



創見資訊股份有限公司  
*Transcend Information, Inc.*

Handbook  
for the 2017 Annual Regular Shareholders' Meeting

**This English version is a translation based on the original Chinese version.  
Where any discrepancy arises between the two versions, the Chinese version shall prevail.**

**Transcend Information, Inc.**  
**Handbook for the 2017 Annual Regular Shareholders' Meeting**  
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**Transcend Information, Inc.**

**2017 ANNUAL REGULAR SHAREHOLDERS' MEETING PROCEDURE**

1. Call the Meeting to Order
2. Chairman's Remarks
3. Report Items
4. Proposed Items
5. Discussion Items
6. Election Items
7. Other Business and Special Motion
8. Meeting Adjourned

**Transcend Information, Inc.**

**2017 ANNUAL REGULAR SHAREHOLDERS' MEETING AGENDA**  
(Translation)

Time: 9:00 a.m., Friday, June 16, 2017

Place: No. 70, XingZhong Rd., NeiHu Dist., Taipei 114, Taiwan (Transcend Information, Inc.)

Chairman's Remarks

**I. Report Items**

- (1) To report the business of 2016.
- (2) Audit Committee's review report.
- (3) To report 2016 employees' profit sharing bonus and directors' compensation.
- (4) The status of guarantees provided by the Company as of the end of 2016.

**II. Proposed Items**

- (1) Adoption of 2016 Business Report and Financial Statements.
- (2) Adoption of the proposal for distribution of 2016 earnings.

**III. Discussion Items**

- (1) To approve cash distribution from capital surplus.
- (2) To approve the amendments to "Procedures for Acquisition and Disposal of Assets".

**IV. Election Items**

- (1) To elect one director.

**V. Other Business and Special Motion**

## I. Report Items

(1) To report the business of 2016.

**Explanatory Notes:**

Please refer to page 8 to 9 for Attachment I.

(2) Audit Committee's review report.

**Explanatory Notes:**

Please refer to page 10 for Attachment II.

(3) To report 2016 employees' profit sharing bonus and directors' compensation.

**Explanatory Notes:**

A. The remuneration of 2016 profit to employees would be NT\$ 32,042,362 (distributed in cash); and that to directors would be NT\$ 4,239,000.

B. The estimated remuneration to employees is NT\$ 33,439,115 and the different amount should be NT\$ 1,396,753; the estimated remuneration to directors is NT\$4,681,476 and the different amount should be NT\$ 442,476.

C. The difference will be recognized as expense in the statement of income in 2017.

(4) The status of guarantees provided by the Company as of the end of 2016.

**Explanatory Notes:**

The Company provided a guarantee for Transcend Japan Inc. amounting to JPY 2,000,000 thousand, and the actual amount of guarantee draw down is JPY 0 by the end of 2016. Pursuant to the Company's "Procedures for Endorsement and Guarantee", the limit of guarantee was NT\$ 8,130,774 thousand (approximate JPY 29,500,000 thousand).

## II. Proposed Items

### (1) Adoption of 2016 Business Report and Financial Statements.

#### **Explanatory Notes:**

- A. The parent company only financial statement and consolidated financial statement of the Company for the year of 2016 have been audited by independent auditors, Mr. Chun-Yao, Lin and Mr. Chien-Hung Chou, of the Pricewaterhouse Coopers.
- B. The Business Report, Independent Auditors' Report and Financial Statements are hereby also attached. (Please refer to 8 to 9 for Attachment I, and page 11 to 32 for Attachment III and IV)
- C. It is submitted for ratification.

#### **Resolution:**

### (2) Adoption of the proposal for distribution of 2016 earnings.

#### **Explanatory Notes:**

- A. For appropriations of 2016 earnings, the Company will distribute cash dividend of NT\$ 2,476,879,631 (NT\$5.75 per share) from the available retained earnings of 2016 after setting aside legal reserve and special reserve.
- B. Please refer to page 5 for the chart of 2016 earnings distribution.
- C. Cash dividends will be distributed proportionately according to shareholders' shares ownership registered in the Common Stockholders' Roster as of the date of record.
- D. To avoid the change in the total amount of common shares outstanding resulting from buyback of company shares, or transfer or cancellation of treasury stock, it is proposed that the Chairman of the Board be authorized to adjust the cash to be distributed to each common share.
- E. It is submitted for ratification.

#### **Resolution:**

**Transcend Information, Inc.**  
**The Chart of 2016 Earnings Distribution**  
**For the year ended December 31, 2016**  
**(Expressed in New Taiwan dollar)**

<b>Item</b>	<b>Amount</b>	<b>Remarks</b>
Unappropriated retained earnings at beginning	4,717,264,021	
<b>Add:</b> Adjustment on unappropriated earnings for 2016	( 4,606,760)	
Adjusted unappropriated retained earnings	4,712,657,261	
<b>Add:</b> Net income for 2016	2,882,637,500	
<b>Less:</b> Legal reserve (10%)	288,263,750	
<b>Less:</b> Special reserve	123,998,030	
Retained earnings available for appropriation as of December 31, 2016	7,183,032,981	
<b>Less:</b> Items of distribution - Cash dividend to shareholders	2,476,879,631	Cash dividend (NT\$5.75 per share)
Unappropriated retained earnings at end	4,706,153,350	

Chairman : Shu, Chung-Wan    General Manager : Shu, Chung-Cheng    Accounting Supervisor : Chen, Hung-Jen

### III. Discussion Items

**Subject:** To approve cash distribution from capital surplus. (Proposed by the Board of Directors)

**Explanatory Notes:**

- A. To comply with Article 241 of the Company Act.
- B. The capital surplus derived from the issuance of new shares at a premium totaling NT\$ 107,690,419 will be distributed in cash of NT\$0.25 per share.
- C. Cash dividends will be distributed proportionately according to shareholders' shares ownership registered in the Common Stockholders' Roster as of the date of record.
- D. To avoid the change in the total amount of common shares outstanding resulting from buyback of company shares, or transfer or cancellation of treasury stock, it is proposed that the Chairman of the Board be authorized to adjust the cash to be distributed to each common share.
- E. It is submitted for approval.

**Resolution:**

**Subject:** To approve the amendments to "Procedures for Acquisition and Disposal of Assets".  
(Proposed by the Board of Directors)

**Explanatory Notes:**

- A. To comply with amendments to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- B. Please refer to page 33 to 40 for Attachment V: the comparison table for the "Procedures for Acquisition and Disposal of Assets".
- C. It is submitted for approval.

**Resolution:**



#### IV. Election Items

**Subject:** To elect one director. (Proposed by the Board of Directors)

**Explanatory Notes:**

- A. Three-year term of the current directors started from June 12, 2015 and concluded on June 11, 2018.
- B. The shareholders' meeting shall elect one director. Three-year term of the new director will start from June 16, 2017 and conclude on June 11, 2018.
- C. According to the regulations and Articles of Incorporate, a candidate nomination system shall be adopted. Please refer to page 41 for Attachment VI: the nomination list of the director.
- D. It is submitted for election.

**Resolution:**

#### V. Other Business and Special Motion

#### VI. Meeting Adjourned

**TRANSCEND INFORMATION INC.  
BUSINESS REPORT**

Compared to 2015, the global NAND Flash market has shifted away from oversupply and price decline in the second half of 2016. As 3D NAND suppliers were encountering unimproved yield rate, supply of DRAM and NAND Flash dropped sharply, leading to supply shortage and raising price in the second half of 2016. To respond to demand changes in consumer market, Transcend, as leading manufacturer of storage and industrial-grade products, has executed our business strategy of deriving a greater portion of revenue from embedded market, developing new products and expanding into SSD market. Although memory market was highly competitive in 2016, Transcend remained solid operating performance and was able to pay back substantial profit sharing to all of our shareholders. Hereby, we would like to thank our valued shareholders, clients, suppliers and employees for your continued supports of Transcend.

Transcend's consolidated revenue totaled NT\$22.1 billion in 2016. Consolidated gross profit totaled NT\$4.95 billion. Gross profit rate is 22.4 percent. Operating income totaled 33.1 billion. Income before tax totaled 32.4 billion. Net income totaled 28.8 billion. EPS is NT\$ 6.69 calculated at the weighted average of outstanding share capital amounting to 43 billion.

With excellent brand operation, Transcend has been awarded by its innovative products and superior product quality. For the tenth year in a row, Transcend Information appears on Interbrand's Best Taiwan Global Brands ranking. Our seven cutting-edge products have won Taiwan Excellence Award for twelfth consecutive year. Moreover, the new launched product in 2016, the DrivePro 50 dashcam, has received the prestigious "Good Design Award 2016" for the top design quality.

As a leading brand in the market, Transcend focused on innovative research and development to ensure that we can adapt quickly to the fast-changing IT industry. Transcend's sales of solid-state drives (SSDs) has been growing rapidly year over year. In 2016, we introduced the SSD220, which adopted cost-effective TLC NAND flash to satisfy the demand of consumer SSDs. In addition, Transcend has successfully gained advantage among competitors in memory industry by providing high quality embedded products and professional technical service to our clients. Our industrial-grade SSDs have significant growth which effectively generated sales revenue and profit in the second half of 2016. Regarding strategic products, we also released our new personal cloud storage, the StoreJet Cloud series. Featuring mobile access, automatic data backup, and media streaming, the StoreJet Cloud allows users to freely access all their personal files anytime and anywhere.

Transcend focuses not only on sales performance, but also on corporate governance. We aim to disclose adequate information in order to provide comprehensive corporate information to our shareholders and investors. For cooperate social responsibility, we have sponsored sport activities in high school and universities, including the High School Basketball League (HBL) and the Black Panther High School Baseball Tournament, for over six years. We continued to execute the long-term Baseball Mentoring Program aimed at underprivileged school baseball teams, expecting to serve as a platform for young promising athletes to fulfill their dreams. As a result, we received “Sports Activists Award” again from the Sports Affairs Council as our continuing contribution to promote sports in Taiwan.

Looking to 2017, price of NAND flash chips will keep rising due to persistent supply shortage. We may face challenges from dynamic and competitive industry environment; thus, we will implement effective inventory management and purchasing strategy to maximize Transcend’s sales revenue and profitability.

In addition to keeping investing in research and development, we will deploy more automated production lines in our factories to improve product quality and enhance manufacturing efficiency. Thanks to strong bond with our business partners and our distribution channels worldwide, we continue to increase market share in each product category and build our brand awareness in marketplace. Also, as a multinational corporation, we manage our 13 branches worldwide through concentrated management, expecting to ensure the local operation in different countries is consistent with corporate operational objectives and to attain corporate sustainability.

Here again we sincerely thank all of our shareholders, for your continued support and for the confidence that you have placed in us. We will make every effort to keep Transcend operational excellence and look forward to sharing our progress with you.

Chairman : Shu, Chung-Wan

General Manager : Shu, Chung-Cheng

Accounting Supervisor : Chen, Hung-Jen

Audit Report of Audit Committee

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements and Earnings Distribution Proposal. Transcend Corporation's Financial Statements have been audited and certified by Mr. Chun-Yao, Lin and Mr. Chien-Hung Chou, the CPA of the Pricewaterhouse Coopers. The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the audit committee of Transcend Corporation. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

The audit Committee of Transcend Corporation

Chairman of the audit Committee: Wang, Yi-Shin

A handwritten signature in black ink, appearing to read 'Wang Yi-Shin', is written over the printed name of the chairman.

March 09, 2017

**REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE**

To the Board of Directors and Shareholders of Transcend Information, Inc.

***Opinion***

We have audited the accompanying balance sheets of Transcend Information, Inc. (the “Company”) as at December 31, 2016 and 2015, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

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

### **Evaluation of inventories**

#### Description

Please refer to Notes 4(8), 5(2) and 6(5) to the financial statements for the details of the information about the Company's inventory accounting policy, estimates and assumption and allowance for inventory evaluation losses.

The percentage of the Company's inventories in total assets is material and the Company applies judgments and estimates in determining the net realizable value of inventories on balance sheet date. The Company mainly produces DRAM and flash memory, and due to those products having short life cycle and belong to a highly competitive industry, the market prices change frequently. Since the Company's inventories and the allowance for inventories evaluation losses are material to its financial statements, the evaluation of inventories has been identified as a key audit matter.

#### How our audit addressed the matter

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

- A. Obtained an understanding of the Company's operation and industry. Assessed the reasonableness of the policy and procedures to recognise allowance for inventory evaluation losses.
- B. Obtained an understanding of the Company's inventory control procedures. Reviewed annual inventory count plan and observed the annual physical count of inventory in order to assess the effectiveness of inventory internal control.
- C. Obtained relevant evaluation reports of inventory and tested the logic and accuracy of information to assess the reasonableness of allowance for inventory evaluation losses.

## **Estimation of allowance for sales discount**

### Description

In consideration of business volume, the Company provides a variety of business incentives to specific customers or products, and based on that, the Company can estimate the allowance for sales discount monthly. Please refer to Note 6(4) to the financial statements for the details of the information about estimation of allowance for sales allowance.

Since the contracts are numerous and the result could affect the net revenue in the financial statements, the estimation of allowance for sales discount has been identified as a key audit matter.

### How our audit addressed the matter

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

- A. Obtained an understanding of the Company's operation, industry and the procedure to recognise allowance for sales discount.
- B. Obtained an understanding of the Company's sales procedures and interviewed management to assess the appropriateness of sales allowance contracts and internal control on estimation of allowance.
- C. Obtained the evaluation list of allowance for sales discount, and tested material sales allowance contracts and recalculated it to assess the reasonableness of allowance in the Company's determination.

### ***Responsibilities of management and those charged with governance for the financial statements***

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

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

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

### ***Auditor's responsibilities for the audit of the financial statements***

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

March 9, 2017

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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.

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2016		December 31, 2015	
	AMOUNT	%	AMOUNT	%
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,560,837	7	\$ 2,400,616	10
Financial assets at fair value through profit or loss - current	-	-	15,768	-
Investment in debt instrument without active market - current	366,295	1	607,917	3
Notes receivable, net	5,348	-	959	-
Accounts receivable, net	1,815,255	8	2,000,096	8
Accounts receivable- related parties, net	1,184,712	5	914,017	4
Other receivables	141,234	1	128,738	1
Inventories	4,818,926	21	4,219,148	18
Other current financial assets	8,638,735	37	8,467,013	35
Other current assets, others	12,480	-	15,568	-
<b>Current Assets</b>	<u>18,543,822</u>	<u>80</u>	<u>18,769,840</u>	<u>79</u>
<b>Non-current assets</b>				
Available-for-sale financial assets - non-current	179,580	1	184,304	1
Investments accounted for using equity method	2,499,769	11	2,928,897	12
Property, plant and equipment	1,653,180	7	1,718,153	7
Investment property, net	210,371	1	213,296	1
Deferred tax assets	53,944	-	42,708	-
Other non-current assets	78,219	-	46,592	-
<b>Non-current Assets</b>	<u>4,675,063</u>	<u>20</u>	<u>5,133,950</u>	<u>21</u>
<b>Total Assets</b>	<u>\$ 23,218,885</u>	<u>100</u>	<u>\$ 23,903,790</u>	<u>100</u>

(Continued)

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	December 31, 2016		December 31, 2015	
	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>				
Short-term borrowings	\$ -	-	\$ 492,375	2
Financial liabilities at fair value through profit or loss - current	-	-	13	-
Accounts payable	1,702,172	7	1,495,689	6
Accounts payable - related parties	570,359	3	566,463	3
Other payables	335,590	1	298,512	1
Other payables - related parties	324	-	86	-
Current tax liabilities	90,367	-	269,336	1
Other current liabilities	4,166	-	2,134	-
<b>Current Liabilities</b>	<u>2,702,978</u>	<u>11</u>	<u>3,124,608</u>	<u>13</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	167,769	1	259,110	1
Other non-current liabilities	21,204	-	17,991	-
<b>Non-current Liabilities</b>	<u>188,973</u>	<u>1</u>	<u>277,101</u>	<u>1</u>
<b>Total Liabilities</b>	<u>2,891,951</u>	<u>12</u>	<u>3,401,709</u>	<u>14</u>
<b>Equity</b>				
<b>Share capital</b>				
Common stock	4,307,617	19	4,307,617	18
<b>Capital surplus</b>				
Capital surplus	4,799,075	20	4,799,075	20
<b>Retained earnings</b>				
Legal reserve	3,748,946	16	3,426,756	14
Special reserve	21,691	-	-	-
Unappropriated retained earnings	7,595,294	33	7,990,324	34
<b>Other equity interest</b>				
Other equity interest	( 145,689)	-	( 21,691)	-
<b>Total Equity</b>	<u>20,326,934</u>	<u>88</u>	<u>20,502,081</u>	<u>86</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>				
<b>Significant events after the balance sheet date</b>				
<b>Total Liabilities and Equity</b>	<u>\$ 23,218,885</u>	<u>100</u>	<u>\$ 23,903,790</u>	<u>100</u>

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

**TRANSCEND INFORMATION, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan Dollars, except Earnings Per Share)

Items	Year ended December 31			
	2016		2015	
	AMOUNT	%	AMOUNT	%
<b>Operating Revenue</b>	\$ 21,324,583	100	\$ 24,021,076	100
<b>Operating Costs</b>	( 17,220,152)	( 81)	( 20,267,171)	( 84)
<b>Gross Profit</b>	<u>4,104,431</u>	<u>19</u>	<u>3,753,905</u>	<u>16</u>
Unrealized gross profit on sales to subsidiaries	( 94,548)	-	( 34,559)	-
Realized gross profit on sales to subsidiaries	<u>34,559</u>	<u>-</u>	<u>70,857</u>	<u>-</u>
<b>Gross Profit, net</b>	<u>4,044,442</u>	<u>19</u>	<u>3,790,203</u>	<u>16</u>
<b>Operating Expenses</b>				
Sales and marketing expenses	( 536,210)	( 2)	( 572,201)	( 2)
Administrative expenses	( 178,309)	( 1)	( 198,052)	( 1)
Research and development expenses	( 150,689)	( 1)	( 134,062)	( 1)
<b>Total operating expenses</b>	<u>( 865,208)</u>	<u>( 4)</u>	<u>( 904,315)</u>	<u>( 4)</u>
<b>Operating Profit</b>	<u>3,179,234</u>	<u>15</u>	<u>2,885,888</u>	<u>12</u>
<b>Non-operating Income and Expenses</b>				
Other income	127,822	1	144,734	-
Other gains and losses	( 185,333)	( 1)	502,588	2
Finance costs	( 1,631)	-	( 1,657)	-
Share of loss of associates and joint ventures accounted for under equity method	<u>46,023</u>	<u>-</u>	<u>( 2,415)</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>( 13,119)</u>	<u>-</u>	<u>643,250</u>	<u>2</u>
<b>Profit before Income Tax</b>	<u>3,166,115</u>	<u>15</u>	<u>3,529,138</u>	<u>14</u>
Income tax expense	( 283,478)	( 1)	( 307,236)	( 1)
<b>Profit for the Year</b>	<u>\$ 2,882,637</u>	<u>14</u>	<u>\$ 3,221,902</u>	<u>13</u>
<b>Other Comprehensive Income</b>				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
Losses on remeasurements of defined benefit plans	( \$ 4,263)	-	( \$ 2,283)	-
Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss	( 344)	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
Exchange differences on translation of foreign financial statements	( 143,703)	( 1)	( 33,575)	-
Unrealized loss on available-for-sale financial assets	( 4,724)	-	( 48,335)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>24,429</u>	<u>-</u>	<u>5,708</u>	<u>-</u>
<b>Total Comprehensive Income</b>	<u>\$ 2,754,032</u>	<u>13</u>	<u>\$ 3,143,417</u>	<u>13</u>
<b>Earnings Per Share</b>				
<b>Basic earnings per share</b>	<u>\$ 6.69</u>		<u>\$ 7.48</u>	
<b>Diluted earnings per share</b>	<u>\$ 6.68</u>		<u>\$ 7.47</u>	

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

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan Dollars)

	Capital Reserves				Retained Earnings			Other equity interest		Total equity
	Common stock	Additional paid-in capital	Donated assets receive	Net assets from merger	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on available-for-sale financial assets	
<u>Year ended December 31, 2015</u>										
Balance at January 1, 2015	\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 3,053,235	\$ -	\$ 8,504,167	\$ 104,927	(\$ 50,416 )	\$ 20,718,605
Appropriations of 2014 earnings										
Legal reserve	-	-	-	-	373,521	-	( 373,521 )	-	-	-
Cash dividends	-	-	-	-	-	-	( 3,359,941 )	-	-	( 3,359,941 )
Net income for the year	-	-	-	-	-	-	3,221,902	-	-	3,221,902
Other comprehensive loss for the year	-	-	-	-	-	-	( 2,283 )	( 27,867 )	( 48,335 )	( 78,485 )
Balance at December 31, 2015	<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 3,426,756</u>	<u>\$ -</u>	<u>\$ 7,990,324</u>	<u>\$ 77,060</u>	<u>(\$ 98,751 )</u>	<u>\$ 20,502,081</u>
<u>Year ended December 31, 2016</u>										
Balance at January 1, 2016	\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 3,426,756	\$ -	\$ 7,990,324	\$ 77,060	(\$ 98,751 )	\$ 20,502,081
Appropriation of 2015 earnings										
Legal reserve	-	-	-	-	322,190	-	( 322,190 )	-	-	-
Special reserve	-	-	-	-	-	21,691	( 21,691 )	-	-	-
Cash dividends	-	-	-	-	-	-	( 2,929,179 )	-	-	( 2,929,179 )
Net income for the year	-	-	-	-	-	-	2,882,637	-	-	2,882,637
Other comprehensive loss for the year	-	-	-	-	-	-	( 4,607 )	( 119,274 )	( 4,724 )	( 128,605 )
Balance at December 31, 2016	<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 3,748,946</u>	<u>\$ 21,691</u>	<u>\$ 7,595,294</u>	<u>(\$ 42,214 )</u>	<u>(\$ 103,475 )</u>	<u>\$ 20,326,934</u>

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

TRANSCEND INFORMATION, INC.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan Dollars)

	Years ended December 31	
	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 3,166,115	\$ 3,529,138
Adjustments		
Adjustments to reconcile profit (loss)		
Unrealized gross profit on sales to subsidiaries	94,548	34,559
Realized gross profit on sales to subsidiaries	( 34,559 )	( 70,857 )
Net loss on financial assets at fair value through profit or loss	15,768	37,777
Loss (gain) on disposal of financial assets	9,100	( 343 )
Share of (gain) loss of associates and joint ventures accounted for using equity method	( 46,023 )	2,415
Provision for bad debt expense	1,392	3,550
Net (gain) loss on financial liabilities at fair value through profit or loss	( 13 )	13
Depreciation	127,654	133,619
Interest income	( 119,234 )	( 136,145 )
Interest expense	1,631	1,657
Dividend income	( 8,574 )	( 11,016 )
Loss on disposal of property, plant and equipment	184	-
Changes in operating assets and liabilities		
Changes in operating assets		
Notes and accounts receivable	( 91,635 )	( 40,750 )
Other receivables	( 1,186 )	118,351
Inventories	( 599,778 )	1,822,485
Other current assets, others	3,088	( 1,393 )
Changes in operating liabilities		
Notes and accounts payable	210,379	( 2,707,842 )
Other payables	37,078	( 52,229 )
Other payables - related parties	238	( 902 )
Other current liabilities	2,032	( 1,308 )
Other non-current liabilities	( 34,136 )	759
Cash inflow generated from operations	2,734,069	2,661,538
Cash dividends received	312,775	1,170,843
Interest received	107,924	143,085
Interest paid	( 1,631 )	( 1,657 )
Income tax paid	( 540,595 )	( 508,078 )
Net cash flows from operating activities	<u>2,612,542</u>	<u>3,465,731</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in other current financial assets	( 171,722 )	( 2,383,359 )
Acquisition of investment in debt instrument without active markets	( 2,795,477 )	( 751,339 )
Proceeds from disposal of investment in debt instrument without active markets	3,027,999	729,290
Acquisition of property, plant and equipment (including investment property)	( 60,030 )	( 51,853 )
Proceeds from disposal of property, plant and equipment	90	-
(Increase) decrease in other current financial assets	( 31,627 )	42,349
Net cash flows from (used in) investing activities	<u>( 30,767 )</u>	<u>( 2,414,912 )</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in short-term borrowings	( 492,375 )	( 14,025 )
Payment of cash dividends	( 2,929,179 )	( 3,359,941 )
Net cash flows used in financing activities	<u>( 3,421,554 )</u>	<u>( 3,373,966 )</u>
Net decrease in cash and cash equivalents	( 839,779 )	( 2,323,147 )
Cash and cash equivalents at beginning of year	2,400,616	4,723,763
Cash and cash equivalents at end of year	<u>\$ 1,560,837</u>	<u>\$ 2,400,616</u>

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16000236

To the Board of Directors and Shareholders of Transcend Information, Inc.

***Opinion***

We have audited the accompanying consolidated balance sheets of Transcend Information, Inc. and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Key audit matters***

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

### **Evaluation of inventories**

#### Description

Please refer to Notes 4(9), 5(2) and 6(5) to the consolidated financial statements for the details of the information about Group's inventory accounting policy, estimates and assumption and allowance for inventory evaluation losses.

The percentage of the Group's inventories in total assets is material and the Group applies judgments and estimates in determining the net realizable value of inventories on balance sheet date. The Group mainly produces DRAM and flash memory, and due to those products having short life cycle and belong to a highly competitive industry, the market prices change frequently. Since the Group's inventories and the allowance for inventories evaluation losses are material to its financial statements, the evaluation of inventories has been identified as a key audit matter.

#### How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operation and industry. Assessed the reasonableness of the policy and procedures to recognise allowance for inventory evaluation losses.
- B. Obtained an understanding of the Group's inventory control procedures. Reviewed annual inventory count plan and observed the annual physical count of inventory in order to assess the effectiveness of inventory internal control.
- C. Obtained relevant evaluation reports of inventory and tested the logic and accuracy of information to assess the reasonableness of allowance for inventory evaluation losses.

## **Estimation of allowance for sales discount**

### Description

In consideration of business volume, the Group provides a variety of business incentives to specific customers or products, and based on that, the Group can estimate the allowance for sales discount monthly. Please refer to Note 6(4) to the consolidated financial statements for the details of the information about estimation of allowance for sales allowance.

Since the contracts are numerous and the result could affect the net revenue in the consolidated financial statements, the estimation of allowance for sales discount has been identified as a key audit matter.

### How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operation, industry and the procedure to recognise allowance for sales discount.
- B. Obtained an understanding of the Group's sales procedures and interviewed management to assess the appropriateness of sales allowance contracts and internal control on estimation of allowance.
- C. Obtained the evaluation list of allowance for sales discount, and tested material sales allowance contracts and recalculated it to assess the reasonableness of allowance in the Group's determination.

### ***Other matter –Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Transcend Information, Inc. as at and for the years ended December 31, 2016 and 2015.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

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

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

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

***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

override of internal control.

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

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

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

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

  
Lin, Chun-Yao

  
Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2017

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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.

**TRANSCEND INFORMATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2016		December 31, 2015	
	AMOUNT	%	AMOUNT	%
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,842,670	8	\$ 2,663,362	11
Financial assets at fair value through profit or loss - current	-	-	15,768	-
Investment in debt instrument without active market - current	366,295	2	897,180	4
Notes receivable, net	5,348	-	959	-
Accounts receivable, net	2,841,228	12	3,203,340	13
Accounts receivable- related parties, net	21,369	-	9,347	-
Other receivables	146,619	1	129,031	1
Inventories	5,166,821	23	4,513,756	19
Other current financial assets	8,702,590	38	8,532,006	35
Other current assets, others	36,389	-	52,486	-
<b>Current Assets</b>	<b>19,129,329</b>	<b>84</b>	<b>20,017,235</b>	<b>83</b>
<b>Non-current assets</b>				
Available-for-sale financial assets - non-current	179,580	1	184,304	1
Investments accounted for using equity method	282,610	1	317,555	1
Property, plant and equipment	2,740,210	12	2,995,091	13
Investment property, net	277,316	1	290,581	1
Deferred tax assets	77,759	-	72,777	-
Other non-current assets	204,250	1	185,706	1
<b>Non-current Assets</b>	<b>3,761,725</b>	<b>16</b>	<b>4,046,014</b>	<b>17</b>
<b>Total Assets</b>	<b>\$ 22,891,054</b>	<b>100</b>	<b>\$ 24,063,249</b>	<b>100</b>

(Continued)

**TRANSCEND INFORMATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	December 31, 2016		December 31, 2015	
	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>				
Short-term borrowings	\$ -	-	\$ 901,425	4
Financial liabilities at fair value through profit or loss - current	-	-	13	-
Accounts payable	1,740,266	8	1,589,112	7
Accounts payable - related parties	48,218	-	58,560	-
Other payables	390,533	2	366,932	2
Current tax liabilities	96,138	-	280,861	1
Other current liabilities	44,415	-	36,092	-
<b>Current Liabilities</b>	<b>2,319,570</b>	<b>10</b>	<b>3,232,995</b>	<b>14</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	167,817	1	259,348	1
Other non-current liabilities	76,733	-	68,825	-
<b>Non-current Liabilities</b>	<b>244,550</b>	<b>1</b>	<b>328,173</b>	<b>1</b>
<b>Total Liabilities</b>	<b>2,564,120</b>	<b>11</b>	<b>3,561,168</b>	<b>15</b>
<b>Equity attributable to owners of parent</b>				
<b>Share capital</b>				
Common stock	4,307,617	19	4,307,617	18
<b>Capital surplus</b>				
Capital surplus	4,799,075	21	4,799,075	20
<b>Retained earnings</b>				
Legal reserve	3,748,946	16	3,426,756	14
Special reserve	21,691	-	-	-
Unappropriated retained earnings	7,595,294	33	7,990,324	33
<b>Other equity interest</b>				
Other equity interest	( 145,689)	-	( 21,691)	-
<b>Total Equity</b>	<b>20,326,934</b>	<b>89</b>	<b>20,502,081</b>	<b>85</b>
<b>Significant contingent liabilities and unrecognized contract commitments</b>				
<b>Significant events after the balance sheet date</b>				
<b>Total Liabilities and Equity</b>	<b>\$ 22,891,054</b>	<b>100</b>	<b>\$ 24,063,249</b>	<b>100</b>

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

**TRANSCEND INFORMATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan Dollars, except Earnings Per Share)

Items	Year ended December 31			
	2016		2015	
	AMOUNT	%	AMOUNT	%
<b>Operating Revenue</b>	\$ 22,104,915	100	\$ 24,913,287	100
<b>Operating Costs</b>	( 17,153,222)	( 78)	( 20,211,736)	( 81)
<b>Gross Profit</b>	<u>4,951,693</u>	<u>22</u>	<u>4,701,551</u>	<u>19</u>
<b>Operating Expenses</b>				
Sales and marketing expenses	( 1,089,435)	( 5)	( 1,096,006)	( 4)
Administrative expenses	( 403,824)	( 2)	( 419,887)	( 2)
Research and development expenses	( 150,689)	-	( 134,062)	( 1)
<b>Total operating expenses</b>	<u>( 1,643,948)</u>	<u>( 7)</u>	<u>( 1,649,955)</u>	<u>( 7)</u>
<b>Operating Profit</b>	<u>3,307,745</u>	<u>15</u>	<u>3,051,596</u>	<u>12</u>
<b>Non-operating Income and Expenses</b>				
Other income	138,978	1	162,637	1
Other gains and losses	( 166,253)	( 1)	517,669	2
Finance costs	( 2,502)	-	( 3,636)	-
Share of loss of associates and joint ventures accounted for under equity method	( 34,601)	-	( 15,038)	-
<b>Total non-operating income and expenses</b>	<u>( 64,378)</u>	<u>-</u>	<u>661,632</u>	<u>3</u>
<b>Profit before Income Tax</b>	<u>3,243,367</u>	<u>15</u>	<u>3,713,228</u>	<u>15</u>
Income tax expense	( 360,730)	( 2)	( 491,326)	( 2)
<b>Profit for the Year</b>	<u>\$ 2,882,637</u>	<u>13</u>	<u>\$ 3,221,902</u>	<u>13</u>
<b>Other Comprehensive Income</b>				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
Losses on remeasurements of defined benefit plans	(\$ 4,263)	-	(\$ 2,283)	-
Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss	( 344)	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
Exchange differences on translation of foreign financial statements	( 143,703)	( 1)	( 33,575)	-
Unrealized loss on available-for-sale financial assets	( 4,724)	-	( 48,335)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>24,429</u>	<u>-</u>	<u>5,708</u>	<u>-</u>
<b>Total Comprehensive Income</b>	<u>\$ 2,754,032</u>	<u>12</u>	<u>\$ 3,143,417</u>	<u>13</u>
<b>Net Profit attributable to:</b>				
Owners of parent	<u>\$ 2,882,637</u>	<u>13</u>	<u>\$ 3,221,902</u>	<u>13</u>
<b>Comprehensive Income attributable to:</b>				
Owners of parent	<u>\$ 2,754,032</u>	<u>12</u>	<u>\$ 3,143,417</u>	<u>13</u>
<b>Earnings Per Share</b>				
<b>Basic earnings per share</b>	<u>\$ 6.69</u>		<u>\$ 7.48</u>	
<b>Diluted earnings per share</b>	<u>\$ 6.68</u>		<u>\$ 7.47</u>	

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



TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent									Total equity
	Capital Reserves				Retained Earnings			Other equity interest		
	Common stock	Additional paid-in capital	Donated assets receive	Net assets from merger	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on available-for-sale financial assets	
<u>Year ended December 31, 2015</u>										
Balance at January 1, 2015	\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 3,053,235	\$ -	\$ 8,504,167	\$ 104,927	(\$ 50,416 )	\$ 20,718,605
Appropriations of 2014 earnings										
Legal reserve	-	-	-	-	373,521	-	( 373,521 )	-	-	-
Cash dividends	-	-	-	-	-	-	( 3,359,941 )	-	-	( 3,359,941 )
Net income for the year	-	-	-	-	-	-	3,221,902	-	-	3,221,902
Other comprehensive loss for the year	-	-	-	-	-	-	( 2,283 )	( 27,867 )	( 48,335 )	( 78,485 )
Balance at December 31, 2015	<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 3,426,756</u>	<u>\$ -</u>	<u>\$ 7,990,324</u>	<u>\$ 77,060</u>	<u>(\$ 98,751 )</u>	<u>\$ 20,502,081</u>
<u>Year ended December 31, 2016</u>										
Balance at January 1, 2016	\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 3,426,756	\$ -	\$ 7,990,324	\$ 77,060	(\$ 98,751 )	\$ 20,502,081
Appropriation of 2015 earnings										
Legal reserve	-	-	-	-	322,190	-	( 322,190 )	-	-	-
Special reserve	-	-	-	-	-	21,691	( 21,691 )	-	-	-
Cash dividends	-	-	-	-	-	-	( 2,929,179 )	-	-	( 2,929,179 )
Net income for the year	-	-	-	-	-	-	2,882,637	-	-	2,882,637
Other comprehensive loss for the year	-	-	-	-	-	-	( 4,607 )	( 119,274 )	( 4,724 )	( 128,605 )
Balance at December 31, 2016	<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 3,748,946</u>	<u>\$ 21,691</u>	<u>\$ 7,595,294</u>	<u>(\$ 42,214 )</u>	<u>(\$ 103,475 )</u>	<u>\$ 20,326,934</u>

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan Dollars)

	Years ended December 31	
	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 3,243,367	\$ 3,713,228
Adjustments		
Adjustments to reconcile profit (loss)		
Net loss on financial assets at fair value through profit or loss	15,768	37,778
Loss (gain) on disposal of financial assets	9,100	( 4,888 )
Share of loss of associates and joint ventures accounted for using equity method	34,601	15,038
Provision for bad debt expense	1,449	2,549
Net (gain) loss on financial liabilities at fair value through profit or loss	( 13 )	13
Depreciation	229,566	243,897
Interest income	( 120,589 )	( 143,861 )
Interest expense	2,502	3,636
Dividend income	( 8,574 )	( 11,016 )
Loss on disposal of property, plant and equipment	289	960
Changes in operating assets and liabilities		
Changes in operating assets		
Notes receivable	( 4,389 )	( 959 )
Accounts receivable	361,242	( 213,426 )
Accounts receivable - related parties	( 12,022 )	( 9,347 )
Other receivables	( 968 )	118,240
Inventories	( 653,065 )	1,851,231
Other current assets, others	16,097	( 7,971 )
Changes in operating liabilities		
Notes payable	-	( 8 )
Accounts payable	151,154	( 1,613,419 )
Accounts payable - related parties	( 10,342 )	( 15,625 )
Other payables	23,601	( 108,120 )
Other current liabilities	8,323	( 23,971 )
Other non-current liabilities	3,645	12,351
Cash inflow generated from operations	3,290,742	3,846,310
Cash dividends received	8,574	11,016
Interest received	109,279	179,906
Interest paid	( 2,502 )	( 3,636 )
Income tax paid	( 622,848 )	( 731,172 )
Net cash flows from operating activities	2,783,245	3,302,424
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in other current financial assets	( 170,584 )	( 2,202,894 )
Acquisition of investment in debt instrument without active markets	( 2,795,477 )	( 1,722,585 )
Proceeds from disposal of investment in debt instrument without active markets	3,309,487	1,463,601
Acquisition of property, plant and equipment (including investment property)	( 47,607 )	( 87,083 )
Proceeds from disposal of property, plant and equipment	147	381
(Increase) decrease in other current financial assets	( 18,544 )	48,532
Net cash flows from (used in) investing activities	277,422	( 2,500,048 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in short-term borrowings	( 940,725 )	( 14,025 )
Payment of cash dividends	( 2,929,179 )	( 3,359,941 )
Net cash flows used in financing activities	( 3,869,904 )	( 3,373,966 )
Effect of exchange rate changes on cash and cash equivalents	( 11,455 )	( 1,280 )
Net decrease in cash and cash equivalents	( 820,692 )	( 2,572,870 )
Cash and cash equivalents at beginning of year	2,663,362	5,236,232
Cash and cash equivalents at end of year	\$ 1,842,670	\$ 2,663,362

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

## TRANSCEND INFORMATION INC.

## COMPARISON TABLE FOR THE “PROCEDURES FOR ACQUISITION AND DISPOSAL OF ASSETS”

Proposed Amendment	Currently in Effect	Explanation
<p>Article 3 : Scope of assets</p> <p>1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>(omitting)</p>	<p>Article 3 : Scope of assets</p> <p>1. <u>Long-term and Short-term</u> investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>(omitting)</p>	<p>Modify wording to comply with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p>Article 8 : Operating procedures</p> <p>(omitting)</p> <p>3. The responsible unit for implementation of <u>Long-term and Short-term</u> investments in securities is financial department; and of Real property and other fixed assets is the unit specifically responsible for such matters. Other assets should be appraised by the responsible unit before implement.</p> <p>(omitting)</p>	<p>Article 8 : Operating procedures</p> <p>(omitting)</p> <p>3. The responsible unit for implementation of <u>Long-term and Short-term</u> investments in securities is financial department; and of Real property and other fixed assets is the unit specifically responsible for such matters. Other assets should be appraised by the responsible unit before implement.</p> <p>(omitting)</p>	<p>Modify wording to comply with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p>Article 9 : Authority to approve</p> <p><u>In acquiring and disposing of assets, except in trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, which should be approved by financial supervisor,</u> the Company shall submit the transaction to President <u>or</u> Chairman for approval. <u>In acquiring or disposing of real property from or to a related party, or assets other than real property from or to a related party</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, <u>except in trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by</u></p>	<p>Article 9 : Authority to approve</p> <p><u>In purchasing and selling of Long-term and Short-term investments in securities,</u> the Company shall submit the transaction to President <u>and</u> Chairman for approval. If the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, it shall be submitted to Board for approval.</p>	<p>The Company proposes to amend the “Procedures for Acquisition or Disposal of Assets” to comply with amendment to “Regulations Governing Acquisition or Disposal of Assets by Public Companies”, and to fit with the Company’s practical operation.</p>

Proposed Amendment	Currently in Effect	Explanation
<p><del>domestic securities investment trust enterprises,</del> the Company shall submit the transaction to <del>Audit Committee and Board</del> for approval.</p>		
<p>Article 10 : In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, except transacting with a <u>government agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (omitting)</p>	<p>Article 10 : In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, except transacting with a <u>government agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (omitting)</p>	<p>Modify Chinese wording to comply with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p>Article 11 : The procedures for Acquisition or Disposal of Investments in Securities In acquiring or disposing of Securities, shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where</u></p>	<p>Article 11 : The procedures for Acquisition or Disposal of Investments in Securities In acquiring or disposing of Securities, <u>except when in compliance with the following</u>, shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; <u>1. Securities acquired through cash contribution in an incorporation by promotion or by public offering.</u> <u>2. Securities issued at face value by an issuing company carrying out a cash capital increase in</u></p>	<p>The Company proposes to amend the “Procedures for Acquisition or Disposal of Assets” to comply with amendment to “Regulations Governing Acquisition or Disposal of Assets by Public Companies”, and to fit with the Company’s practical operation.</p>

Proposed Amendment	Currently in Effect	Explanation
<p><u>otherwise provided by regulations of the Financial Supervisory Commission (FSC).</u></p>	<p><u>accordance with relevant laws and regulations, with this Corporation as a sponsor of the issue.</u></p> <p><u>3. Securities issued by an investee company wholly invested by this Corporation that is carrying out a cash capital increase, with this Corporation as a sponsor of the issue.</u></p> <p><u>4. Securities listed and traded on the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM) and emerging stocks.</u></p> <p><u>5. Government bonds or bonds in repurchase or reverse purchase agreements.</u></p> <p><u>6. Domestic funds or overseas funds.</u></p> <p><u>7. TWSE or GTSM listed securities acquired or disposed of in accordance with the TWSE or GTSM rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.</u></p> <p><u>8. Securities acquired through this Corporation's sponsorship of a cash capital increase by a public company, when the securities acquired are not privately placed.</u></p> <p><u>9. Subscription to fund shares before the establishment of a fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act and the Financial Supervisory Commission's 1 November 2004 Order No. <a href="#">Financial-Supervisory-Securities-IV-093000524</a></u></p> <p><u>9.</u></p> <p><u>10. Subscription or redemption of domestic private placement funds, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.</u></p>	

Proposed Amendment	Currently in Effect	Explanation
<p>Article 12 : The procedures for Related Party Transactions (omitting)</p> <p>3. Appraisal and Operating procedures In acquiring or disposing of real property from or to a related party, or assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in trading of bonds under repurchase and resale agreements, or subscription or <u>redemption of money market funds issued by domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and the Board: (omitting)</p>	<p>Article 12 : The procedures for Related Party Transactions (omitting)</p> <p>3. Appraisal and Operating procedures In acquiring or disposing of real property from or to a related party, or assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in trading of bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and the Board: (omitting)</p>	<p>Modify wording to comply with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p>Article 13 : The procedures for acquisition or disposition of memberships and intangible assets In acquiring or disposing of memberships or intangible assets where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, except transacting with a <u>government agency</u>, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Article 13 : The procedures for acquisition or disposition of memberships and intangible assets In acquiring or disposing of memberships or intangible assets where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, except transacting with a <u>government agency</u>, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Modify Chinese wording to comply with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p>Article 16: The procedures for assets in connection with mergers, demergers, acquisitions, or transfer of shares 1. Appraisal and Operating procedures (1) The Company that conducts a merger,</p>	<p>Article 16: The procedures for assets in connection with mergers, demergers, acquisitions, or transfer of shares 1. Appraisal and Operating procedures (1) The Company that conducts a merger,</p>	<p>Modify wording to comply with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

Proposed Amendment	Currently in Effect	Explanation
<p>demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u></p> <p>(omitting)</p>	<p>demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p> <p>(omitting)</p>	
<p>Article 19 : Information Disclosure Procedures <u>The items and standards, time limits, and procedures of public announcement and regulatory filing for acquisition or disposal of assets shall comply with the regulations prescribed by the supervisory authorities.</u></p>	<p>Article 19 : Information Disclosure Procedures <u>1. Items and standards of public announcement and regulatory filing</u> <u>(1) Acquisition or disposal of real property from or to a related party, or assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in trading of government bonds, bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</u> <u>(2) Merger, demerger, acquisition, or transfer of shares.</u> <u>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</u></p>	<p>Modify wording to comply with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

Proposed Amendment	Currently in Effect	Explanation
	<p><u>(4) Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million or more; except the following:</u></p> <p><u>A. Trading of government bonds.</u></p> <p><u>B. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market in accordance with relevant regulations.</u></p> <p><u>C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</u></p> <p><u>D. The type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount does not reach NT\$500 million or more.</u></p> <p><u>E. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction does not reach NT\$500 million or more.</u></p> <p><u>(5) The amount of transactions above shall be calculated as follows; and "Within the preceding year" as used in the following paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the</u></p>	



Proposed Amendment	Currently in Effect	Explanation
	<p><u>transaction amount.</u></p> <p><u>A. The amount of any individual transaction.</u></p> <p><u>B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</u></p> <p><u>C. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</u></p> <p><u>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</u></p> <p><u>2. Time limits of public announcement and regulatory filing</u></p> <p><u>Acquisition and disposal of assets existing public announcement item referred to the preceding paragraph, and the transaction amount reaches the standards of public announcement of this Article, the Company shall make public announcements and file the reports within 2 days counting inclusively from the date of occurrence of the event.</u></p> <p><u>3. Procedures of public announcement and regulatory filing</u></p> <p><u>(1) The Company shall publicly announce and report the relevant information on the FSC's designated website.</u></p> <p><u>(2) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</u></p>	

Proposed Amendment	Currently in Effect	Explanation
	<p><u>(3) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</u></p> <p><u>(4) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</u></p> <p><u>(5) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:</u></p> <p><u>A. Change, termination, or rescission of a contract signed in regard to the original transaction.</u></p> <p><u>B. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</u></p> <p><u>C. Change to the originally publicly announced and reported information.</u></p>	

TRANSCEND INFORMATION INC.  
THE NOMINATION LIST OF THE DIRECTOR

## (NON-INDEPENDENT DIRECTOR)

Name	Education	Experience	Present position	Shares
LIN, CHIN-YU	Institute of Power Mechanical Engineering, National Tsing Hua University	Chief sales officer of Transcend Information. Inc. Purchasing Director of Transcend Information Inc.	Vice President of Sales of Transcend Information. Inc.	3,103

**TRANSCEND INFORMATION INC.  
RULES AND PROCEDURES OF SHAREHOLDERS' MEETING**

Article 1 : Except for the regulation, regular Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures.

Article 2 : An attendance book shall be prepared for signing in of the attended shareholders in the Shareholders' Meeting, or attended shareholders shall submit the attendance card for the purpose of signing in. The number of shares represented by attended shareholders shall be calculated in accordance with the attendance book signing by the shareholders and the attendance cards submitted by the shareholders.

Article 3 : The attendance and voting of Shareholders' Meeting shall be calculated based on the shares.

Article 4 : The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.

Article 5 : The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors shall preside at the Meeting. If, no Vice Chairman or for any reason, the Vice Chairman of the Board of Directors cannot preside at the Meeting, the chairman may designate one managing director to do so on the chairman's behalf. If there is no managing director, the chairman may designate one director to preside at the Meeting. If the chairman does not designate a representative, the managing directors or directors shall mutually select a chair from among themselves..

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting. When two or more parties meet this description, they shall mutually select a chair from among themselves.

Article 6 : The Company may appoint designated counsel, CPA or other related persons to attend the Meeting. Persons handling affairs of the Meeting shall wear identification cards or badges.

Article 7 : The process of the Meeting shall be tape-recorded or videotaped and these tapes shall be preserved for at least one year.

Article 8 : Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of

China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

Article 9 : The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors.

Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by attended shareholders, one person as chairman to continue the Meeting.

Article 10 : When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

Article 11 : Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

Article 12 : Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

Article 13 : After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

Article 14 : The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.

Article 15 : The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s).

The result of voting shall be announced at the Meeting and placed on record.

Article 16 : During the Meeting, the chairman may, at his discretion, set time for intermission.

Article 17 : Except otherwise specified in the Company Law or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.

Article 18 : If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

Article 19 : The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.

Article 20 : These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

TRANSCEND INFORMATION INC.  
ARTICLES OF INCORPORATION

**Section I - General Provisions**

Article 1 : The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 創見資訊股份有限公司 in the Chinese language, and Transcend Information, Inc. in the English language.

Article 2 : The scope of business of the Corporation shall be as follows:

1. CC01110 Computers and Computing Peripheral Equipments Manufacturing
2. CC01120 Data Storage Media Manufacturing and Duplicating
3. F113050 Wholesale of Computing and Business Machinery Equipment
4. F118010 Wholesale of Computer Software
5. F119010 Wholesale of Electronic Materials
6. F401010 International Trade
7. I301010 Software Design Services
8. CC01080 Electronic Parts and Components Manufacturing
9. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
10. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
11. ZZ99999 In addition to licensing business, business law may prohibit or restrict non-business.

Article 3 : The Corporation shall have its head office in Taipei City, Taiwan, Republic of China, and shall be free, upon the resolutions of Board of Directors to set up branch offices in Republic of China and abroad wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

Article 4 : The total amount of the Corporation's reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation's paid-up capital as provided in the Company Law but shall not be more than the Corporation's paid-up capital. The Corporation may provide endorsement and guarantee and act as a guarantor. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

Article 5 : Public announcements of the Corporation shall be made in accordance with the Article 28 of the Company Act.

**Section II - Capital Stock**

Article 6 : The total capital stock of the Corporation shall be in the amount of 5,000,000,000 New Taiwan Dollars, divided into 500,000,000 shares, at ten New Taiwan Dollars each. The Board of directors is authorized to issue the shares in separate installments as required. A total of 25,000,000 shares among the above total capital stock should be reserved for issuing employee stock options. The Board of directors is authorized to issue employee stock options from time to time.

Article 6-1 : If the Corporation issue employee stock options on the exercise price under the market price, it shall be issued after the resolution of the Shareholders' meetings in accordance with relevant rules and regulations of the Republic of China.

Article 6-2 : The Corporation may issue shares without printing share certificate(s), but shares issued shall be registered with a securities depository enterprise.

Article 7 : All stock transaction conducted by shareholders of the Corporation shall follow the "Guidelines for Stock Operations for Public Companies".

Article 8 : Registration for transfer of shares shall be suspended 60 days immediately before the date of regular meeting of shareholders, and 30 days immediately before the date of any special meeting of shareholders, or within 5 days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

### **Section III - Shareholders' meetings**

Article 9 : Shareholders' meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened at least once a year, and within 6 months after the close of each fiscal year. Special meetings shall be convened in accordance with applicable laws and regulations whenever necessary. Written notices shall be sent to all shareholders, at least 30 days in advance; and at least 15 days in advance, in case of special meetings.

Article 10 : If a shareholder is unable to attend a meeting, he/she may appoint a proxy to attend it by using the proxy form issued by the Company and specifying the scope of proxy. Shareholder attendance by proxy shall be subject to the Company Law and also to the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies issued by the competent authority.

Article 11 : Each share of stock shall be entitled to one vote.

Article 12 : Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. Pursuant to Article 177-1 of the Company Act, the shareholders may vote via written form or an electronic voting system, and the manner or voting shall be clearly stated in each meeting notice.

### **Section IV - Directors**

Article 13 : The Corporation shall have seven to eleven Directors. The Board of Directors is authorized to determine the number of Directors, to be elected by the shareholders meeting from among candidates with legal capacity. The term of office for Directors shall be 3 years, and all Directors shall be eligible for re-election. Once the term of office is expired and it



can't elect directors immediately, directors can extend and continue the performance of their duties until the election of directors to take office. The aggregate shareholding percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities. The board of directors is authorized to resolve the rates of directors' remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry. The company may acquire liability insurance for all directors within their term of office, and the board of directors is authorized to resolve the scope of insurance.

Article 13-1 : To harmonize with Article 14-2 of the Securities and Exchange Act, there shall be at least three independent directors among the Company's directors. A candidate nomination system shall be adopted, and the shareholders meeting shall elect all directors (including independent directors) from among those listed on the slate of director candidates. The relevant regulations of the competent securities authority shall be followed regarding the professional qualifications, shareholding, moonlighting restrictions, nomination and election, and other compliance requirements regarding independent directors.

Article 13-2 : In compliance with Articles 14-4 of the ROC Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee shall exercise their functions in accordance with the ROC Company Law, Securities and Exchange Law, other relevant regulations and the procedure of corporation.

Article 13-3 : (Deleted)

Article 14 : The board of directors shall consist of the directors of the company, and the chairman of the board of directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. The chairman of the board of directors shall represent the Company in external matters. The board of director may set up any functional committee.

Article 15 : Board of Directors Meetings shall be convened by the Chairman of the Board of Directors. Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

Article 15-1 : Each director shall be given at least 7 days advance notice of the convening of a board of directors meeting of the Corporation. In emergency circumstances, however, a meeting may be convened on shorter notice. The meeting notice referred to in the preceding paragraph shall specify the reasons for convening the meeting, and shall be made in writing, by e-mail, or by facsimile.

Article 16 : The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. If the Chairman of the Board of Directors is on leave or cannot exercise powers or perform duties for any reason, an acting chairman shall be designated in accordance with Article 208 of the Company Act. Directors shall attend meetings of the board of directors

in person. If a director is unavailable to attend a meeting in person, the director may appoint a proxy for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting.

Article 17 : The Board of the Directors is organized by directors, the duties are as follows:

1. To propose concerning appropriation of net profits or covering of losses.
2. To propose increasing or decreasing capital
3. To establish or dissolve branches
4. To approve budget and final reports
5. Other duties in accordance with Company Act or given by the resolution of shareholders' meeting

Article 18 : (Deleted)

Article 19 : (Deleted)

### **Section V - Managerial Officers**

Article 20 : The Company may have managerial officers, whose appointment, dismissal, and remuneration shall be handled in accordance with Article 29 of the Company Act.

### **Section VI - Accounting**

Article 21 : After the close of each fiscal year, the Board of Directors shall prepare 1. Business Report 2. Financial Statements and 3. Proposal Concerning Appropriation of Net Profits or Covering of Losses, and submitted to the regular shareholders' meeting for acceptance:

Article 22 : If the Company has earnings after the annual final accounting, it shall pay remuneration to employees at the minimum of 1% of the profit, and pay remuneration to directors at the maximum of 0.2% of the profit. However, the Company's accumulated losses shall have been covered.

Employees' remuneration could be paid by cash or stock, and in the event of stock payment, employees shall mean the Company's employees and employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the board of directors.

Article 22-1 : If the Company has earnings after the annual final accounting, it shall be allocated in the following order:

1. To pay taxes.
2. To cover accumulated losses, if any.
3. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
4. To set aside special reserve in accordance with the regulations
5. To reserve certain amount, on the premise that there is no effect on the Company's normal operations and no

violation of regulations, for maintaining stability of dividends.

6. For any remainder, the board of directors shall propose allocation ratios and propose them at the shareholders' meeting.

Regarding the special reserve under subparagraphs 4, the Company shall set aside special reserve, equal to the debit balance which happens at the current year on other equity items (including Unrealized loss on financial instrument, cumulative translation adjustment, and unrecognized pension cost, which can be combined if there are unrealized gain.), from the current earnings after tax and unappropriated retained earnings prior year. If the debit balance is cumulative before, the Company shall set aside special reserve not to distribute it from the unappropriated retained earnings prior year. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

Article 22-2: The Company distributes dividends taking into consideration the Company's economic environment and growth phases, future demands of funds, long-term financial planning, and the cash flows that the stockholders desire. Cash dividends shall account for at least 5% of the total dividend distributed.

## **Section VII - Supplementary Provisions**

Article 23 : In regard to all matters not provided for in these Articles of Incorporation, the Company Act of the Republic of China shall govern.

Article 24 : These Articles of Incorporation were adopted on August 23, 1989.

The first amendment was made on January 28, 1991.

The second amendment was made on May 25, 1992.

The third amendment was made on September 1, 1992.

The fourth amendment was made on July 30, 1994.

The fifth amendment was made on June 8, 1995.

The sixth amendment was made on July 8, 1997.

The seventh amendment was made on August 15, 1997.

The eighth amendment was made on September 12, 1997.

The ninth amendment was made on June 20, 1998.

The 10th amendment was made on September 15, 1998.

The 11th amendment was made on June 12, 1999.

The 12th amendment was made on April 15, 2000.

The 13th amendment was made on April 9, 2001.

The 14th amendment was made on June 10, 2002.

The 15th amendment was made on June 3, 2003.

The 16th amendment was made on June 11, 2004.

The 17th amendment was made on June 13, 2005.

The 18th amendment was made on June 14, 2006.

The 19th amendment was made on June 11, 2007.

The 20th amendment was made on June 13, 2008.  
The 21th amendment was made on June 16, 2009.  
The 22th amendment was made on June 17, 2010.  
The 23th amendment was made on June 10, 2011.  
The 24th amendment was made on January 5, 2012.  
The 25th amendment was made on June 13, 2013.  
The 26th amendment was made on June 12, 2014.  
The 27th amendment was made on June 14, 2016.

Transcend Information Inc.  
Chairman: Shu, Chung-Wan

**TRANSCEND INFORMATION INC.  
PROCEDURES FOR ELECTION OF DIRECTOR**

Article 1 : Elections of directors shall be conducted in accordance with these Procedures.

Elections of both directors (including independent directors) at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. This Corporation shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors 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 will be elected.

Article 2 : In the election of directors of this Company, each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one person or divided to vote for several persons. The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.

Article 3 : The Board of Directors shall prepare ballots equivalent to the number of seats to be elected and note the number of voting rights to distribute to the attended shareholders.

Article 4 : Before the election, the Chairman shall appoint several persons each to check and record the ballots to carry out related duties.

Article 5 : In the election of directors of this Company, the ballot box used for voting shall be prepared by Board of Directors and checked in public by the person to check the ballots before voting.

Article 6 : If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and the candidate's ID number. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name of their representative shall be filled in the column. When there are several representatives, the name of their representative must be filled in the column, respectively.

Article 7 : Ballots shall be deemed void under the following conditions:

1. Ballots not prepared in accordance with the rules;
2. Blank ballots placed in the ballot box;
3. Illegible writing or altered ballots;
4. If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;
5. Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number)

and the number of votes cast for the candidate;

6. Ballots not filled in the candidate's name or shareholder's number (ID number);

7. Two or more candidates filled in one ballot.

Article 8 : In the election of directors equal to the number stated in the Article of Incorporation of this Company, candidates who acquire more votes sequentially should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present. If the director elected was checked that his/ her personal information is un-conformed or he/ she is not applied for related regulations, the position left vacant by such decision shall be filled by the candidate with the next highest number of votes in the original election.

Article 9 : The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, 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 Act, the ballots shall be retained until the conclusion of the litigation.

Article 10 : This Company shall issue notifications to the directors elected.

Article 11 : Matters on which these Bylaws are silent shall be handled in accordance with the Articles of Incorporation of the Corporation, the Company Act, and applicable laws and regulations.

Article 12 : These Rules shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

TRANSCEND INFORMATION INC.  
SHAREHOLDINGS OF ALL DIRECTORS

1. Minimum Required Shareholding and Shareholding of all Directors:

<b>Title</b>	<b>Minimum Required Shareholding by all Directors</b>	<b>Current Shareholding (Shares)</b>
Directors	16,000,000	16,103,367

Note 1: The period of Book closure is from April 18, 2017 to June 16, 2017.

Note 2: The Company has three independent directors, and the minimum required shareholding by all Directors except for independent directors is downsized to 80% of the minimum required based on Article 2, paragraph 2 of “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”.

2. Company’s current Directors’ shareholding are as follows on April 18, 2017:

<b>Title</b>	<b>Name</b>	<b>Current Shareholding (Shares)</b>
Chairman	SHU,CHUNG-WAN	8,892,453
Director	SHU,CHUNG-CHENG	6,244,098
Director	TSENG, CHUNG-HO	0
Director	CHUI, LI-CHU	0
Director	HSU, CHIA-HSIAN	804,244
Director	CHIU, CHIH-HENG	162,572
Independent Director	CHEN,YI-LIANG	0
Independent Director	CHEN,LO-MIN	0
Independent Director	WANG,YI-HSIN	0
	Total	16,103,367