



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

Handbook
for the 2018 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 2018 Annual Regular Shareholders' Meeting
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Transcend Information, Inc.

2018 ANNUAL REGULAR SHAREHOLDERS' MEETING PROCEDURE

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

Transcend Information, Inc.

2018 ANNUAL REGULAR SHAREHOLDERS' MEETING AGENDA
(Translation)

Time: 9:00 a.m., Thursday, June 14, 2018

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 2017.
- (2) Audit Committee's review report.
- (3) To report 2017 employees' profit sharing bonus and directors' compensation.
- (4) The status of guarantees provided by the Company as of the end of 2017.

II. Proposed Items

- (1) Adoption of 2017 Business Report and Financial Statements.
- (2) Adoption of the proposal for distribution of 2017 earnings.

III. Discussion and Election Items

- (1) To approve cash distribution from capital surplus.
- (2) Election of directors.
- (3) To release the prohibition on directors from participation in competing business.

IV. Other Business and Special Motion

I. Report Items

(1) To report the business of 2017.

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 2017 employees' profit sharing bonus and directors' compensation.

Explanatory Notes:

A. The remuneration of 2017 profit to employees would be NT\$ 33,279,537 (distributed in cash); and that to directors would be NT\$ 4,500,000.

B. The estimated remuneration to employees is NT\$ 34,779,100 and the different amount should be NT\$ 1,499,563; the estimated remuneration to directors is NT\$ 4,944,736 and the different amount should be NT\$ 444,736.

C. The difference will be recognized as expense in the statement of income in 2018.

(4) The status of guarantees provided by the Company as of the end of 2017.

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 2017. Pursuant to the Company's "Procedures for Endorsement and Guarantee", the limit of guarantee was NT\$ 8,199,318 thousand (approximate JPY 31,000,000 thousand).

II. Proposed Items

(1) Adoption of 2017 Business Report and Financial Statements.

(Proposed by the Board of Directors)

Explanatory Notes:

- A. The parent company only financial statement and consolidated financial statement of the Company for the year of 2017 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 page 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 2017 earnings.

(Proposed by the Board of Directors)

Explanatory Notes:

- A. For appropriations of 2017 earnings, the Company will distribute cash dividend of NT\$ 2,498,417,715 (NT\$5.80 per share) from the available retained earnings of 2017 after setting aside legal reserve and special reserve.
- B. Please refer to page 5 for the chart of 2017 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 2017 Earnings Distribution
For the year ended December 31, 2017
(Expressed in New Taiwan dollar)

Item	Amount	Remarks
Unappropriated retained earnings at beginning	4,706,153,350	
Add: Adjustment on unappropriated earnings for 2017	1,771,639	
Adjusted unappropriated retained earnings	4,707,924,989	
Add: Net income for 2017	2,655,716,602	
Less: Legal reserve (10%)	(265,571,660)	
Add: Reversal of Special reserve	98,441,026	
Retained earnings available for appropriation as of December 31, 2017	7,196,510,957	
Less: Items of distribution - Cash dividend to shareholders	2,498,417,715	Cash dividend (NT\$5.80 per share)
Unappropriated retained earnings at end	4,698,093,242	

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

III. Discussion and Election Items

(1) 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\$ 86,152,335 will be distributed in cash of NT\$0.20 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:

(2) Election of directors.

(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. To comply with Article 195 of the Company Act, in case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.
- B. The shareholders' meeting shall elect 9 directors (including 3 independent directors). Three-year term of the new directors will start from June 14, 2018 and conclude on June 13, 2021.
- C. According to the regulations and Articles of Incorporate, a candidate nomination system shall be adopted. Please refer to page 33 for Attachment V: the nomination list of directors.
- D. It is submitted for election.

Resolution:

(3) To release the prohibition on directors from participation in competing business.

(Proposed by the Board of Directors)

Explanatory Notes:

- A. Pursuant to Article 209 of Company Act, it is proposed to release non-competition restrictions on the newly-elected directors, who may participate in investment or operation of another company that engages in the same or similar business scope, under the premise that no harm to the Company's interest.
- B. Please refer to page 36 for Attachment VI: the concurrent positions of directors.
- C. It is submitted for approval.

Resolution:

IV. Other Business and Special Motion

V. Meeting Adjourned

**TRANSCEND INFORMATION INC.
BUSINESS REPORT**

In 2017, the global supply of the memory chips was tight and price continued to rise through the first half of the year. In the second half of the year, as the technology of 3D NAND Flash is mature with an improving yield rate, supply and demand for NAND flash products became in a balance and resulted in stable prices. However, DRAM price still kept on the rise due to tight supply. During 2017, Transcend strived to expand products and technologies in diverse applications. In addition to constantly investing in high value-added embedded products for embedded applications, Transcend has heavily developed strategic products to keep solid operating performance in the rapidly changing memory market. 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\$ 21 billion in 2017. Consolidated gross profit totaled NT\$ 5.53 billion. Gross profit rate is 26.4 percent. Operating income totaled NT\$ 4 billion. Income before tax totaled NT\$ 3.31 billion. Net income totaled NT\$ 2.66 billion. EPS is NT\$ 6.17 calculated at the weighted average of outstanding share capital amounting to 4.3 billion.

With excellent brand management, Transcend has received many prestigious awards by its exceptional product design and brand image. For the eleventh year in a row, Transcend has been ranked as Interband's Top 20 Best Taiwan Global Brands. Transcend also won Taiwan Excellence Awards for the fourteenth consecutive year and Japan's Good Design Award for the third year, demonstrating that Transcend's outstanding product design is internationally recognized.

As a leading brand in the market, continuous innovation and improvement are the driving force behind the growth of Transcend. We have successfully expanded into embedded market in recent years. Besides developing industrial-grade SSDs for embedded applications, Transcend also provides a full range of embedded solutions that are suitable for a variety of demanding industrial environment. For the consumer market, we focused on developing strategic products this year and had successfully penetrated into dash camera and body camera market. We launched new DrivePro Body camera series tailored for professionals and new series of dash cameras with various practical functions, which creates product differentiation in the market. In addition, Apple Solutions has been the pillar of the strategic product lines. We also released a range of innovative upgrade solutions this year for Apple users looking for greater performance and reliability.

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), University Basketball Association (UBA) and the Black Panther High School Baseball Tournament. We continued to execute the long-term Baseball Mentoring Program aimed at underprivileged school baseball teams for the third year, expecting to serve as a platform for young promising athlete to fulfill their dreams. As a result, we received both “Sports Activists Award” and “Long-term Sponsorship Award” from the Sports Affairs Council this year as our continuing contribution to promote sports in Taiwan.

Looking to 2018, price of DRAM is expected to remain on an upward trend due to supply shortage, while price of NAND Flash will begin to drop and see in an oversupply situation thanks to increased production and improved yield rate. Thus, an effective inventory management and flexible pricing strategy will be the crucial key in the face of price fluctuation and competitive industry environment. Transcend will also strive to build up long-term collaborative relationship with suppliers, maintain healthy inventory level, and review pricing strategy regularly to ensure reasonable prices and to generate profit.

Transcend continues to implement automated productions system as well as optimizes the manufacturing processes and equipment to improve productivity and decrease manufacturing costs. We also leverage various marketing programs to expand into new channels and promote new products in an effort to enhance our brand awareness and create market value. As a multinational enterprise, Transcend pays attention to the internal communication of the company, shares up-to-date market information, keeps information in sync, and ensures that the headquarters policy can be implemented to the entire enterprise to enhance the enterprise competitiveness.

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 2017 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 in a cursive style.

March 08, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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 judgement, 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.

Key audit matters for the Company's financial statements of the current period are stated as follows:

Evaluation of inventories

Description

Please refer to Notes 4(8), 5(2) and 6(4) to the financial statements for the details of the information about 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 judgements 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 recognize 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(3) 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 judgement 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 8, 2018

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
BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2017		December 31, 2016	
	AMOUNT	%	AMOUNT	%
Current assets				
Cash and cash equivalents	\$ 3,241,924	14	\$ 1,560,837	7
Investment in debt instrument without active market - current	738,877	3	366,295	1
Notes receivable, net	5,862	-	5,348	-
Accounts receivable, net	1,718,543	7	1,815,255	8
Accounts receivable- related parties, net	796,093	4	1,184,712	5
Other receivables	100,120	-	141,234	1
Inventories, net	5,050,568	22	4,818,926	21
Other current financial assets	6,840,736	30	8,638,735	37
Other current assets, others	9,960	-	12,480	-
Current Assets	18,502,683	80	18,543,822	80
Non-current assets				
Available-for-sale financial assets - non-current	68,874	-	179,580	1
Investments accounted for using equity method	2,427,143	11	2,499,769	11
Property, plant and equipment, net	1,724,494	7	1,653,180	7
Investment property, net	207,730	1	210,371	1
Deferred tax assets	120,018	1	53,944	-
Other non-current assets	103,636	-	78,219	-
Non-current Assets	4,651,895	20	4,675,063	20
Total Assets	\$ 23,154,578	100	\$ 23,218,885	100

(Continued)

TRANSCEND INFORMATION, INC
BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	December 31, 2017		December 31, 2016	
	AMOUNT	%	AMOUNT	%
Current liabilities				
Accounts payable	\$ 1,226,819	5	\$ 1,702,172	7
Accounts payable - related parties	537,129	2	570,359	3
Other payables	292,582	1	335,590	1
Other payables - related parties	3,641	-	324	-
Current tax liabilities	415,193	2	90,367	-
Other current liabilities	4,900	-	4,166	-
Current Liabilities	2,480,264	10	2,702,978	11
Non-current liabilities				
Deferred tax liabilities	158,072	1	167,769	1
Other non-current liabilities	17,947	-	21,204	-
Non-current Liabilities	176,019	1	188,973	1
Total Liabilities	2,656,283	11	2,891,951	12
Equity attributable to owners of parent				
Share capital				
Common stock	4,307,617	19	4,307,617	19
Capital surplus				
Capital surplus	4,691,385	20	4,799,075	20
Retained earnings				
Legal reserve	4,037,210	17	3,748,946	16
Special reserve	145,689	1	21,691	-
Unappropriated retained earnings	7,363,641	32	7,595,294	33
Other equity interest				
Other equity interest	(47,247)	-	(145,689)	-
Total Equity	20,498,295	89	20,326,934	88
Significant contingent liabilities and unrecognized contract commitments				
Significant events after the balance sheet date				
Total Liabilities and Equity	\$ 23,154,578	100	\$ 23,218,885	100

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

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

Items	Years ended December 31			
	2017		2016	
	AMOUNT	%	AMOUNT	%
Operating Revenue	\$ 20,007,792	100	\$ 21,324,583	100
Operating Costs	(15,301,168)	(76)	(17,220,152)	(81)
Gross Profit	<u>4,706,624</u>	<u>24</u>	<u>4,104,431</u>	<u>19</u>
Unrealized gross profit on sales to subsidiaries	(48,746)	-	(94,548)	-
Realized gross profit on sales to subsidiaries	94,548	-	34,559	-
Gross Profit, net	<u>4,752,426</u>	<u>24</u>	<u>4,044,442</u>	<u>19</u>
Operating Expenses				
Sales and marketing expenses	(446,113)	(2)	(536,210)	(2)
Administrative expenses	(179,009)	(1)	(178,309)	(1)
Research and development expenses	(169,238)	(1)	(150,689)	(1)
Total operating expenses	<u>(794,360)</u>	<u>(4)</u>	<u>(865,208)</u>	<u>(4)</u>
Operating Profit	<u>3,958,066</u>	<u>20</u>	<u>3,179,234</u>	<u>15</u>
Non-operating Income and Expenses				
Other income	152,323	1	127,822	1
Other gains and losses	(734,243)	(4)	(185,333)	(1)
Finance costs	(297)	-	(1,631)	-
Share of loss of associates and joint ventures accounted for under equity method	(87,619)	(1)	46,023	-
Total non-operating income and expenses	<u>(669,836)</u>	<u>(4)</u>	<u>(13,119)</u>	<u>-</u>
Profit before Income Tax	<u>3,288,230</u>	<u>16</u>	<u>3,166,115</u>	<u>15</u>
Income tax expense	(632,513)	(3)	(283,478)	(1)
Profit for the Year	<u>\$ 2,655,717</u>	<u>13</u>	<u>\$ 2,882,637</u>	<u>14</u>
Other Comprehensive Income (Loss)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	\$ 2,402	-	(\$ 4,263)	-
Share of other comprehensive loss of associates and joint ventures accounted for under equity method, components of other comprehensive loss that will not be reclassified to profit or loss	(630)	-	(344)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss				
Exchange differences on translation of foreign financial statements	(30,179)	-	(143,703)	(1)
Unrealized gain (loss) on available-for-sale financial assets	123,490	1	(4,724)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	5,131	-	24,429	-
Other comprehensive income (loss) for the year	<u>100,214</u>	<u>1</u>	<u>(128,605)</u>	<u>(1)</u>
Total Comprehensive Income	<u>\$ 2,755,931</u>	<u>14</u>	<u>\$ 2,754,032</u>	<u>13</u>
Earnings Per Share				
Basic earnings per share	<u>\$ 6.17</u>		<u>\$ 6.69</u>	
Diluted earnings per share	<u>\$ 6.16</u>		<u>\$ 6.68</u>	

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

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

	Equity attributable to owners of the parent									Total equity
	Capital surplus				Retained earnings			Other equity interest		
	Common stock	Additional paid-in capital	Donated assets received	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	
Year ended December 31, 2016										
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(Note 1)										
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>
Year ended December 31, 2017										
Balance at January 1, 2017	\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 3,748,946	\$ 21,691	\$ 7,595,294	(\$ 42,214)	(\$ 103,475)	\$ 20,326,934
Appropriation of 2016 earnings(Note 2)										
Legal reserve	-	-	-	-	288,264	-	(288,264)	-	-	-
Special reserve	-	-	-	-	-	123,998	(123,998)	-	-	-
Cash dividends	-	-	-	-	-	-	(2,476,880)	-	-	(2,476,880)
Cash payment from capital surplus	-	(107,690)	-	-	-	-	-	-	-	(107,690)
Net income for the year	-	-	-	-	-	-	2,655,717	-	-	2,655,717
Other comprehensive income (loss) for the year	-	-	-	-	-	-	1,772	(25,048)	123,490	100,214
Balance at December 31, 2017	<u>\$ 4,307,617</u>	<u>\$ 4,652,151</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 4,037,210</u>	<u>\$ 145,689</u>	<u>\$ 7,363,641</u>	<u>(\$ 67,262)</u>	<u>\$ 20,015</u>	<u>\$ 20,498,295</u>

Note 1: Directors' remuneration amounting to \$5,040 and employees' compensation amounting to \$35,704 had been deducted from the Statement of Comprehensive Income in 2015.

Note 2: Directors' remuneration amounting to \$4,239 and employees' compensation amounting to \$32,042 had been deducted from the Statement of Comprehensive Income in 2016.

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

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

	Years ended December 31	
	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 3,288,230	\$ 3,166,115
Adjustments		
Adjustments to reconcile profit (loss)		
Unrealized gross profit on sales to subsidiaries	48,746	94,548
Realized gross profit on sales to subsidiaries	(94,548)	(34,559)
Loss on disposal of investments	106,075	-
Net loss on financial assets at fair value through profit or loss	-	15,768
Share of loss of associates and joint ventures accounted for using equity method	87,619	(46,023)
(Gain on reversal of bad debts) provision for bad debt expense	(9,874)	1,392
Net gain on financial liabilities at fair value through profit or loss	-	(13)
Depreciation	120,657	127,654
Interest income	(143,570)	(119,234)
Interest expense	297	1,631
Dividend income	(8,973)	(8,574)
(Gain) loss on disposal of property, plant and equipment	(10,273)	184
Changes in operating assets and liabilities		
Changes in operating assets		
Notes and accounts receivable	494,691	(91,635)
Other receivables	44,959	(1,186)
Inventories	(231,642)	(599,778)
Other current assets, others	2,520	3,088
Changes in operating liabilities		
Accounts payable	(508,583)	210,379
Other payables	(43,008)	37,078
Other payables - related parties	3,317	238
Other current liabilities	734	2,032
Other non-current liabilities	(855)	(34,136)
Cash inflow generated from operations	3,146,519	2,724,969
Dividends received	8,973	312,775
Interest received	139,725	107,924
Interest paid	(297)	(1,631)
Income tax paid	(378,327)	(540,595)
Net cash flows from operating activities	<u>2,916,593</u>	<u>2,603,442</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in other current financial assets	(2,112,846)	(4,931,250)
Decrease in other current financial assets	3,910,845	4,759,528
Acquisition of investment in debt instrument without active markets	(2,734,320)	(2,786,377)
Proceeds from disposal of investment in debt instrument without active markets	2,361,738	3,027,999
Proceeds from disposal of available-for-sale financial assets	128,121	-
Acquisition of property, plant and equipment (including investment property)	(195,539)	(60,030)
Proceeds from disposal of property, plant and equipment	16,482	90
(Increase) decrease in other non-current assets	(25,417)	(31,627)
Net cash flows from investing activities	<u>1,349,064</u>	<u>(21,667)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in short-term borrowings	-	(492,375)
Cash dividends paid (including cash payment from capital surplus)	(2,584,570)	(2,929,179)
Net cash flows used in financing activities	(2,584,570)	(3,421,554)
Net increase (decrease) in cash and cash equivalents	1,681,087	(839,779)
Cash and cash equivalents at beginning of year	1,560,837	2,400,616
Cash and cash equivalents at end of year	<u>\$ 3,241,924</u>	<u>\$ 1,560,837</u>

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR17000300

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, 2017 and 2016, 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, 2017 and 2016, 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 judgement, 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.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Evaluation of inventories

Description

Please refer to Notes 4(9), 5(2) and 6(4) 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 judgements 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 recognize 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(3) 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, 2017 and 2016.

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 judgement 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 8, 2018

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	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 3,645,914	16	\$ 1,842,670	8
Investment in debt instrument without active market - current	6(2)	738,877	3	366,295	2
Notes receivable, net		5,862	-	5,348	-
Accounts receivable, net	6(3)	2,499,773	11	2,841,228	12
Accounts receivable- related parties, net	7	-	-	21,369	-
Other receivables		114,346	1	146,619	1
Inventories, net	6(4)	5,241,150	23	5,166,821	23
Other current financial assets	6(5)	6,899,661	30	8,702,590	38
Other current assets, others		44,210	-	36,389	-
Current Assets		19,189,793	84	19,129,329	84
Non-current assets					
Available-for-sale financial assets - non-current	6(6)	68,874	-	179,580	1
Investments accounted for using equity method	6(7)	173,122	1	282,610	1
Property, plant and equipment, net	6(8), 7 and 8	2,706,923	12	2,740,210	12
Investment property, net	6(9)	269,462	1	277,316	1
Deferred tax assets	6(20)	133,954	1	77,759	-
Other non-current assets	6(10)	228,353	1	204,250	1
Non-current Assets		3,580,688	16	3,761,725	16
Total Assets		\$ 22,770,481	100	\$ 22,891,054	100

(Continued)

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

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
Current liabilities					
Accounts payable		\$ 1,237,552	5	\$ 1,740,266	8
Accounts payable - related parties	7	37,454	-	48,218	-
Other payables		347,619	2	390,533	2
Other payables - related parties		233	-	-	-
Current tax liabilities		412,345	2	96,138	-
Other current liabilities		31,414	-	44,415	-
Current Liabilities		<u>2,066,617</u>	<u>9</u>	<u>2,319,570</u>	<u>10</u>
Non-current liabilities					
Deferred tax liabilities	6(20)	158,463	1	167,817	1
Other non-current liabilities	6(11)	47,106	-	76,733	-
Non-current Liabilities		<u>205,569</u>	<u>1</u>	<u>244,550</u>	<u>1</u>
Total Liabilities		<u>2,272,186</u>	<u>10</u>	<u>2,564,120</u>	<u>11</u>
Equity attributable to owners of parent					
Share capital 6(12)					
Common stock		4,307,617	19	4,307,617	19
Capital surplus 6(13)					
Capital surplus		4,691,385	20	4,799,075	21
Retained earnings 6(14)					
Legal reserve		4,037,210	18	3,748,946	16
Special reserve		145,689	1	21,691	-
Unappropriated retained earnings		7,363,641	32	7,595,294	33
Other equity interest 6(15)					
Other equity interest		(47,247)	-	(145,689)	-
Total Equity		<u>20,498,295</u>	<u>90</u>	<u>20,326,934</u>	<u>89</u>
Significant contingent liabilities and unrecognition contract commitments					
Significant events after the balance sheet date 11					
Total Liabilities and Equity		<u>\$ 22,770,481</u>	<u>100</u>	<u>\$ 22,891,054</u>	<u>100</u>

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	Notes	Year ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(16) and 7	\$ 20,964,853	100	\$ 22,104,915	100
Operating Costs	6(4)(19) and 7	(15,438,009)	(74)	(17,153,222)	(78)
Gross Profit		<u>5,526,844</u>	<u>26</u>	<u>4,951,693</u>	<u>22</u>
Operating Expenses	6(19)				
Sales and marketing expenses		(945,861)	(4)	(1,089,435)	(5)
Administrative expenses		(414,097)	(2)	(403,824)	(2)
Research and development expenses		(169,238)	(1)	(150,689)	-
Total operating expenses		<u>(1,529,196)</u>	<u>(7)</u>	<u>(1,643,948)</u>	<u>(7)</u>
Operating Profit		<u>3,997,648</u>	<u>19</u>	<u>3,307,745</u>	<u>15</u>
Non-operating Income and Expenses					
Other income	6(17)	163,495	1	138,978	1
Other gains and losses	6(18) and 7	(739,406)	(4)	(166,253)	(1)
Finance costs		(297)	-	(2,502)	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	(108,858)	-	(34,601)	-
Total non-operating income and expenses		<u>(685,066)</u>	<u>(3)</u>	<u>(64,378)</u>	<u>-</u>
Profit before Income Tax		<u>3,312,582</u>	<u>16</u>	<u>3,243,367</u>	<u>15</u>
Income tax expense	6(20)	(656,865)	(3)	(360,730)	(2)
Profit for the Year		<u>\$ 2,655,717</u>	<u>13</u>	<u>\$ 2,882,637</u>	<u>13</u>
Other Comprehensive Income (Loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans	6(11)	\$ 2,402	-	(\$ 4,263)	-
Share of other comprehensive loss of associates and joint ventures accounted for under equity method, components of other comprehensive loss that will not be reclassified to profit or loss		(630)	-	(344)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements	6(15)	(30,179)	-	(143,703)	(1)
Unrealized gain (loss) on available-for-sale financial assets	6(6)(15)	123,490	-	4,724)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(15)(20)	5,131	-	24,429)	-
Other comprehensive income (loss) for the year		<u>\$ 100,214</u>	<u>-</u>	<u>(\$ 128,605)</u>	<u>(1)</u>
Total Comprehensive Income		<u>\$ 2,755,931</u>	<u>13</u>	<u>\$ 2,754,032</u>	<u>12</u>
Net profit attributable to:					
Owners of parent		<u>\$ 2,655,717</u>	<u>13</u>	<u>\$ 2,882,637</u>	<u>13</u>
Comprehensive income attributable to:					
Owners of parent		<u>\$ 2,755,931</u>	<u>13</u>	<u>\$ 2,754,032</u>	<u>12</u>
Earnings Per Share	6(21)				
Basic earnings per share		<u>\$ 6.17</u>		<u>\$ 6.69</u>	
Diluted earnings per share		<u>\$ 6.16</u>		<u>\$ 6.68</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)

	Notes	Equity attributable to owners of the parent									Total equity
		Capital surplus			Retained earnings			Other equity interest			
		Common stock	Additional paid-in capital	Donated assets received	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, 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	6(14)										
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	6(6)(15)	-	-	-	-	-	-	(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>
<u>Year ended December 31, 2017</u>											
Balance at January 1, 2017		\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 3,748,946	\$ 21,691	\$ 7,595,294	(\$ 42,214)	(\$ 103,475)	\$ 20,326,934
Appropriation of 2016 earnings	6(14)										
Legal reserve		-	-	-	-	288,264	-	(288,264)	-	-	-
Special reserve		-	-	-	-	-	123,998	(123,998)	-	-	-
Cash dividends		-	-	-	-	-	-	(2,476,880)	-	-	(2,476,880)
Cash payment from capital surplus	6(14)	-	(107,690)	-	-	-	-	-	-	-	(107,690)
Net income for the year		-	-	-	-	-	-	2,655,717	-	-	2,655,717
Other comprehensive income (loss) for the year	6(6)(15)	-	-	-	-	-	-	1,772	(25,048)	123,490	100,214
Balance at December 31, 2017		<u>\$ 4,307,617</u>	<u>\$ 4,652,151</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 4,037,210</u>	<u>\$ 145,689</u>	<u>\$ 7,363,641</u>	<u>(\$ 67,262)</u>	<u>\$ 20,015</u>	<u>\$ 20,498,295</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)

	Notes	Years ended December 31	
		2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,312,582	\$ 3,243,367
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets at fair value through profit or loss		-	15,768
Share of loss of associates and joint ventures accounted for using equity method	6(7)	108,858	34,601
(Gain on reversal of bad debts) provision for bad debt expense	6(3)	(6,353)	1,449
Loss on disposal of investments	6(6)(18)	106,075	-
Net gain on financial liabilities at fair value through profit or loss	6(18)	-	(13)
(Gain) loss on disposal of property, plant and equipment	6(18)	(10,421)	289
Depreciation	6(19)	205,723	229,566
Interest income	6(17)	(145,127)	(120,589)
Interest expense		297	2,502
Dividend income	6(18)	(8,973)	(8,574)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(514)	(4,389)
Accounts receivable		349,976	361,242
Accounts receivable - related parties		21,369	(12,022)
Other receivables		36,118	(968)
Inventories		(74,329)	(653,065)
Other current assets, others		(7,821)	16,097
Changes in operating liabilities			
Accounts payable		(502,714)	151,154
Accounts payable - related parties		(10,764)	(10,342)
Other payables		(42,914)	23,601
Other payables - related parties		233	-
Other current liabilities		(13,001)	8,323
Other non-current liabilities		(27,225)	3,645
Cash inflow generated from operations		3,291,075	3,281,642
Dividends received		8,973	8,574
Interest received		141,282	109,279
Interest paid		(297)	(2,502)
Income tax paid		(401,076)	(622,848)
Net cash flows from operating activities		<u>3,039,957</u>	<u>2,774,145</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other current financial assets		(2,112,846)	(4,931,250)
Decrease in other current financial assets		3,915,775	4,760,666
Acquisition of investment in debt instrument without active markets		(2,734,320)	(2,786,377)
Proceeds from disposal of investment in debt instrument without active markets		2,361,738	3,309,487
Proceeds from disposal of available-for-sale financial assets		128,121	-
Acquisition of property, plant and equipment	6(8)	(195,132)	(47,607)
Proceeds from disposal of property, plant and equipment	6(8)	16,725	147
Increase in other current financial assets		(24,103)	(18,544)
Net cash flows from investing activities		<u>1,355,958</u>	<u>286,522</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		-	(940,725)
Cash dividends paid (including cash payment from capital surplus)	6(14)	(2,584,570)	(2,929,179)
Net cash flows used in financing activities		(2,584,570)	(3,869,904)
Effect of exchange rate changes on cash and cash equivalents		(8,101)	(11,455)
Net increase (decrease) in cash and cash equivalents		1,803,244	(820,692)
Cash and cash equivalents at beginning of year		1,842,670	2,663,362
Cash and cash equivalents at end of year		<u>\$ 3,645,914</u>	<u>\$ 1,842,670</u>

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

TRANSCEND INFORMATION INC.
THE NOMINATION LIST OF DIRECTORS

(NON-INDEPENDENT DIRECTOR)

Name	Shares	Education	Experience	Present position
SHU, CHUNG- WAN	9,990,453	Department of Electrical Engineering, National Cheng Kung University	Project Manager of Hewlett-Packard Development Company, L.P.	<u>Chief Executive Officer:</u> - Transcend Information. Inc. <u>Chairman of the board of directors:</u> - Taiwan IC Packaging Corporation <u>Director:</u> - C-TECH Corporation - Transcend Information Trading GmbH Hamburg <u>Representative juristic person:</u> - Hitron Technologies Inc. - WK Technology Fund VI Ltd. - WK Technology Fund VII Ltd. - WK Technology Fund VIII Ltd. <u>Supervisor:</u> - Wan An Technology Inc. <u>President:</u> - Transcend Information Trading GmbH Hamburg
SHU, CHUNG- CHENG	6,244,098	Department of Civil Engineering, National Taipei Institute of Technology	None	<u>President:</u> - Transcend Information. Inc. <u>Chairman of the board of directors:</u> - C-TECH Corporation - Cheng Chuan Technology Development Inc. - Shu Min Investment Inc. <u>Executive director:</u> - Transcend Information (Shanghai),Ltd - Transtech Trading(Shanghai) Co. Ltd. <u>Director:</u> - Wan An Technology Inc. - Won Chin Investment Inc. - Wan Min Investment Inc. - Wan Chuan Investment Inc.

Name	Shares	Education	Experience	Present position
				- Saffire Investment Ltd. - Memhiro Pte. Ltd. - Transcend Japan Inc - Transcend (H.K.) Limited -Supreme Electronics Co., Ltd. <u>Consultant:</u> - Taiwan IC Packaging Corporation
CHUI, LI-CHU	0	Department of French, Tamkang University	None	Supervisor of Won Chin Investment Inc.
HSU, CHIA- HSIAN	674,244	Department of Automatic Control Engineering, Feng Chia University	President of China area of Transcend Information Inc.	None
WANG, JEN-MING	0	University of Illinois MBA	Sales director of Transcend Information, Inc.	Sales Vice President of Transcend Information Inc
LI, TSENG- HO	0	Master of Information Management of National Taiwan University of Science and Technology	R&D Director of Transcend Information, Inc.	Factory Chief of Transcend Information, Inc.

(INDEPENDENT DIRECTOR)

Name	Shares	Education	Experience	Present position
WANG, YI-HSIN	0	Ph.D, Accounting University of Kentucky	-Professor of Department of Accounting, National Chung Hsing University -Library Curator and Vice President of National Taipei University -Independent Director of Bestcom Infotech Corp.	- Professor of Department of Accounting, National Taipei University - Independent Director of United BioPharma Inc. - Director of First Financial Holding Co. Ltd. - Chairperson of Accounting Research and Development Foundation - President of the Trend Research Foundation - Supervisor of Telecom Technology Center - Chairperson of the Institute of Internal Auditors

Name	Shares	Education	Experience	Present position
CHEN, YI-LIANG	0	-Master of Business Administration, University of California at Los Angeles -Department of Business Administration, National ChengChi University	- President of Symphox Information Co., Ltd. - President of China area of Hewlett-Packard Development Company, L.P. - CFO of China area of Hewlett-Packard Development Company, L.P. - Business Development President of Asia area of Hewlett-Packard Development Company, L.P. - Financial Vice President of Taiwan area of Hewlett-Packard Development Company, L.P. - Finance manager of Taiwan area and Sales manager of southern area of Hewlett-Packard Development Company, L.P. - Independent Director of Nano-Op Co., Ltd.	- Director of Homeyen Networks. Co., Ltd. - Director of Tai Hwa Oil Industrial Co., Ltd. - Independent Director of Lextar Electronics Corporation
CHEN, LO-MIN	0	Department of Business Administration, National ChengChi University	- Global Executive Vice President and International Chief Operating Officer of Diebold Inc. - President of Asia area of Diebold Inc. - President of Great China Business division of Royal Philips - President of NCR China Co., Ltd. - Vice President of Taiwan branch of NCR Corp.	- Independent Director of Hitron Technologies Inc.

TRANSCEND INFORMATION INC.
THE CONCURRENT POSITIONS OF DIRECTORS

Category	Name	Concurrent Position
Director	SHU CHUNG-WAN	<ul style="list-style-type: none"> ■ Chairman of Taiwan IC Packaging Corporation ■ Director of C-TECH Corporation ■ Representative juristic person of <ul style="list-style-type: none"> - Hitron Technologies Inc. - WK Technology Fund VI Ltd. - WK Technology Fund VII Ltd. - WK Technology Fund VIII Ltd.
Director	SHU CHUNG-CHENG	<ul style="list-style-type: none"> ■ Chairman of <ul style="list-style-type: none"> - C-TECH Corporation - Cheng Chuan Technology Development Inc. - Shu Min Investment Inc. ■ Director of <ul style="list-style-type: none"> - Wan An Technology Inc. - Won Chin Investment Inc. - Wan Min Investment Inc. - Wan Chuan Investment Inc. - Supreme Electronics Co., Ltd. ■ Consultant of Taiwan IC Packaging Corporation
Independent Director	WANG YI-HSIN	<ul style="list-style-type: none"> ■ Independent Director of United BioPharma Inc. ■ Director of First Financial Holding Co. Ltd. ■ Chairman of Accounting Research and Development Foundation ■ President of the Trend Research Foundation ■ Chairman of the Institute of Internal Auditors
Independent Director	CHEN YI-LIANG	<ul style="list-style-type: none"> ■ Director of Homeyen Networks. Co., Ltd. ■ Director of Tai Hwa Oil Industrial Co., Ltd. ■ Independent Director of Lextar Electronics Corporation
Independent Director	CHEN LO-MIN	<ul style="list-style-type: none"> ■ Independent Director of Hitron Technologies Inc.

**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:

Title	Minimum Required Shareholding by all Directors	Current Shareholding (Shares)
Directors	16,000,000	17,074,470

Note 1: The period of Book closure is from April 16, 2018 to June 14, 2018.

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 16, 2018:

Title	Name	Current Shareholding (Shares)
Chairman	SHU,CHUNG-WAN	9,990,453
Director	SHU,CHUNG-CHENG	6,244,098
Director	LIN, CHIN-YU	3,103
Director	CHUI, LI-CHU	0
Director	HSU, CHIA-HSIAN	674,244
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	17,074,470