

Transcend Information, Inc.
2017 ANNUAL REGULAR SHAREHOLDERS' MEETING MINUTES
(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.)

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

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

Total share represented by shareholders present in person or by proxy are 377,584,018 shares (including 377,068,567 shares casted electronically), which is 87.65% of the total 430,761,675 outstanding shares.

Attended Directors: Shu, Chung-Wan, the chairman of Board of Directors

Attended Independent Directors: Wang, Yi-Hsin, the convener of Audit Committee

Attendees: Chen, Chin-Chang, the independent auditors of the Pricewaterhouse Coopers
Li, Dan, the lawyer of World Patent & Trademark Office

Chairman: Shu, Chung-Wan

Recorder: Chen, Hung-Jen

Call meeting to order: The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

Chairman's Remarks: (Omitted)

I. Report Items

(1) To report the business of 2016.

Please refer to Attachment I.

(2) Audit Committee's review report.

Please refer to Attachment II.

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

Explanatory Notes:

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

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

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

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

Explanatory Notes:

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

II. Proposed Items

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

Explanatory Notes:

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

Resolution:

Votes in favor: 357,073,316 votes (including 356,586,148 votes casted electronically), 94.56% of the total represented share present; Votes against: 8,848 votes (including 8,848 votes casted electronically); Votes invalid: 0 votes (including 0 votes casted electronically); Abstention and no votes: 20,501,854 votes (including 20,473,571 votes casted electronically).

Resolved, the above proposal was approved as proposed.

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

Explanatory Notes:

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

Resolution:

Votes in favor: 357,073,316 votes (including 356,586,148 votes casted electronically), 94.56% of the total represented share present; Votes against: 8,848 votes (including 8,848 votes casted electronically); Votes invalid: 0 votes (including 0 votes casted electronically); Abstention and no votes: 20,501,854 votes (including 20,473,571 votes casted electronically)

Resolved, the above proposal was approved as proposed.

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

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

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

III. Discussion Items

Discussion Items (1)

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

Explanatory Notes:

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

Resolution:

Votes in favor: 357,069,316 votes (including 356,582,148 votes casted electronically), 94.56% of the total represented share present; Votes against: 12,848 votes (including 12,848 votes casted electronically); Votes invalid: 0 votes (including 0 votes casted electronically); Abstention and no votes: 20,501,854 votes (including 20,473,571 votes casted electronically)

Resolved, the above proposal was approved as proposed.

Discussion Items (2)

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

Explanatory Notes:

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

Resolution:

Votes in favor: 357,071,306 votes (including 356,584,138 votes casted electronically), 94.56% of the total represented share present; Votes against: 8,858 votes (including 8,858 votes casted electronically); Votes invalid: 0 votes (including 0 votes casted electronically); Abstention and no votes: 20,503,854 votes (including 20,475,571 votes casted electronically)

Resolved, the above proposal was approved as proposed.

IV. Election Items

Election Items (1)

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

Explanatory Notes:

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

Resolution:

The list of persons elected as directors
(NON-INDEPENDENT DIRECTORS)

Shareholder Account NO./ ID NO.	Name	Numbers of Votes
A1203*****	LIN, CHIN-YU	350,100,019

V. Other Business and Special Motion

There is no special motion, the meeting was adjourned.

VI. Meeting Adjourned

**TRANSCEND INFORMATION INC.
BUSINESS REPORT**

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

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

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

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

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

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

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

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

Chairman : Shu, Chung-Wan

General Manager : Shu, Chung-Cheng

Accounting Supervisor : Chen, Hung-Jen

Audit Report of Audit Committee

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

The audit Committee of Transcend Corporation

Chairman of the audit Committee: Wang, Yi-Shin



March 09, 2017

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Evaluation of inventories

Description

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

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

How our audit addressed the matter

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

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

Estimation of allowance for sales discount

Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

March 9, 2017

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16000236

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Evaluation of inventories

Description

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

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

How our audit addressed the matter

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

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

Estimation of allowance for sales discount

Description

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

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

How our audit addressed the matter

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

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

Other matter –Parent company only financial reports

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

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

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

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

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

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

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

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

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


override of internal control.

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

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

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

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


Lin, Chun-Yao


Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2017

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan Dollars)

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

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

TRANSCEND INFORMATION INC.

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

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

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

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

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

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

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

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

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

TRANSCEND INFORMATION INC.
THE NOMINATION LIST OF THE DIRECTOR

(NON-INDEPENDENT DIRECTOR)

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