

Transcend Information, Inc.

2018 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 14, 2018

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 349,615,742 shares (including 316,080,041 shares casted electronically), which is 81.16% 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, Chen, Yi-Liang, and Chen, Lo-Min

Attendees:

Lin Chun-Yao, 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 2017.

Please refer to Attachment I.

(2) Audit Committee's review report.

Please refer to 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 Attachment I, III and IV)
- C. It is submitted for ratification.

Resolution:

Shares represented at the time of voting: 349,613,742
(including votes casted electronically 316,080,041)

Voting Results*		% of the total represented share present
Votes in favor:	332,984,781 votes (302,419,080 votes)	95.24%
Votes against:	144,356 votes (144,356 votes)	0.04%
Votes invalid:	0 votes (0 votes)	0.00%
Abstention and no votes:	16,484,605 votes (13,516,605 votes)	4.71%

*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

(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 next page 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:

Shares represented at the time of voting: 349,613,742
(including votes casted electronically 316,080,041)

Voting Results*		% of the total represented share present
Votes in favor:	333,097,584 votes (302,531,883 votes)	95.27%
Votes against:	33,553 votes (33,553 votes)	0.00%
Votes invalid:	0 votes (0 votes)	0.00%
Abstention and no votes:	16,482,605 votes (13,514,605 votes)	4.71%

*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

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:

Shares represented at the time of voting: 349,613,742
 (including votes casted electronically 316,080,041)

Voting Results*		% of the total represented share present
Votes in favor:	333,098,584 votes (302,532,883 votes)	95.27%
Votes against:	32,553 votes (32,553 votes)	0.00%
Votes invalid:	0 votes (0 votes)	0.00%
Abstention and no votes:	16,482,605 votes (13,514,605 votes)	4.71%

*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

(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 Attachment V: the nomination list of directors.
- 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 (including votes casted electronically)
1	SHU, CHUNG-WAN	358,888,168
2	SHU, CHUNG-CHENG	322,012,750
E2206*****	CHUI, LI-CHU	321,618,604
A1223*****	WANG, JEN-MING	321,352,027
3	HSU, CHIA-HSIAN	321,171,162
N1234*****	LI, TSENG-HO	320,973,021

(INDEPENDENT DIRECTORS)

Shareholder Account NO./ ID NO.	Name	Numbers of Votes (including votes casted electronically)
A2204*****	WANG, YI-HSIN	320,614,811
E1002*****	CHEN, YI-LIANG	320,408,992
A1234*****	CHEN, LO-MIN	320,224,019

(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 Attachment VI: the concurrent positions of directors.

C. It is submitted for approval.

Resolution:

Shares represented at the time of voting: 349,613,742
(including votes casted electronically 316,080,041)

Voting Results*		% of the total represented share present
Votes in favor:	332,054,046 votes (301,488,345 votes)	94.97%
Votes against:	127,628 votes (127,628 votes)	0.03%
Votes invalid:	0 votes (0 votes)	0.00%
Abstention and no votes:	17,432,068 votes (14,464,068 votes)	4.98%

*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

IV. Other Business and Special Motion

Speech from shareholders: shareholder registered number 103580 had questions and comments about the investment of the associate, product quality, and industrial product technologies development, the questions were responded by the Chairman.

There is no other special motion, the meeting was adjourned.

V. Meeting Adjourned

Note: This document is extracted from the meeting; the details are subject to the audio and video recording.

**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 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



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 unrecognised 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.