

Stock code : 3081



LANDMARK OPTOELECTRONICS CORPORATION

Annual General Meeting Handbook 2017

Date: May 3th, 2017 (Wednesday) 10:30am

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

(Southern Taiwan Science Park F302 Conference Room)

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Landmark Optoelectronics Corporation

Procedure for the 2017 Annual Meeting of Shareholders

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

LandMark Optoelectronics Corporation
2017 Annual General Meeting Agenda

Time: 10:30 am, May 3th, 2017 (Wednesday)

Location: No.12, Nanke 2nd Rd., Xinshi Dist., Tainan City 744, Taiwan
(Southern Taiwan Science Park F302 Conference Room)

Attendance: All shareholders or their proxy holders

Chairman : Dr. 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) 2016 business report
 - (2) 2016 audit committee's review report
 - (3) 2016 distribution of the employees' remuneration and directors' remuneration report
 - (4) Implementation of buyback treasury stock report
 - (5) Amendment of the "Corporate Governance Best Practice Principles" report
4. Ratification items:
 - (1) Ratification of the 2016 business report and financial statements
 - (2) Ratification of the proposal for distribution of 2016 profits
5. Discussion and election items
 - (1) Amendment on some articles of "Acquisition & Disposal of Assets"
 - (2) The 9th directors' election
 - (3) Cancellation of Non-compete restriction for new directors and their representatives
6. Questions and motions
7. Adjournment

Reporting items

Item 1: 2016 business report

Details: 2016 business report (please refer to attachment 1, page 7)

Item 2: 2016 audit committee's review report

Details: The audit committee's review report (please refer to attachment 2, page 9)

Item 3: 2016 distribution of the employees' remuneration and directors' remuneration report

Details: According to the ratio specified in Article 235-1 of the "Company Act" and the Company's "Articles of Incorporation" and with the resolution from directors on March 20th, 2017, remuneration is allocated to employees for a total amount of NT\$92,974,208 and for remuneration to directors a total amount of NT\$11,621,776, with all payments in cash.

Item 4: Implementation of buyback treasury stock report

Details: With the resolution of directors on Nov. 10, 2016, repurchasing the outstanding shares of the Company to protect the reputation and shareholders' rights and interests. A total of 650,000 shares are repurchased up till Jan. 10, 2017. The change in registration of retired treasury stock for capital reduction is completed with the approval from competent authorities on Feb. 24, 2017, the ratio of capital reduction is 0.71%. For the implementation of the treasury stock buyback, please refer to attachment 3, page 10.

Item 5: Amendment of the "Corporate Governance Best Practice Principles" report

Details: Refer to the amendment of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" announced by the Taipei Exchange on Oct. 06, 2016 (No.1050028370), to amend the relevant articles of "Corporate Governance Best Practice Principles" of the Company. Comparison between original and amendments to the "Corporate Governance Best Practice Principles for company", please refer to attachment 4, page 11~20.

Ratification items

Item 1: (proposed by the Board of Directors)

Proposal: Ratification of the 2016 business report and financial statements

Explanation: a. The Company's 2016 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 7 and attachment 5, page 21~27)

Resolution:

Item 2: (proposed by the Board of Directors)

Proposal: Ratification of the proposal for distribution of 2016 profits

Explanation: a. The distribution of 2016 profits was approved by the Board of Directors on Feb 24th, 2017. The earnings distribution table is as below:

LandMark Optoelectronics Corporation
2016 Earnings distribution table

Units: NTD

Item	Amount
Unappropriated retained earnings	\$ 268,770,442
Add: Remeasurements of defined benefit pension plans	30,271
2016 net earnings after tax	875,446,702
Distributable net earnings	1,144,247,415
Less: 10% for legal reserve	(87,544,670)
Distributable items(Note):	
Dividend to shareholders- Cash dividends (\$8)	(724,717,416)
Unappropriated retained earnings	\$ 331,985,329

Note: 2016 earnings are to receive priority in this earnings distribution.

Chairman:



President:



CFO



- b. The cash dividend distribution less than NT\$1 (penny stocks) is included in the company's other income. The Board of Directors is authorized to determine the record date and payable date this year.
- c. The total number of common shares outstanding if subject to any reasons is required 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.

Resolution:

Discussion and election items

Item 1: (proposed by the Board of Directors)

Proposal: Amendments on some articles of “Procedures for Acquisition & Disposal of Assets”

Explanation: In order to meet “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” announced by Financial Supervisory Commission R.O.C. on Feb. 09, 2017 (No. 10600012965), it is proposed to amend the “Procedures for Acquisition & Disposal of Assets”. (Please refer to attachment 6, page 28~31 for the pre and post-amendment comparison chart)

Resolution:

Item 2: (proposed by the Board of Directors)

Proposal: The 9th board of directors' election

Explanation: a. The term of office for the 8th board of directors expires on May 7, 2017 and it is proposed to re-elect directors at the shareholder's meeting.

- b. According to relevant regulations of article 13 in “Articles of incorporation” of the Company, it is planned to elect 7 persons for directors (including 3 persons for independent directors). New directors will be on duty from the date of being elected, the term of office is for 3 years, from May 3, 2017 until May 2, 2020.
- c. We apply a candidate nomination system for the directors' and

independent directors' election. Shareholders shall elect the directors and independent directors using a candidate nomination system. (please refer to attachment 7, page 32~33 for the candidates' nomination lists of directors (including independent directors) who were reviewed and approved by the board of directors on March 20, 2017.

- d. The election is undertaken per "Rules for election of Directors" of the Company.
- e. Proposed for election.

Election result:

Item 3: (proposed by the Board of Directors)

Proposal: Cancellation of Non-compete restriction for new directors and their representatives

Explanation: a. According to the regulation of article 209 from "Company Act", it's proposed to agree to re-elect for the 9th board of directors (including independent directors) at shareholder's meeting. Without prejudice to the interests of the Company, Release the Non-compete restrictions from the date of the appointment is requested.

- b. (Please refer to attachment 8, page 34 for the Cancellation of Non-compete restriction on the duty detail)

Resolution:

Questions and motions

Adjournment

2016 Business Report

To all shareholders:

The conditions of the overall optical communications industry in 2016 saw relatively large ups and downs. Although the market demands of broadband network continue to grow, the growth is not strong as in the past. In addition, some manufacturers of optical communications components increased capacity gradually, which forces the market of optical communication modules to face a challenge of oversupply, further resulting in weak sales performance of FTTH related applications. Epitaxy in 2016 to below expectations. Fortunately, related applications from data centers in 2016 saw a more substantial growth. Hence, the annual operating income in 2016 still achieved NT\$2,11 billion, a slight increase of 4.06% from 2015 levels. Net Sales were reported at NT\$1.048 billion, while net profits reached NT\$875 million dollars, or an EPS of NT\$9.64/share.

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

Units: '000 NTD

Item		2016	2015
Operating Results	Operating Income	2,110,063	2,027,760
	Gross Profit	1,258,363	1,336,451
	Net Sales	1,048,399	1,169,046
	Net Income	875,447	988,932
Profitability	ROA (%)	21.69%	34.24%
	ROE (%)	23.92%	38.97%
	Operating Income/Capital (%)	114.88%	167.22%
	Pretax Income/Capital (%)	115.89%	170.66%
	Net Profit Margin (%)	41.49%	48.77%
	EPS (dollars)	9.64	11.46

Future Outlook


Looking forward to the next few years, the demand for basic infrastructure, including the global distribution of data centers and 4G/5G mobile communication network etc. will continue to grow. Laser chips with more than 10G are the core components of related applications. The Company has developed relevant products to meet market specifications of 10G, which is expected to contribute to the growth momentum in 2017. On the other hand, the demand for silicon photonics-related products used for large flow

data transmissions by data center will also grow steadily this year. Concurrently, we also grasp relevant market opportunities through continued development of our own core abilities to develop and liaise with customers who need silicon photonics products.

Moreover, the Company also continue to engage with customers actively, and take the effort to enhance the integration of components, characteristics, cost down, sophisticated R&D on the material structure and aid customers to shorten the time on R&D, and bring product mixes and diversification of our customer mix, improving the contribution of high-margin products and continue to achieve the goal of profit growth.

Lastly, we would like to express our most sincere thanks to all our shareholders for their long-term support and hope that the shareholders will continue to give us support and advice. 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 2016 Business Report, Financial Statements and Earnings Distribution Table for 2016. 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 2017 Annual Shareholders' Meeting

Chair of the Audit Committee:



February 14th, 2017

Implementation of buyback treasury stock

Repo series	1st time
Resolution date of the board of directors	Nov.10, 2016
Purpose of the repurchase.	Maintain corporate credit and shareholders' equity
Period for the repurchase	From Nov. 11, 2016 to Jan. 10, 2017
Types and quantities of shares to be repurchased.	Common stocks: 2,000,000 shares
Planned price range of the shares to be repurchased	NT\$160 to NT\$430
Actual quantities of shares to be repurchased	Common stocks: 650,000 shares
Average actual share repurchase price	NT\$226.95
Total repurchase amount	NT\$147,516,064
The number of shares retired or resold	Common stocks: 650,000 shares
Accumulated number of shares held at the time of reporting	0%
Reason for incomplete repurchase during the period	In consideration of market mechanisms and maintaining overall shareholders' equity, the Company repurchased in partial lots per the change of stock price. Since the stock price gradually stabilized during the implementation period, with the original repurchase plan achieved, there is no need to complete further repurchases.

Comparison between original and amendments to the” Corporate Governance Best Practice Principles”

Amended version	Original version	Reason
<p>Article 1 In order to establish sound corporate governance systems, “Corporate Governance Best Practice Principles” for the Company was established with the reference to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” adopted by The Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX) With reference to these principles, the Company set up an effective corporate governance framework and disclosed them through the Market Observation Post System (MOPS).</p>	<p>Article 1 In order to establish sound corporate governance systems, “Corporate Governance Best Practice Principles” for the Company was established with the reference to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” adopted by The Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX) These principles were disclosed through the Market Observation Post System (MOPS).</p>	<p>“Corporate Governance Best Practice Principles” for the Company was amended to coordinate with the some articles of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” revised by TPEX (No. 1050028370)</p>
<p>Article 2 When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE or TPEX, and other relevant regulations, the Company shall follow the following principles:</p> <ol style="list-style-type: none"> 1. Protect the rights and interests of shareholders. 2. Strengthen the powers of the board of directors. 3. Fulfill the function of audit committee. 4. Respect the rights and interests of stakeholders. 5. Enhance information transparency. 	<p>Article 2 When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE or TPEX, and other relevant regulations, the Company shall follow the following principles:</p> <ol style="list-style-type: none"> 1. set up an effective corporate governance framework 2. Protect the rights and interests of shareholders. 3. Strengthen the powers of the board of directors. 4. Fulfill the function of audit committee. 5. Respect the rights and interests of stakeholders. 6. Enhance information transparency. 	<p>“Corporate Governance Best Practice Principles” for the Company was amended to coordinate with the some articles of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” revised by TPEX (No. 1050028370)</p>
<p>Article 3-1 (Personnel responsible for corporate governance affairs) The Company may set up a part-time corporate governance unit or personnel to oversee corporate governance affairs and designate a senior officer to oversee supervision. Said officer shall be</p>		<p>Articles added</p>

Amended version	Original version	Reason
<p>a qualified lawyer or accountant or have at least three years' management experience gained at a public company in handling legal affairs, financial affairs, stock affairs, etc.</p> <p>It is advisable that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:</p> <ol style="list-style-type: none"> 1. Handling corporate registration and amendment registration. 2. Handling matters relating to board meetings and shareholder's meetings according to laws, and assisting the company with compliance with laws and regulations governing such meetings. 3. Producing minutes of board meetings and shareholder's meetings. 4. Furnishing information required for business execution by directors, and updating them on developments of laws and regulations relating to the operation of the company and to assist them with legal compliance. 5. Affairs relating to investor relations. 6. Other matters set out in the "articles of incorporation" or in contracts. 		
<p>Article 4 The corporate governance system of the Company shall be designed to protect shareholders' rights and interests and treat all shareholders equitably. The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the company.</p>	<p>Article 4 The corporate governance system of the Company executed shall be designed to protect shareholders' rights as the biggest target and interests and treat all shareholders equitably. The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the company.</p>	<p>"Corporate Governance Best Practice Principles" for the Company was amended to coordinate with some articles of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" revised by TPEX (No. 1050028370)</p>
<p>Article 6 (The 1st paragraph is omitted.) For a shareholders meeting called by the board of directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors (including at least one independent director) attending in person, and that at least one</p>	<p>Article 6 (The 1st paragraph is omitted.) For a shareholders meeting called by the board of directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors attend in person, and that at least one member of each functional committee attend as representative.</p>	<p>"Corporate Governance Best Practice Principles" for the Company was amended to coordinate with some articles of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" revised by TPEX</p>

Amended version	Original version	Reason
<p>member of each functional committee attending as its representative. Attendance details should be recorded in the shareholders meeting minutes.</p>	<p>Attendance details should be recorded in the shareholders meeting</p>	<p>(No. 1050028370)</p>
<p>Article 7 (The 1st paragraph is omitted.) The Company shall seek all ways and means, including fully exploiting technologies for information disclosure and casting votes, and is advised to upload notices, agendas and supplementary information of shareholder's meetings in both Chinese and English concurrently to enhance shareholders' attendance rates at shareholder's meetings and ensure their exercise of rights at such meetings in accordance with laws. (The 3rd paragraph is omitted.) The Company is advised to arrange for their shareholders to vote on each separate proposal or many cases are discussed together, after votes at the same time, and then separate votes in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System. (The 5th paragraph is omitted.)</p>	<p>Article 7 (The 1st paragraph is omitted.) The Company shall seek all ways and means, including fully exploiting technologies for information disclosure and casting votes to enhance shareholders' attendance rates at shareholder's meetings and ensure their exercise of rights at such meetings in accordance with laws. (The 3rd paragraph is omitted.) The Company is advised to arrange for their shareholders to vote on each separate proposal or many cases are discussed together, after votes at the same time, and then separate votes in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, on the online information report system designated by TWSE and TPEX. (The 5th paragraph is omitted.)</p>	<p>"Corporate Governance Best Practice Principles" for the Company was amended to coordinate with some articles of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" revised by TPEX (No. 1050028370)</p>
<p>Article 12 (The 1st paragraph is omitted.) When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the company's financial structure thereafter. (The 3rd paragraph is omitted.)</p>	<p>Article 12 (The 1st paragraph is omitted.) When the Company is involved in a Management Buyout (MBO), in addition to proceeding in accordance with the applicable laws and/or regulations, it shall set up an objective and independent audit committee to consider the purchase price and the appropriateness of the acquisition plan and pay attention on the information disclosure. (The 3rd paragraph is omitted.)</p>	<p>"Corporate Governance Best Practice Principles" for the Company was amended to coordinate with some articles of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" revised by TPEX (No. 1050028370)</p>
<p>Chapter 2 Protection of Shareholders' Rights and Interests</p>	<p>Chapter 2 Protection of Shareholders' Rights and Interests</p>	<p>Section 2 Establishing a Mechanism for Interaction with Shareholders was added to facilitate the Company to</p>

Amended version	Original version	Reason
Section 2 Establishing a Mechanism for Interaction with Shareholders	added	emphasize this topic.
Article 13-1(The board of directors is responsible for establishing a mechanism for interaction with shareholders) The board of directors of the Company is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of company's objectives.		Articles added
Article 13-2 (Efficient communication with shareholders to gain their support) In addition to communicating with shareholders through shareholder's meetings and encouraging shareholders to participate in such meetings, the board of directors of the Company together with officers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, to gain shareholders' support.		Articles added
Chapter 2 Protection of Shareholders' Rights and Interests Section 3 Corporate Governance Relationships Between the Company and Its Affiliated Enterprises	Chapter 2 Protection of Shareholders' Rights and Interests Section 2 Corporate Governance Relationships Between the Company and Its Affiliated Enterprises	The original section 2 adjusted to section 3 to add the new section 2
Article 20 The board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholder's meetings. (The 2nd paragraph is omitted.) The composition of the board of directors shall be determined by	Article 20 The board of directors of the Company shall be responsible to the company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholder's meetings. (The 2nd paragraph is omitted.) The composition of the board of directors shall be determined by taking diversity into consideration and that an appropriate policy on diversity based on the company's	"Corporate Governance Best Practice Principles" for the Company was amended to coordinate with some articles of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" revised by TPEX (No. 1050028370)

Amended version	Original version	Reason
<p>taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>1.Basic requirements and values: Gender, age, nationality, and culture.</p> <p>2.Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</p> <p>(The 4th paragraph is omitted.)</p>	<p>business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>1.Basic requirements and values: Gender, age, nationality, and culture.</p> <p>2.Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</p> <p>(The 4th paragraph is omitted.)</p>	
<p>Article 21 The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.</p> <p>(The 2nd to 4th paragraphs are omitted.)</p>	<p>Article 21 The Company shall establish a fair, just, and open procedure for the election of directors, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.</p> <p>(The 2nd to 4th paragraphs are omitted.)</p>	<p>“Corporate Governance Best Practice Principles” for the Company was amended to coordinate with some articles of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” revised by TPEX (No. 1050028370)</p>
<p>Article 22 (The 1st paragraph is omitted.) The board of directors shall assess carefully the qualifications and other matters listed in the preceding paragraph and the willingness of a candidate to act as director after it is so elected, before proposing a roster of director candidates as required.</p>	<p>Article 22 (The 1st paragraph is omitted.)</p>	<p>The 2nd paragraph is added to let the election of the directors go smoothly and to avoid, when the directors do the assessment and find the disqualification of the candidates or unwillingness of a candidate to act as director after it is so elected, resulting in the lack of the directors.</p>
<p>Article 23 (The 1st paragraph is omitted.) If the chairperson also acts as the general manager or the chairperson and general manager are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased. A TWSE/TPEX listed company</p>	<p>Article 23 (The 1st paragraph is omitted.) If the chairperson also acts as the general manager or the chairperson and general manager are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased. A TWSE/TPEX listed company with a functional committee shall clearly define the</p>	<p>The original final section of 2nd paragraph changes to the 3rd paragraph in order to express the article explicitly.</p>

Amended version	Original version	Reason
with a functional committee shall clearly define the responsibilities and duties of the committee.	responsibilities and duties of the committee.	
<p>Article 24</p> <p>The Company shall appoint independent directors in accordance with its articles of incorporation. They shall be not less than two in number and not less than one-fifth of the total number of directors. Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company. (The 2nd to 5th paragraphs are omitted.)</p>	<p>Article 24</p> <p>The Company shall appoint independent directors in accordance with its articles of incorporation. They shall be not less than two in number and not less than one-fifth of the total number of directors. Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company. (The 2nd to 5th paragraphs are omitted.)</p>	<p>The 1st paragraph of this article was amended due to evaluation indicator 3.9 in the article of incorporation “if an independent director to hold office concurrently as a director (including independent director) or supervisor of less than five other TWSE/TPEX listed companies”</p>
<p>Article 26</p> <p>(The 1st paragraph is omitted.)</p> <p>The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the company, and shall also take the overall operational risks of the company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.</p> <p>When the Company, under its articles of incorporation, or by resolution of its shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of director, supervisor, and employee</p>	<p>Article 26</p> <p>(The 1st paragraph is omitted.)</p> <p>The Company shall stipulate the remuneration of the directors according to article of incorporation or the resolution from the directors. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the company, and shall also take the overall operational risks of the company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.</p> <p>When the Company, under its articles of incorporation, or by resolution of its shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of director, supervisor, and employee bonus, and the</p>	<p>1. “Corporate Governance Best Practice Principles” for the Company was amended to coordinate with some articles of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” revised by TPEX (No. 1050028370)</p> <p>2. the 3rd paragraph was revised due to the amendment from “employee bonus” to “employee compensations” in the article 235-1 of the Company Act.</p>

Amended version	Original version	Reason
compensation, and the company shall provide in the articles of incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.	company shall provide in the articles of incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.	
Section 3 Functional Committees	Section 3 Audit Committees and other Functional Committees	The functional committees including auditing committees and salary remuneration committees shall be mandatory to set up subject to “Securities and Exchange Act”
Article 27 For the purpose of developing supervisory functions and strengthening management and risk control mechanisms, the board of directors of the Company, in consideration of the company's scale and type of operations and the number of its board members, may set up functional committees for auditing, remuneration, nomination, risk management and salary remuneration or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the articles of incorporation. (The 2nd to 3rd paragraphs are omitted.)	Article 27 For the purpose of developing supervisory functions and strengthening management and risk control mechanisms, the board of directors of the Company, in consideration of the number of its board members , may set up functional committees for auditing, remuneration, nomination, risk management and salary remuneration or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the articles of incorporation. (The 2nd to 3rd paragraphs are omitted.)	Amendment of 1st paragraph of this article with the reference to paragraph 1 of article 14-4 and article 14-6 of “Securities and Exchange Act”
Article 28-1(A whistleblowing system) The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the company's internal control system for management purposes	Article 28-1(set up the whistleblowing channels and protection mechanisms) The Company is advised to establish anonymous channels for internal whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the company's internal control system for management purposes	With the reference to article 23 in “Ethical Corporate Management Best Practice Principles” for the Company, regarding to the whistleblowing system, the Company is advised to establish channels for internal and external whistleblowers and to be consistent with the language use.
Article 29	Article 29	“Employee’s bonus” was

Amended version	Original version	Reason
<p>(The 1st and 2nd paragraphs are omitted.)</p> <p>When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:</p> <p>The 1st and 2nd paragraphs are omitted.</p> <p>The 3rd paragraph: It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of compensation for the short-term performance of its directors and senior management and the time at which the variable part of remuneration is paid.</p>	<p>(The 1st and 2nd paragraphs are omitted.)</p> <p>When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:</p> <p>The 1st and 2nd paragraphs are omitted.</p> <p>The 3rd paragraph: It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus for the short-term performance of its directors and senior management and the time at which the variable part of remuneration is paid.</p>	<p>amended to "Employee's compensation" to coordinate with Article 235-1 of the Company Act.</p>
<p>Article 38 (The 1st to 2nd paragraphs are omitted.)</p> <p>(The 3rd to 5th paragraphs are omitted.)</p>	<p>Article 38 (The 1st to 2nd paragraphs are omitted.)</p> <p>The independent directors shall perform their duties in accordance with the relevant laws and regulations and the "Articles of incorporation" of the Company to safeguard the interests of the Company and the shareholders.</p> <p>(The 4th to 6th paragraphs are omitted.)</p>	<p>Independent directors shall belong to the member of the board of directors. The first paragraph of this Article covers the third paragraph of this Article, so delete the third paragraph of this article, the original four to six paragraphs adjust to the third to five.</p>
<p>Article 40</p> <p>The Company shall, within the term of office of the Directors, purchase liability insurance in respect of its business scope in accordance with the law to reduce and distribute the risk of significant damage to the Company and the Shareholders due to errors or omissions.</p> <p>After the Company has purchased the directors' liability insurance or renewal, the Company shall report the most important contents of the insured amount, coverage and insurance rate of the liability insurance to the board of directors.</p>	<p>Article 40</p> <p>The Company shall follow the "Articles of incorporation" or the resolution from the board, within the term of office of the Directors, purchase liability insurance in respect of its business scope in accordance with the law to reduce and distribute the risk of significant damage to the Company and the Shareholders due to errors or omissions.</p>	<p>1. The consideration of the conducive procedure of purchasing the liability insurance for the directors, shall enhance the willingness of A TWSE/TPEX listed company to purchase the liability insurance for the directors. Purchasing the liability insurance for directors is a matter of corporate autonomy, so modify the first paragraph of this article.</p> <p>2. The 2nd paragraph is added to let the board of directors understand the important contents of the insured amount, coverage and insurance rate of the liability insurance.</p>
<p>Article 42 (The Company shall maintain communication with stakeholders and safeguard their rights and interests)</p> <p>The Company shall maintain</p>	<p>Article 42 (The Company shall maintain communication with interest parties and safeguard their rights and interests)</p> <p>The Company shall maintain</p>	<p>1. The 1st paragraph is amended to be consistent with the language use and in line with the current requirements of the competent authorities that A TWSE/TPEX listed</p>

Amended version	Original version	Reason
<p>channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the company, respect and safeguard their legal rights and interests, and designate a stakeholder's section on its website. (The 2nd paragraph is omitted.)</p>	<p>channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other interest parties of the company, respect and safeguard their legal rights and interests, and designate a stakeholder's section on its website. When it happened to the Company that the Management takeovers, the Company shall pay attention on the soundness of financial construction of the company subsequently. (The 3rd paragraph is omitted.)</p>	<p>company should establish stakeholder's area 2. In consideration of the fraction and content, the 2nd paragraph of this article is combined into the 2nd paragraph of article 12 related to the takeover from Management so the original 3rd paragraph is adjusted to the 2nd paragraph.</p>
<p>Article 49 The Company shall hold an investor conference in compliance with the regulations of the TWSE and TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the company, or through other channels, in accordance with the TWSE or TPEX rules</p>	<p>Article 49 The Company shall hold an investor conference in compliance with the regulations of the TWSE and TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the designated online reporting system and provided for inquiry through the website established by the company, or through other channels, in accordance with the TWSE or TPEX rules</p>	<p>The paragraph of this article was amended to coordinate with article 1,10-1 and 34-2 of this principle.</p>
<p>Article 50 The Company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE or TPEX rules: 1. Corporate governance framework and rules. 2. Ownership structure and the rights and interests of shareholders, including specific and explicit dividend policy. 3. Structure of the board of directors and professionalism and independence of the members. 4. Responsibility of the board of directors and managerial officers. 5. Composition, duties and independence of the audit committee or supervisors. 6. Composition, duties and operation of the remuneration committee and other functional committees. 7. The remuneration paid to the directors, supervisors, general</p>	<p>Article 50 The Company shall disclose and the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE or TPEX rules: 1. Corporate governance framework and rules. 2. Ownership structure and the rights and interests of shareholders. 3. Structure, professionalism and independence of the board of directors. 4. Responsibility of the board of directors and managerial officers. 5. Composition, duties and independence of the audit committee or supervisors. 6. Composition, duties and operation of the remuneration committee. 7. The remuneration paid to the directors, supervisors, general manager and vice general manager in the last fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial</p>	<p>1. "Corporate Governance Best Practice Principles" for the Company was amended to coordinate with some articles of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" revised by TPEX (No. 1050028370) 2. Set up the audit committee, delete any words related to the supervisors.</p>

Amended version	Original version	Reason
<p>manager and vice general manager in the last fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors shall be disclosed.</p> <p>8.The progress of training of directors.</p> <p>9.The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.</p> <p>10.Details of the events subject to information disclosure required by law and regulations.</p> <p>11.The enforcement of corporate governance, differences between the corporate governance principles implemented by the company and these Principles, and the reason for the differences.</p> <p>12.Other information regarding corporate governance.</p> <p>The Company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.</p>	<p>reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors and supervisors shall be disclosed.</p> <p>8.The progress of training of directors.</p> <p>9.The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.</p> <p>10.Details of the events subject to information disclosure required by law and regulations.</p> <p>11.The enforcement of corporate governance, differences between the corporate governance principles implemented by the company and these Principles, and the reason for the differences.</p> <p>12.Other information regarding corporate governance.</p> <p>The Company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.</p>	
<p>Article 52</p> <p>The principle was promulgated and amended after the resolution from the board of directors and reported to the shareholders' meeting</p> <p>The principle was promulgated on Dec. 23, 2014.</p> <p>The principle was amended on Feb. 25, 2015.</p> <p>The principle was amended on Dec. 6, 2016.</p>	<p>Article 52</p> <p>The principle was promulgated and amended after the resolution from the board of directors and reported to the shareholders' meeting</p> <p>The principle was promulgated on Dec. 23, 2014.</p> <p>The principle was amended on Feb. 25, 2015.</p>	<p>The amendment date was added.</p>



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Independent Auditors' Report

The Board of Directors

LandMark Optoelectronics Corporation

Opinion

We have audited the financial statements of LandMark Optoelectronics Corporation (“the Company”), which comprise the statement of financial position as of December 31, 2016 and 2015, and the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, 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 of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. 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 Certified Public Accountants Code of Professional Ethics in 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 Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of inventories

Please refer to Note 4(g) “Inventories”, Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty,” and Note 6(d) “Inventories” of the financial statements.

Description of key audit matter:

The inventories of the Company are measured at the lower of cost and net realizable value. Since the technology in the optoelectronic industry changes rapidly, the old models may quickly be replaced by new ones, resulting in a risk wherein the carrying value of inventories may exceed its net realizable value. Therefore, we determined that the assessment of the valuation of inventories was a key audit matter.



How the matter was addressed in our audit:

- Inspected the inventory aging report and analyzed the trends of inventory aging.
- Evaluated the rationality of the Company's accounting policies, such as the policy of provision for inventory valuation and obsolescence.
- Understood whether the valuation of inventory was performed in accordance with the Company's policy.
- Assessed the provision for inventory valuation and obsolescence by categorizing the inventories, including sampling and inspecting the accuracy of the inventory aging report and net realizable value of inventories.
- Performed a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual disposal to assess the rationality of the judgments and assumptions of the current period.
- Assessed whether the disclosure of provision for inventory valuation and obsolescence was appropriate.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 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 the auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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.
2. 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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.

5. 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.

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 matter. We describe the matter 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.

The engagement partners on the audit resulting in this independent auditor's report are Hui Yuan Chen and Chen Lung Hsu.

KPMG

Tainan, Taiwan (the Republic of China)

February 14, 2017

Note to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit (or review) such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

English Translation of Financial Report Originally Issued in Chinese.

**LandMark Optoelectronics Corporation
Balance Sheets**

December 31, 2016 and 2015
(amounts expressed in thousands of New Taiwan dollars)

	2016.12.31		2015.12.31			2016.12.31		2015.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
Cash and cash equivalents (Note 6(a))	\$ 2,557,441	63	2,220,878	56	Financial liabilities at fair value through profit or loss—current (Note 6(b))	\$ 353	-	1,616	-
Notes receivable, net (Note 6(c))	35,077	1	238,556	6	Notes payable	57,076	1	40,180	1
Accounts receivable, net (Note 6(c))	216,576	5	364,524	9	Accounts payable	29,751	1	40,272	1
Inventories (Note 6(d))	183,798	5	142,077	4	Other payables (Note 6(g))	164,809	4	175,588	4
Prepayments	3,583	-	2,881	-	Current tax liabilities	84,350	2	137,883	4
Other current assets	5,237	-	103	-	Other current liabilities	5,980	-	3,762	-
Other financial assets—current (Notes 6(c) and 8)	8,993	-	8,537	-		<u>342,319</u>	<u>8</u>	<u>399,301</u>	<u>10</u>
	<u>3,010,705</u>	<u>74</u>	<u>2,977,556</u>	<u>75</u>	Non-current liabilities:				
Non-current assets:					Deferred tax liabilities (Note 6(h))	700	-	407	-
Property, plant and equipment (Notes 6(e) and 9)	1,046,376	26	935,123	23	Net defined benefit liability—non-current (Note 6(g))	4,111	-	4,441	-
Deferred tax assets (Note 6(h))	9,343	-	6,446	-		<u>4,811</u>	<u>-</u>	<u>4,848</u>	<u>-</u>
Other financial assets—non-current (Note 8)	3,442	-	635	-	Total liabilities	<u>347,130</u>	<u>8</u>	<u>404,149</u>	<u>10</u>
Other non-current assets (Note 6(f))	8,671	-	73,406	2	Equity attributable to owners of the company (Notes 6(h)(i)(j)):				
	<u>1,067,832</u>	<u>26</u>	<u>1,015,610</u>	<u>25</u>	Capital stock	912,577	22	699,098	18
					Capital surplus	1,665,787	41	1,527,434	38
					Retained earnings:				
					Legal reserve	254,797	6	155,904	4
					Unappropriated earnings	1,144,248	28	1,206,581	30
						<u>1,399,045</u>	<u>34</u>	<u>1,362,485</u>	<u>34</u>
					Deferred compensation cost arising from issuance of restricted stock	(99,821)	(2)	-	-
					Treasury stock	(146,181)	(3)	-	-
					Total equity	<u>3,731,407</u>	<u>92</u>	<u>3,589,017</u>	<u>90</u>
Total assets	<u>\$ 4,078,537</u>	<u>100</u>	<u>3,993,166</u>	<u>100</u>	Total liabilities and equity	<u>\$ 4,078,537</u>	<u>100</u>	<u>3,993,166</u>	<u>100</u>

English Translation of Financial Report Originally Issued in Chinese.

LandMark Optoelectronics Corporation

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

	<u>2016</u>		<u>2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues (Note 6(l))	\$ 2,110,063	100	2,027,760	100
Operating costs (Notes 6(d)(g)(j)(m), 7 and 12)	<u>851,700</u>	<u>40</u>	<u>691,309</u>	<u>34</u>
Gross profit	<u>1,258,363</u>	<u>60</u>	<u>1,336,451</u>	<u>66</u>
Operating expenses (Notes 6(c)(g)(j)(m), 7 and 12):				
Selling and marketing expenses	38,359	2	31,285	1
General and administrative expenses	63,930	3	58,831	3
Research and development expenses	<u>107,675</u>	<u>5</u>	<u>77,289</u>	<u>4</u>
	<u>209,964</u>	<u>10</u>	<u>167,405</u>	<u>8</u>
Operating income	<u>1,048,399</u>	<u>50</u>	<u>1,169,046</u>	<u>58</u>
Non-operating income and expenses (Notes 6(e)(n)):				
Interest income	10,616	-	8,004	-
Other gains and losses	<u>(1,433)</u>	<u>-</u>	<u>16,053</u>	<u>1</u>
	<u>9,183</u>	<u>-</u>	<u>24,057</u>	<u>1</u>
Profit before income tax	1,057,582	50	1,193,103	59
Income tax expenses (Note 6(h))	<u>182,135</u>	<u>9</u>	<u>204,171</u>	<u>10</u>
Net profit	<u>875,447</u>	<u>41</u>	<u>988,932</u>	<u>49</u>
Other comprehensive income (Notes 6(g)(h)):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefit plans	36	-	(1,321)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(6)</u>	<u>-</u>	<u>225</u>	<u>-</u>
Other comprehensive income, net of tax	<u>30</u>	<u>-</u>	<u>(1,096)</u>	<u>-</u>
Total comprehensive income	<u>\$ 875,477</u>	<u>41</u>	<u>987,836</u>	<u>49</u>
Earnings per share (in dollars), after tax (Note 6(k)):				
Basic earnings per share	<u>\$ 9.64</u>		<u>11.46</u>	
Diluted earnings per share	<u>\$ 9.59</u>		<u>11.42</u>	

English Translation of Financial Report Originally Issued in Chinese.

LandMark Optoelectronics Corporation

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015
(amounts expressed in thousands of New Taiwan dollars)

	Capital stock	Capital surplus	Retained earnings		Deferred compensation cost	Treasury stock	Total equity
			Legal reserve	Unappropriated earnings			
Balance at January 1, 2015	\$ 552,891	41,894	94,515	796,859	-	-	1,486,159
Net profit	-	-	-	988,932	-	-	988,932
Other comprehensive income	-	-	-	(1,096)	-	-	(1,096)
Total comprehensive income	-	-	-	987,836	-	-	987,836
Appropriation of 2014 earnings in 2015:							
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
Balance at December 31, 2015	699,098	1,527,434	155,904	1,206,581	-	-	3,589,017
Net profit	-	-	-	875,447	-	-	875,447
Other comprehensive income	-	-	-	30	-	-	30
Total comprehensive income	-	-	-	875,477	-	-	875,477
Appropriation of 2015 earnings in 2016:							
Legal reserve	-	-	98,893	(98,893)	-	-	-
Cash dividends	-	-	-	(629,188)	-	-	(629,188)
Stock dividends	209,729	-	-	(209,729)	-	-	-
Share-based payment transactions—restricted stock	3,750	138,353	-	-	(124,776)	-	17,327
Compensation cost arising from restricted stock	-	-	-	-	24,955	-	24,955
Treasury stock repurchase	-	-	-	-	-	(146,181)	(146,181)
Balance at December 31, 2016	\$ 912,577	1,665,787	254,797	1,144,248	(99,821)	(146,181)	3,731,407

Note: For the years ended December 31, 2016 and 2015, the remuneration to directors amounted to \$11,622 and \$13,111, respectively, and the remuneration to employees amounted to \$92,974 and \$104,888, respectively, which had been deducted by calculating each period profit.

English Translation of Financial Report Originally Issued in Chinese.
LandMark Optoelectronics Corporation
Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(amounts expressed in thousands of New Taiwan dollars)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Profit before tax	\$ 1,057,582	1,193,103
Adjustments:		
Income and expenses having no effect on cash flows:		
Depreciation expenses	210,338	138,225
Amortization expenses	1,029	1,513
Unrealized net losses on change in fair value of financial liabilities at fair value through profit or loss	353	1,616
Reversal of impairment loss on non-financial assets	-	(3,461)
Interest income	(10,616)	(8,004)
Bad debt expenses	2,155	557
Compensation cost of share-based payment transactions	24,955	-
Loss on disposal of property, plant and equipment	31	318
Unrealized foreign exchange gain	(4,120)	(2,396)
Total income and expenses having no effect on cash flows	<u>224,125</u>	<u>128,368</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	203,838	(97,255)
Decrease (increase) in accounts receivable	152,051	(178,134)
Increase in inventories	(41,721)	(25,359)
Increase in prepayments	(702)	(1,136)
Decrease (increase) in other current assets	(5,134)	628
Decrease (increase) in other financial assets — current	222	(395)
Total changes in operating assets	<u>308,554</u>	<u>(301,651)</u>
Changes in operating liabilities:		
Decrease in financial liabilities at fair value through profit or loss — current	(1,616)	(2,331)
Increase in notes payable	11,525	9,395
Increase (decrease) in accounts payable	(10,521)	5,311
Increase (decrease) in other payables	(12,002)	76,526
Increase in other current liabilities	2,218	2,709
Decrease in defined benefit liability — non-current	(294)	(303)
Total changes in operating liabilities	<u>(10,690)</u>	<u>91,307</u>
Net changes in operating assets and liabilities	<u>297,864</u>	<u>(210,344)</u>
Total adjustments	<u>521,989</u>	<u>(81,976)</u>
Cash generated from operating activities	1,579,571	1,111,127
Interest received	10,616	8,004
Income tax paid	(238,278)	(160,836)
Net cash generated from operating activities	<u>1,351,909</u>	<u>958,295</u>
Cash flows from investing activities:		
Proceeds from disposal of non-current assets held for sale	-	44,947
Acquisition of property, plant and equipment	(250,603)	(437,302)
Decrease (increase) in other financial assets — current and non-current	(3,485)	123
Increase in other non-current assets	(6,099)	(74,255)
Net cash used in investing activities	<u>(260,187)</u>	<u>(466,487)</u>
Cash flows from financing activities:		
Cash dividends to shareholders	(629,188)	(425,538)
Issuance of common stock for cash	-	1,540,560
Issuance of restricted stock	19,252	-
Cost of treasury stock repurchase	(146,181)	-
Net cash generated from (used in) financing activities	<u>(756,117)</u>	<u>1,115,022</u>
Effects of exchange rate changes on balance of cash held in foreign currencies	<u>958</u>	<u>(216)</u>
Net increase in cash and cash equivalents	336,563	1,606,614
Cash and cash equivalents at beginning of year	2,220,878	614,264
Cash and cash equivalents at end of year	<u>\$ 2,557,441</u>	<u>2,220,878</u>

Comparison between original and amendments to “Procedures for Acquisition & Disposal of Assets”

Amended version	Original version	Reason
<p>Article 4 (A & B are omitted.) C. Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. D. In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions(A to D are omitted) (F is omitted) (The second paragraph is omitted)</p>	<p>Article 4 (A & B are omitted.) C. Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government-institution, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. D. In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government-institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions(A to D are omitted) (F is omitted) (The second paragraph is omitted)</p>	<p>“Procedures for Acquisition & Disposal of Assets” for the Company was amended to coordinate with some articles of “Procedures for Acquisition & Disposal of Assets for TWSE/TPEX Listed Companies” revised by TPEX on Feb. 9, 2017 (No. 1060001296)</p>
<p>Article 6 A. Under any of the following circumstances, a public company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event: 1.Acquisition or disposal of real</p>	<p>Article 6 A. Under any of the following circumstances, a public company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event: 1.Acquisition or disposal of real</p>	<p>1. Announce and report regulation for the business transaction by the non-interested parties were amended to coordinate with some articles of “Procedures for Acquisition & Disposal of Assets for TWSE/TPEX Listed Companies” revised by TPEX on Feb. 9, 2017 (No. 1060001296)</p>

Amended version	Original version	Reason
<p>property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic SITC-issued money market funds.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>4. The types of assets acquired or disposed are used for business and whose transaction object is not interest parties, the amount of the transaction reaches one of the following:</p> <p>(1) A public company with paid-up capital less than NT \$ 10 billion, transaction amount reaches to NT\$500 million or more</p> <p>(2) A public company with the paid-up capital more than NT\$10 billion, transaction amount reaches to NT\$1 billion or more</p> <p>5. The company is expected to invest in the amount of more than NT\$500 million for acquisition of assets by engaging others to build on its own land, engaging others to build on rented land, engaging separating housing and joint sale</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area or The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year or the cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within</p>	<p>property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs or an investment in the mainland China area or The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year or the cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year reaches 20 percent or more of paid-in capital or NT\$300 million; "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. But this shall not apply to the following circumstances:</p> <p>(a) Trading of government bonds.</p> <p>(b) Trading of bonds under repurchase/resale agreements, or subscription or redemption of</p>	<p>2. The relevant announcement report was exempted in consideration that the persons take the investment as the profession and engage in subscribing the ordinary corporate bonds in the domestic primary market, general financial bonds that do not involve equity are recurrent business and subscription of the securities was needed due to underwriting business by security dealer and as an emerging company for counseling recommended securities firms</p> <p>3. The correction period shall be specified when the content of company announcement is wrong or omitted.</p> <p>← This sequence of content has adjusted to be in line with the law.</p>

Amended version	Original version	Reason
<p>the preceding year or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year reaches 20 percent or more of paid-in capital or NT\$300 million; "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. But this shall not apply to the following circumstances:</p> <p>(a) Trading of government bonds. (b) Trading of bonds under repurchase/resale agreements, or subscription or repurchase of domestic money market funds. (B. is omitted.) C. When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days from the date of knowledge. (D to F are omitted.)</p>	<p>domestic money market funds. (c) The types of assets acquired or disposed are used for business and whose transaction object is not interest parties, the amount of the transaction is less than NT \$ 500 million. (d) The company is expected to invest in the amount of less than NT \$ 500 million for acquisition of assets by engaging others to build on its own land, engaging others to build on rented land, engaging separating housing and joint sale. (B. is omitted) C. When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety. (D to F are omitted.)</p>	
<p>Article 11 When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust companies, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the audit committee:</p>	<p>Article 11 When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the audit committee: (1 to 7 are omitted.)</p>	<p>The domestic money market fund means a money market fund issued by an institution that operates securities investment trusts with the permission of the Financial Supervisory Commission under the Securities Investment Trust and Consultation Law.</p>

Amended version	Original version	Reason
(1 to 7 are omitted.) (The 2nd to 4th paragraphs are omitted.)	(The 2nd to 4th paragraphs are omitted.)	
<p>Article 18 The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p> <p><u>But the merger of TWSE/TPEX Listed Companies, directly or indirectly holding 100% of the issued shares or the total amount of capital of a subsidiary thereof, or directly or indirectly holding 100% of the issued shares or capital of the subsidiary merger, the reasonable opinion shall be exempted from the experts mentioning in the preceding paragraph.</u></p>	<p>Article 18 The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p>Both merger of parent companies, directly or indirectly holding 100% of the issued shares or the total amount of capital of a subsidiary thereof, and directly or indirectly holding 100% of the issued shares or capital of the subsidiary merger, belong to organizational Adjustment within the Group. Hence, reasonable opinion from the experts was not needed for the merger.</p>
<p>Article 28 The operation procedure was established on Feb. 20, 2014 after the approval from the shareholders' meeting. The amendment was promulgated on May 8, 2014 The amendment was promulgated on June 14, 2016 The amendment was promulgated on May 3, 2017</p>	<p>Article 28 The operation procedure was established on Feb. 20, 2014 after the approval from the shareholders' meeting. The amendment was promulgated on May 8, 2014 The amendment was promulgated on June 14, 2016</p>	<p>The date for amendment was added</p>

The 9th directors (including independent directors) candidates

Title	Name	Education experience	Current position	Legal entity	Shareholding
Director	Simon Chen	-Doctor of Electrical Engineering, University of Maryland, USA - R&D director for solar energy and action monitor in AUO - Senior Manager, Consumer Electronics Business Group in Hon Hai Precision Ind.Co.,Ltd -Host for luminous flux plan in Onetta Inc.	- Chairman of the board of LMOC	INFINITY LOGISTICS INTERNATIONAL CO., LTD	7,299,640 shares
Director	Jerry Yang	-Master of Financial Management, NCCU -Certified Public Accountant, R.O.C. -Chartered Financial Analyst, US -CFO, TaiHan	-Director and CFO of LMOC -Director of APEC -Independent director of eLASER	-	116,824 shares
Director	Wei Lin	-Doctor of Electrical Engineering, NCKU - Host for China Telecom Research Institute / sub-program	-Director and general manager of LMOC	-	233,622 shares
Director	Yong-Hong Lu	-Doctor, chemical applications, NCTU -Vice president, Manufacturing headquarters, AUO -Vice president, global supply chain, AUO -Vice president, R&D, AUO	-	-	-
Independent director	Bob Tseng	- Doctor of Chemical Engineering, University of Texas -Deputy general manager, Shanghai Songjiang plant, TSMC -Factory manager, VIS	-Independent Director of LMOC -Chairman of the board of e-Ray Optoelectronics Technology Co., Ltd. -Supervisor of Giga Solution	-	-

Title	Name	Education experience	Current position	Legal entity	Shareholding
Independent director	James Wang	<ul style="list-style-type: none"> -Bachelor of Accounting, NCKU -Master of Accounting, NCCU -Director, accounting firm, Ernst & Young -CEO, Management consultant, Ernst & Young - CEO, Enterprise Management Consulting Services, Ernst & Young - CEO, Financial management consulting services, Ernst & Young - Certified Public Accountant, R.O.C. - American accountant / management accountant - Mainland China accountant 	- Chairman of the board of EY	-	-
Independent director	Yong-Chang Chen	<ul style="list-style-type: none"> -Department of Law, University of Taiwan -Taiwan High Court Judge 	<ul style="list-style-type: none"> -The director of ALL-PROLAW FIRM -The director of FLEXium Interconnect, Inc. (legal representative) -Director of TKE (legal entity) -Independent director of Center Laboratories, INC. - Independent director of Collins - Independent director of glac Biotech Co., Ltd. 	-	-

The 9th director (including independent directors) candidates for important positions of other companies

Title	Name	Important part-time duties
Directors	Jerry Yang	<ul style="list-style-type: none"> -Director of APEC -Independent director of eLASER
Independent directors	Bob Tseng	<ul style="list-style-type: none"> -Chairman of the board of e-Ray Optoelectronics Technology Co., Ltd. -Supervisor of Giga Solution
Independent directors	Yong-Chang Chen	<ul style="list-style-type: none"> -The director of FLEXium Interconnect, Inc. (legal representative) -Director of TKE (legal representative) -Independent director of Center Laboratories, INC. - Independent director of Collins - Independent director of glac Biotech Co., Ltd.

Current shareholdings of directors

1. The company's capital is NT\$906,076,770 dollars and total outstanding shares of 90,607,677 shares. According to Article 26 of the Securities and Exchange Act, the minimum total required shares of all directors shall be 7,248,614 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: 8,469,716 shares, representing 9.35% of the total shares outstanding, are calculated up to March 5, 2017. The shares held by non-independent directors and non-independent supervisors follow regulatory requirements.
4. Details of each directors holding shares:

March 5, 2017

Position	Name	Date elected	Term	Current shareholding	
				Shares	Shareholding ratio (%)
Chairman	TAINET Co, Ltd: CHEN,JIAN-REN	8-May-14	3	8,119,270	8.96%
Director	Wei Lin	8-May-14	3	233,622	0.26%
Director	Jerry Yang	8-May-14	3	116,824	0.13%
Director	Hung-Wei Chen	8-May-14	3	-	-
Independent Director	Shi-Chern Yen	8-May-14	3	-	-
Independent Director	Bob Tseng	8-May-14	3	-	-
Independent Director	Sanny Hung	8-May-14	3	-	-
Total				8,469,716	9.35%