented and commence meeting
4. Chairman's opening remarks

### Meeting Proceeding

#### One. Discussions:

- (1) Amendment of the Company's "Articles of Incorporation."

#### Two. Reports:

- (1) Reporting of the Company's 2015 Business Reports.
- (2) Reporting of Audit Committee's review over the Company's 2015 year-end closure.
- (3) Reporting of proposed 2015 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.
- (7) Reporting of the Company's indirect investments into Mainland China.

#### Three. Acknowledgments:

- (1) Acknowledgment of the Company's 2015 Business Report and Financial Statements.
- (2) Acknowledgment of the Company's 2015 Earnings Appropriation.

#### Four. Election:

- (1) Election of the Company's 16th board of directors (10 seats in total; including 3 independent directors).

#### Five. Other agendas:

- (1) Discussion to remove restrictions against involvements in competing business activities for the newly elected board.

#### Six. Special motion

#### Seven. Meeting dismissed

## One. Discussions

Agenda #1 (Proposed by the board of directors)

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

Description:

- (1) This amendment has been proposed in response to new Article 235-1 and amended Articles 235 and 240 introduced to the Company Act under President's Order No. Hua-Zong-1-Yi-10400058161 dated May 20, 2015. Article 235 of the Company Act had previously specified the percentage of earnings to be distributed as employees' bonus. However, in light of international trends to expense employees' share of profit and exclude employees from earnings distribution, the corresponding clause was removed from the Company Act and replaced with Article 235-1 instead. Under this new Article, companies are required to specify in the Articles of Incorporation the amount or percentage of current profit to be paid out as employees' remuneration.
- (2) This agenda was passed by the Remuneration Committee, the Audit Committee and the 15th board of directors during the 16th board meeting.
- (3) Please refer to P11~P12 for a comparison of existing and revised terms of the "Articles of Incorporation."

Resolution:

## Two. Reports

### Report #1

Summary: Reporting of 2015 Business Reports.

Description: Reporting of the Company's 2015 Business Reports.  
(Please refer to P13~P14 of the Conference Manual)

### Report #2

Summary: Reporting of Audit Committee's review over the 2015 year-end closure.

Description:

- (1)The Company's 2015 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 P154~P29 of the Conference Manual)
- (2)This report was passed during the 17th meeting of the 15th board of directors.
- (3)Read out of the review report.

### Report #3

Summary: Reporting of proposed 2015 employees' and directors' remuneration.

Description:

- (1)Pursuant to the amended Articles of Incorporation, employees' remuneration totaling NT\$33,344,422 (or 4.49% of current profit) and directors' remuneration totaling NT\$10,640,030 (or 1.43% of current profit) have been proposed. Both amounts shall be distributed in cash.
- (2)The proposed amount of employees' and directors' remuneration was NT\$655,578 lesser than the amount estimated in 2015; this difference will be adjusted into the 2016 profit and loss account.
- (3)This agenda has been discussed by the Remuneration Committee and passed by the board of directors.

Report #4

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

Description: As at December 31, 2015, guarantees and endorsements totaling NT\$2,997,472,000 had been made in accordance with the Company's Guarantee and Endorsement Procedures.

Unit: NTD thousands

The endorsed / guaranteed	Shareholding percentage	As at 2015.12.31
Zhangzhou Ton Yi Industrial Co., Ltd.	100%	300,382
Chengdu Ton Yi Industrial Packaging Co., Ltd.	100%	449,340
Sichuan Ton Yi Industrial Co., Ltd.	100%	1,248,750
Zhanjiang Ton Yi Industrial Co., Ltd.	100%	999,000
Total		2,997,472

Report #5

Summary: Reporting of total loans granted to third parties.

Description: As of December 31, 2015, 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)
2015.01 ~ 2015.12	44,595	(528)

Report #7

Summary: Reporting of the Company's indirect investments into Mainland China.

Description: Below is a list of indirect investments in Mainland China that the Company had held using 100%-owned subsidiaries registered in a third country in 2015:

Unit: USD/thousands

Subsidiary registered in a third country	Investees	Capital	Opening investment balance (as at 2014/12/31)	Current investments made (for period ended 2015/12/31)	Closing investme nt balance
Cayman Ton Yi Industrial (China) Holdings Co., Ltd.	Ton Yi (China) Investment Co., Ltd.	230,000	30,000	200,000 [Note]	230,000

[Note] The actual amount of cash invested into Mainland China through a third country totaled US\$20 million; the increase of investment balance was due to a restructuring arrangement, where six of the PET subsidiaries previously held by Cayman Ton Yi Industrial (China) Holdings Co., Ltd. was transferred to Ton Yi (China) Investment Co., Ltd. in exchange for shares.

Unit: USD/thousands

Mainland subsidiaries	Investees	Capital	Opening investment balance (as at 2014/12/31)	Current investments made (for period ended 2015/12/31)	Closing investment balance
Ton Yi (China) Investment Co., Ltd.	Zhanjiang Ton Yi Industrial Co., Ltd.	20,000	12,000	8,000	20,000
	Sichuan Ton Yi Industrial Co., Ltd.	30,000	18,000	12,000	30,000
	Zhangzhou Ton Yi Industrial Co., Ltd.	30,000	0	30,000	30,000
	Taizhou Ton Yi Industrial Co., Ltd.	30,000	0	30,000	30,000
	Huizhou Ton Yi Industrial Co., Ltd.	30,000	0	30,000	30,000

	Chengdu Ton Yi Industrial Packaging Co., Ltd.	30,000	0	30,000	30,000
	Beijing Ton Yi Industrial Co., Ltd.	30,000	0	30,000	30,000
	Kunshan Ton Yi Industrial Co., Ltd.	30,000	0	30,000	30,000
Total		230,000	30,000	200,000	230,000



### Three. Acknowledgments

Agenda #1 (Proposed by the board of directors)

Summary: Acknowledgment of the Company's 2015 Business Report and Financial Statements.

Description: The Company's 2015 Business Report and Financial Statements have been audited by PricewaterhouseCoopers Taiwan and are available for acknowledgment.

(Please refer to P13~P29 of the Conference Manual)

Resolution:

Agenda #2 (Proposed by the board of directors)

Summary: Acknowledgment of the Company's 2015 Earnings Appropriation.

Description:

- (1)The Company has completed the preparation of its 2015 standalone financial statements. After-tax profits amounted to NT\$590,018,253 for the year, for which a statutory reserve totaling NT\$59,967,583 was bound to be provided in accordance with law (10% of current profit plus a shortfall of NT\$1,085,138 required on 2014 profits). The remainder plus NT\$24,836,542 of undistributed earnings carried from the previous year less a NT\$24,945,206 revaluation of defined benefit plan concludes a balance of NT\$529,942,006, which is available for distribution in the current year.
- (2)For the Company's 2015 Earnings Appropriation, a proposal has been made to pay a cash dividend of NT\$505,326,509 (NT\$320 per thousand shares) from available earnings. Please refer to P30 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.
- (3)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.
- (4)This agenda has been discussed by the Audit Committee and passed by the board of directors.

Resolution:

## Four. Election

Agenda #1 (Proposed by the board of directors)

Summary: Election of the Company's 16th board of directors (10 seats in total; including 3 independent directors).

Description:

- (1)The term of service of the Company's 15th board will end on June 19, 2016.
- (2)According to the Articles of Incorporation, a total of 10 directors (including 3 independent directors) shall be elected for the 16th board. All directors shall be elected using the nomination system, and existing directors will have their services extended until new directors are onboard for duty. New directors shall begin service immediately after being elected during the annual general meeting, and serve a term of three years from June 23, 2016 until June 22, 2019.
- (3)For sound corporate governance, the Company plans to follow the Articles of Incorporation and Article 14-4 of the Securities and Exchange Act, and assemble an Audit Committee comprising entirely of independent directors. The second and subsequent Audit Committees shall be established as soon as new independent directors are elected onboard.
- (4)Pursuant to the Articles of Incorporation, the director election shall proceed using the nomination system, where shareholders will elect from the list of director candidates. Ordinary directors and independent directors are to be elected at the same time, with votes counted separately.
- (5)Please refer to P31-32 of the Conference Manual for a list of director candidates for the 16th board.

Resolution:

## Five. Other agendas

Agenda #1 (Proposed by the board of directors)

Summary: Discussion to remove restrictions against involvements in competing business activities for the newly elected board.

Description:

- (1) Pursuant to Article 209 of the Company Act, "Directors may obtain permission for engaging in business activities that coincide with those of the company's for directors' own benefits, or for the benefits of others, by disclosing material details during shareholder meeting."
- (2) Some of the newly elected directors are found to have simultaneously assumed directorship or managerial roles in other companies that engage in business activities similar to those of the Company's. Their activities should present no threat to the Company, and a proposal has been raised to remove restrictions against their involvements in competing businesses, provided that doing so would not compromise the Company's interests.

Resolution:

Six. Special motion

Seven. Meeting dismissed

Ton Yi Industrial Corp. (Attachment 1)  
Comparison of Existing and Revised Articles of Incorporation

Revised terms	Existing terms	Explanation
<p>Article 30: <u>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.</u> <u>The annual profit mentioned in Paragraph 1 shall refer to pre-tax profit before employees' and directors' remuneration.</u> <u>Employees' remuneration can be paid to employees of affiliated companies that satisfy certain criteria.</u></p>	<p>Article 30: (This Article is added anew)</p>	<p>The original article was renumbered to Article 31. Details regarding the percentage of employees' and directors' remuneration have been added to this article.</p>
<p>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 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. <u>The residual balance plus undistributed</u></p>	<p>Article 30: 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 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 of special reserves. <u>The amount of distributable after-tax earnings plus undistributed earnings carried from the previous year will be available for distribution. Earnings appropriation plans shall be proposed by the board of directors based on factors such as future business or investment requirements.</u> 50% to 100% of distributable earnings</p>	<p>Removed percentages of employees' bonus and directors' remuneration, and adjusted article numbering.</p>

Revised terms	Existing terms	Explanation
<p>earnings carried from the previous year will be available for distribution. 50% to 100% of distributable earnings shall be distributed as shareholders' dividends, <u>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</u> are subject to shareholdersing to no lesser than 30% of to</p>	<p>shall be distributed as shareholdersedfor distri<u>with cash and stock dividends each comprising 50% of the total, but adjustable where necessary,</u> and are subject to shareholdersch comprising 50% of the totng. <u>Directorssubject to shareholdersch comprising 50% of the totng. but adjustable where necessearnings, whereas employees shareholdersch comprising 50% of the totng. but adjustable where necessary, viearnings. Apart from the compensations mentioned in Article 18, independent directors are not entitled to directors' remuneration described in this Article.</u></p>	
<p><u>Article 32:</u> The Company's organizational rules and administrative principles shall be established by the board of directors in separate policies.</p>	<p>Article 31: The Company's organizational rules and administrative principles shall be established by the board of directors in separate policies.</p>	<p>Article renumbered.</p>
<p><u>Article 33:</u> Any matters that are not addressed in the Articles of Incorporation shall be governed by the Company Act and related laws.</p>	<p>Article 32: Any matters that are not addressed in the Articles of Incorporation shall be governed by the Company Act and related laws.</p>	<p>Article renumbered.</p>
<p><u>Article 34:</u> The Articles of Incorporation were created on March 20, 1969, and had since been amended on the following dates: 1st amendment: October 7, 1970..... 41st amendment: June 20, 2013 <u>42nd amendment: June 23, 2016</u> The Articles of Incorporation shall be effected immediately following shareholdersmended on the following dates:ated laws.e policies.this Arti</p>	<p>Article 33: The Articles of Incorporation were created on March 20, 1969, and had since been amended on the following dates: 1st amendment: October 7, 1970..... 41st amendment: June 20, 2013 The Articles of Incorporation shall be effected immediately following shareholdersmended on the following dates:ated laws.e policies.this Arti</p>	<p>1. Article renumbered. 2. Specified the date of amendment.</p>

In 2015, prices of commodities such as iron ore fines and oil had plummeted, whereas Mainland China, the main growth driver behind the global economy in recent years, seems to be slowing down as well. The world economy is currently in the state of adjustment, waiting and searching for a new break. Judging by the macroeconomic environment and trends of the industry we are in, the Company is still presented with opportunities to last through the difficult environment or even achieve growth amidst the slowed down, stagnant, or declining economy. In 2015, Ton Yi Industrial Corp. delivered full-year revenues totaling NT\$17.153 billion, pre-tax profits totaling NT\$698 million, after-tax profits totaling NT\$590 million, and an after-tax EPS of NT\$0.37.

Slowdown of the Chinese economy coupled with excess supply of steel and falling price of iron ore fines have undermined the selling prices of tin plates and tin mill back plates, which are two of the Company's main products. As a result, total revenues had fallen by 18.5% compared to the previous year. Shipment of tin plates, tin mill back plates and cold rolled coils totaled 781,834 tons in 2015, which was 30,855 tons lesser compared to the 812,689 tons a year ago. Sales of cold rolled coils and tin mill back plates amounted to 536,970 tons and NT\$9.548 billion, down 4.0% and 22.6%, respectively, from the previous year. Sales of tin plates amounted to 244,864 and NT\$6.853 billion, down 3.3% and 12.9%, respectively, from the previous year. Sales of tin cans amounted to 130 million pieces and NT\$746 million, down 14.7% and 10.4%, respectively, from the previous year.

The Company prides itself for 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 food they purchase, and contributes to the society by refining its production procedures in ways that minimize impacts on the environment. Through after-sale service and R&D, we continue to refine the quality of products offered and take step towards sustainability. To ensure food safety, the Company has constructed a national grade laboratory and passed international certifications including JIS G 3303, ISO9001, ISO14001, OHSAS 18001& TOSHMS. In 2014, the Company adopted ISO 22000, CNS12681 and CNS labeling to assure customers of the things we make and reach the goal of purchasing the products of Ton Yi comfortably.

In terms of overseas investments, the Company generated RMB 4.931 billion in revenues from Mainland China in 2015, which represented a 3.9% growth from the previous year. This growth was mainly attributed to the sale

of PET drinks, which amounted to RMB 3.15 billion in revenues and represented a growth of 30.5%. Meanwhile, tin plates and tin cans amounted to RMB 1.781 billion in revenues, down 23.6% mainly because of a cut in selling price to reflect the falling price of steel. Volume-wise, tin plates totaled 306,221 tons while tin cans totaled 516 million pieces in sales; this represented a decline of 7.8% and 12.5%, respectively.

In light of the growing beverage market in Mainland China, the Company has actively been working with Uni-President Enterprises for the construction of streamlined production sites that handle everything from the manufacturing of PET caps and bottles to the bottling process, and thereby offer customers a more complete range of products and services. The Company currently has 8 streamlined production sites located in Taizhou City (Jiangsu Province), Kunshan City (Jiangsu Province), Zhangzhou City (Fujian Province), Chengdu City (Sichuan Province), Huizhou City (Guangdong Province), Zhanjiang City (Guangdong Province), and Beijing City; together, they produce 300 million cartons of PET bottles and TP drinks a year. Apart from metal packaging, Ton Yi Industrial has also involved itself in the production of PET materials and beverages. With 16 production and sales locations throughout the world, Ton Yi Industrial has become an all-round packaging company dedicated to providing consumers with the utmost assurance on food safety.

We have developed advanced production facilities and technologies to meet whatever challenges that lie ahead in 2016, and our solid presence in China will allow us to capture the enormous potentials of the local beverage market. In the 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 create a three-win between employees, shareholders, and the society/environment.

Chairman: Chih-Hsien Lo    Manager: Chih-Chung Chen    Head of Accounting: Feng-Fu Chen

**Ton Yi Industrial Corp.** (Attachment 3)

**Audit Committeel Corp.**

We have reviewed the Company's 2015 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. The Audit Committee 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 2016 Annual General Meeting

Ton Yi Industrial Corp.

Audit  
Committee

Convener: Chin-Cheng Chien

Member: Ming-Long Wang

Member: Bing-Eng Wu

March 24, 2016



## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

We have audited the accompanying parent company only balance sheets of Ton Yi Industrial Corp. as of December 31, 2015 and 2014, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of Ton Yi Industrial Corp. as of December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in conformity with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers".

Lin, Tzu-Yu

Independent Accountants

Lee, Ming-Hsien

PricewaterhouseCoopers, Taiwan

Republic of China

March 24, 2016

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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, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2015 AMOUNT	December 31, 2014 AMOUNT
<b>Current assets</b>			
1100	Cash and cash equivalents	\$ 4,801	\$ 9,993
1150	Notes receivable, net	160,650	145,407
1170	Accounts receivable, net	352,615	367,426
1180	Accounts receivable - related parties	709,492	1,070,357
1200	Other receivables	63,097	114,228
1210	Other receivables - related parties	7,627	-
130X	Inventories	1,571,397	2,358,375
1410	Prepayments	163,699	172,366
11XX	<b>Total current assets</b>	<u>3,033,378</u>	<u>4,238,152</u>
<b>Non-current assets</b>			
1523	Available-for-sale financial assets - non-current	130,896	178,340
1543	Financial assets carried at cost - non-current	501,050	501,050
1550	Investments accounted for under equity method	9,997,345	10,231,178
1600	Property, plant and equipment - net	12,864,316	13,794,579
1760	Investment property - net	10,099	10,099
1780	Intangible assets	35,319	70,638
1840	Deferred income tax assets	112,618	106,499
1915	Prepayments for business facilities	2,915	-
1920	Guarantee deposits paid	1,406	6,182
1985	Long-term prepaid rent	43,842	48,852
1990	Other non-current assets	9,407	7,439
15XX	<b>Total non-current assets</b>	<u>23,709,213</u>	<u>24,954,856</u>
1XXX	<b>Total assets</b>	<u>\$ 26,742,591</u>	<u>\$ 29,193,008</u>

(Continued)

TON YI INDUSTRIAL CORP.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2015 AMOUNT	December 31, 2014 AMOUNT
<b>Current liabilities</b>			
2100	Short-term borrowings 6(12)	\$ 18,405	\$ 197,887
2110	Short-term notes and bills payable 6(13)	-	99,942
2150	Notes payable	24,074	19,571
2170	Accounts payable	221,537	109,045
2200	Other payables	593,578	670,917
2230	Current income tax liabilities 6(25)	45,657	49,597
2310	Advance receipts	49,456	40,546
2320	Long-term liabilities, current portion 6(14) and 9	1,800,000	1,800,000
21XX	<b>Total current liabilities</b>	<u>2,752,707</u>	<u>2,987,505</u>
<b>Non-current liabilities</b>			
2540	Long-term borrowings 6(14) and 9	4,592,538	6,093,721
2550	Provisions for liabilities - non-current 6(15)(22)	74,001	72,639
2570	Deferred income tax liabilities 6(25)	204,508	209,116
2640	Accrued pension liabilities - non-current 5(2) and 6(16)	365,767	390,035
2645	Guarantee deposits received	5,500	5,500
25XX	<b>Total non-current liabilities</b>	<u>5,242,314</u>	<u>6,771,011</u>
2XXX	<b>Total liabilities</b>	<u>7,995,021</u>	<u>9,758,516</u>
<b>Equity</b>			
<b>Share capital</b>			
3110	Share capital - common stock 6(17)	15,791,453	15,791,453
3200	Capital surplus 6(18)	228,178	228,178
<b>Retained earnings 6(19)(24)(25)</b>			
3310	Legal reserve	1,379,732	1,303,221
3320	Special reserve	826,453	826,453
3350	Unappropriated retained earnings	589,910	811,964
3400	<b>Other equity interest 6(5)</b>	( 68,156)	473,223
3XXX	<b>Total equity</b>	<u>18,747,570</u>	<u>19,434,492</u>
<b>Contingent liabilities and commitments</b>			
7 and 9			
3X2X	<b>Total liabilities and equity</b>	<u>\$ 26,742,591</u>	<u>\$ 29,193,008</u>

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

TON YI INDUSTRIAL CORP.  
PARENT COMPANY ONLY STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	Year ended December 31	
			2015 AMOUNT	2014 AMOUNT
4000	<b>Sales revenue</b>	7	\$ 17,152,577	\$ 21,042,118
5000	<b>Operating costs</b>	6(4)(10)(11)(16)(23)(24), 7 and 9	( 15,572,801)	( 18,960,334)
5900	<b>Net operating margin</b>		1,579,776	2,081,784
5910	Unrealized profit from sales	6(7) and 7	( 44,739)	( 127,611)
5920	Realized profit from sales	6(7)	127,436	126,654
5950	<b>Net operating margin</b>		1,662,473	2,080,827
	<b>Operating expenses</b>	6(16)(23)(24), 7 and 9		
6100	Selling expenses		( 739,211)	( 906,343)
6200	General and administrative expenses		( 357,923)	( 397,264)
6000	<b>Total operating expenses</b>		( 1,097,134)	( 1,303,607)
6900	<b>Operating profit</b>		565,339	777,220
	<b>Non-operating income and expenses</b>			
7010	Other income	6(20) and 7	41,796	57,383
7020	Other gains and losses	6(21), 7 and 12	24,457	111,500
7050	Finance costs	6(8)(22)	( 115,395)	( 118,418)
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	181,839	102,026
7000	<b>Total non-operating income and expenses</b>		132,697	152,491
7900	<b>Profit before income tax</b>		698,036	929,711
7950	Income tax expense	6(25)	( 108,018)	( 153,751)
8200	<b>Profit for the year</b>		\$ 590,018	\$ 775,960
	<b>Other comprehensive income</b>			
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>			
8311	Remeasurements of defined benefit plans	6(16)	( \$ 30,055)	( \$ 13,074)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	5,109	2,222
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>			
8361	Exchange translation differences arising on translation of foreign operations	6(7)	( 494,736)	247,348
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	6(5)	( 47,444)	761
8399	Income tax related to components of other comprehensive income	6(25)	801	( 898)
8300	<b>Other comprehensive (loss) income for the year</b>		( \$ 566,325)	\$ 236,359
8500	<b>Total comprehensive income for the year</b>		\$ 23,693	\$ 1,012,319
	<b>Earnings per share (in dollars)</b>			
9750	<b>Basic earnings per share</b>	6(26)	\$ 0.37	\$ 0.49
9850	<b>Diluted earnings per share</b>	6(26)	\$ 0.37	\$ 0.49

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, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves			Retained Earnings			Other Equity Interest		Total equity	
		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
<u>2014</u>											
Balance at January 1, 2014		\$ 15,791,453	\$ 58,271	\$ 169,088	\$ 819	\$ 1,183,966	\$ 826,453	\$ 1,192,555	\$ 427,350	(\$ 201,338)	\$ 19,448,617
Distribution of 2013 net income (Note) :											
Legal reserve		-	-	-	-	119,255	-	( 119,255 )	-	-	-
Cash dividends	6(19)	-	-	-	-	-	-	( 1,026,444 )	-	-	( 1,026,444 )
Profit for the year		-	-	-	-	-	-	775,960	-	-	775,960
Other comprehensive income for the year	6(5)	-	-	-	-	-	-	( 10,852 )	246,450	761	236,359
Balance at December 31, 2014		<u>\$ 15,791,453</u>	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 1,303,221</u>	<u>\$ 826,453</u>	<u>\$ 811,964</u>	<u>\$ 673,800</u>	<u>(\$ 200,577)</u>	<u>\$ 19,434,492</u>
<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	6(5)	-	-	-	-	-	-	( 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>

(Note) The employees' bonuses and directors' and supervisors' remuneration were \$91,157 and \$58,920 in 2013 and 2014, 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, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 698,036	\$ 929,711
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on financial assets at fair value through profit or loss		-	43
Provision for doubtful accounts	6(3)	347	-
Reversal of allowance for doubtful accounts	6(3)	-	( 6,280 )
Provision (reversal of allowance) for inventory market price decline	6(4)	139,000	( 8,000 )
Share of profit of associates and joint ventures accounted for under equity method	6(7)	( 181,839 )	( 102,026 )
Unrealized profit from sales	6(7)	44,739	127,611
Realized profit from sales	6(7)	( 127,436 )	( 126,654 )
Depreciation on property, plant and equipment	6(8)(23)	1,052,307	1,071,922
Loss on disposal of property, plant and equipment	6(21)	25,031	13,236
Gain on disposal of investment property	6(21)	-	( 632 )
Amortization	6(10)(23)	35,319	35,319
Amortization of long-term prepaid rent	6(11)	2,505	2,495
Dividend income	6(20)	( 3,458 )	( 2,380 )
Interest income	6(20)	( 90 )	( 4,138 )
Interest expense	6(22)	115,395	118,418
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 15,397 )	13,358
Accounts receivable		14,618	106,434
Accounts receivable - related parties		360,865	( 331,609 )
Other receivables		51,131	( 3,948 )
Other receivables - related parties		( 7,627 )	-
Inventories		647,978	128,363
Prepayments		11,172	( 8,010 )
Changes in operating liabilities			
Notes payable		4,503	( 3,403 )
Accounts payable		112,492	( 348,419 )
Other payables		( 76,137 )	( 31,035 )
Advance receipts		8,910	1,632
Accrued pension liabilities - non-current		( 54,323 )	( 58,817 )
Cash inflow generated from operations		2,858,041	1,513,191
Cash dividends received form investments accounted for under equity method	6(7)	3,808	3,499
Dividends received		3,458	2,380
Interest received		90	4,138
Interest paid		( 114,931 )	( 116,870 )
Income tax paid		( 116,775 )	( 263,689 )
Net cash flows from operating activities		<u>2,633,691</u>	<u>1,142,649</u>

(Continued)

TON YI INDUSTRIAL CORP.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Cash paid for acquisition of investments accounted for	6(7)		
under equity method		\$ -	(\$ 2,394,859 )
Acquisition of property, plant and equipment	6(8)	( 30,814 )	( 16,050 )
Proceeds from disposal of property, plant and equipment		38	850
Proceeds from disposal of investment property		-	1,094
Increase in prepayments for equipment		( 118,916 )	( 63,220 )
Interest paid for prepayments for equipment	6(8)(22)	( 473 )	( 882 )
Decrease (increase) in guarantee deposits paid		4,776	( 796 )
(Increase) decrease in other non-current assets		( 1,968 )	2,964
Net cash flows used in investing activities		( 147,357 )	( 2,470,899 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
(Decrease) increase in short-term borrowings		( 179,482 )	195,064
(Decrease) increase in notes and bills payable		( 100,000 )	99,942
Increase in long-term borrowings		19,900,535	6,117,695
Decrease in long-term borrowings		( 21,401,964 )	( 4,073,303 )
Decrease in guarantee deposits received		-	( 20 )
Cash dividends paid	6(19)	( 710,615 )	( 1,026,444 )
Net cash flows (used in) from financing activities		( 2,491,526 )	1,312,934
Net decrease in cash and cash equivalents		( 5,192 )	( 15,316 )
Cash and cash equivalents at beginning of year	6(1)	9,993	25,309
Cash and cash equivalents at end of year	6(1)	\$ 4,801	\$ 9,993

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

We have audited the accompanying consolidated balance sheets of Ton Yi Industrial Corp. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ton Yi Industrial Corp. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity 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.

We have also audited the separate financial statements of Ton Yi Industrial Corp. as of and for the years ended December 31, 2015 and 2014, and have expressed an unqualified opinion on those financial statements.

Lin, Tzu-yu

Independent Accountants

Lee, Ming-Hsien

PricewaterhouseCoopers, Taiwan

Republic of China

March 24, 2016

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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, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2015 AMOUNT	December 31, 2014 AMOUNT
<b>Current assets</b>			
1100	Cash and cash equivalents	\$ 704,759	\$ 1,571,903
1150	Notes receivable, net	923,390	1,255,436
1170	Accounts receivable, net	1,447,523	2,041,830
1180	Accounts receivable - related parties	886,015	689,692
1200	Other receivables	85,058	143,211
1220	Current income tax assets	55,355	35,848
130X	Inventories	3,800,625	5,053,426
1410	Prepayments	1,165,797	1,778,101
1460	Non-current assets held for sale - net	-	39,928
1476	Other current financial assets	6,622	53,979
11XX	<b>Total current assets</b>	<b>9,075,144</b>	<b>12,663,354</b>
<b>Non-current assets</b>			
1523	Available-for-sale financial assets - non-current	130,896	178,340
1543	Financial assets carried at cost - non-current	501,050	501,050
1600	Property, plant and equipment - net	32,623,697	35,344,195
1760	Investment property - net	158,012	167,463
1780	Intangible assets	453,510	488,186
1840	Deferred income tax assets	590,677	356,162
1915	Prepayments for business facilities	43,769	907
1920	Guarantee deposits paid	90,730	53,530
1985	Long-term prepaid rent	525,685	499,142
1990	Other non-current assets	60,192	76,490
15XX	<b>Total non-current assets</b>	<b>35,178,218</b>	<b>37,665,465</b>
1XXX	<b>Total assets</b>	<b>\$ 44,253,362</b>	<b>\$ 50,328,819</b>

(Continued)

**TON YI INDUSTRIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2015 AMOUNT	December 31, 2014 AMOUNT
<b>Current liabilities</b>				
2100	Short-term borrowings	6(12) and 8	\$ 2,898,530	\$ 4,102,556
2110	Short-term notes and bills payable	6(13)	-	99,942
2150	Notes payable		24,074	19,571
2170	Accounts payable		960,547	601,615
2180	Accounts payable - related parties	7	108,918	172,561
2200	Other payables	6(28)	1,429,725	1,637,040
2220	Other payables - related parties	6(28) and 7	73,766	1,282,736
2230	Current income tax liabilities	6(26)	53,369	71,440
2305	Other current financial liabilities		21,631	16,437
2310	Advance receipts	6(28)	57,972	157,810
2320	Long-term liabilities, current portion	6(15) and 9	4,947,555	4,737,529
21XX	<b>Total current liabilities</b>		<u>10,576,087</u>	<u>12,899,237</u>
<b>Non-current liabilities</b>				
2530	Corporate bonds payable	6(14)	711,756	-
2540	Long-term borrowings	6(15) and 9	12,347,156	16,026,489
2550	Provisions for liabilities - non-current	6(16)(23)	74,001	72,639
2570	Deferred income tax liabilities	6(26)	324,455	272,344
2630	Long-term deferred revenue		47,917	48,848
2640	Accrued pension liabilities - non-current	5(2) and 6(17)	365,767	390,035
2645	Guarantee deposits received		10,295	10,180
25XX	<b>Total non-current liabilities</b>		<u>13,881,347</u>	<u>16,820,535</u>
2XXX	<b>Total liabilities</b>		<u>24,457,434</u>	<u>29,719,772</u>
<b>Equity attributable to owners of parent</b>				
<b>Share capital</b>				
3110	Share capital - common stock	6(18)	15,791,453	15,791,453
3200	Capital surplus	6(19)	228,178	228,178
<b>Retained earnings</b>				
3310	Legal reserve	6(20)(25)(26)	1,379,732	1,303,221
3320	Special reserve		826,453	826,453
3350	Unappropriated retained earnings		589,910	811,964
3400	Other equity interest	6(6)	(68,156)	473,223
31XX	<b>Equity attributable to owners of the parent</b>		<u>18,747,570</u>	<u>19,434,492</u>
36XX	<b>Non-controlling interest</b>	4(3)	<u>1,048,358</u>	<u>1,174,555</u>
3XXX	<b>Total equity</b>		<u>19,795,928</u>	<u>20,609,047</u>
<b>Contingent liabilities and commitments</b>				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 44,253,362</u>	<u>\$ 50,328,819</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, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31	
		2015 AMOUNT	2014 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, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent											Non-controlling interest	Total equity
	Share capital - common stock	Capital Reserves			Retained Earnings			Other Equity Interest			Total		
		Total 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				
<b>2014</b>													
Balance at January 1, 2014	\$ 15,791,453	\$ 58,271	\$ 169,088	\$ 819	\$ 1,183,966	\$ 826,453	\$ 1,192,555	\$ 427,350	(\$ 201,338 )	\$ 19,448,617	\$ 1,149,194	\$ 20,597,811	
Distribution of 2013 net income :													
Legal reserve	-	-	-	-	119,255	-	( 119,255 )	-	-	-	-	-	
Cash dividends	6(20)	-	-	-	-	-	( 1,026,444 )	-	-	( 1,026,444 )	( 3,362 )	( 1,029,806 )	
Profit for the year		-	-	-	-	-	775,960	-	-	775,960	( 13,252 )	762,708	
Other comprehensive income for the year	6(6)	-	-	-	-	-	( 10,852 )	246,450	761	236,359	41,975	278,334	
Balance at December 31, 2014	<u>\$ 15,791,453</u>	<u>\$ 58,271</u>	<u>\$ 169,088</u>	<u>\$ 819</u>	<u>\$ 1,303,221</u>	<u>\$ 826,453</u>	<u>\$ 811,964</u>	<u>\$ 673,800</u>	<u>(\$ 200,577 )</u>	<u>\$ 19,434,492</u>	<u>\$ 1,174,555</u>	<u>\$ 20,609,047</u>	
<b>2015</b>													
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 :													
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	6(6)	-	-	-	-	-	( 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>	

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, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 702,747	\$ 988,361
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on financial assets at fair value through profit or loss		-	43
Reversal of allowance for doubtful accounts	6(3)	( 10,366 )	( 17,319 )
Provision for inventory market price decline	6(4)	169,676	30,683
Gain on disposal of non-current assets held for sale	6(5)(22)	( 452,780 )	-
Property, plant and equipment transferred to expenses	6(8)	356	-
Depreciation on property, plant and equipment	6(8)(9)	2,843,877	2,488,351
Loss on disposal of property, plant and equipment	6(22)	30,623	15,819
Gain on disposal of investment property	6(22)	-	( 632 )
Amortization	6(10)(24)	45,702	46,275
Amortization of long-term prepaid rent	6(11)	12,963	11,792
Dividend income	6(21)	( 3,458 )	( 2,380 )
Interest income	6(21)	( 25,432 )	( 26,625 )
Interest expense	6(23)	655,188	516,436
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		331,892	( 185,818 )
Accounts receivable		606,141	52,429
Accounts receivable - related parties		( 196,323 )	192,263
Other receivables		58,153	35,103
Inventories		1,084,919	( 161,671 )
Prepayments		620,468	( 161,392 )
Changes in operating liabilities			
Notes payable		4,503	( 3,403 )
Accounts payable		358,932	( 685,009 )
Accounts payable - related parties		( 63,643 )	( 36,722 )
Other payables		( 30,886 )	2,166
Other payables - related parties		22,653	51,113
Advance receipts		4,953	( 106,893 )
Long-term deferred revenue		( 931 )	48,848
Accrued pension liabilities - non-current		( 54,323 )	( 58,817 )
Cash inflow generated from operations		6,715,604	3,033,001
Dividends received		3,458	2,380
Interest received		25,432	26,625
Interest paid		( 622,493 )	( 515,293 )
Income tax refund		4,438	12,676
Income tax paid		( 434,783 )	( 459,739 )
Net cash flows from operating activities		<u>5,691,656</u>	<u>2,099,650</u>

(Continued)

TON YI INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds from disposal of disposal groups held for sale	6(28)	\$ 387,937	\$ 119,215
Decrease (increase) in other current assets - other financial assets		47,357	( 48,008 )
Acquisition of property, plant and equipment	6(28)	( 1,803,425 )	( 2,870,694 )
Proceeds from disposal of property, plant and equipment		12,576	21,093
Acquisition of investment property	6(9)	( 758 )	( 7,409 )
Proceeds from disposal of investment property		-	1,094
Acquisition of intangible assets	6(10)	( 346 )	( 14,489 )
Increase in prepayments for equipment		( 243,327 )	( 343,314 )
Interest paid for prepayments for equipment	6(8)(23)	( 773 )	( 42,456 )
(Increase) decrease in guarantee deposits paid		( 37,200 )	63,673
Increase in long-term prepaid rent		( 50,436 )	( 166,757 )
Decrease in other non-current assets		<u>16,298</u>	<u>6,490</u>
Net cash flows used in investing activities		<u>( 1,672,097 )</u>	<u>( 3,281,562 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in short-term borrowings		( 1,204,026 )	( 97,091 )
(Decrease) increase in notes and bills payable		( 100,000 )	99,942
Increase in other current liabilities - other financial liabilities		5,194	11,675
Proceeds from issuance of corporate bonds	6(14)	717,242	-
Increase in long-term borrowings		42,117,420	20,173,162
Decrease in long-term borrowings		( 45,747,361 )	( 17,666,534 )
Increase (decrease) in guarantee deposits received		115	( 5,607 )
Cash dividends paid	6(20)	( 710,615 )	( 1,026,444 )
Payment of cash dividends to non-controlling interests		<u>( 3,659 )</u>	<u>( 3,362 )</u>
Net cash flows (used in) from financing activities		<u>( 4,925,690 )</u>	<u>1,485,741</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>38,987</u>	<u>199,838</u>
Non-current assets held for sale - cash	6(28)	<u>-</u>	<u>263,411</u>
Net (decrease) increase in cash and cash equivalents		( 867,144 )	767,078
Cash and cash equivalents at beginning of year	6(1)	<u>1,571,903</u>	<u>804,825</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 704,759</u>	<u>\$ 1,571,903</u>

Ton Yi Industrial Corp. (Attachment 6)

2015 Earnings Appropriation

Item	Unit: NTD Amount
Opening undistributed earnings	\$ 24,836,542
Less: Additional provision for 2014 statutory reserve	(1,085,138)
Retained earnings adjustment for 2015	(24,945,206)
Adjusted undistributed earnings	(1,193,802)
Plus: 2015 after-tax profit	590,018,253
Less: Provision for statutory reserve	(58,882,445)
Total distributable earnings	529,942,006
2015 earnings appropriation:	
Cash dividend (NT\$320 per thousand shares)	(505,326,509)
Closing undistributed earnings	\$ 24,615,497

Chairman: Chih-Hsien Lo    Manager: Chih-Chung Chen    Head of Accounting: Feng-Fu Chen

**Ton Yi Industrial CORP (Attachment7)**

**List sixteenth directors and independent director candidates**

Items	Candidates	education	Experience	Current position	Holding (Unit: Stock)
DIRECTOR	Chih-Hsien Lo (represent: Uni-Presiden Enterprises CORP.)	University of California, Los Angeles Qi Yansuo	The Chairman and President of Uni-President Enterprises CO., Ltd., President Chain Store CO., Ltd., Ton Yi Industrial CO., Ltd. &TTET Union CO., Ltd.	The Chairman and President of Uni-President Enterprises CO., Ltd., President Chain Store CO., Ltd., Ton Yi Industrial CO., Ltd. &TTET Union CO., Ltd.	719,357,425
DIRECTOR	Jui-Sheng Wang (represent: Uni-Presiden Enterprises CORP.)	Soohow University Department of Business Administration, Business seminar Kung University	Manager of General Food Group & Technical Group of Uni-President Enterprises CO., Ltd.	The Assistant President of Technical Group of Uni-President Enterprises CO., Ltd.	719,357,425
DIRECTOR	Chao Kai Huang (represent: Uni-Presiden Enterprises CORP.)	Practice Department of The University System will	Manager of Dairy & Tea Beverage Div. of Uni-President Enterprises CO., Ltd.	The Assistant President of Dairy & Beverage Group of Uni-President Enterprises Co., Ltd.	719,357,425
DIRECTOR	CHIH-CHUNG CHEN(represent: Uni-Presiden Enterprises	National Taipei University of Technlogy	The Executive Vice President of Technical Group of Ton Yi Industrial Corp.	President of Ton Yi Industrial Corp.	719,357,425



Items	Candidates	education	Experience	Current position	Holding (Unit: Stock)
	CORP.)				
DIRECTOR	Xiu-Ling Kao (representatives: Kao Chyuan Inv. Co., Ltd )	Marymount College U.S.A	The Director of Uni-President Enterprises Co., Ltd., President Chain Store CO., Ltd. & Prince Housing & Development Corp.	Chairman of Kao Chyuan Inv. Co., Ltd., Unified Allison Co., Ltd. And the Director of Uni-President Enterprises CO. , Ltd., President Chain Store Corp. & Ton Yi Industrial Corp., etc.	25,080,700
DIRECTOR	Shing-Chi Liang	Nation Changhua Senion High School	Vice Chairman of Ton Yi Industrial Co., Ltd.	Director of Ton Yi Industrial Corp.	5,920,028
DIRECTOR	Kuo-Keng Chen	Graduated from National Taipei College of Technology Technology , majoring in Textile)	Supervisor of Uni-President Enterprises Co., Ltd., and Tainan Spinning Corp.	Director of Ton Yi Industrial Corp. Tainan Spinning Corp. Supervisor of Tainan Spinning Corp.	7,859,222
Independent DIRECTOR	Ming-Long Wang	The City University of New York Doctor of Philosophy	1. The City University of New York Doctor of Philosophy"full-time lecturer investment 2. Listed on the Taiwan Stock Exchange board members 3 Taiwan Finance Society 4.Associate Dean of Management,National Cheng Kung University,and EMBA/AMBA CEO	1. National Cheng Kung University f Accounting and Chief Financial adjunct professor of finance 2. Professional Responsibility Identification Committee of Certified Public Accountants Federation of Accountants. 3. China Corporate Governance Association of Supervisors 4. Catcher Technology CORP, DIRECTOR 5. Independent DIRECTOR of Ton Yi	0

Items	Candidates	education	Experience	Current position	Holding (Unit: Stock)
				Industrial CORP.	
Independent DIRECTOR	Chin-Chen Chien	Rutgers, The State University Doctor of Philosophy	<ol style="list-style-type: none"> <li>1. National Cheng Kung University Department of Accounting Department</li> <li>2. Listed on the Taiwan Stock Exchange board members</li> <li>3. Chinese Engineering Company Accounting Leader</li> </ol>	<ol style="list-style-type: none"> <li>1. National Cheng Kung University Accounting and Chief Financial adjunct professor of finance</li> <li>2. Independent DIRECTOR of Ton Yi Industrial CORP.</li> </ol>	0
Independent DIRECTOR	Bing-Eng Wu	National Chengchi University, Institute of Management and Suppliers Ph.D.	<ol style="list-style-type: none"> <li>1. Fu Jen Catholic University Department of Business Administration/ Pipe Institute Director / Dean / Vice-Chancellor</li> <li>2. National Chiayi University, Dean</li> <li>3. Republic of China Enterprise Manager Association for the Advancement of Human Resources Committee, vice chairman</li> <li>4. Standing Committee on Human Resources Development of the Republic of China</li> <li>5. Human Resources Committee chairman Republic of China Management Science Society</li> <li>6. Lutheran Cultural Foundation director</li> </ol>	<ol style="list-style-type: none"> <li>1. Incumbent Professor of Graduate School of Financial &amp; Banking Science, Dept. of Accountant, National Cheng Kung University</li> <li>2. Independent DIRECTOR of Ton Yi Industrial CORP.</li> </ol>	0

## Directors' Minimum, (Attachment 8)

### 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	Chang-Sheng Lin		
Director	Long-Yi Lin		
Director	Chao-Kai Huang		
Director	Xiu-Ling Kao	Representative of Kao Chyuan Investment Co., Ltd.	25,080,700
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)			758,217,375

**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 20, 2013

### **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 tinplate 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.
7. 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.
8. 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: The Company is operating amidst capricious environments and amidst the business cycle of steady growth. When proposing the ratio of distribution of earnings, the Board of Directors shall take into account the capital expenditure anticipated by the Company and the Company's capital needs with consideration of the indispensability of taking the earnings to back up the capital needs to resolve the amount of earnings to be reserved or to be allocated and the amounts of bonus to be allocated to shareholders in cash. From the profit earned by the Company as shown in the financial statements, the sum necessary to pay all income tax and to make up previous losses, if any, shall be first withheld, then 10% shall be reserved as legal reserve, then the special reserve to be duly allocated or restored. The balance shall be the sum allocable in the present term and will become the accumulated allocable earnings after being added with the undistributed retained earnings accumulated in the preceding year. The bonus to shareholders shall be 50%~100% of the accumulated allocable earnings and from which, the ratio of shares and cash portion shall be equally in half each, and where necessary the ratio shall be adjusted. The actual ratio of distribution shall be proposed by the Board of Directors and resolved by the shareholders' meeting provided that the remuneration to



Directors shall be fixed at 2% of the accumulated allocable earnings and the bonus to employees shall not be less than 0.2% of the accumulated allocable earnings.

Independent Directors shall not participate in this said profit distribution of Director's bonus, except for the remuneration to be paid according to Article 18 herein.

### **Chapter 7 Supplementary Provisions**

Article 31: The organizational rules and operational rules shall be separately worked out by the Board of Directors.

Article 32: Any matters inadequately provided for herein shall be subject to Company Act and other laws and regulations concerned.

Article 33: These Articles were duly enacted on Mar 20, 1969 and duly amended on:

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

25. Aug 12, 1988
26. Jun 28, 1989
27. Sep 12, 1990
28. Jun 20, 1991
29. Jun 8, 1992
30. Jun 30, 1993
31. May 26, 1994
32. Jun 23, 1995
33. Jun 22, 1996
34. Jun 14, 1997
35. Jun 22, 1998
36. Jun 14, 1999
37. Jun 16, 2000
38. Jun 22, 2001
39. Jun 24, 2002
40. Jun 19, 2003
41. Jun 4, 2004
42. Jun 17, 2005
43. Jun 12, 2007
44. Jun 19, 2008
45. Jun 12, 2009
46. Jun 21, 2011
47. Jun 20, 2012
48. Jun 20, 2013

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)**  
**Procedure for Election of Directors**

**Amended on Jun 30, 2015**

Article 1. To ensure a just, fair, and open election of directors and supervisors, this Procedure is adopted pursuant to Articles 21 and 41 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2. Except as otherwise provided by law and regulation or by the Company's Articles of Association, the election of directors shall be conducted in accordance with the Procedure.

Article 3. The overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that the policy include but is not limited to the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. Ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

Article 4. The qualifications for the independent directors of the Company shall comply with Articles 2, 3, and 4 of the Regulations Governing

Appointment of Independent Directors and Compliance Matters for Public Companies. The election of independent directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 5. Elections of both directors and supervisors at the Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Law. The Company shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Law with respect to nominee directors and supervisors and may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the results of the review to shareholders for their reference, so that qualified directors and supervisors will be elected.

When the number of directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in the Company's Articles of Association, the Company shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, or subparagraph 8 of the Standards for Determining Unsuitability for GTSM Listing under Article 10, Paragraph 1 of the GreTai Securities Market Criteria Governing Review of Securities Traded on Over-the-Counter Markets, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 6. The cumulative voting method shall be used for election of the

directors at the Company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 7. The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 8. The number of directors will be as specified in the Company's Articles of Association, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

Article 9. Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.

Article 10. If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number, provided that when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or corporate shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each

respective representative shall be entered.

- Article 11. A ballot is invalid under any of the following circumstances:
1. The ballot was not prepared by the board of directors.
  2. A blank ballot is placed in the ballot box.
  3. The writing is unclear and indecipherable or has been altered.
  4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
  5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
  6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
- Article 12. The voting rights shall be calculated on-site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors or supervisors and the numbers of votes with which they were elected, shall be announced by the chair on the site.
- The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Law, the ballots shall be retained until the conclusion of the litigation.
- Article 13. The board of directors of the Company shall issue notifications to the persons elected as directors.
- Article 14. The Procedure, and any amendments hereto, shall be implemented after approval by a shareholders meeting.