

**Transcend Information, Inc.**

**2020 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 19, 2020

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 349,877,439 shares (including 349,838,439 shares casted electronically), which is 81.54% of the total 429,061,675 outstanding shares.

Attended Directors:

Shu, Chung-Won, the chairman of Board of Directors, Shu, Chung-Cheng, Chui, Li-Chu, and Wang, Jen-Ming

Attended Independent Directors:

Wang, Yi-Hsin, the convener of Audit Committee

Attendees:

Lin Chun-Yao, the independent auditors of the Pricewaterhouse Coopers

Li, Dan, the lawyer of World Patent & Trademark Office

Chairman: Shu, Chung-Won

Recorder: Hsiao, Sheng-Yin

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 2019.

Please refer to Attachment I.

(2) Audit Committee's review report.

Please refer to Attachment II.

(3) To report 2019 employees' profit sharing bonus and directors' compensation.

**Explanatory Notes:**

A. The remuneration of 2019 profit to employees would be NT\$ 20,684,330 (distributed in cash); and that to directors would be NT\$ 2,790,000.

- B. The estimated remuneration to employees is NT\$ 21,398,216 and the different amount should be NT\$ 713,886; the estimated remuneration to directors is NT\$ 2,995,750 and the different amount should be NT\$ 205,750.
- C. The difference will be recognized as expense in the statement of income in 2020.

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

**Explanatory Notes:**

The Company provided a guarantee for Transcend Japan Inc. amounting to JPY 2,000,000 thousands, and the actual amount of guarantee draw down is JPY 0 by the end of 2019. Pursuant to the Company's "Procedures for Endorsements and Guarantees", the limit of guarantee was NT\$ 7,652,169 thousands (approximate JPY 27,800,000 thousands).

(5) Cash distribution from 2019 retained earnings.

**Explanatory Notes:**

- A. To comply with Article 240 of the Company Act and Article 22-1 of the "Articles of Incorporation".
- B. For appropriations of 2019 earnings, the Company will distribute cash dividend of NT\$ 1,544,622,030 (NT\$3.60 per share).
- C. Please refer to Page 7 for the chart of 2019 earnings distribution.
- D. Cash dividend will be distributed proportionately according to shareholders' shares ownership registered in the Common Stockholders' Roster as of the date of record. The cash distribution will be rounded down to NT\$1 (any amount under NT\$1 will be discarded), and the remaining fraction will be incorporated into other revenues of the Company.
- E. 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.

(6) Cash distribution from capital surplus.

**Explanatory Notes:**

- A. To comply with Article 241 of the Company Act and Article 22-1 of the "Articles of Incorporation".
- B. The capital surplus derived from the issuance of new shares at a premium totaling NT\$ 386,155,508 will be distributed in cash of NT\$0.90 per share.
- C. Cash distribution from capital surplus will be distributed proportionately according to shareholders' shares ownership registered in the Common Stockholders' Roster as of the date of record. The cash distribution will be rounded down to NT\$1 (any amount under NT\$1 will be

discarded), and the remaining fraction will be incorporated into other revenues of the Company.

- 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.

(7) The execution result of the 1<sup>st</sup> share repurchase program.

**Explanatory Notes:**

The number of times	1 <sup>st</sup> Repurchase
Date of the board of directors resolution	2019/11/07
Purpose of the share repurchase	To maintain the Company's credit and shareholders' equity.
Scheduled period	2019/11/08~2020/01/07
Repurchase type and number of shares	3,000,000 common shares
Repurchase price range	NT\$49~NT97
Repurchase period	2019/12/09~2020/01/07
Number of shares repurchased	1,700,000 common shares
Repurchase amount	NT\$130,621,100
Average repurchase price per share	NT\$76.84
Ratio of number of shares actually repurchased to the originally determined number of shares to be repurchased	56.67%
Cancelled number of shares	1,700,000 shares
Execution result	Not completed. Reason: To achieve the objective of securing shareholders interests and stabilizing market price, share repurchase will be executed in separate batches depending on market condition. Therefore, the announced share repurchase plan has not been fully executed.
Cumulative shares held	0 share
Ratio of cumulative shares held of total Company's shares issued	0%
Status	The repurchased shares were cancelled on 2020/4/24.

## II. Proposed Items

### (1) Adoption of 2019 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 2019 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: 349,877,439  
(including votes casted electronically 349,838,439 )

Voting Results*		% of the total represented share present
Votes in favor:	329,105,992 votes ( 329,103,992 votes)	94.06%
Votes against:	17,910 votes ( 17,910 votes)	0.00%
Votes invalid:	0 votes ( 0 votes)	0.00%
Abstention and no votes:	20,753,537 votes ( 20,716,537 votes)	5.93%

\*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

(2) Adoption of the proposal for distribution of 2019 earnings.

(Proposed by the Board of Directors)

**Explanatory Notes:**

- A. Please refer to page 7 for the chart of 2019 earnings distribution.
- B. The distribution of cash dividends part in the chart of 2019 earnings distribution has been approved by the board of directors on 2020/03/05.
- C. It is submitted for ratification.

**Resolution:**

Shares represented at the time of voting: 349,877,439  
(including votes casted electronically 349,838,439 )

Voting Results*		% of the total represented share present
Votes in favor:	329,101,982 votes ( 329,099,982 votes)	94.06%
Votes against:	23,910 votes ( 23,910 votes)	0.00%
Votes invalid:	0 votes ( 0 votes)	0.00%
Abstention and no votes:	20,751,547 votes ( 20,714,547 votes)	5.93%

\*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

**Transcend Information, Inc.**  
**The Chart of 2019 Earnings Distribution**  
**For the year ended December 31, 2019**  
**(Expressed in New Taiwan dollar)**

Item	Amount	Remarks
Unappropriated retained earnings at beginning	4,661,121,549	
<b>Add:</b> Adjustment on unappropriated earnings for 2019	37,211,474	
Adjusted unappropriated retained earnings	4,698,333,023	
<b>Add:</b> Net income for 2019	1,728,966,885	
<b>Less:</b> Legal reserve (10%)	(172,896,689)	
<b>Less:</b> Special reserve	(69,329,826)	
Retained earnings available for appropriation as of December 31, 2019	6,185,073,393	
<b>Less:</b> Items of distribution - Cash dividend to shareholders	(1,544,622,030)	Cash dividend (NT\$3.60 per share)
Unappropriated retained earnings at end	4,640,451,363	

Chairman : Shu, Chung-Won    General Manager : Shu, Chung-Cheng    Accounting Supervisor : Hsiao, Sheng-Yin

### III. Discussion Items

(1) To approve the amendments to “Articles of Incorporation”.

(Proposed by the Board of Directors)

**Explanatory Notes:**

- A. To comply with Article 267 of the Company Act, the Company hereby proposes amendments to “Articles of Incorporation”.
- B. Please refer to Attachment V: the comparison table for the “Articles of Incorporation”.
- C. It is submitted for approval.

**Resolution:**

Shares represented at the time of voting: 349,877,439  
(including votes casted electronically 349,838,439 )

Voting Results*		% of the total represented share present
Votes in favor:	328,809,869 votes ( 328,807,869 votes)	93.97%
Votes against:	288,051 votes ( 288,051 votes)	0.08%
Votes invalid:	0 votes ( 0 votes)	0.00%
Abstention and no votes:	20,779,519 votes ( 20,742,519 votes)	5.93%

\*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

(2) To approve the amendments to “Procedures for Acquisition and Disposal of Assets”.

(Proposed by the Board of Directors)

**Explanatory Notes:**

- A. To increase the limit of investment amount, loosen the authority to approve, and add flexibility of using company fund, the Company hereby proposes amendments to “Procedures for Acquisition and Disposal of Assets”.
- B. Please refer to Attachment VI: the comparison table for the “Procedures for Acquisition and Disposal of Assets”.
- C. It is submitted for approval.

**Resolution:**

Shares represented at the time of voting: 349,877,439  
(including votes casted electronically 349,838,439 )

Voting Results*		% of the total represented share present
Votes in favor:	302,762,037 votes ( 302,760,037 votes)	86.53%
Votes against:	26,335,717 votes ( 26,335,717 votes)	7.52%
Votes invalid:	0 votes ( 0 votes)	0.00%
Abstention and no votes:	20,779,685 votes ( 20,742,685 votes)	5.93%

\*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

(3) To approve the amendments to “Procedures for Lending Funds to other Parties”.

(Proposed by the Board of Directors)

**Explanatory Notes:**

- A. Due to the amendment of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” made on March 7, 2019 by Financial Supervisory Commission, and to fulfill the requirement of practical operation, the Company hereby proposes amendments to “Procedures for Lending Funds to other Parties”.
- B. Please refer to Attachment VII: the comparison table for the “Procedures for Lending Funds to other Parties”
- C. It is submitted for approval.

**Resolution:**

Shares represented at the time of voting: 349,877,439  
(including votes casted electronically 349,838,439 )

Voting Results*		% of the total represented share present
Votes in favor:	329,077,263 votes ( 329,075,263 votes)	94.05%
Votes against:	23,241 votes ( 23,241 votes)	0.00%
Votes invalid:	0 votes ( 0 votes)	0.00%
Abstention and no votes:	20,776,935 votes ( 20,739,935 votes)	5.93%

\*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

(4) To approve the amendments to “Procedures for Endorsements and Guarantees”.

(Proposed by the Board of Directors)

**Explanatory Notes:**

- A. Due to the amendment of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” made on March 7, 2019 by Financial Supervisory Commission, and to fulfill the requirement of practical operation, the Company hereby proposes amendments to “Procedures for Lending Funds to other Parties”.
- B. Please refer to Attachment VIII: the comparison table for the “Procedures for Endorsements and Guarantees”
- C. It is submitted for approval.

**Resolution:**

Shares represented at the time of voting: 349,877,439  
(including votes casted electronically 349,838,439 )

Voting Results*		% of the total represented share present
Votes in favor:	329,078,263 votes ( 329,076,263 votes)	94.05%
Votes against:	23,251 votes ( 23,251 votes)	0.00%
Votes invalid:	0 votes ( 0 votes)	0.00%
Abstention and no votes:	20,775,925 votes ( 20,738,925 votes)	5.93%

\*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

(5) Issuance of Restricted Stock Awards.

(Proposed by the Board of Directors)

**Explanatory Notes:**

- A. Terms of Restricted Stock Awards are as the following:
  - I. Expected total shares of issuance: 2,000,000 common shares.
  - II. Terms and conditions:
    - i. Expected issue price: The current issue is gratuitous.
    - ii. Vesting conditions:  
Employees who achieve personal performance criterion or the Company’s operation objectives set by the “Issuance Rules of Transcend 2020 Restricted Stock Awards Plan” and who have no violation on any terms of the plan are qualified to receive the vested shares. Please refer to Attachment IX: “Issuance Rules of Transcend 2020 Restricted Stock Awards Plan”.

- iii. Measures to be taken when employees fail to achieve the vesting conditions or in the event of inheritance:

The Company will redeem the issued restricted stock awards and cancel the full number of share in accordance with the terms of the issuance rules set by the Company.

B. Qualification requirements for employees:

- I. Full-time employees of the Company and full-time employees of domestic or foreign controlled or affiliated companies who are already employed on the date that the restricted stock awards are awarded.
- II. The number of granted shares shall be determined by seniority, position, performance, overall contribution and other meaningful factors in management. The results of shares distribution shall be reviewed by the Chairman and obtain approval in the Board of Directors meeting. However, for employees who are managers, the awards of such shares are subject to approval by the Compensation Committee.
- III. The sum of the cumulative number of shares granted to each employee shall be in accordance with the applicable laws and regulations in Offering Regulations.

C. Restricted rights before employees meet the vesting conditions:

- I. During the vesting period, employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise disposal of, restricted stock awards.
- II. Before the vesting conditions are met, except the aforementioned rights, the other rights of restricted stock awards, including but not limited to dividend, interest rights to receive capital reserve, employee stock options at cash capital increase, shall be the same as the Company's common shares issued.

D. The reason why it is necessary to issue restricted stocks for employees:

To attract and retain talents, motivate and engage employees for the best interest of the Company and its shareholders, so as to ensure the alignment of the employees' and shareholders' interests.

E. Calculated expense amount and impact on dilution of EPS or other factors affecting shareholder's equity: If based on the March 2, 2020 closing price, NT\$78, the annual amortized expenses from 2021 to 2023 will be projected as: NT\$91,000 thousand, NT\$44,200 thousand and NT\$20,800 thousand, respectively with the total amounts of NT\$156 million. As of March 2, 2020, the Company's issued outstanding shares are 429,061,675 shares, the dilution from 2021 to 2023 will be projected as: NT\$0.21, NT\$0.10 and NT\$0.05, respectively. There is limited dilution of the Company's future EPS, and there is no material impact on existing shareholder's equity.

F. Any other matters that need to be specified:

- I. It is allowed to report to the competent authority in several times within one year after

resolution of the shareholder’s meeting. The Company may issue the shares in batches within one year after receiving the competent authority’s approval.

- II. Before the vesting conditions are met, rights of the restricted stock awards to attend the shareholder’s meeting, submit proposal, speak and vote at the meeting shall be the same as the Company’s common shares issued and shall be performed in accordance with the custodian trust.
- III. The plan is passed by the resolution of the shareholder’s meeting and the Board of Directors is authorized to handle all the issues regarding the issuance of Restricted Stock Awards. Any other matters not set forth in the plan, the Board of Directors authorizes the Chairman to amend or execute pursuant to the applicable laws and regulations.

**Resolution:**

Shares represented at the time of voting: 349,877,439  
 (including votes casted electronically 349,838,439 )

Voting Results*		% of the total represented share present
Votes in favor:	314,575,005 votes ( 314,573,005 votes)	89.91%
Votes against:	14,519,648 votes ( 14,519,648 votes)	4.14%
Votes invalid:	0 votes ( 0 votes)	0.00%
Abstention and no votes:	20,782,786 votes ( 20,745,786 votes)	5.94%

\*including votes casted electronically (number in brackets)

RESOLVED, the above proposal was approved as proposed.

IV. Other Business and Special Motion

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**

Looking back in the first half year of 2019, due to the imbalanced supply and demand of DRAM and NAND flash, the memory market had faced the pressure of continuous price decline. As the manufacturers turned conservative towards holding inventory in response to market downturn, the memory industry experienced a decrease in both revenue and operating income compared to the same period last year. From the second half of 2019, the decline of DRAM and NAND flash price started to slow down and the memory market was getting back to normal. Transcend was able to maintain the high gross margin rate while facing this economy uncertainty by dedicating on the strong focus of inventory management and procurement strategy and it ensures the sufficient factory productivity and the customer satisfaction. In a bumpy memory market environment, Transcend adheres to a consistent and stable business strategy. In terms of consumer product, Transcend continues to improve existing product lines and launch new products in a timely manner to enhance customer satisfaction and brand value. For embedded clients, through close cooperation between headquarters and global subsidiaries, Transcend is able to grasp needs of the end customers, provide best services, and foster good long-term relationship with business partners. Hereby, we would like to thank our valued shareholders, clients, suppliers and employees for your continued supports to Transcend.

Transcend's consolidated revenue totaled NT\$13.5 billion in 2019. Consolidated gross margin totaled NT\$3.09 billion. Gross margin rate is 23.0 percent. Operating income totaled 1.78 billion. Earnings before income tax totaled 2.09 billion. Net income totaled 1.73 billion. EPS is NT\$4.01 calculated at the weighted average of outstanding share capital amounting to 4.3 billion.

The exceptional product design, quality assurance, and the trustworthy brand awareness had brought Transcend numerous prestigious awards for years. Transcend was named one of Interbrand's Top 20 Best Taiwan Global Brands for the thirteenth year in a row, winning Taiwan Excellence Awards for the sixteenth consecutive year, and receiving Japan's Good Design Award for four consecutive years. The focus of brand management brought us to this great success and demonstrates that our outstanding product design is internationally recognized.

As a global leader in memory manufacturing, Transcend strives to offer not only the latest technologies and innovations, but also products and services of the highest quality to our valued customers. Transcend successfully expanded its embedded product portfolio in 2019, launching solid-state drives featuring the latest 96-layer 3D NAND flash for superior performance, reliability, and endurance. For the consumer market this year, Transcend grew its strategic product lines by introducing

new Type-C storage and Hub solutions, which aimed to boost customers' work efficiency in the digital age.

In addition to developing a sustainable business strategy and contributing to economic growth, Transcend also actively invests in communities. For corporate social responsibility, we have sponsored youth sports activities, including the High School Basketball League (HBL) and the Black Panther High School Baseball Tournament. Transcend continues to execute the long-term Baseball Mentoring Program which aimed at underprivileged school baseball teams for the fifth year and expects it to serve as a platform for young promising athletes to fulfill their dreams.

Looking forward to 2020, the memory market has been benefited by the healthier inventory level, the stabilizing market demand and the coming new application in 5G, AIoT, automotive and so on. The price of DRAM and NAND flash has increased gradually and we expect a prosperous outlook in this year would come.

By facing the fluctuation of economic cycle and drastic changes in the market environment, Transcend believes that the embedded solution and industrial application will be the key to the future success. In addition to maintaining a good relationship with existing customers and suppliers, Transcend continues to provide professional after-sales service and technical support, integrate clients' manufacturing process, and implement effective supply chain management through the assistance of Transcend Information System. We are confident that Transcend will have the growth momentum with new customer and new project development to increase our market share and create a win-win situation for both Transcend and our partners.

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

Chairman : Shu, Chung-Won

General Manager : Shu, Chung-Cheng

Accounting Supervisor : Hsiao, Sheng-Yin

Audit Report of Audit Committee

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements and Earnings Distribution Proposal. Transcend Corporation's Financial Statements have been audited and certified by Mr. Chun-Yao, Lin and Mr. Chien-Hung Chou, the CPA of the Pricewaterhouse Coopers. The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the audit committee of Transcend Corporation. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

The audit Committee of Transcend Corporation

Chairman of the audit Committee: Wang, Yi-Shin

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

March 05, 2020

**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, 2019 and 2018, 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, 2019 and 2018, 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 audit of the accompanying financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, ”Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” ,and generally accepted auditing standards in the Republic of China (ROC GAAS) ; and 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) for our audit of the accompanying financial statements as of and for the year ended December 31, 2018. 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

Refer to Notes 4(12), 5(2) and 6(5) to the financial statements for the information on the Company's inventory accounting policy, estimates and assumptions and allowance for inventory evaluation losses.

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

##### How our audit addressed the matter

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

- A. Obtained an understanding of the Company's operations and industry. Assessed the reasonableness of the policy and procedures to recognize allowance for inventory valuation 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 internal controls over inventory.
- C. Obtained relevant evaluation reports of inventory and tested the logic and accuracy of information to assess the reasonableness of allowance for inventory valuation 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. Refer to Note 4(23) and 6(4) to the financial statements for the information on the estimation of allowance for sales discount.

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

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

- A. Obtained an understanding of the Company's operations, industry and the procedures to recognize 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 over 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 determined by the Company.

## ***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:

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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.
- E. 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.
- F. 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 5, 2020

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

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

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

Assets	December 31, 2019		December 31, 2018	
	AMOUNT	%	AMOUNT	%
<b>Current assets</b>				
Cash and cash equivalents	\$ 863,583	4	\$ 1,052,350	5
Financial assets at fair value through profit or loss - current	2,505,073	12	-	
Current financial assets at amortised cost, net	7,727,826	36	9,084,731	41
Notes receivable, net	3,054	-	872	-
Accounts receivable, net	898,707	4	1,437,231	6
Accounts receivable - related parties, net	454,776	2	559,835	3
Other receivables	106,252	1	78,279	-
Inventories, net	1,967,896	9	3,045,740	14
Other current assets	5,220	-	10,675	-
<b>Total Current Assets</b>	<b>14,532,387</b>	<b>68</b>	<b>15,269,713</b>	<b>69</b>
<b>Non-current assets</b>				
Non-current financial assets at fair value through other comprehensive income	114,164	1	163,155	1
Non-current financial assets at amortised cost	148,527	1	-	-
Investments accounted for using equity method	2,241,388	10	2,374,787	11
Property, plant and equipment, net	1,644,401	8	1,712,699	8
Right-of-use assets	88,521	-		
Investment property, net	2,560,460	12	2,567,451	11
Deferred tax assets	59,274	-	73,670	-
Other non-current assets	43,977	-	50,895	-
<b>Total Non-current Assets</b>	<b>6,900,712</b>	<b>32</b>	<b>6,942,657</b>	<b>31</b>
<b>Total Assets</b>	<b>\$ 21,433,099</b>	<b>100</b>	<b>\$ 22,212,370</b>	<b>100</b>

(Continued)

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

Liabilities and Equity	December 31, 2019		December 31, 2018	
	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>				
Accounts payable	\$ 1,002,314	5	\$ 1,180,956	5
Accounts payable - related parties	457,364	2	461,306	2
Other payables	211,467	1	234,866	1
Other payables - related parties	17,308	-	16,875	-
Current tax liabilities	59,293	-	129,873	1
Current lease liabilities	36,235	-	-	-
Other current liabilities	26,754	-	3,692	-
<b>Total Current Liabilities</b>	<b>1,810,735</b>	<b>8</b>	<b>2,027,568</b>	<b>9</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	155,463	1	179,600	1
Non-current lease liabilities	36,815	-	-	-
Other non-current liabilities	23,238	-	24,900	-
<b>Total Non-current Liabilities</b>	<b>215,516</b>	<b>1</b>	<b>204,500</b>	<b>1</b>
<b>Total Liabilities</b>	<b>2,026,251</b>	<b>9</b>	<b>2,232,068</b>	<b>10</b>
<b>Equity attributable to owners of parent</b>				
<b>Share capital</b>				
Common stock	4,307,617	20	4,307,617	19
<b>Capital surplus</b>				
Capital surplus	4,346,854	20	4,605,233	21
<b>Retained earnings</b>				
Legal reserve	4,510,981	21	4,302,782	19
Special reserve	61,572	-	47,247	-
Unappropriated retained earnings	6,427,300	30	6,778,995	31
<b>Other equity interest</b>				
Other equity interest	( 130,902)	-	( 61,572)	-
<b>Treasury shares</b>	<b>( 116,574)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>	<b>19,406,848</b>	<b>91</b>	<b>19,980,302</b>	<b>90</b>
<b>Significant contingent liabilities and unrecognized contract commitments</b>				
<b>Significant events after the balance sheet date</b>				
<b>Total Liabilities and Equity</b>	<b>\$ 21,433,099</b>	<b>100</b>	<b>\$ 22,212,370</b>	<b>100</b>

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)  
Years ended December 31

Items	2019		2018	
	AMOUNT	%	AMOUNT	%
<b>Operating Revenue</b>	\$ 12,860,887	100	\$ 16,809,530	100
<b>Operating Costs</b>	( 10,334,582)	( 80)	( 13,975,063)	( 83)
<b>Gross Profit</b>	<u>2,526,305</u>	<u>20</u>	<u>2,834,467</u>	<u>17</u>
Unrealized gross profit on sales to subsidiaries	( 25,422)	-	( 20,596)	-
Realized gross profit on sales to subsidiaries	20,596	-	48,746	-
<b>Gross Profit, net</b>	<u>2,521,479</u>	<u>20</u>	<u>2,862,617</u>	<u>17</u>
<b>Operating Expenses</b>				
Sales and marketing expenses	( 318,545)	( 3)	( 373,788)	( 3)
Administrative expenses	( 189,031)	( 1)	( 188,972)	( 1)
Research and development expenses	( 142,601)	( 1)	( 158,518)	( 1)
Impairment loss determined in accordance with IFRS 9	( 268)	-	( 599)	-
<b>Total operating expenses</b>	<u>( 650,445)</u>	<u>( 5)</u>	<u>( 721,877)</u>	<u>( 5)</u>
<b>Operating Profit</b>	<u>1,871,034</u>	<u>15</u>	<u>2,140,740</u>	<u>12</u>
<b>Non-operating Income and Expenses</b>				
Other income	224,822	2	195,823	1
Other gains and losses	( 19,261)	-	347,917	2
Net gain from derecognizing financial assets measured at amortised cost	20,552	-	16,691	-
Finance costs	( 676)	-	-	-
Share of loss of associates and joint ventures accounted for under equity method	( 52,432)	( 1)	( 70,292)	-
<b>Total non-operating income and expenses</b>	<u>173,005</u>	<u>1</u>	<u>490,139</u>	<u>3</u>
<b>Profit before Income Tax</b>	<u>2,044,039</u>	<u>16</u>	<u>2,630,879</u>	<u>15</u>
Income tax expense	( 315,072)	( 3)	( 548,884)	( 3)
<b>Profit for the Year</b>	<u>\$ 1,728,967</u>	<u>13</u>	<u>\$ 2,081,995</u>	<u>12</u>
<b>Other Comprehensive Income (Loss)</b>				
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
Gains (losses) on remeasurements of defined benefit plans	\$ 724	-	(\$ 1,632)	-
Unrealized loss on financial assets at fair value through other comprehensive income	27,976	-	( 6,047)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	479	-	2,164	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
Exchange differences on translation of foreign financial statements	( 76,620)	-	( 12,378)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	15,324	-	2,475	-
<b>Other comprehensive (loss) income for the year</b>	<u>(\$ 32,117)</u>	<u>-</u>	<u>(\$ 15,418)</u>	<u>-</u>
<b>Total Comprehensive Income</b>	<u>\$ 1,696,850</u>	<u>13</u>	<u>\$ 2,066,577</u>	<u>12</u>
<b>Earnings Per Share</b>				
<b>Basic earnings per share</b>	<u>\$ 4.01</u>		<u>\$ 4.83</u>	
<b>Diluted earnings per share</b>	<u>\$ 4.01</u>		<u>\$ 4.83</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 Reserves				Retained Earnings			Other Equity Interest					
	Notes	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 financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets		Treasury shares
<b>Year ended December 31, 2018</b>													
		\$ 4,307,617	\$ 4,652,151	\$ 4,106	\$ 35,128	\$ 4,037,210	\$ 145,689	\$ 7,363,641	(\$ 67,262)	\$ -	\$ 20,015	\$ -	\$ 20,498,295
		-	-	-	-	-	-	30,000	-	( 9,985)	( 20,015)	-	-
		4,307,617	4,652,151	4,106	35,128	4,037,210	145,689	7,393,641	( 67,262)	( 9,985)	-	-	20,498,295
		-	-	-	-	-	-	2,081,995	-	-	-	-	2,081,995
	6(6)(17)	-	-	-	-	-	-	532	( 9,903)	( 6,047)	-	-	( 15,418)
		-	-	-	-	-	-	2,082,527	( 9,903)	( 6,047)	-	-	2,066,577
<b>Appropriation and distribution of 2017 earnings</b>													
	6(16)	-	-	-	-	265,572	-	( 265,572)	-	-	-	-	-
		-	-	-	-	-	-	( 2,498,418)	-	-	-	-	( 2,498,418)
		-	-	-	-	-	( 98,442)	98,442	-	-	-	-	-
	6(16)	-	( 86,152)	-	-	-	-	-	-	-	-	-	( 86,152)
	6(6)(17)	-	-	-	-	-	-	( 31,625)	-	31,625	-	-	-
		\$ 4,307,617	\$ 4,565,999	\$ 4,106	\$ 35,128	\$ 4,302,782	\$ 47,247	\$ 6,778,995	(\$ 77,165)	\$ 15,593	\$ -	\$ -	\$ 19,980,302
<b>Year ended December 31, 2019</b>													
		\$ 4,307,617	\$ 4,565,999	\$ 4,106	\$ 35,128	\$ 4,302,782	\$ 47,247	\$ 6,778,995	(\$ 77,165)	\$ 15,593	\$ -	\$ -	\$ 19,980,302
		-	-	-	-	-	-	1,728,967	-	-	-	-	1,728,967
	6(6)(17)	-	-	-	-	-	-	1,203	( 61,296)	27,976	-	-	( 32,117)
		-	-	-	-	-	-	1,730,170	( 61,296)	27,976	-	-	1,696,850
<b>Appropriation and distribution of 2018 earnings</b>													
	6(16)	-	-	-	-	208,199	-	( 208,199)	-	-	-	-	-
		-	-	-	-	-	-	( 1,895,351)	-	-	-	-	( 1,895,351)
		-	-	-	-	-	14,325	( 14,325)	-	-	-	-	-
	6(16)	-	( 258,458)	-	-	-	-	-	-	-	-	-	( 258,458)
	6(6)(17)	-	-	-	-	-	-	36,010	-	( 36,010)	-	-	-
	6(15)	-	-	79	-	-	-	-	-	-	-	-	79
	6(14)	-	-	-	-	-	-	-	-	-	-	( 116,574)	( 116,574)
		\$ 4,307,617	\$ 4,307,541	\$ 4,185	\$ 35,128	\$ 4,510,981	\$ 61,572	\$ 6,427,300	(\$ 138,461)	\$ 7,559	\$ -	(\$ 116,574)	\$ 19,406,848

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	
	2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit before tax	\$ 2,044,039	\$ 2,630,879
Adjustments		
Adjustments to reconcile profit (loss)		
Unrealized gross profit on sales to subsidiaries	25,422	20,596
Realized gross profit on sales to subsidiaries	( 20,596 )	( 48,746 )
Net loss on financial assets at fair value through profit or loss	9,650	-
Share of loss of associates and joint ventures accounted for using equity method	52,432	70,292
Expected credit loss/(Gain on reversal of bad debts)	268	599
Depreciation	170,840	133,897
Interest income	( 187,470 )	( 173,118 )
Interest expense	676	-
Dividend income	( 5,019 )	( 3,558 )
Gain on disposal of property, plant and equipment	113	( 775 )
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets measured at fair value through profit or loss	( 2,514,723 )	-
Notes and accounts receivable	641,133	521,961
Other receivables	( 43,764 )	25,432
Inventories	1,077,844	2,004,828
Other current assets	( 3,454 )	( 715 )
Changes in operating liabilities		
Accounts payable	( 182,584 )	( 121,686 )
Other payables	( 23,399 )	( 57,716 )
Other payables - related parties	433	13,234
Other current liabilities	( 262 )	( 1,208 )
Other non-current liabilities	( 938 )	5,321
Cash inflow generated from operations	1,038,641	5,019,517
Dividends received	5,019	3,558
Interest received	205,261	169,527
Interest paid	-	-
Income tax paid	( 380,069 )	( 763,853 )
Net cash flows from operating activities	<u>868,852</u>	<u>4,428,749</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from disposal of financial assets at amortised cost	6,457,566	5,126,615
Acquisition of financial assets at amortised cost	( 5,249,188 )	( 6,631,733 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	76,967	5,152
Acquisition of financial assets at fair value through other comprehensive income	-	( 105,480 )
Proceeds from disposal of property, plant and equipment	1,600	4,038
Acquisition of property, plant and equipment	( 66,990 )	( 120,056 )
Acquisition of investment property	-	( 2,365,030 )
Decrease in other non-current financial assets	6,918	52,741
Net cash flows (used in) from investing activities	<u>1,226,873</u>	<u>( 4,033,753 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Cash dividends paid (including cash payment from capital surplus )	( 2,153,809 )	( 2,584,570 )
Repayment of lease liabilities	( 37,512 )	-
Expired unclaimed dividends recognized as capital surplus	79	-
Stock repurchase	( 93,250 )	-
Net cash flows used in financing activities	<u>( 2,284,492 )</u>	<u>( 2,584,570 )</u>
Net (decrease) increase in cash and cash equivalents	( 188,767 )	( 2,189,574 )
Cash and cash equivalents at beginning of year	1,052,350	3,241,924
Cash and cash equivalents at end of year	<u>\$ 863,583</u>	<u>\$ 1,052,350</u>

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000321

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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation 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 audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and 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) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. 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

Refer to Notes 4(13), 5(2) and 6(5) to the consolidated financial statements for the information on the Group's inventory accounting policy, estimates and assumptions and allowance for inventory evaluation losses.

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

#### How our audit addressed the matter

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

- A. Obtained an understanding of the Group's operations and industry. Assessed the reasonableness of the policy and procedures to recognize allowance for inventory valuation 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 internal controls over inventory.
- C. Obtained relevant evaluation reports of inventory and tested the logic and accuracy of information to assess the reasonableness of allowance for inventory valuation 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. Refer to Notes 4(25) and 6(4) to the consolidated financial statements for the information on the estimation of allowance for sales discount.

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

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

- A. Obtained an understanding of the Group's operations, industry and the procedures to recognize 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 over 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 determined by the Group.

### ***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, 2019 and 2018.

### ***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 Preparation 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:

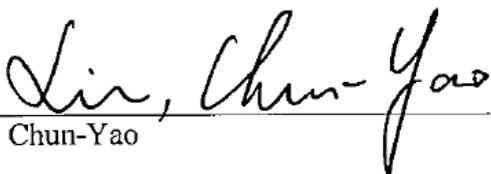
- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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.
- E. 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.

F. 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 5, 2020

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

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

Assets	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 1,233,407	6	\$ 1,429,737	7
Financial assets at fair value through profit or loss - current	6(2)	2,581,509	12	89,457	-
Current financial assets at amortised cost, net	6(3)	7,910,482	37	9,145,557	42
Notes receivable, net	6(4)	3,054	-	872	-
Accounts receivable, net	6(4)	1,478,531	7	2,147,556	10
Accounts receivable due from related parties, net	7	8	-	-	-
Other receivables		124,077	1	87,295	-
Inventories, net	6(5)	2,062,659	10	3,184,188	15
Other current assets		17,973	-	31,121	-
<b>Total Current Assets</b>		<b>15,411,700</b>	<b>73</b>	<b>16,115,783</b>	<b>74</b>
<b>Non-current assets</b>					
Non-current financial assets at fair value through other comprehensive income	6(6)	114,164	1	163,155	1
Non-current financial assets at amortised cost	6(3)	148,527	1	-	-
Investments accounted for using equity method	6(7)	97,434	-	105,322	-
Property, plant and equipment, net	6(8), 7 and 8	2,438,154	12	2,599,493	12
Right-of-use assets	6(9) and 7	241,050	1	-	-
Investment property, net	6(11)	2,610,292	12	2,623,579	12
Deferred tax assets	6(22)	75,859	-	90,301	-
Other non-current assets	6(12)	63,610	-	166,879	1
<b>Total Non-current Assets</b>		<b>5,789,090</b>	<b>27</b>	<b>5,748,729</b>	<b>26</b>
<b>Total Assets</b>		<b>\$ 21,200,790</b>	<b>100</b>	<b>\$ 21,864,512</b>	<b>100</b>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Accounts payable		\$ 1,005,350	5	\$ 1,187,300	6
Accounts payable - related parties	7	52,828	-	39,874	-
Other payables		267,116	1	265,229	1
Current tax liabilities		83,705	1	133,508	1
Current lease liabilities	7	53,945	-	-	-
Other current liabilities	6(14)	38,635	-	23,376	-
<b>Total Current Liabilities</b>		<b>1,501,579</b>	<b>7</b>	<b>1,649,287</b>	<b>8</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	6(22)	155,482	1	179,631	1
Non-current lease liabilities	7	83,697	-	-	-
Other non-current liabilities		53,184	-	55,292	-
<b>Total Non-current Liabilities</b>		<b>292,363</b>	<b>1</b>	<b>234,923</b>	<b>1</b>
<b>Total Liabilities</b>		<b>1,793,942</b>	<b>8</b>	<b>1,884,210</b>	<b>9</b>
<b>Equity attributable to owners of parent</b>					
<b>Share capital</b>					
Common stock	6(14)	4,307,617	21	4,307,617	20
<b>Capital surplus</b>					
Capital surplus	6(15)	4,346,854	20	4,605,233	21
<b>Retained earnings</b>					
Legal reserve	6(16)	4,510,981	21	4,302,782	20
Special reserve		61,572	-	47,247	-
Unappropriated retained earnings		6,427,300	30	6,778,995	31
<b>Other equity interest</b>					
Other equity interest	6(17)	( 130,902)	-	( 61,572)	( 1)
<b>Treasury shares</b>					
Treasury shares	6(14)	( 116,574)	-		
<b>Total Equity</b>		<b>19,406,848</b>	<b>92</b>	<b>19,980,302</b>	<b>91</b>
<b>Significant contingent liabilities and unrecognized contract commitments</b>					
<b>Significant events after the balance sheet date</b>					
<b>Total Liabilities and Equity</b>		<b>\$ 21,200,790</b>	<b>100</b>	<b>\$ 21,864,512</b>	<b>100</b>

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

**TRANSCEND INFORMATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	Notes	Years ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
<b>Operating Revenue</b>	6(18) and 7	\$ 13,496,186	100	\$ 17,615,965	100
<b>Operating Costs</b>	6(5)(21) and 7	( 10,408,655)	( 77)	( 14,085,715)	( 80)
<b>Gross Profit</b>		<u>3,087,531</u>	<u>23</u>	<u>3,530,250</u>	<u>20</u>
<b>Operating Expenses</b>	6(21)				
Sales and marketing expenses		( 770,784)	( 6)	( 844,708)	( 5)
Administrative expenses		( 395,057)	( 3)	( 387,262)	( 2)
Research and development expenses		( 142,601)	( 1)	( 158,518)	( 1)
Reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	6(4)				
<b>Total operating expenses</b>		<u>1,921</u>	<u>-</u>	<u>( 8)</u>	<u>-</u>
<b>Operating Profit</b>		<u>1,306,521</u>	<u>( 10)</u>	<u>1,390,496</u>	<u>( 8)</u>
<b>Non-operating Income and Expenses</b>		<u>1,781,010</u>	<u>13</u>	<u>2,139,754</u>	<u>12</u>
Other income	6(19)	231,102	2	208,041	1
Other gains and losses	6(20)	67,311	1	359,025	2
Net gain from derecognizing financial assets measured at amortised cost	6(3)				
Finance costs	6(9)	( 20,552)	-	16,691	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	( 1,865)	-	-	-
<b>Total non-operating income and expenses</b>		<u>8,367</u>	<u>-</u>	<u>( 69,964)</u>	<u>-</u>
<b>Profit before Income Tax</b>		<u>308,733</u>	<u>3</u>	<u>513,793</u>	<u>3</u>
Income tax expense	6(22)	( 2,089,743)	( 16)	( 2,653,547)	( 15)
<b>Profit for the Year</b>		<u>\$ 1,728,967</u>	<u>13</u>	<u>\$ 2,081,995</u>	<u>12</u>
<b>Other Comprehensive Income (Loss)</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
Gains (losses) on remeasurements of defined benefit plans	6(13)	\$ 724	-	( \$ 1,632)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	6(6)(17)	27,976	-	( 6,047)	-
Share of other comprehensive income of associates and joint ventures accounted for under equity method		479	-	2,164	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
Exchange differences on translation of foreign financial statements	6(17)	( 76,620)	-	( 12,378)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(17)(22)	15,324	-	2,475	-
<b>Other comprehensive (loss) income for the year</b>		<u>( \$ 32,117)</u>	<u>-</u>	<u>( \$ 15,418)</u>	<u>-</u>
<b>Total Comprehensive Income</b>		<u>\$ 1,696,850</u>	<u>13</u>	<u>\$ 2,066,577</u>	<u>12</u>
<b>Net profit attributable to:</b>					
Owners of parent		<u>\$ 1,728,967</u>	<u>13</u>	<u>\$ 2,081,995</u>	<u>12</u>
<b>Comprehensive income attributable to:</b>					
Owners of parent		<u>\$ 1,696,850</u>	<u>13</u>	<u>\$ 2,066,577</u>	<u>12</u>
<b>Earnings Per Share</b>	6(23)				
<b>Basic earnings per share</b>		<u>\$ 4.01</u>	<u>\$ 4.83</u>		
<b>Diluted earnings per share</b>		<u>\$ 4.01</u>	<u>\$ 4.83</u>		

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

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

	Equity attributable to owners of the parent											Total equity	
	Capital Reserves				Retained Earnings			Other Equity Interest					
	Notes	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 financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets		Treasury shares
<b>Year ended December 31, 2018</b>													
		\$ 4,307,617	\$ 4,652,151	\$ 4,106	\$ 35,128	\$ 4,037,210	\$ 145,689	\$ 7,363,641	(\$ 67,262)	\$ -	\$ 20,015	\$ -	\$ 20,498,295
		-	-	-	-	-	30,000	-	-	( 9,985)	( 20,015)	-	-
		4,307,617	4,652,151	4,106	35,128	4,037,210	145,689	7,393,641	( 67,262)	( 9,985)	-	-	20,498,295
		-	-	-	-	-	2,081,995	-	-	-	-	-	2,081,995
	6(6)(17)	-	-	-	-	-	532	( 9,903)	( 6,047)	-	-	-	( 15,418)
		-	-	-	-	-	2,082,527	( 9,903)	( 6,047)	-	-	-	2,066,577
<b>Appropriation and distribution of 2017 earnings</b>													
	6(16)	-	-	-	-	265,572	( 265,572)	-	-	-	-	-	-
		-	-	-	-	-	( 2,498,418)	-	-	-	-	-	( 2,498,418)
		-	-	-	-	( 98,442)	98,442	-	-	-	-	-	-
	6(16)	-	( 86,152)	-	-	-	-	-	-	-	-	-	( 86,152)
	6(6)(17)	-	-	-	-	-	( 31,625)	-	31,625	-	-	-	-
		\$ 4,307,617	\$ 4,565,999	\$ 4,106	\$ 35,128	\$ 4,302,782	\$ 47,247	\$ 6,778,995	(\$ 77,165)	\$ 15,593	\$ -	\$ -	\$ 19,980,302
<b>Year ended December 31, 2019</b>													
		\$ 4,307,617	\$ 4,565,999	\$ 4,106	\$ 35,128	\$ 4,302,782	\$ 47,247	\$ 6,778,995	(\$ 77,165)	\$ 15,593	\$ -	\$ -	\$ 19,980,302
		-	-	-	-	-	1,728,967	-	-	-	-	-	1,728,967
	6(6)(17)	-	-	-	-	-	1,203	( 61,296)	27,976	-	-	-	( 32,117)
		-	-	-	-	-	1,730,170	( 61,296)	27,976	-	-	-	1,696,850
<b>Appropriation and distribution of 2018 earnings</b>													
	6(16)	-	-	-	-	208,199	( 208,199)	-	-	-	-	-	-
		-	-	-	-	-	( 1,895,351)	-	-	-	-	-	( 1,895,351)
		-	-	-	-	-	14,325	( 14,325)	-	-	-	-	-
	6(16)	-	( 258,458)	-	-	-	-	-	-	-	-	-	( 258,458)
	6(6)(17)	-	-	-	-	-	36,010	-	( 36,010)	-	-	-	-
	6(15)	-	-	79	-	-	-	-	-	-	-	-	79
	6(14)	-	-	-	-	-	-	-	-	-	( 116,574)	-	( 116,574)
		\$ 4,307,617	\$ 4,307,541	\$ 4,185	\$ 35,128	\$ 4,510,981	\$ 61,572	\$ 6,427,300	(\$ 138,461)	\$ 7,559	\$ -	(\$ 116,574)	\$ 19,406,848

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,	
		2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 2,089,743	\$ 2,653,547
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets at fair value through profit or loss	6(2)(20)	5,604	-
Share of loss of associates and joint ventures accounted for using equity method	6(7)	8,367	69,964
(Gain on reversal of) expected credit loss	6(4)	( 1,921 )	8
Gain on disposal of property, plant and equipment	6(20)	( 123 )	( 1,204 )
Depreciation	6(21)	262,471	210,873
Interest income	6(19)	( 191,612 )	( 175,210 )
Interest expense	6(9)	1,865	-
Dividend income	6(6)(20)	( 5,019 )	( 3,558 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets measured at fair value through profit or loss		( 2,500,633 )	( 89,457 )
Notes receivable		( 2,182 )	4,990
Accounts receivable (including related parties)		670,780	351,519
Other receivables		( 52,573 )	30,642
Inventories		1,121,529	2,056,962
Other current assets		4,240	13,089
Changes in operating liabilities			
Accounts payable		( 181,950 )	( 50,252 )
Accounts payable - related parties		12,954	2,420
Other payables		1,887	( 82,623 )
Other current liabilities		( 8,065 )	( 8,038 )
Other non-current liabilities		( 1,384 )	6,554
Cash inflow generated from operations		1,233,978	4,990,226
Dividends received		5,019	3,558
Interest received		207,403	171,619
Income tax paid		( 404,962 )	( 783,093 )
Net cash flows from operating activities		<u>1,041,438</u>	<u>4,382,310</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds from disposal of financial assets at amortised cost		6,457,566	5,185,540
Acquisition of financial assets at amortised cost		( 5,380,646 )	( 6,692,559 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	76,967	5,152
Acquisition of financial assets at fair value through other comprehensive income		-	( 105,480 )
Proceeds from disposal of property, plant and equipment		2,460	18,982
Acquisition of property, plant and equipment	6(8)	( 67,992 )	( 116,294 )
Acquisition of investment property	6(11)	-	( 2,365,030 )
Decrease in other non-current financial assets		9,967	61,474
Net cash flows from (used in) investing activities		<u>1,098,322</u>	<u>( 4,008,215 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Cash dividends paid (including cash payment from capital surplus )	6(16)	( 2,153,809 )	( 2,584,570 )
Repayment of lease liabilities		( 60,032 )	-
Expired unclaimed dividends recognized as capital surplus	6(15)	79	-
Stock repurchase	6(14)	( 93,250 )	-
Net cash flows used in financing activities		<u>( 2,307,012 )</u>	<u>( 2,584,570 )</u>
Effect of exchange rate changes		( 29,078 )	( 5,702 )
Net decrease in cash and cash equivalents		( 196,330 )	( 2,216,177 )
Cash and cash equivalents at beginning of year		1,429,737	3,645,914
Cash and cash equivalents at end of year		<u>\$ 1,233,407</u>	<u>\$ 1,429,737</u>

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

TRANSCEND INFORMATION INC.  
COMPARISON TABLE FOR THE “ARTICLES OF INCORPORATION”

Proposed Amendment	Currently in Effect	Explanation
<p>Article 8-1 :</p> <p><u>When the Company issue new shares, employees who are entitled to subscribe for new shares include employees of parent or subsidiaries of the Company meeting certain specific requirements.</u></p> <p><u>When the Company issue restricted stocks, employees who are entitled to receive restricted stock include employees of parent or subsidiaries of the Company meeting certain specific requirements.</u></p> <p><u>When the Company buy back stocks to transfer to employees, employees who are entitled to receive buyback stocks include employees of parent or subsidiaries of the Company meeting certain specific requirements.</u></p>	<p>(New)</p>	<p>To motivate and enhance employees’ feeling of belonging to the company, and foster the best interests of the Company and its shareholders, so as to ensure the alignment of the Company’s employees and shareholders’ interests.</p>
<p>Article 24 :</p> <p>These Articles of Incorporation were adopted on August 23, 1989.</p> <p>(Omitting)</p> <p>The 28th amendment was made on June 12, 2019.</p> <p><u>The 29th amendment was made on June 19, 2020.</u></p>	<p>Article 24 :</p> <p>These Articles of Incorporation were adopted on August 23, 1989.</p> <p>(Omitting)</p> <p>The 28th amendment was made on June 12, 2019.</p>	<p>Added date and times of amendment of Articles of Incorporation.</p>

## TRANSCEND INFORMATION INC.

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

Proposed Amendment	Currently in Effect	Explanation
<p>Article 5 : Limitation of investment amount</p> <p>The acquisition of real estate and right-of-use assets thereof by this Company for non-operating purpose should not exceed 30% of this Company's net worth. <u>The total amount of security investments by this Company and the amount of investment by this Company in each respective security should not exceed 30% of this Company's net worth.</u></p>	<p>Article 5 : Limitation of investment amount</p> <p>The acquisition of real estate and right-of-use assets thereof by this Company for non-operating purpose should not exceed 30% of this Company's net worth. <u>The total amount of security investments by this Company should not exceed 20% of this Company's net worth. The amount of investment by this Company in each respective security should not exceed 10% of this Company's net worth.</u></p>	<p>To increase the limit of investment amount and add flexibility of using company fund.</p>
<p>Article 6 : Authority to approve</p> <p>1.In acquiring and disposing of assets, except in trading of domestic government bonds, 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, the Company shall submit the transaction to general manager or Chairman for approval.</p> <p>2.Following transactions shall be submitted to Audit Committee and Board of directors for approval:</p> <p>(1) In acquiring or disposing of real property and right-of-use assets thereof from or to a related party.</p> <p>(2) <u>In acquiring assets other than real property and right-of-use assets 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.</p> <p>(3) In acquiring assets from or to a non-related party and <u>the transaction amount reaches 20 percent or more of paid-in capital.</u></p>	<p>Article 6 : Authority to approve</p> <p>1.In acquiring and disposing of assets, except in trading of domestic government bonds, 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, the Company shall submit the transaction to general manager or Chairman for approval.</p> <p>2.Following transactions shall be submitted to Audit Committee and Board of directors for approval:</p> <p>(1) In acquiring or disposing of real property and right-of-use assets thereof from or to a related party.</p> <p>(2) <u>In acquiring assets and right-of-use assets thereof 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.</p> <p>(3) In acquiring assets from or to a non-related party and <u>the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more.</u></p>	<p>1. To loosen the authority to approve and add flexibility of using company fund.</p> <p>2. Modify wording.</p>

## TRANSCEND INFORMATION INC.

## COMPARISON TABLE FOR THE “PROCEDURES FOR LENDING FUNDS TO OTHER PARTIES”

Proposed Amendment	Currently in Effect	Explanation
<p>Article 3 : Total amount of funds lending and limits for individual borrower</p> <p>1.(Omitting)</p> <p>2.(Omitting)</p> <p>3.The restriction in paragraph 1 and paragraph 2 shall not apply to inter-company loans of funds between overseas companies in which the public company holds, directly or indirectly, 100% of the voting shares, <u>nor to loans of fund to the public company by any overseas company in which the public company holds, directly or indirectly, 100% of the voting shares.</u> The total amount of the Company’s loans of funds to others may not exceed 40 percent of the Company’s net worth. The total amount for lending to a company shall not exceed 20 percent of the Company’s net worth. The duration of loan may not exceed 5 years.</p>	<p>Article 3 : Total amount of funds lending and limits for individual borrower</p> <p>1.(Omitting)</p> <p>2.(Omitting)</p> <p>3.The restriction in paragraph 1 and paragraph 2 shall not apply to inter-company loans of funds between overseas companies in which the public company holds, directly or indirectly, 100% of the voting shares. The total amount of the Company’s loans of funds to others may not exceed 40 percent of the Company’s net worth. The total amount for lending to a company shall not exceed 20 percent of the Company’s net worth. The duration of loan may not exceed 5 years.</p>	<p>Modify wording to comply with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>
<p>Article 4 : Loans of funds to Others</p> <p>1. (Omitting)</p> <p>2.Credit check: The borrower shall provide necessary company and financial information and submit proposal to apply for financing in hard copies. (except for affiliated companies of the Company)</p> <p>After the Company accepts the application, the <u>Finance and Accounting Division</u> shall investigate, evaluate and prepare report on the applicant’s business operations, financial status, solvency, credit, profitability and loan purpose of the loan. <u>The Finance and Accounting Division</u> conducts detailed review and the evaluation items should include at</p>	<p>Article 4 : Loans of funds to Others</p> <p>1. (Omitting)</p> <p>2.Credit check: The borrower shall provide necessary company and financial information and submit proposal to apply for financing in hard copies. (except for affiliated companies of the Company)</p> <p>After the Company accepts the application, the <u>Financial Department</u> shall investigate, evaluate and prepare report on the applicant’s business operations, financial status, solvency, credit, profitability and loan purpose of the loan. The <u>Financial Department</u> conducts detailed review and the evaluation items should include at least:</p>	<p>In accordance with the current company structure, modify “Financial Department” to “Finance and Accounting Division”.</p>

Proposed Amendment	Currently in Effect	Explanation
<p>least:</p> <p>(1) The necessity of and reasonableness of extending loans to others.</p> <p>(2) Evaluate whether the loan is a must based on the financial status of the borrower.</p> <p>(3) Whether the amount of accumulated loan is within the limit.</p> <p>(4) Impact on the Company’s business operations, financial condition, and shareholders’ equity.</p> <p>(5) Whether collateral must be obtained and appraisal of the value thereof.</p> <p>(6) Provide record of borrower’s credit status and risk assessment.</p> <p>(omitting)</p>	<p>(1) The necessity of and reasonableness of extending loans to others.</p> <p>(2) Evaluate whether the loan is a must based on the financial status of the borrower.</p> <p>(3) Whether the amount of accumulated loan is within the limit.</p> <p>(4) Impact on the Company’s business operations, financial condition, and shareholders’ equity.</p> <p>(5) Whether collateral must be obtained and appraisal of the value thereof.</p> <p>(6) Provide record of borrower’s credit status and risk assessment.</p> <p>(omitting)</p>	
<p>Article 5 : Security</p> <p>1. Except for land, collateral should be covered by fire insurance or full insurance if it is a vehicle. The insurance amount should be at least the appraisal value of the collateral. The beneficiary should be the Company on the insurance policy.</p> <p>2. The company should consider obtaining the same amount of guarantee promissory note when making loans to others. If necessary, the company may also set mortgage on personal property or real property. The board of directors may refer to the credit report prepared by the <u>Finance and Accounting Division</u> if the debtor provides considerable personal or company credit as guarantee instead of collateral. If the company is the guarantor, whether the company has related regulations in its articles of incorporation should be checked.</p> <p>(omitting)</p>	<p>Article 5 : Security</p> <p>1. Except for land, collateral should be covered by fire insurance or full insurance if it is a vehicle. The insurance amount should be at least the appraisal value of the collateral. The beneficiary should be the Company on the insurance policy.</p> <p>2. The company should consider obtaining the same amount of guarantee promissory note when making loans to others. If necessary, the company may also set mortgage on personal property or real property. The board of directors may refer to the credit report prepared by the <u>Financial Department</u> if the debtor provides considerable personal or company credit as guarantee instead of collateral. If the company is the guarantor, whether the company has related regulations in its articles of incorporation should be checked.</p> <p>(omitting)</p>	<p>In accordance with the current company structure, modify “Financial Department” to “Finance and Accounting Division”.</p>

Proposed Amendment	Currently in Effect	Explanation
<p>Article 6 : Authority to approve</p> <p>1. When making loans to others, the matter shall be reviewed by the <u>Finance and Accounting Division</u> first and be proposed to <u>the Chairman or</u> the general manager. After obtaining approval from <u>the Chairman or</u> the general manager, the proposal should be submitted for a resolution by the Board of Directors. The Company shall take into full consideration the opinion of each independent director. Independent director's opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors meeting.</p> <p>2. Loans of funds between the public company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.</p> <p>(omitting)</p>	<p>Article 6 : Authority to approve</p> <p>1. When making loans to others, the matter shall be reviewed by the <u>Financial Department</u> first and be proposed to the general manager. After obtaining approval from the general manager, the proposal should be submitted for a resolution by the Board of Directors. The Company shall take into full consideration the opinion of each independent director. Independent director's opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors meeting.</p> <p>2. Loans of funds between the public company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.</p> <p>(omitting)</p>	<p>1. In accordance with the current company structure, modify "Financial Department" to "Finance and Accounting Division".</p> <p>2. Modify wording.</p>
<p>Article 8 : Announce and Report</p> <p>(omitting)</p> <p>3. "Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the <u>counterparty and monetary amount of the loan of funds</u>, whichever date is earlier.</p> <p>4. The public company shall announce and report on behalf of any subsidiary thereof that</p>	<p>Article 8 : Announce and Report</p> <p>(omitting)</p> <p>3. "Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the <u>transaction party and transaction amount</u>, whichever date is earlier.</p> <p>4. The public company shall announce and report on behalf of any subsidiary thereof that</p>	<p>Modify wording to comply with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".</p>

Proposed Amendment	Currently in Effect	Explanation
<p>is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to preceding paragraph.</p>	<p>is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to preceding paragraph.</p>	
<p>Section 4 : Effectiveness and amendment</p> <p>The Company intending to loan funds to others shall formulated its operation procedures for leading funds to other parties in compliance with the regulations, and, after passage by the Audit Committee and the Board of Directors, submit the Procedures for approval by the Shareholder’s meeting. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion for discussion by the Shareholder’s meeting. The same shall apply to any amendment to the Procedures.</p> <p><u>When the Company formulates or amends the Procedures, the case shall be approved by half or more of all Audit Committee members before submitting to the Board of Directors for a resolution.</u></p> <p><u>If approval of half or more of all Audit Committee members is not obtained, the Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u></p>	<p>Section 4 : Effectiveness and amendment</p> <p>The Company intending to loan funds to others shall formulated its operation procedures for leading funds to other parties in compliance with the regulations, and, after passage by the Audit Committee and the Board of Directors, submit the Procedures for approval by the Shareholder’s meeting. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion for discussion by the Shareholder’s meeting. The same shall apply to any amendment to the Procedures.</p> <p><u>When the Company formulates or amends the Procedures, the case shall be submitted to the Board of Directors for a resolution pursuant to the preceding paragraph. The Company shall take into full consideration the opinion of each independent director. Independent director’s opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors meeting.</u></p>	<p>Modify wording to comply with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and “Securities and Exchange Act”.</p>

## TRANSCEND INFORMATION INC.

## COMPARISON TABLE FOR THE “PROCEDURES FOR ENDORSEMENTS AND GUARANTEES”

Proposed Amendment	Currently in Effect	Explanation
<p>Article 6 : Procedures</p> <p>1.The entity who wants to apply for endorsement/guarantee shall provide detailed financial information to the <u>Finance and Accounting Division</u> for credit check and risk assessment. The <u>Finance and Accounting Division</u> shall prepare a credit report after investigation. The report shall be submitted to the general manager and Chairman for approval. Collateral shall be collected if necessary.</p> <p>2.The <u>Finance and Accounting Division</u> shall conduct detailed review and the evaluation items should include:</p> <p>(1) The necessity of and reasonableness of endorsement/guarantee.</p> <p>(2) Evaluate whether the endorsement/guarantee is a must based on the financial status of the entity.</p> <p>(3) Whether the amount of accumulated endorsement/ guarantee is within the limit.</p> <p>(4) In the event that an endorsement/guarantee is made due to needs arising out of business transaction, the Company should check whether the amount of the business transaction between two parties and the accumulated endorsement/guarantee amount is within the limit.</p> <p>(5) Impact on the Company’s business operations, financial condition, and shareholders’ equity.</p> <p>(6) Whether collateral must be obtained and appraisal of the value thereof.</p> <p>(7) Provide record of the entity’s credit status and risk assessment.</p>	<p>Article 6 : Procedures</p> <p>1.The entity who wants to apply for endorsement/guarantee shall provide detailed financial information to the <u>Financial Department</u> for credit check and risk assessment. The <u>Financial Department</u> shall prepare a credit report after investigation. The report shall be submitted to the general manager and Chairman for approval. Collateral shall be collected if necessary.</p> <p>2.The <u>Financial Department</u> shall conduct detailed review and the evaluation items should include:</p> <p>(1) The necessity of and reasonableness of endorsement/guarantee.</p> <p>(2) Evaluate whether the endorsement/guarantee is a must based on the financial status of the entity.</p> <p>(3) Whether the amount of accumulated endorsement/ guarantee is within the limit.</p> <p>(4) In the event that an endorsement/guarantee is made due to needs arising out of business transaction, the Company should check whether the amount of the business transaction between two parties and the accumulated endorsement/guarantee amount is within the limit.</p> <p>(5) Impact on the Company’s business operations, financial condition, and shareholders’ equity.</p> <p>(6) Whether collateral must be obtained and appraisal of the value thereof.</p> <p>(7) Provide record of the entity’s credit status and risk assessment.</p> <p>3.The company shall prepare a memorandum</p>	<p>In accordance with the current company structure, modify “Financial Department” to “Finance and Accounting Division”.</p>

Proposed Amendment	Currently in Effect	Explanation
<p>3.The company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the Chairman, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under preceding paragraph.</p> <p>4.The <u>Finance and Accounting Division</u> shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p> <p>5.(Omitting)</p> <p>6.For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the <u>Finance and Accounting Division</u> shall conduct risk assessment and propose control plan to the Audit Committee periodically. In the case of a subsidiary shares having no par value or a par value other than NT\$10, the paid-in capital referred to in the preceding sentence shall be the sum of share capital plus paid-in capital in excess of par.</p>	<p>book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the Chairman, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under preceding paragraph.</p> <p>4.The <u>Financial Department</u> shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p> <p>5.(Omitting)</p> <p>6.For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the <u>Financial Department</u> shall conduct risk assessment and propose control plan to the Audit Committee periodically. In the case of a subsidiary shares having no par value or a par value other than NT\$10, the paid-in capital referred to in the preceding sentence shall be the sum of share capital plus paid-in capital in excess of par.</p>	
<p>Article 7 : Cancellation of endorsement and guarantee</p> <p>1.If the relevant documents or notes need to be cancelled due to settlement or renewal, the entity for which the Company makes</p>	<p>Article 7 : Cancellation of endorsement and guarantee</p> <p>1.If the relevant documents or notes need to be cancelled due to settlement or renewal, the entity for which the Company makes</p>	<p>In accordance with the current company structure, modify “Financial Department” to “Finance and Accounting Division”.</p>

Proposed Amendment	Currently in Effect	Explanation
<p>endorsement/guarantee shall send the original documents or notes stamped with “Cancel” seal to the <u>Finance and Accounting Division</u>. The record shall be kept for future reference.</p> <p>2.The <u>Finance and Accounting Division</u> shall record the cancellation in the memorandum book at any time to reduce the amount of endorsement/guarantee.</p>	<p>endorsement/guarantee shall send the original documents or notes stamped with “Cancel” seal to the <u>Financial Department</u>. The record shall be kept for future reference.</p> <p>2.The <u>Financial Department</u> shall record the cancellation in the memorandum book at any time to reduce the amount of endorsement/guarantee.</p>	
<p>Article 10 : Announcement and Report</p> <p>The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <u>carrying value of equity method investment in</u>, and balance of loans to, such enterprise reaches 30 percent or more of the</p>	<p>Article 10 : Announcement and Report</p> <p>The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <u>amount of long-term investment</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net</p>	<p>Modify wording to comply with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

Proposed Amendment	Currently in Effect	Explanation
<p>Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>“Date of occurrence” in these Regulations means the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the <u>counterparty and monetary amount of endorsement/guarantee</u>, whichever date is earlier.</p> <p>The public company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to preceding paragraph.</p>	<p>worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>“Date of occurrence” in these Regulations means the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the <u>transaction party and transaction amount</u>, whichever date is earlier.</p> <p>The public company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to preceding paragraph.</p>	
<p>Article 13 :</p> <p>The Company intending to render endorsement/guarantee to others shall formulated it operational procedures for lending funds to other parties in compliance with the regulations, and, after passage by the Audit Committee and the Board of Directors, submit the Procedures for approval by the Shareholder's meeting. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the Shareholders' meeting. The same shall apply to any amendment to the Procedures.</p> <p><u>When the Company formulate or amend the</u></p>	<p>Article 13 :</p> <p>The Company intending to render endorsement/guarantee to others shall formulated it operational procedures for lending funds to other parties in compliance with the regulations, and, after passage by the Audit Committee and the Board of Directors, submit the Procedures for approval by the Shareholder's meeting. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the Shareholders' meeting. The same shall apply to any amendment to the Procedures.</p> <p><u>When the Company formulate or amend the</u></p>	<p>Modify wording to comply with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and “Securities and Exchange Act”.</p>

Proposed Amendment	Currently in Effect	Explanation
<p><u>Procedures, the case shall be approved by half or more of all Audit Committee members before submitting to the Board of Directors for a resolution.</u></p> <p><u>If approval of half or more of all Audit Committee members is not obtained, the Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u></p>	<p><u>Procedures, the case shall be submitted to the Board of Directors for a resolution pursuant to the preceding paragraph. The Company shall take into full consideration the opinion of each independent director. Independent director's opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors meeting.</u></p>	

**TRANSCEND INFORMATION INC.  
ISSUANCE RULES OF TRANSCEND 2020 RESTRICTED STOCK AWARDS PLAN**

**Article 1 : Purpose**

To attract and retain talents, motivate and engage employees for the best interest of the Company and its shareholders, so as to ensure the alignment of the employees' and shareholders' interests. The following issuance rules of Transcend 2020 Restricted Stock Awards Plan ("the Rules") are stipulated in accordance with Item 9, Article 267 of the Company Act, and Exchange Act and the Regulations Governing the Offering Issuance of Securities by Securities Issuers ("the Regulation") released by the Financial Supervisory Commission.

**Article 2 : Duration of issuance**

With one year following the day the approval notice from the competent authority is delivered, the Company may issue the restricted stock awards once or multiple times. The actual date of issuance and related matters shall be determined by the Chairman of the Company ("the Chairman") as authorized by the Company's Board of Directors ("the Board of Directors").

**Article 3 : Qualification requirements for employees**

1. Full-time employees of the Company and full-time employees of domestic or foreign controlled or affiliated companies who are already employed on the date that the restricted stock awards are awarded.
2. The number of granted shares shall be determined by seniority, position, performance, overall contribution and other meaningful factors in management. The results of shares distribution shall be reviewed by the Chairman and obtain approval in the Board of Directors meeting. However, for employees who are managers, the awards of such shares are subject to approval by the Compensation Committee.
3. The sum of the cumulative number of share granted to each employee by share distribution warrant in accordance with Article 56-1-1 of the Regulations and by restricted stock awards shall not exceed 0.3% of the total outstanding shares of the Company. The aforesaid total amount of shares plus the share subscription warrant the Company grants to each to each employee shall not exceed 1% of the total outstanding shares of the Company. However, with special approval from the central competent authority of the relevant industry, the total number of employee stock warrants and restricted stock awards obtained by a single employee may be exempted from the above-mentioned restriction. If the laws and regulations are revised in the future, the Company may apply the revised laws and regulations.

**Article 4 : Total amount of issuance**

The total number of shares issued by the Company under this plan shall be 2,000,000 common shares, each share having a par value of NT\$10, for a total amount of NT\$20,000,000.

**Article 5 : Terms and conditions for issuance**

1. Issue price: The current issue is gratuitous.

2. Class of issued shares: the Company's newly issued common shares.
3. Vesting conditions:
  - i. Employee's continuous employment with the Company on each vesting date is required. Employees must achieve both of personal performance target and the Company's operation objectives during the vesting period to be qualified to receive the vested shares. The proportions of the vesting shares to be granted each year are as below:

Continuous employment with the Company one year after the granted date – 30%

Continuous employment with the Company two years after the granted date – 30%

Continuous employment with the Company three years after the granted date – 40%

The share calculation shall be rounded to the nearest thousand shares.
  - ii. The personal performance target is set by the company and respective agreements of the employees and is based on the rating result for the year preceding the vesting dates.
  - iii. The Company's operation objectives are based on the sales revenue and gross margin shown on the financial statements certified by a certified public accountant and the internal performance assessment agreed by the Company and the employees.
  - iv. The Company shall revoke and cancel portions of the unvested shares of restricted stock awards granted to the employee if the employee voluntarily resigns, discharges, been laid-off, retires, or transfers to an affiliated company within three years after the granted date.
  - v. The company shall revoke and cancel portions of the unvested shares of restricted stock awards granted to the employee if the employee violates the Company's employment agreement, employee handbook, or other regulations set by the Company.
  - vi. In the event of termination of employment due to disabilities or death resulted from occupational accidents of employee or general death of employee, the unvested portion of restricted stock awards shall be handle as follows.
    - A. Termination of employment due to disabilities as a result of occupational accidents of employee: Any unvested restricted stock awards shall immediately vest upon such termination date.
    - B. Termination of employment due to death as a result of occupational accidents of employee: Any unvested restricted stock awards shall immediately vest upon the date of death. The legal heirs of the employee shall complete all required legal procedures and provide relevant supporting documentation before being granted the shares to be inherited or interest disposed of.
    - C. Termination of employment due to general death of employee: Any unvested restricted stock awards shall be regarded as unvested upon the date of death. The Company will redeem the issued restricted stock awards and cancel the full number of share in accordance with the terms of the issuance rules set by the Company.
  - vii. Leave of absence without pay (approved by the Company): Employee who has applied for leave of absence without pay due to major personal illness, major family accidents, or study abroad according to the government laws and regulations is considered as not meeting the requirements of vesting conditions. The vesting period shall be postponed in accordance with the period of absence.
  - viii. The Company will redeem the issued restricted stock awards and cancel the shares when the vesting conditions are not met.

- ix. The rights that are subject to restriction until vesting conditions are met:
  - A. Before the vesting conditions are met, except for inheritance, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, the restricted stock awards.
  - B. Before the vesting conditions are met, rights of the restricted stock awards to attend the shareholder's meeting, submit proposals, speak and vote at the meeting shall be performed in accordance with the custodian agreement. The Company shall withdraw cash and cancel the shares if there are cash dividend, stock dividend, and interest rights to receive capital reserve be allocated to unvested shares of restricted stock awards. After employee meets the vesting conditions, the company shall allocate the dividend from the security trust account to the employee's personal security and bank account.
  - C. Before the vesting conditions are met, except the aforementioned rights, the other rights of restricted stock awards, including but not limited to dividend, interest rights to receive capital reserve, employee stock options at cash capital increase, shall be the same as the Company's common shares issued.
- x. Other important stipulation: The restricted stock awards shall be deposited in a security trust account after the issuance. The management of the restricted stock awards in the security trust account shall be performed by the Company or the person appointed on behalf of the employees.

#### Article 6 : Execution and confidentiality of the agreement

1. The employees are deemed to have been granted the restricted stock awards only when they have entered into the "agreement of receiving restricted stock awards" upon notification by the responsible unit of the Company and complete all the required process for trust custody service. If the employee fails to execute the agreement, the rights to the restricted stock awards by the employee is deemed to have forfeited.
2. Anyone receiving restricted stock awards or other rights derived from in accordance with the Rules shall comply with the Rules and the "agreement of receiving restricted stock awards". The employee shall keep confidential after signing the agreement for the related contents of the Rules and the rights under the agreement. The company shall have the right to revoke and cancel any and all portions of the unvested shares of restricted stock awards in the event that the employee violates the Rules and agreement.

#### Article 7 : Tax

Any tax incurred from granting the restricted stock awards under the Plan shall be governed by the applicable R.O.C laws and regulations.

#### Article 8 : Implementation procedures

The relevant procedures and detailed operation timeline will be informed to granted employees by the responsible unit of the Company.

#### Article 9 : Implementation and revision

1. The Rules shall obtain approval by the majority votes in a meeting of Board of Directors which two-thirds or more directors are present, and then executed after effective registration with the competent authority. If modifications of the issuance rules are required due to amendment to the laws and regulations or instructions from the competent authority, the Chairman is authorized to make any necessary amendment to the Rules. The amendment to the Rules

shall be proposed to be reviewed and approved by the Board of Directors for ratification and issuance.

2. For the matters not stipulated in the Rules, relevant applicable laws and regulations shall be referred.

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

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

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

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

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

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

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

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

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

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

China.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TRANSCEND INFORMATION INC.  
ARTICLES OF INCORPORATION (Before amendment)

**Section I - General Provisions**

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

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

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

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

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

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

**Section II - Capital Stock**

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

Article 6-1 : If the Corporation issue employee stock options on the exercise price under the market price, it shall be issued after the resolution of the Shareholders' meetings in accordance with relevant rules and regulations of the Republic of China. Employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, are entitled to receive employee stock options. Such specific requirements shall be prescribed by the board of directors.

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

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

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

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

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

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

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

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

### **Section IV - Directors**

Article 13 : The Corporation shall have seven to eleven Directors. The Board of Directors is authorized to determine the number of

Directors, to be elected by the shareholders meeting from among candidates with legal capacity. The term of office for Directors shall be 3 years, and all Directors shall be eligible for re-election. Once the term of office is expired and it can't elect directors immediately, directors can extend and continue the performance of their duties until the election of directors to take office. The aggregate shareholding percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities. The board of directors is authorized to resolve the rates of directors' remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry.

The company shall acquire liability insurance for all directors within their term of office, and report to Board at the next board meeting.

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

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

Article 13-3 : (Deleted)

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

Article 15 : Board of Directors Meetings shall be convened by the Chairman of the Board of Directors. Except as otherwise provided in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

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

Article 16 : The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. If the Chairman of the Board of Directors is on leave or cannot exercise powers or perform duties for any reason, an acting chairman shall be

designated in accordance with Article 208 of the Company Act. Directors shall attend meetings of the board of directors in person. If a director is unavailable to attend a meeting in person, the director may appoint a proxy for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting.

Article 17 : Duties of the Board of the Directors are as follows:

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

Article 18 : (Deleted)

Article 19 : (Deleted)

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

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

### **Section VI - Accounting**

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

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

Employees' remuneration could be paid by cash or stock. Employees shall mean the employees of parent or subsidiaries of the company meeting certain specific requirements. Such specific requirements shall be prescribed by the board of directors.

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

1. To pay taxes.
2. To cover accumulated losses, if any.
3. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
4. To appropriate or reverse special reserve in accordance with the regulations

5. To reserve certain amount, on the premise that there is no effect on the Company's normal operations and no violation of regulations, for maintaining stability of dividends.
6. For any remainder, adding on accumulated unappropriated retained earnings, the board of directors shall propose the earnings distribution proposal and shall handle in accordance with the following provision: the board of directors is authorized to distribute dividends and bonuses or legal reserve and capital reserve in whole or in part which be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting in accordance with Section 5 of Article 240 and Article 241 of the Company Act. In case of the dividends and bonuses or legal reserve and capital reserve in whole or in part be distributed in the form of new shares to be issued by the company, shall be proposed to the shareholders' meeting for review and approval by a resolution in accordance with Article 240 of the Company Act.

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

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

## **Section VII - Supplementary Provisions**

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

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

The first amendment was made on January 28, 1991.

The second amendment was made on May 25, 1992.

The third amendment was made on September 1, 1992.

The fourth amendment was made on July 30, 1994.

The fifth amendment was made on June 8, 1995.

The sixth amendment was made on July 8, 1997.

The seventh amendment was made on August 15, 1997.

The eighth amendment was made on September 12, 1997.

The ninth amendment was made on June 20, 1998.

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

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

The 12th amendment was made on April 15, 2000.  
The 13th amendment was made on April 9, 2001.  
The 14th amendment was made on June 10, 2002.  
The 15th amendment was made on June 3, 2003.  
The 16th amendment was made on June 11, 2004.  
The 17th amendment was made on June 13, 2005.  
The 18th amendment was made on June 14, 2006.  
The 19th amendment was made on June 11, 2007.  
The 20th amendment was made on June 13, 2008.  
The 21th amendment was made on June 16, 2009.  
The 22th amendment was made on June 17, 2010.  
The 23th amendment was made on June 10, 2011.  
The 24th amendment was made on January 5, 2012.  
The 25th amendment was made on June 13, 2013.  
The 26th amendment was made on June 12, 2014.  
The 27th amendment was made on June 14, 2016.  
The 28th amendment was made on June 12, 2019.

Transcend Information Inc.  
Chairman: Shu, Chung-Won

TRANSCEND INFORMATION INC.  
SHAREHOLDINGS OF ALL DIRECTORS

## 1. Minimum Required Shareholding and Shareholding of all Directors:

<b>Title</b>	<b>Minimum Required Shareholding by all Directors</b>	<b>Current Shareholding (Shares)</b>
Directors	16,000,000	16,721,795

Note 1: The period of Book closure is from April 21, 2020 to June 19, 2020.

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

## 2. Company’s current Directors’ shareholding are as follows on April 21, 2020:

<b>Title</b>	<b>Name</b>	<b>Current Shareholding (Shares)</b>
Chairman	SHU,CHUNG-WON	9,990,453
Director	SHU,CHUNG-CHENG	6,244,098
Director	CHUI, LI-CHU	0
Director	HSU, CHIA-HSIAN	487,244
Director	WANG JEN-MING	0
Director	LI TSENG-HO	0
Independent Director	CHEN, YI-LIANG	0
Independent Director	CHEN, LO-MIN	0
Independent Director	WANG, YI-HSIN	0
	Total	16,721,795