

Stock code : 3081



LANDMARK OPTOELECTRONICS CORPORATION

Annual General Meeting Handbook  
2016

Date: June 14th, 2016 (Tuesday) 10:30am

Location: No.12, Nanke 2nd Rd., Xinshi Dist., Tainan City

(Southern Taiwan Science Park B105 Conference Room)

**DISCLAIMER**

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**Landmark Optoelectronics Corporation**  
**Procedure for the 2016 Annual Meeting of Shareholders**

1. Call the Meeting to order
2. Opening remarks by the chairman
3. Report items
4. Ratifications items
5. Discussion items
6. Questions and motions
7. Adjournment

# **LandMark Optoelectronics Corporation**

## **2016 Annual General Meeting Agenda**

Time: 10:30 am, June 14<sup>th</sup>, 2016 (Tuesday)

Location: No.12, Nanke 2nd Rd., Xinshi Dist., Tainan City 741, Taiwan  
(Southern Taiwan Science Park B105 Conference Room)

Attendance: All shareholders or their proxy holders

Chairman : Simon Chen, Chairman of the Board of Directors

1. Call the meeting to order (report all shares in attendance)
2. Opening remarks by the Chairman
3. Reporting items:
  - (1) 2015 business report
  - (2) 2015 audit committee's review report
  - (3) 2015 distribution plan for employees' compensation and directors' remuneration
4. Ratification items:
  - (1) Ratification of the 2015 business report and financial statements
  - (2) Ratification of the proposal for distribution of 2015 profits
5. Discussion items
  - (1) Amendments to the "Articles of Incorporation"
  - (2) Issuance of new share issue through capitalization of earnings
  - (3) Issuance of new restricted employee shares
  - (4) Amendments to the "Procedures for Asset Acquisition & Disposal of Assets"
  - (5) Amendments to the "Operational Procedures for Loans of Company Funds" and "Operational Procedures for Endorsements and Guarantees"
6. Questions and motions
7. Adjournment

## **Reporting items**

**Item 1:** 2015 business report

**Details:** 2015 business report (please refer to attachment 1, page 10)

**Item 2:** 2015 audit committee's review report

**Details:** The audit committee's review report (please refer to attachment 2, page 12)

**Item 3:** 2015 distribution plan for employees' compensation and directors' remuneration

**Details:** According to Article 20 of the Company's "Articles of Incorporation", "Whenever there are profits to the Company, we set aside 1% of the balance as remuneration to directors and not less than 8% as compensation to employees." In accordance to the ratio specified and the 2015 reported earnings, the Compensation Committee and Board of Directors on Feb 23th, 2016 resolved to allocate compensation to employees a total amount of NT\$104,888,237 and remuneration to directors a total amount of NT\$13,111,030, with all payments in cash. The approved compensation is in-line with costs budgeted for 2015.

## **Ratification items**

**Item 1:** (proposed by the Board of Directors)

**Proposal:** Ratification of the 2015 business report and financial statements

**Explanation:** a. The Company's 2015 business report and financial statements have been reviewed by the Audit Committee, and resolved by the Board of Directors. The financial statements have been audited by KPMG Taiwan, and issued a standard unqualified opinion auditors' report.

b. Business report, auditors' report and financial statements (please refer to attachment 1, page 10 and attachment 3, page 13-17)

**Resolution:**

**Item 2:** (proposed by the Board of Directors)

**Proposal:** Ratification of the proposal for distribution of 2015 profits

**Explanation:** a. The distribution of 2015 profits was approved by the Board of Directors on Feb 23th, 2016. The earnings distribution table is as below:

**LandMark Optoelectronics Corporation**  
**2015 Earnings distribution table**

**Unit:** NT dollars

Item	Amount
Unappropriated retained earnings	\$ 218,745,871
Less: Changes in 2015 Actuarial gains and losses	(1,097,478)
Adjusted unappropriated retained earnings	217,648,393
Add: 2015 net earnings after tax	988,932,303
Less: 10% for legal reserve	(98,893,230)
Distributable net earnings	1,107,687,466
Distributable items:	
Dividend to shareholders- Stock dividends (\$3)	209,729,250
Dividend to shareholders- Cash dividends (\$9)	629,187,774
Unappropriated retained earnings	268,770,442

Note 1: 2015 earnings are to receive priority in this earnings distribution.

Note 2: Cash dividends to shareholders are calculated to the nearest dollar.

- b. The total amount of common shares outstanding is subject to change and the final cash dividend to be distributed to each common share is authorized to be adjusted by Chairman of the Board based on the number of actual shares outstanding on the record date for distribution.
- c. The Board of Directors is authorized to determine the ex-dividend date and other matters.

**Resolution:**

## Discussion items

**Item 1:** (proposed by the Board of Directors)

**Proposal:** Discussion of amendments to the “Articles of Incorporation”

**Explanation:** In order to meet regulatory compliance and improve corporate governance, it is proposed to amend the “Articles of Incorporation”. (Please refer to attachment 4, page 18~21 for the pre and post-amendment comparison chart)

**Resolution:**

**Item 2:** (proposed by the Board of Directors)

**Proposal:** Discussion of new share issuances through the capitalization of earnings

**Explanation:** a. In consideration of the future development of the company business, it is proposed to allocate NT\$209,729,250 from 2015 distributable earnings to issue new shares of 20,972,925 shares, with a face value of NT\$10. The increase in shares will be determined by the shareholding ratio of shareholders in the shareholders’ registry on the record date. For every 1,000 shares, 300 bonus shares will be issued. For fractional shares, the shareholder may, within 5 days from the book closure date, register with the Company’s transfer agent to collect enough shares to make one full share. In the event that registration is overdue, or the shareholder fails to collect enough shares to make one full share, the shareholder shall receive a cash distribution calculated to the nearest whole New Taiwan Dollar (all amounts below NTD 1 shall be forfeited), and the Chairman shall be authorized to contact specific persons to buy such shares.

b. After the approval of the Annual Meeting of Shareholders and the competent authority, the Board requests authorized to determine the Shares allotment. The rights and obligations of the new share issuance are the same as existing shares.

**Resolution:**



**Item 3:** (proposed by the Board of Directors)

**Proposal:** Proposal to issue new restricted employee shares

**Explanation:** a. The Company plans to issue new restricted employee shares in accordance with Article 267 of the Company Act and “Regulations Governing the Offering and Issuance of Securities” published by the Financial Supervisory Commission.

b. We plan to issue new restricted employee shares as follows:

1. Total issuance shares: 400,000 shares, with a face value of NT\$10, total issue amount of NT\$4,000,000

2. Vesting condition:

(1) Vested price:

Based on 2015 book value per share of NT\$51.34, as audited by independent auditors.

(2) Vesting condition:

Starting from the date of issuance, the employee shall remain employed for the following terms, shall meet personal performance indicators, and shall not violate any laws and agreement with the company. Employee can receive the proportion of shares as below:

■ A year after issuance: 50% of issued shares

■ Two years after issuance: 50% of issued shares

(3) Conditions of the employee who fails to meet the vesting conditions:

In the event that an employee fails to meet the vesting conditions, the Company shall redeem and cancel all new restricted employee shares at the vested price.

3. Qualifications for employees and the allocation of shares:

(1) Qualifications for employees: limited to permanent employees of the company, the seniority, rank, performance, overall contributions, special achievements and other factors shall be considered in the allocation of the awarded shares, which shall be ratified by the Chairman and resolved by the Board of Directors. For shares awarded to managerial-level employees, approval by the Remuneration Committee is required.

- (2) Based upon Article 56-1 paragraph 1 of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, where an issuer issues employee stock warrants, the eligible cumulative number of shares subscribed by a single warrant holder of the employee stock warrants, in combination with the cumulative number of new restricted employee shares obtained by the single warrant holder, may not exceed 0.3 percent of the issuer’s total issued shares. And the above in combination with the cumulative number of shares subscribed by the single warrant holder of employee stock warrants issued by an issuer under Article 56, paragraph 1, may not exceed 1 percent of the issuer’s total issued shares.
4. The reason why it is necessary to issue restricted stocks for employees:  
To attract and retain expertise for the Company, to encourage employees’ long-term performance and their commitment to the Company, and to align the interests of employees with the long-term interests of shareholders, and improve company value.
5. Possible cost of the Company earnings per share dilution, and other matters that may impact equity value:
  - (1) Calculation of possible expenses: The plan to issued new restricted employee shares of 400,000 shares, using the share price of NT\$546 (closing price on Feb 22th, 2016, the day before the board of directors’ resolution), the possible expenses amount is estimated at NT\$197,864,000 dollars. Calculation for the vested time, the annual amortized expenses from 2016, 2017 and 2018 are projected to reach up to NT\$32,977,000(based on 4 months), NT\$98,932,000, and NT\$65,955,000(based on of 8 months), respectively.
  - (2) Cost of the Company earnings per share dilution, and other matters impact on equity: Calculated from the issued shares and annual expense, on a per share basis, the earnings dilution on 2016, 2017 and 2018 is estimated to be NT\$0.47, NT\$1.42, NT\$0.94, respectively. The actual impact may vary depending on the time, situation, and conditions present. Based on our expectation of a

steady growth in revenue and net income in next few years, there will be a limited impact on earnings dilution or shareholders' equity.

6. Restricted rights before employees meet the vesting conditions:
  - (1) During the vesting period, the new restricted employee shares must be deposited in trust, an employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, new restricted employee shares.
  - (2) Rights of attend the shareholders' meeting, submit proposals, to speak and at the meeting, and the right to vote shall be in accordance with the trust custody agreement.
  - (3) Except the forgoing limits, other new shares rights of employee before they meet the vesting condition, including but not limited to dividend, bonus, rights to receive capital reserve, subject to cash replenishment of stock options, are the same rights as those of the ordinary shares issued by the Company.
- c. If the proposal is approved by the shareholders' meeting, the Board of Directors is authorized to apply for the issuance of new restricted employee share with the competent authorities, in compliance with legal requirements. The Board of Directors will have full power and authority to handle any issues, unless against resolutions approved at the shareholders' annual general meeting.

**Resolution:**

**Item 4:** (proposed by the Board of Directors)

**Proposal:** Discussion of amendments to "Procedures for Acquisition & Disposal of Assets"

**Explanation:** In accordance with further development of company business and Article 18 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", which rules the transactions amount and maximum loss limit on contracts (Please refer to attachment 5, page 22 for the pre and post-amendment comparison chart)

**Resolution:**

**Item 5:** (proposed by the Board of Directors)

**Proposal:** Amendments to “Operational Procedures for Loaning of Company Funds” and “Operational Procedures for Endorsements and Guarantees”

**Explanation:** In accordance with “ Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” it is proposed to amend the Company’s “Operational Procedures for Loaning of Company Funds” and “Operational Procedures for Endorsements and Guarantee” (Please refer to attachment 6 and 7, page 23~28 for the pre and post-amendment comparison chart)

**Resolution:**

**Questions and motions**

**Adjournment**

## 2015 Business Report

To all shareholders:

The management team and all employees of Landmark Optoelectronics believes in the principle of “there’s no best, only better” which drives the never-ending development of our products and skillsets. Innovative thinking, strategy, and product development in new areas are the keys for our Company’s long term growth within a rapidly changing environment. These changes and innovations are evident in our operating results. 2015 operating profit and net profits have both reached new heights. Also, the company’s stock achieved an OTC listing on July 22th, 2015.

The following is a report of the Company’s 2015 operating results and profitability

### 2015 Operating Results

2015 operating profits achieved NT\$2.028 billion dollar, up 55.12% from 2014. Net Sales were reported at NT\$1.336 billion, while net profits reached NT\$989 million dollars, or an EPS of NT\$14.89/share.

Operating results and profitability of the past two years is as below:

Units: '000 NTD

Item		2015	2014
Operating Results	Operating Income	2,027,760	1,307,263
	Gross Profit	1,336,451	800,511
	Net Sales	1,169,046	707,677
	Net Income	988,932	613,888
Profitability	ROA(%)	34.24%	41.94%
	ROE(%)	38.97%	49.64%
	Operating Income/Capital (%)	167.22%	128.00%
	Pretax Income/Capital (%)	170.66%	133.95%
	Net Profit Margin (%)	48.77%	46.96%
	EPS (dollars)	14.89	11.19

## Future Outlook

For 2016, we will continue to adhere to the spirit of excellence in corporate governance, follow rules and regulations, and utilize technology and management tools in achieving a higher standard of professionalism by our employees and corporate operating performance. We aim to continue to create value for clients, shareholders, and employees. Importantly, we remain steadfast in keeping our position as a major supplier of epi-wafers, and continue to develop and widen the usage of our products for optical communication, silicon photonics cloud and industrial applications, and consumer applications. We thank you for your encouragement and look forward to your continued support.

Lastly, we wish you great health and happiness in all your endeavors, thank you.

Chairman:



President:



CFO:



## Audit Committee Review Report

The board of directors has prepared the Company's 2015 Business Report, Financial Statements and Earnings Distribution Table for 2015. The CPA firm of KPMG Limited was retained to audit Landmark Optoelectronics Corporation's Financial Statements and have issued audit reports relating to the Financial Statements. The Business Report, Financial Statements, and earnings distribution proposal have been reviewed and determined to be correct and accurate by the audit committee of Landmark Optoelectronics Corporation. In accordance with Article 219 of the Company Act, I hereby submit this report.

Landmark Optoelectronics Corporation 2016 Annual Shareholders' Meeting

Chair of the Audit Committee:



February 23th, 2016

**安侯建業聯合會計師事務所**

KPMG

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Internet 網址 kpmg.com/tw**Independent Auditors' Report**

The Board of Directors  
LandMark Optoelectronics Corporation

We have audited the accompanying balance sheets of LandMark Optoelectronics Corporation (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of LandMark Optoelectronics Corporation as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Standards Interpretations Committee (IFRIC) Interpretations, and IFRS Interpretations Committee (SIC) Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

CPA: Chia Hsin, Chang

Hui Yuan, Chen

February 23, 2016

Taiwan (the Republic of China)



LandMark Optoelectronics Corporation

Balance Sheets

December 31, 2015 and 2014

(amounts expressed in thousands of New Taiwan dollars)

Assets	2015.12.31		2014.12.31		Liabilities and Equity	2015.12.31		2014.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (Note 6(a))	\$ 2,220,878	56	614,264	34	Financial liabilities at fair value through profit or loss—current (Note 6(b))	\$ 1,616	-	2,331	1
Notes receivable, net (Note 6(c))	238,556	6	139,760	8	Notes payable	40,180	1	51,174	3
Accounts receivable, net (Note 6(c))	364,524	9	185,876	10	Accounts payable	40,272	1	34,961	2
Inventories (Note 6(d))	142,077	4	116,718	7	Other payables (Note 6(h))	175,588	4	105,842	6
Prepayments	2,881	-	1,745	-	Current tax liabilities	137,883	4	97,767	5
Non-current assets held for sale (Note 6(e))	-	-	44,947	3	Other current liabilities	3,762	-	1,053	-
Other current assets	103	-	731	-		399,301	10	293,128	17
Other financial assets—current (Note 8)	8,537	-	7,409	-	<b>Non-current liabilities:</b>				
<b>Total current assets</b>	<b>2,977,556</b>	<b>75</b>	<b>1,111,450</b>	<b>62</b>	Deferred tax liabilities (Note 6(i))	407	-	1,228	-
<b>Non-current assets:</b>					Net defined benefit liability—non-current (Note 6(h))	4,441	-	3,423	-
Property, plant and equipment (Notes 6(f) and 9)	935,123	23	660,072	37		4,848	-	4,651	-
Deferred tax assets (Note 6(i))	6,446	-	10,261	1	<b>Total liabilities</b>	404,149	10	297,779	17
Other financial assets—non-current	635	-	1,491	-	<b>Equity attributable to owners of the company (Notes 6(i) &amp; (j)):</b>				
Other non-current assets (Note 6(g))	73,406	2	664	-	Capital stock	699,098	18	552,891	31
	1,015,610	25	672,488	38	Capital surplus	1,527,434	38	41,894	2
					Retained earnings:				
					Legal reserve	155,904	4	94,515	5
					Unappropriated earnings	1,206,581	30	796,859	45
						1,362,485	34	891,374	50
					<b>Total equity</b>	3,589,017	90	1,486,159	83
<b>Total assets</b>	<b>\$ 3,993,166</b>	<b>100</b>	<b>1,783,938</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 3,993,166</b>	<b>100</b>	<b>1,783,938</b>	<b>100</b>

See accompanying notes to financial statements.

**LandMark Optoelectronics Corporation**

**Statements of Comprehensive Income**

For the years ended December 31, 2015 and 2014

(amounts expressed in thousands of New Taiwan dollars, except for earnings per share data)

	2015		2014	
	Amount	%	Amount	%
<b>Operating revenues (Note 6(m))</b>	\$ 2,027,760	100	1,307,263	100
<b>Operating costs (Notes 6(d), (h), (j) &amp; (n) and 12)</b>	691,309	34	506,752	39
<b>Gross profit</b>	<u>1,336,451</u>	<u>66</u>	<u>800,511</u>	<u>61</u>
<b>Operating expenses (Notes 6(h), (j) &amp; (n) and 12):</b>				
Selling and marketing expenses	31,285	1	29,006	2
General and administrative expenses	58,831	3	37,378	3
Research and development expenses	<u>77,289</u>	<u>4</u>	<u>26,450</u>	<u>2</u>
	<u>167,405</u>	<u>8</u>	<u>92,834</u>	<u>7</u>
<b>Operating income</b>	<u>1,169,046</u>	<u>58</u>	<u>707,677</u>	<u>54</u>
<b>Non-operating income and expenses (Notes 6(e), (f) &amp; (o)):</b>				
Interest income	8,004	-	3,942	-
Other gains and losses	<u>16,053</u>	<u>1</u>	<u>28,980</u>	<u>3</u>
	<u>24,057</u>	<u>1</u>	<u>32,922</u>	<u>3</u>
<b>Profit before income tax</b>	1,193,103	59	740,599	57
Income tax expenses (Note 6(i))	<u>204,171</u>	<u>10</u>	<u>126,711</u>	<u>10</u>
<b>Net profit</b>	<u>988,932</u>	<u>49</u>	<u>613,888</u>	<u>47</u>
<b>Other comprehensive income (Notes 6(h) &amp; (i)):</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Remeasurements of the defined benefit plans	(1,321)	-	(1,071)	-
Income tax relating to items that will not be reclassified subsequently	<u>225</u>	<u>-</u>	<u>182</u>	<u>-</u>
<b>Other comprehensive income, net of tax</b>	<u>(1,096)</u>	<u>-</u>	<u>(889)</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 987,836</u>	<u>49</u>	<u>612,999</u>	<u>47</u>
<b>Earnings per share (in dollars), after tax (Note 6(l)):</b>				
Basic earnings per share	<u>\$ 14.89</u>		<u>9.73</u>	
Diluted earnings per share	<u>\$ 14.82</u>		<u>9.37</u>	

See accompanying notes to financial statements.

**LandMark Optoelectronics Corporation**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2015 and 2014**  
**(amounts expressed in thousands of New Taiwan dollars)**

	Capital stock	Capital surplus	Retained earnings		Total equity
			Legal reserve	Unappropriated earnings	
<b>Balance at January 1, 2014</b>	\$ 452,416	30,024	67,525	437,058	987,023
Net profit for 2014	-	-	-	613,888	613,888
Other comprehensive income	-	-	-	(889)	(889)
Total comprehensive income	-	-	-	612,999	612,999
Appropriation of 2013 earnings in 2014 (Note 1):					
Legal reserve	-	-	26,990	(26,990)	-
Cash dividends	-	-	-	(135,725)	(135,725)
Stock dividends	90,483	-	-	(90,483)	-
Stock dividends as employee bonus	9,992	11,870	-	-	21,862
<b>Balance at December 31, 2014</b>	<b>552,891</b>	<b>41,894</b>	<b>94,515</b>	<b>796,859</b>	<b>1,486,159</b>
Net profit for 2015	-	-	-	988,932	988,932
Other comprehensive income	-	-	-	(1,096)	(1,096)
Total comprehensive income	-	-	-	987,836	987,836
Appropriation of 2014 earnings in 2015 (Note 2):					
Legal reserve	-	-	61,389	(61,389)	-
Cash dividends	-	-	-	(425,538)	(425,538)
Stock dividends	91,187	-	-	(91,187)	-
Issuance of common stock for cash	55,020	1,485,540	-	-	1,540,560
<b>Balance at December 31, 2015</b>	<b>\$ 699,098</b>	<b>1,527,434</b>	<b>155,904</b>	<b>1,206,581</b>	<b>3,589,017</b>

(Note 1): The employee bonus of \$21,862 and directors' emoluments of \$2,429 appropriated from 2013 earnings have been deducted in calculating 2013 profit.

(Note 2): The employee bonus of \$55,250 and directors' emoluments of \$5,525 appropriated from 2014 earnings have been deducted in calculating 2014 profit.

See accompanying notes to financial statements.

## LandMark Optoelectronics Corporation

## Statements of Cash Flows

For the years ended December 31, 2015 and 2014  
(amounts expressed in thousands of New Taiwan dollars)

	2015	2014
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 1,193,103	740,599
<b>Adjustments:</b>		
Income and expenses having no effect on cash flows:		
Depreciation expenses	138,225	80,065
Amortization expenses	1,513	363
Unrealized net loss on change in fair value of financial liabilities at fair value through profit or loss	1,616	2,331
Reversal of impairment loss on non-financial assets	(3,461)	(17,811)
Interest income	(8,004)	(3,942)
Bad debt expenses	557	3,582
Loss on disposal of property, plant and equipment	318	-
Unrealized foreign exchange gain	(2,396)	(7,226)
Total income and expenses having no effect on cash flows	128,368	57,362
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in notes receivable	(97,255)	(74,871)
Increase in accounts receivable	(178,134)	(79,746)
Increase in inventories	(25,359)	(19,745)
Decrease (increase) in prepayments	(1,136)	4,612
Decrease in other current assets	628	2,738
Increase in other financial assets—current	(395)	(12)
Total changes in operating assets	(301,651)	(167,024)
<b>Changes in operating liabilities:</b>		
Decrease in financial liabilities at fair value through profit or loss—current	(2,331)	(272)
Increase (decrease) in notes payable	9,395	(6,257)
Increase in accounts payable	5,311	17,447
Increase in other payables	76,526	64,171
Increase (decrease) in other current liabilities	2,709	(4,870)
Decrease in defined benefit liability—non-current	(303)	(301)
Total changes in operating liabilities	91,307	69,918
Net changes in operating assets and liabilities	(210,344)	(97,106)
Total adjustments	(81,976)	(39,744)
Cash generated from operating activities	1,111,127	700,855
Interest received	8,004	3,942
Income tax paid	(160,836)	(61,842)
<b>Net cash generated from operating activities</b>	<b>958,295</b>	<b>642,955</b>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of non-current assets held for sale	44,947	-
Acquisition of property, plant and equipment	(437,302)	(239,135)
Decrease (increase) in other financial assets—current and non-current	123	(1,204)
Increase in other non-current assets	(74,255)	(331)
<b>Net cash used in investing activities</b>	<b>(466,487)</b>	<b>(240,670)</b>
<b>Cash flows from financing activities:</b>		
Cash dividends to shareholders	(425,538)	(135,725)
Issuance of common stock for cash	1,540,560	-
<b>Net cash generated from (used in) financing activities</b>	<b>1,115,022</b>	<b>(135,725)</b>
Effects of exchange rate changes on balance of cash held in foreign currencies	(216)	1,980
<b>Net increase in cash and cash equivalents</b>	<b>1,606,614</b>	<b>268,540</b>
Cash and cash equivalents at beginning of year	614,264	345,724
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,220,878</b>	<b>614,264</b>

See accompanying notes to financial statements.

**Comparison between original and amendments to  
“Articles of Incorporation”**

Article	Amended version	Original version	Reason
Article 5	The total capital stock of the Company is one billion New Taiwan Dollars (NT\$1,000,000,000), divided into one hundred million (100,000,000) shares with a par value of ten New Taiwan Dollars (NT\$10) each share, and will be issued in installments by the board of directors.	The total capital stock of the Company is <del>seven-hundred million</del> New Taiwan Dollars ( <del>NT\$700,000,000</del> ), divided into <del>seventy-million (70,000,000)</del> shares with a par value of ten New Taiwan Dollars (NT\$10) each share, and will be issued in installments by the board of directors.	Revised to coordinate with the company’s future capitalization plans
Article 13	The Company shall have 5-7 directors, each with a term of three years. Among the number of the directors in the preceding article shall include independent directors not less than two in number and not less than one-fifth of the total number of directors. The election of directors shall adopt a candidate nomination system, and elected from a candidate list at the shareholders’ meeting. The nomination system shall be conducted in accordance to the Company Act,	The Company shall have 5-7 directors, each with a term of three years. Among the number of the directors in the preceding article shall include independent directors not less than two in number and not less than one-fifth of the total number of directors. The election of <del>independent</del> directors shall adopt a candidate nomination system, and elected from a candidate list at the shareholders’ meeting.  The qualifications, share-holding, restrictions of sitting	Revise according to the Company’s Act, Article 192-1. The system of nominating directors election

	<p>Securities Exchange Act, and relevant regulations. The independent and non-independent directors shall be elected at the same time, but the number of elected candidates are separately calculated.</p> <p>The qualifications, share-holding, restrictions of sitting on boards, nominating and electing methods and other related matters of independent directors shall be conducted by the Securities Exchange competent authority.</p>	<p>on boards, nominating and electing methods and other related matters of independent directors shall be conducted by the Securities Exchange competent authority.</p>	
Article 19	<p>After the close of each fiscal year, the following reports shall be prepared by the Board of Directors following legal procedures to be submitted to the shareholders' meeting for acceptance.</p> <ol style="list-style-type: none"> <li>1. Business Report.</li> <li>2. Financial Statements.</li> <li>3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.</li> </ol>	<p>After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, <del>30 days prior</del> to the annual general shareholders' meeting, following legal procedures to be submitted to the shareholders' meeting for acceptance.</p> <ol style="list-style-type: none"> <li>1. Business Report.</li> <li>2. Financial Statements.</li> <li>3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.</li> </ol>	Adjusted wording for clarity.

<p>Article 24</p>	<p>Article 24</p> <p>These Articles of Incorporation are agreed to and signed on May 26, 1997 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on September 25, 1997, the second Amendment on October 15, 1997, the third Amendment on December 1, 1998, the fourth Amendment on June 23, 1998, the fifth Amendment on March 27, 1999, the sixth Amendment on June 29, 2001, the seventh Amendment on June 28, 2002, and the eighth Amendment on June 30, 2003, the ninth Amendment on June 25, 2004, the tenth Amendment on October 28, 2005, the eleventh Amendment on June 15, 2007, the twelfth Amendment on June 2, 2009, the thirteenth Amendment on May 26 2010, the fourteenth Amendment on May 11, 2011, the fifteenth Amendment on April 11, 2012, the sixteenth Amendment on February 20, 2013,</p>	<p>Article 24</p> <p>These Articles of Incorporation are agreed to and signed on May 26, 1997 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on September 25, 1997, the second Amendment on October 15, 1997, the third Amendment on December 1, 1998, the fourth Amendment on June 23, 1998, the fifth Amendment on March 27, 1999, the sixth Amendment on June 29, 2001, the seventh Amendment on June 28, 2002, and the eighth Amendment on June 30, 2003, the ninth Amendment on June 25, 2004, the tenth Amendment on October 28, 2005, the eleventh Amendment on June 15, 2007, the twelfth Amendment on June 2, 2009, the thirteenth Amendment on May 26 2010, the fourteenth Amendment on May 11, 2011, the fifteenth Amendment on April 11, 2012, the sixteenth Amendment on February 20, 2013,</p>	<p>Added the amend date</p>
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	the seventeenth Amendment on May 8, 2013, the eighteenth Amendment on June 25, 2014, the <u>nineteenth Amendment on June 14, 2015.</u>	the seventeenth Amendment on May 8, 2013, the eighteenth Amendment on June 25, 2014.	
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**Comparison between original and amendments to  
the “Procedures for Asset Acquisition & Disposal Amendment”**

Amended version	Original version	Reason
<p>Article 14: Trading Principles and Strategies (Omit the a. and b.) c. Limits of trading amount: <u>Cumulative open positions shall not be in excess of US\$6 million, amounts over the authorization Limit shall be submitted to senior management personnel who is in charge of position decision-making for approval.</u> d. The maximum loss limit on total contracts or individual contract: <u>The maximum loss limit for trading contracts is 20% of the contract amount, which is applicable to aggregate losses on total contracts or losses on individual contract.</u></p>	<p>Article 14: Trading Principles and Strategies (Omit the a. and b.) c. Limits of trading amount:- <del>Net foreign parts after combined assets and liabilities (Include future net parts) as Hedging limit.</del> d. The maximum loss limit on total contracts or individual contract: <del>Hedging transactions was targeting trading based on the company’s actual needs, the risks has been under control of pre-assessment, without problem of The maximum loss limit.</del></p>	<p>Due to the company’s operational needs and in accordance with Article 18 of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” to amend Limits of trading amount and The maximum loss limit on contracts.</p>
<p>Article 28 This operating procedure was enacted on February 20<sup>th</sup>, 2014, and become effective after approval at the shareholders' meeting.  Amendment was made on May 8th, 2014, and becomes effective after approval at the shareholders' meeting. <u>Amendment was made on June 14th ,2016, and become effective after approval at the shareholders' meeting</u></p>	<p>Article 28 This operating procedure was enacted on February 20<sup>th</sup>, 2014, and becomes effective after approval at the shareholders' meeting.  Amendment was made on May 8th, 2014, and become effective after approval at the shareholders' meeting.</p>	<p>Added the amend date</p>

**Comparison between original and amendments to  
“Operational Procedures for Lending of Company Funds”**

Amended version	Original version	Reason
<p>Article 4. The total amount available for lending and loan limits.</p> <p>a. The total amount available for lending purposes <u>shall be lower than</u> forty percent (40%) of the net worth of the Company. (Omit the b.)</p> <p>c. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (20%) of the net worth in current period of the loaning Company.</p> <p>The term “Lending funds” means the cumulative balance of the public company's short-term financing. The term “Net worth” is as stated in its latest financial statement.</p>	<p>Article 4. The total amount available for lending and loan limits.</p> <p>a. The total amount available for lending purposes <del>shall not</del> exceed forty percent (40%) of the net worth of the Company. (Omit the b.)</p> <p>c. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (20%) of the net worth of the Company.</p> <p>The term “Lending funds” means the cumulative balance of the public company's short-term financing. <del>The term “Net worth” is as stated in its latest financial statement.</del></p>	<p>Revise according to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and operating procedures of fund lending and guarantee.</p>

<p>Article 7. Procedures of loan amount management and loans overdue handling.</p> <p>(Omit a. to c.)</p> <p>d. Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures or there are excesses over the lending limit due to unexpected changes of the Company or its Subsidiaries, a corrective plan has to be provided to the Audit Committee and the proposed correction actions should be implemented within the period specified in such plan.</p>	<p>Article 7. Procedures of loan amount management and loans overdue handling.</p> <p>(Omit a. to c.)</p> <p>d. Should a borrower no longer satisfy these Procedures or there are excesses over the lending limit due to unexpected changes of the Company or its Subsidiaries, a corrective plan has to be provided to the Audit Committee and the proposed correction actions should be implemented within the period specified in such plan.</p>	<p>Same as above.</p>
<p>Article 9. Reporting and announcement</p> <p>(Omit the a. and b.)</p> <p>If there is any reporting and announcement required for the Company's subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of its subsidiary.</p>	<p>Article 9. Reporting and announcement</p> <p>(Omit the a. and b.)</p> <p>If there is any reporting and announcement required for the Company's subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of its subsidiary.</p> <p><del>Each instance where the aggregate balance of loans to an enterprise shall be calculated by percent of the company's net worth as stated in its latest financial statement.—</del></p>	<p>Same as above.</p>

<p>Article 10. Others. (Omit the a. to c.) d. The Company shall make sufficient provision based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for auditing.  (Omit the e.)</p>	<p>Article 10. Others. (Omit the a. to c.) d. <del>Subject to the Generally Accepted Accounting Principles,</del> the Company shall make sufficient provision based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for auditing, <del>and hand in audit reports.</del>  (Omit the e.)</p>	<p>Same as above.</p>
<p>Article 12. These Operating Procedures are signed on December 29, 2013 and agreed to on February 20, 2014 at a shareholders' meeting. Amendment on March 6, 2014 and approved by the shareholders' meeting on May 8, 2014.  <u>Amendment on February 23, 2016 and approved by the shareholders' meeting on June 14, 2016.</u></p>	<p>Article 12. These Operating Procedures are signed on December 29, 2013 and agreed to on February 20, 2014 at a shareholders' meeting. Amendment on March 6, 2014 and approved by the shareholders' meeting on May 8, 2014.</p>	<p>Added the amendment date</p>

**Comparison between original and amendments to  
“Operational Procedures for Endorsements and Guarantees”**

Amended version	Original version	Reason
<p>Article 4. The total amount of endorsement/guarantee provided by the Company:</p> <p>(Omit the a. to c.) The financial reports of an issuer shall be prepared in accordance with International Financial Reporting Standards (IFRS), The term “Net worth” is as stated in its latest parent-only financial statement.</p>	<p>Article 4. The total amount of endorsement/guarantee provided by the Company:</p> <p>(Omit the a. to c.)</p> <p>The term “Net worth” <del>is as stated in its latest financial statement.</del></p>	<p>Revised according to the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies.</p>
<p>Article 5. a. Decision Making and Authorization: The Board of Directors of the Company shall approve the making of endorsements And/or guarantees. Due to the time management, the total amount of the endorsement/guarantee provided by the Company to any individual Entity shall not exceed ten percent (10%) of the Company's net worth, however, the Board of Directors may authorize the Chairman of the Board to decide such matters first, and then submit such matter to the Board of Directors for ratification.</p> <p>(Omit the b. and c.)</p>	<p>Article 5. a. Decision Making and Authorization: The Board of Directors of the Company shall approve the making of endorsements and/or guarantees, however, the Board of Directors may authorize the Chairman of the Board to decide such matters when the transaction is within a <del>specified amount</del> and then submit such matter to the Board of Directors for ratification.</p> <p>(Omit the b. and c.)</p>	<p>Same as above</p>

<p>Article 6. Procedures of announcement and report</p> <p>(Omit the a. to c.)</p> <p>d. The management &amp; finance departments 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, and hand in an audit report.</p> <p>(Omit the e.)</p>	<p>Article 6. Procedures of announcement and report</p> <p>(Omit the a. to c.)</p> <p>d. The management and finance departments shall evaluate <del>and record</del> the contingent loss for endorsements/guarantees <del>in accordance with Article 37 of International Accounting Standards</del>, 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, and hand in an audit report.</p> <p>(Omit the e.)</p>	<p>Same as above</p>
<p>Article 10.</p> <p>(Omit the a. to d.)</p> <p>Announce and Report: 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.</p>	<p>Article 10.</p> <p>(Omit the a. to d.)</p> <p>Announce and Report: 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.</p> <p><del>The rest of the amount of Endorsement/guarantee of subsidiary thereof shall be calculated by the proportion of net worth, be calculated by the proportion of Company's net worth.</del></p>	<p>Same as above</p>

<p>Article 13.</p> <p>These Procedures are signed on December 29, 2013 and agreed to on the February 20, 2014 shareholders' meeting. Amendment on March 6,2014 and approved by the shareholders' meeting on May 8,2014.</p> <p><u>Amended on February 23,2016 and approved by the shareholders' meeting on June 14, 2016.</u></p>	<p>Article 13.</p> <p>These Procedures for are signed on December 29, 2013 and agreed to on the February 20, 2014 shareholders' meeting.</p> <p>Amended on March 6,2014 and approved by the shareholders' meeting on May 8,2014.</p>	<p>Added the amend date</p>
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## The impact of stock dividend issuance on business performance, EPS, and rate of shareholder returns

Unit: Thousand New Taiwan Dollar

Item	Year	2016 (estimate)
Opening balance of paid-in capital		699,098
Cash dividend and share dividend status	Cash dividend/share	\$ 9.0 (Note 1)
	Share dividend issue through capitalization of earning	0.3 shares (Note1)
	Number of shares issued as share dividend from capitalization of capital reserve	0 share
Business Performance	Operating income	(Note 2)
	Ratio of increase (decrease) of operating income as compared to same period in preceding year	
	Net profit after tax	
	Ratio of increase (decrease) in net profit after tax as compared to same period in preceding year	
	EPS	
	Ratio of increase (decrease) in EPS as compared to same period in preceding year	
	Average ROI % ( Average earnings yield)	
Pro forma EPS and P/E ratio	If the earnings capitalization is fully issued as cash dividends	Pro forma EPS
		Pro forma average ROI %
	If capitalization of capital reserve is not processed	Pro forma EPS
		Pro forma average ROI %
	If capital reserve is not processed and the capitalization is issued as cash dividend	Pro forma EPS
		Pro forma average ROI %



- Note 1: The aforementioned share dividend rate for shareholders' share dividend is based on the earnings distribution resolution passed by the Board of Directors on Feb 23, 2016 according to the calculation of 69,909,752 shares in total already issued by the Company. However, this distribution proposal has yet to be approved by the 2016 shareholders' meeting.
- Note 2: According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company is not required to publicize its 2016 financial forecast; hence there is no financial forecast information for 2016 provided.

### Current shareholdings of directors

1. The company's capital is NT\$699,097,520 dollars and total outstanding shares of 69,909,752 shares. According to Article 26 of the Securities and Exchange Act, the minimum total required shares of all directors shall be 5,592,780 shares.
2. If the Company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors and supervisors other than the independent directors and shall be decreased by 20 percent according to Article 2 of Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies. The Company has set up an audit committee in accordance with the Act, the provisions on the minimum percentage requirements for the shareholding of supervisors in the preceding two paragraphs shall not apply.
3. The shares of all Directors: 7,247,859 shares, representing 10.36% of the total shares outstanding, are calculated up to April 16, 2016. The shares held by non-independent directors and non-independent supervisors are in compliance with regulatory requirements.
4. Details of each directors holding shares:

April 16, 2016

Position	Name	Date elected	Term	Current shareholding	
				Shares	Shareholding ratio (%)
Chairman	TAINET Co ,Ltd: CHEN,JIAN-REN	8-May-14	3	6,567,900	9.39%
Director	LIN,WEI	8-May-14	3	567,017	0.81%
Director	YANG,JI-YU	8-May-14	3	112,942	0.16%
Director	CHEN,HONG-WEI	8-May-14	3	-	-
Independent Director	YAN,CI-CHENG	8-May-14	3	-	-
Independent Director	ZENG,SIAO-PING	8-May-14	3	-	-
Independent Director	HONG,LI-RONG	8-May-14	3	-	-
Total				7,247,859	10.36%