



**LandMark Optoelectronics Corporation**  
**2018 Annual General Meeting**  
**Meeting Minutes**

Time: 10:00 am, May 22nd, 2018 (Tuesday)

Location: No.12, Nanke 2nd Rd., Xinshi Dist., Tainan City 744, Taiwan  
(Southern Taiwan Science Park B105 Conference Room)

Attendance: Shareholding of all attended shareholders and their proxy holders of 69,691,222 shares (including 54,983,349 shares which are represented electronically). The attendance rate is 76.95%

(Total outstanding shares are 90,573,177 shares. The total outstanding voting shares are 90,572,177 after deducting the number of non-voting shares based on article 179 of the Company Act)

Chairman: Jing Yi Zhang, Chairman of the Board of Directors

Recorder: Belinda Wu

Attending directors: Jing Yi Zhang (Chairman), Wei Lin (Director), Jerry Yang(Director) , Yong Hong Lu (Director) , James Wang (Independent Director) and Bob Tseng (Independent Director)

In attendance: KPMG, represented by Hui Yuan Chen & Yan Da Su accountant

1. **Call the meeting to order:** Total shares of attending shareholders and their proxy holders constitutes a quorum. The chairman called the meeting to order per regulations.

2. **Opening remarks by the Chairman** (Omitted)

**3. Reporting items**

**Item 1:** 2017 business report

**Details:** 2017 business report (please refer to attachment 1)

**Item 2:** 2017 audit committee's review report

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

**Item 3:** 2017 employees' profit sharing bonus and Directors' compensation

**Details:** According to the ratio specified in Article 235-1 of the "Company Act" and the Company's "Articles of Incorporation" and approved by the Board of Directors meeting on Feb. 6th, 2018, the proposed employees' profit

sharing bonus and Directors' compensation are NT\$69,591,842 and NT\$8,698,979 respectively, and are to be distributed in cash.

**Item 4:** Report on the amendment to the Company's "Regulations Governing Procedure for Board of Directors Meetings"

**Details:** According to the letter No. 1060027112 issued by Financial Supervisory Committee on July 28th, 2017, amendment to "Regulations Governing Procedure for Board of Directors Meetings for the public company" is announced. To be coordinate with amended regulations, the Comparison between original and amendments to the "Regulations Governing Procedure for Board of Directors Meetings" of the Company is established, please refer to attachment 3.

**Item 5:** Establishment of the Company's "Corporate Social Responsibility Best Practices Principles"

**Details:** To implement Corporate Governance Best Practice Principles and fulfill corporate social responsibility, the Company's "Corporate Social Responsibility Best Practices Principles" is established, which is in reference to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please refer to attachment 4.

#### 4. Ratification items

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

**Proposal:** Ratification of the 2017 business report and financial statements

**Explanation:** a. The Company's 2017 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 and attachment 5)

**Resolution:** The voting result is shown below:

Shares represented at the time of voting: 69,691,222 (including electronic votes: 54,983,349)

Voting results	Percentage of the total shares represented
Votes in favor: 64,835,157 (including electronic votes: 50,193,384)	93.03%
Votes against: 80	0.00%

(including electronic votes: 80)	
Votes abstained/did not vote: 4,855,985 (including electronic votes: 4,789,885)	6.97%
Invalid Votes: 0 (including electronic votes: 0)	0.00%

The proposal was resolved and approved as submitted.

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

**Proposal:** Ratification of the proposal for distribution of 2017 profits

**Explanation:** a. Distribution of 2017 profits was approved by the Board of Directors on Feb 6th, 2018. The proposed cash dividend is: NT\$5 per share, please refer to the attachment 6, page 27, for the earnings distribution table.

b. The cash dividend for each shareholder is distributed to the nearest integer (round down if less than NT\$1). The cash dividend distribution of the portion less than NT\$1 (penny stocks) is included in the company's other income.

c. The total number of common shares outstanding if subject to any reasons is affected, may result in a change of the cash dividend distribution. The final cash dividend to be distributed to each common share is authorized to be adjusted by Chairman of the Board.

**Resolution:** The voting result is shown as below:

Shares represented at the time of voting: 69,691,222 (including electronic votes: 54,983,349)

Voting results	Percentage of the total shares represented
Votes in favor: 64,834,157 (including electronic votes: 50,192,384)	93.03%
Votes against: 1,080 (including electronic votes: 1,080)	0.00%
Votes abstained/did not vote: 4,855,985 (including electronic votes: 4,789,885)	6.97%
Invalid Votes: 0 (including electronic votes: 0)	0.00%

The proposal was resolved and approved as submitted.

## 5. Discussion items

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

**Proposal:** Issuance of new restricted shares for employees.

**Explanation:**

1. According to article 267 of the Company Act, "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" and related regulations, to issue the new restricted employee shares compensation.
2. The summary of issuing the new restricted employee shares compensation this time as follows,
  - a. Issued amount: it's proposed to issue 430,000 shares of common stocks with NT\$10 per share. The total issued amount: NT\$4,300,000.
  - b. Conditions for issuance
    - (a) Issued price: Issuance with the compensation for this time, the issued price is NT\$41.08 per share, which is net value per share after 2017 audit by independent accountant.
    - (b) Vested conditions

The following ratio for who, has attained the vested condition (The term of office is expired but still on the deputy. Meanwhile, the person did not violate the employment contract and acceptable annual performance appraisal (inclusive) or above) since the date when the employee acquired the Restricted Employee Shares Subscription, is listed below,

      - (1) The term of office expires for one year after the acquisition: 50% of the shares
      - (2) The term of office expires for two years after the acquisition: 50% of the share
    - (c) The vested conditions is not attainable

In such case, the stocks will be repurchased by the Company at the issue price to write-off the stocks
  - c. Qualification and shares subscription
    - (a) Qualification

Limited to the Company's full-time employee, the persons who are granted for shares subscription and its shares quantities will be determined by the chairman according to the years of working experience, job level, working performance, overall contribution, special achievement and future contributed potentials and other factors. For those who with manager identity shall be advanced to report to remuneration committee for agreement.
    - (b) shares subscription

According to paragraph 1 of article 56-1 of “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, employee shares subscription warrants given to the single employee shall recognized as numbers of shares with the accumulated attainable new restricted employee shares compensation, the sum-up quantities shall not beyond 0.3% of total outstanding shares. Besides, the employee shares subscription warrant, per paragraph 1 of article 56-1 of “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, accumulated to be given to the single employee attainable share quantities shall not beyond 1% of the outstanding total shares.

- d. The necessary reason for new restricted employee compensation for this time: To attract and keep required professionals in the Company and inspire the employee’s long-term service, to develop coherence and feeling of belongings, and to expect co-creation of higher profits for the Company and its shareholders.
- e. Possible expenditure amount, status of dilution of EPS and other matters affecting on the shareholders’ equity
  - (a) Possible expenditure amount: 430,000 shares (the expected issuance of new restricted employee shares compensation this time) are proposed to estimate the possible expenditure amount at the closed price NT\$365.5 per share (which was listed on Feb., 5th 2018, the last day of resolution by board of directors) The possible expenditure amount NT\$139,500 thousand (which haven’t been calculated in the estimated turnover rate and vested conditions) is estimated during the settlement period, the apportioned expenditure amount of 2018, 2019 and 2020 is NT\$23,250 thousand (estimated based on 4 months), NT\$69,750 thousand and NT\$46,500 thousand (estimated based on 8 months) respectively.
  - (b) Status of dilution of EPS and other matters affecting on the shareholders’ equity Recognized expenditure amount each year based on the current outstanding shares to estimate for dilution of EPS in 2018, 2019, 2020 is NT\$0.26, NT\$0.77, NT\$0.51 respectively. However, the actual impact is subject to the vested period and vested condition attainable. The business operation in future years will continue the growth trend. Thus, it is not result in the substantial impact on the shareholders’ equity with the overall assessment.
- f. Restricted rights of New Restricted Employee Shares Subscription
  - (a) When the vested conditions are not attainable after the employee acquired the new shares, it shall immediately deliver to the trust which is

assigned by the Company without being disposed through sale, pledge, transfer, gift, request the company to repurchase, or other ways.

(b) the attendance of the shareholders' meeting of the Company, the proposal, the statement, the voting right and other matters relating to the shareholders' equity shall be subject to the implementation of the trust custody contract.

(c) Apart from the preceding limitations, in prior to the vested conditions attainable, other rights and obligations, including but not limited to allotment, stock dividend, capital reserve, stock option of cash increase, etc., are the same as those issued by the Company.

3. After resolutions by the shareholders' meeting and establishment of issuance of new restricted employee shares compensation practices, the preceding summary must be applied for processing. The board of directors is authorized with the completed power to deal with the relevant or other outstanding issues if there is any demand to amend for the content of preceding relevant conditions to correspond to the law and requirements from competent authorities or the change of objective environment.

**Resolution:** The voting result is shown as below:

Shares represented at the time of voting: 69,691,222 (including electronic votes: 54,983,349)

Voting results	Percentage of the total shares represented
Votes in favor: 54,110,592 shares (including electronic votes: 39,468,819 shares)	77.64%
Votes against: 10,722,432 (including electronic votes: 10,722,432)	15.39%
Votes abstained/did not vote: 4,858,198 (including electronic votes: 4,792,098)	6.97%
Invalid Votes: 0 (including electronic votes: 0 share)	0.00%

**6. Questions and motions:** None.

**7. Adjournment:** 10:30 am of the same day

## 2017 Business Report

To all shareholders:

We sincerely appreciate the continue support from all shareholders.

With strong support from the data center market in 2017, the silicon photonics-related products for the Datacom segment enjoyed substantial growth. The demand of FTTH related products is depressing since market inventory slowed down new orders. The operating revenue of the full year was NT\$2.04 billion, 3.38% less than the previous year. The operating profit is reported at NT\$0.79 billion, the net profit after tax is NT\$0.65 billion and EPS after tax is NT\$7.27 per share. The comparison of operating result between 2017 and the previous year is as follows,

Units: '000 NTD

Item		2017	2016
Operating Results	Operating Revenue	2,038,618	2,110,063
	Gross Profit	1,103,037	1,258,363
	Net Profit	793,503	1,048,399
	Net Profit after tax	655,569	875,447
Profitability	ROA (%)	16.13%	21.69%
	ROE (%)	17.59%	23.92%
	Operating Income/Capital (%)	87.61%	114.88%
	Pretax Income/Capital (%)	87.37%	115.89%
	Net Profit Margin (%)	32.16%	41.49%
	EPS (dollars)	7.27	9.64

2017 Expenditure invested in R&D is NT\$177,295 thousand, with the growth of 65% in comparison to the previous year. The main cause is the expansion of the scale of the R&D team, in response to the development of multiple new products and the increase of working demand of R&D on new technology.

In 2018, to coordinate with the increase in future market demand on the related products, we plan to purchase machines, factory expansion, continue to promote the production efficiency and improve the yield rate, invest in the technology development and personnel training to maintain the company's advantages in long-term development. In our products sales policy, we will also maintain our market share through the promotion of production efficiency and advancing our product quality. At the same time, development and production of various Epitaxy products shall promote our product value and technical capabilities. Moreover, we shall expand the cooperation with our clients to develop product proposals which corresponds to the customer's requirement and further provide the assistance to promote the process yield and

stability and maintain the stable partnership with the clients.

Facing the externally changeable industrial environment, the Company will continue to invest in R&D resources to keep our leadership position. Simultaneously, we strengthen the quality of our products and service, establishing sufficient capacity to keep our competitive advantage. The effect on our overall business environment from regulatory changes, shall require us to continually understand and track the possible formulations of relevant laws and regulations in the future. If those laws and regulations, such as for labor policy and environmental protection and other relevant regulations, we expect to plan and respond in advance. Also, corporate governance and corporate social responsibility are important norms for global enterprises. The Company is also strengthening the implementation of related systems and aim to improve our corporate governance and continue to establish and implement efficient internal-control system to respond to changes in the operating environment.

Looking forwards, under the trend of continual growth of global network telecommunication flows, it will continue to drive the network infrastructure construction and the requirements of updated equipment. Driven by smart cities initiatives, big data applications, Internet of Things, and multiple applications implementing new technology development, the accelerated growth of data flow and large requirements of communication bandwidth shall continue to contribute to growth of data center capital expenditures. Hence, the Company will continue to strive for grasping the relevant market opportunity and develop more high-speed transmission products with our core technology. In addition, the Company will continue to cooperate with world-renowned clients to develop new products for consumer, industrial and automotive use and expand the product combinations and diversification of our customer mix, contributing to sustained growth in profitability.

Lastly, we would like to express our most sincere thanks to all our shareholders and hope that shareholders and community leaders 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 2017 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 with unqualified opinion. 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 2018 Annual Shareholders' Meeting

Chair of the Audit Committee: James Wang

February 6th, 2018

### Comparison between original and amendments to “Regulations Governing Procedure for Board of Directors Meetings”

Amended version	Original version	Reason
<p>Article 3 The board of directors shall meet at least quarterly. A notice of the reasons for convening a board meeting shall be given to each director before 7 days before the meeting is convened. A convening notice could be applied by the electronic way if recognized by the responders. In emergency circumstances, however, a board meeting may be called on shorter notice. The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients. All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.</p>	<p>Article 3 The board of directors shall meet at least quarterly. A notice of the reasons for convening a board meeting shall be given to each director <del>and supervisor</del> before 7 days before the meeting is convened. A convening notice could be applied by the electronic way if recognized by the responders. In emergency circumstances, however, a board meeting may be called on shorter notice. The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients. All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.</p>	<p>Setup the audit committee and delete supervisor related word.</p>
<p>Article 4 The designated unit responsible for the board meetings of this Corporation shall be <u>Management Office</u>. The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting. A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.</p>	<p>Article 4 The designated unit responsible for the board meetings of this Corporation shall be <del>Management Department</del>. The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting. A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.</p>	<p>Amended according to the Company's organization structure.</p>
<p>Article 12 The matters listed below as they relate to this Corporation shall be raised for discussion at a board meeting: 1. The Corporation's business plan. 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA). 3. Adoption or amendment of an internal</p>	<p>Article 12 The matters listed below as they relate to this Corporation shall be raised for discussion at a board meeting: 1. The Corporation's business plan. 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA). 3. Adoption or amendment of an internal</p>	<p>1. In pursuant to Article 14-5 of the Securities and Exchange Act, the audit power “audit of efficiency on the internal control</p>

<p>control system and <u>the audit of efficiency on its system</u> pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.</p> <p>5. The offering, issuance, or private placement of equity-type securities.</p> <p>6. The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority. The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital. The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation. <u>At least one person of independent directors shall attend the board meeting in person. All independent directors shall attend the board meeting for the matters which must be approved by resolution of board meeting specified in the 1st paragraph. If the independent director cannot attend the meeting in person, another independent director shall be appointed to attend the meeting as proxy. If an independent director objects to or expresses</u></p>	<p>control system pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.</p> <p>5. The offering, issuance, or private placement of equity-type securities.</p> <p>6. The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</p> <p>8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority. The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital. The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation. With respect to a matter that, <del>under Article 14-3 of the Securities and Exchange Act,</del> must be approved by resolution at a board meeting, any and all independent directors of this Corporation shall attend the meeting in</p>	<p>system" held by audit committee is material matters, it is advisable to propose for discussion at the board meeting. Therefore, it is added in the 3<sup>rd</sup> subparagraph of paragraph 1.</p> <p>2. There is words adjustment in the paragraph 2 and 3.</p> <p>3. Express explicitly the power of independent director and further strengthen to their participation in the board's operations. Hence, the paragraph 4 is amended.</p>
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<p>reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.</p>	<p>person <del>or</del> appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.</p>	
<p>Article 16 Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:</p> <ol style="list-style-type: none"> <li>1. The meeting session (or year) and the time and place of the meeting.</li> <li>2. The name of the chair.</li> <li>3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent</li> <li>4. The names and titles of those attending the meeting as non-voting participants.</li> <li>5. The name of the minute taker.</li> <li>6. The matters reported at the meeting.</li> <li>7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments, opinions expressing objections or reservations at the meeting that were included in records or stated in writing made by directors, experts, or other persons; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 2.</li> <li>8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, expert, or other person and their objections or reservations and any recorded or written statements.</li> <li>9. Other matters required to be recorded.</li> </ol> <p>The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:</p> <ol style="list-style-type: none"> <li>(1.) Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.</li> <li>(2.) A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of</li> </ol>	<p>Article 16 Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:</p> <ol style="list-style-type: none"> <li>1. The meeting session (or year) and the time and place of the meeting.</li> <li>2. The name of the chair.</li> <li>3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent</li> <li>4. The names and titles of those attending the meeting as non-voting participants.</li> <li>5. The name of the minute taker.</li> <li>6. The matters reported at the meeting.</li> <li>7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments, opinions expressing objections or reservations at the meeting that were included in records or stated in writing made by directors, <del>supervisors</del>, experts, or other persons; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 2.</li> <li>8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, <del>supervisor</del>, expert, or other person and their objections or reservations and any recorded or written statements.</li> <li>9. Other matters required to be recorded.</li> </ol> <p>The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:</p> <ol style="list-style-type: none"> <li>(1.) Any objection or expression of reservations by an independent director expresses of which there is a record or</li> </ol>	<p>Setup the audit committee and delete supervisor related word.</p>

<p>this Corporation.</p> <p>The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of this Corporation.</p> <p>The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director—within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation.</p> <p>The meeting minutes of paragraph 1 may be produced and distributed in electronic form.</p>	<p>written statement.</p> <p>(2.) A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of this Corporation.</p> <p>The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of this Corporation.</p> <p>The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and <del>supervisor</del>—within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation.</p> <p>The meeting minutes of paragraph 1 may be produced and distributed in electronic form.</p>	
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## Corporate Social Responsibility Practice Principles

### Chapter I General Principles

#### Article 1

In order to fulfill corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the TWSE and GTSM hereby jointly adopt the Principles to be followed.

Corporate are advised to promulgate ours corporate social responsibility principles in accordance with the Principles to manage their economic, environmental and social risks and impact.

#### Article 2

The Principles encourages corporate to actively fulfill their corporate social responsibility in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.

#### Article 3

In fulfilling corporate social responsibility initiatives, corporate shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

#### Article 4

To implement corporate social responsibility initiatives, corporate are advised to follow the principles below:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance disclosure of corporate social responsibility information.

#### Article 5

Corporate shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the board of directors and then reported to the shareholders meeting.

When a shareholder proposes a motion involving corporate social responsibility, the company's board of directors is advised to review and consider including it in the shareholders meeting agenda.

### Chapter 2 Exercising Corporate Governance

#### Article 6

Corporate are advised to follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies, and ELECTRONIC INDUSTRY CITIZENSHIP COALITION CODE OF CONDUCT (EICC) to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

#### Article 7

The directors of corporate shall exercise the due care of good administrators to urge the

company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.

The board of directors of corporate is advised to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives:

1. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines;
2. Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
3. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The board of directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of corporate, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

#### Article 8

Corporate are advised to, on a regular basis, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

#### Article 9

For the purpose of managing corporate social responsibility initiatives, corporate are advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.

Corporate are advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

#### Article 10

Corporate shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.

### **Chapter 3 Fostering a Sustainable Environment**

#### Article 11

Corporate shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

#### Article 12

Corporate are advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

#### Article 13

Corporate are advised to establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
2. Establishing measurable goals for environmental sustainability, and examining whether the

development of such goals should be maintained and whether it is still relevant on a regular basis.

3. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

#### Article 14

Corporate establish Office of Environmental Safety and Health (E.S.H) for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.

#### Article 15

Corporate are advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:

1. Reduce resource and energy consumption of their products and services.
2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
3. Improve recyclability and reusability of raw materials or products.
4. Maximize the sustainability of renewable resources.
5. Enhance the durability of products.
6. Improve efficiency of products and services.

#### Article 16

To improve water use efficiency, corporate shall properly and sustainably use water resources and establish relevant management measures.

Corporate shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

#### Article 17

Corporate are advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.

Corporate are advised to monitor the impact of climate change on their operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon their operations and the result of a greenhouse gas inventory. Such strategies should include obtaining carbon credits to promote and minimize the impact of their business operations on climate change.

### **Chapter 4 Preserving Public Welfare**

#### Article 18

Corporate shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

Corporate, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:

1. Presenting a corporate policy or statement on human rights.
2. Evaluating the impact of the company's business operations and internal management on human rights, and adopting corresponding handling processes.
3. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human



rights.

4. In the event of any infringement of human rights, the company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

Corporate shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

Corporate shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. Corporate shall respond to any employee's grievance in an appropriate manner.

#### Article 19

Corporate shall provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.

#### Article 20

Corporate are advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

Corporate shall organize training on safety and health for their employees on a regular basis.

#### Article 21

Corporate are advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

Corporate shall appropriately reflect the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

#### Article 22

Corporate shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

Corporate shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

Corporate are advised to, by reasonable means, inform employees of operation changes that might have material impacts.

#### Article 23

Corporate shall take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the company shall ensure the transparency and safety of their products and services. They further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.

#### Article 24

Corporate shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.

Corporate shall follow relevant laws, regulations and international guidelines when marketing or

labeling their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

#### Article 25

Corporate are advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

#### Article 26

Corporate shall cooperate with their suppliers to jointly implement the corporate social responsibility initiative.

#### Article 27

Corporate are advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

### **Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information**

#### Article 28

Corporate shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency.

#### Article 29

Corporate shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.
2. Major stakeholders and their concerns.
3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
4. Future improvements and goals.

### **Chapter 6 Supplementary Provisions**

#### Article 30

Corporate shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

#### Article 31

These Articles and any revision thereof shall become effective after approval at the board of directors' meeting.

These Articles are agreed to and signed on February 6, 2018.

## Independent Auditors' Report

To the Board of Directors of LandMark Optoelectronics Corporation:

### Opinion

We have audited the financial statements of LandMark Optoelectronics Corporation (“the Company”), which comprise the balance sheets as of December 31, 2017 and 2016, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 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”), interpretation 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 Auditors' 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 of our opinion.

### Key Audit Matters

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, interpretation 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 auditors' 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 matters. We describe these matters in our auditors' 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 auditors' report are Hui Yuan Chen and Chen Lung Hsu.

KPMG

Tainan, Taiwan (the Republic of China)  
February 6, 2018

Notes 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 the 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 Statements and Report Originally Issued in Chinese)

**LANDMARK OPTOELECTRONICS CORPORATION**

**Balance Sheets**

**December 31, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2017		December 31, 2016		Liabilities and Equity		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(a))	\$ 2,043,337	50	2,557,441	63	2120	Financial liabilities at fair value through profit or loss—current (note 6(b))	\$ -	-	353	-
1150	Notes receivable, net (note 6(c))	33,378	1	35,077	1	2150	Notes payable	30,678	1	57,076	1
1170	Accounts receivable, net (note 6(c))	381,408	10	216,576	5	2170	Accounts payable	52,365	1	29,751	1
1310	Inventories (note 6(d))	217,709	6	183,798	5	2200	Other payables (note 6(h))	182,489	5	164,809	4
1410	Prepayments	12,050	-	3,583	-	2230	Current tax liabilities	48,252	1	84,350	2
1470	Other current assets	10,839	-	5,237	-	2300	Other current liabilities	11,686	-	5,980	-
1476	Other financial assets—current (note 6(c) and 8)	16,002	-	8,993	-			325,470	8	342,319	8
		<u>2,714,723</u>	<u>67</u>	<u>3,010,705</u>	<u>74</u>						
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1600	Property, plant and equipment (note 6(e) and 9)	1,111,531	28	1,046,376	26	2570	Deferred tax liabilities (note 6(i))	-	-	700	-
1780	Intangible assets (note 6(f))	13,602	-	-	-	2640	Net defined benefit liability—non-current (note 6(h))	3,421	-	4,111	-
1840	Deferred tax assets (note 6(i))	12,795	-	9,343	-			3,421	-	4,811	-
1980	Other financial assets—non-current (note 8)	11,959	-	3,442	-		<b>Total liabilities</b>	328,891	8	347,130	8
1900	Other non-current assets (note 6(g))	185,477	5	8,671	-		<b>Equity attributable to owners of the company (note 6(i)(j)(k)):</b>				
		<u>1,335,364</u>	<u>33</u>	<u>1,067,832</u>	<u>26</u>	3110	Capital stock	905,732	22	912,577	22
						3200	Capital surplus	1,655,253	41	1,665,787	41
							<b>Retained earnings:</b>				
						3310	Legal reserve	342,342	9	254,797	6
						3350	Unappropriated earnings	857,797	21	1,144,248	28
								1,200,139	30	1,399,045	34
						3491	Deferred compensation cost arising from issuance of restricted stock	(39,928)	(1)	(99,821)	(2)
						3500	Treasury stock	-	-	(146,181)	(3)
							<b>Total equity</b>	3,721,196	92	3,731,407	92
<b>Total assets</b>		<u>\$ 4,050,087</u>	<u>100</u>	<u>4,078,537</u>	<u>100</u>	<b>Total liabilities and equity</b>		\$ 4,050,087	100	4,078,537	100

See accompanying notes to financial statements.

## LANDMARK OPTOELECTRONICS CORPORATION

## Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2017		2016	
	Amount	%	Amount	%
4100 Operating revenue (note 6(m))	2,038,618	100	2,110,063	100
5000 Operating costs (note 6(d)(h)(k)(n), 7 and 12)	935,581	46	851,700	40
5900 Gross profit	<u>1,103,037</u>	<u>54</u>	<u>1,258,363</u>	<u>60</u>
6000 Operating expenses (note 6(c)(h)(k)(n), 7 and 12):				
6100 Selling and marketing expenses	45,809	2	38,359	2
6200 General and administrative expenses	86,430	4	63,930	3
6300 Research and development expenses	<u>177,295</u>	<u>9</u>	<u>107,675</u>	<u>5</u>
	<u>309,534</u>	<u>15</u>	<u>209,964</u>	<u>10</u>
6900 Operating income	<u>793,503</u>	<u>39</u>	<u>1,048,399</u>	<u>50</u>
7000 Non-operating income and expenses (note 6(o)):				
7100 Interest income	11,077	1	10,616	-
7020 Other gains and losses	<u>(13,244)</u>	<u>(1)</u>	<u>(1,433)</u>	<u>-</u>
	<u>(2,167)</u>	<u>-</u>	<u>9,183</u>	<u>-</u>
7900 Profit before income tax	791,336	39	1,057,582	50
7950 Income tax expenses (note 6(i))	<u>135,767</u>	<u>7</u>	<u>182,135</u>	<u>9</u>
Net profit	<u>655,569</u>	<u>32</u>	<u>875,447</u>	<u>41</u>
8300 Other comprehensive income (note 6(h)(i)):				
8310 Items that will not be reclassified subsequently to profit or loss:				
8311 Remeasurements of the defined benefit plans	457	-	36	-
8349 Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(78)</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
8300 Other comprehensive income, net of tax	<u>379</u>	<u>-</u>	<u>30</u>	<u>-</u>
8500 Total comprehensive income	<u>\$ 655,948</u>	<u>32</u>	<u>\$ 875,477</u>	<u>41</u>
Earnings per share (in dollars), after tax (note 6(l))				
9750 Basic earnings per share	<u>\$ 7.27</u>		<u>9.64</u>	
9850 Diluted earnings per share	<u>\$ 7.23</u>		<u>9.59</u>	

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**LANDMARK OPTOELECTRONICS CORPORATION**

**Statements of Changes in Equity**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

			Retained earnings		Deferred compensation cost	Treasury stock	Total equity
	Capital stock	Capital surplus	Legal reserve	Unappropriated earnings			
<b>Balance at January 1, 2016</b>	\$ 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 repurchased	-	-	-	-	-	(146,181)	(146,181)
<b>Balance at December 31, 2016</b>	<b>912,577</b>	<b>1,665,787</b>	<b>254,797</b>	<b>1,144,248</b>	<b>(99,821)</b>	<b>(146,181)</b>	<b>3,731,407</b>
Net profit	-	-	-	655,569	-	-	655,569
Other comprehensive income	-	-	-	379	-	-	379
Total comprehensive income	-	-	-	655,948	-	-	655,948
Appropriation of 2016 earnings in 2017:							
Legal reserve	-	-	87,545	(87,545)	-	-	-
Cash dividends	-	-	-	(724,717)	-	-	(724,717)
Compensation cost arising from restricted stock	-	-	-	-	59,893	-	59,893
Treasury stock repurchase	-	-	-	-	-	(1,335)	(1,335)
Treasury stock retired	(6,500)	(10,879)	-	(130,137)	-	147,516	-
Restricted stock repurchased and retired	(345)	345	-	-	-	-	-
<b>Balance at December 31, 2017</b>	<b>\$ 905,732</b>	<b>1,655,253</b>	<b>342,342</b>	<b>857,797</b>	<b>(39,928)</b>	<b>-</b>	<b>3,721,196</b>

Note: For the years ended December 31, 2017 and 2016, the remuneration to directors amounted to \$8,699 and \$11,622, respectively, and the remuneration to employees amounted to \$69,592 and \$92,974, respectively, which had been deducted by calculating each period profit.



## (English Translation of Financial Statements and Report Originally Issued in Chinese)

## LANDMARK OPTOELECTRONICS CORPORATION

## Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 791,336	1,057,582
<b>Adjustments:</b>		
Income and expenses having no effect on cash flows:		
Depreciation expenses	274,384	210,338
Amortization expenses	1,868	1,029
Unrealized net losses on change in fair value of financial liabilities at fair value through profit or loss	-	353
Interest income	(11,077)	(10,616)
Allowance for doubtful accounts	1,242	2,155
Compensation cost arising from restricted stocks	59,893	24,955
Loss on disposal of property, plant and equipment	-	31
Property, plant and equipment transferred to expenses	1,248	-
Unrealized foreign exchange losses (gains)	2,740	(4,120)
<b>Total income and expenses having no effect on cash flows</b>	<b>330,298</b>	<b>224,125</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in notes receivable	1,434	203,838
Decrease (increase) in accounts receivable	(168,675)	152,051
Increase in inventories	(33,911)	(41,721)
Increase in prepayments	(8,867)	(702)
Increase in other current assets	(5,602)	(5,134)
Decrease (increase) in other financial assets—current	(466)	222
<b>Total changes in operating assets</b>	<b>(216,087)</b>	<b>308,554</b>
<b>Changes in operating liabilities:</b>		
Decrease in financial liabilities at fair value through profit or loss—current	(353)	(1,616)
Increase (decrease) in notes payable	(32,357)	11,525
Increase (decrease) in accounts payable	22,890	(10,521)
Increase (decrease) in other payables	9,776	(12,002)
Increase in other current liabilities	5,706	2,218
Decrease in defined benefit liability—non-current	(233)	(294)
<b>Total changes in operating liabilities</b>	<b>5,429</b>	<b>(10,690)</b>
<b>Net changes in operating assets and liabilities</b>	<b>(210,658)</b>	<b>297,864</b>
<b>Total adjustments</b>	<b>119,640</b>	<b>521,989</b>
Cash generated from operations	910,976	1,579,571
Interest received	11,077	10,616
Income tax paid	(176,095)	(238,278)
<b>Net cash generated from operating activities</b>	<b>745,958</b>	<b>1,351,909</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(318,892)	(250,603)
Acquisition of intangible assets	(14,974)	-
Increase in other financial assets—current and non-current	(15,060)	(3,485)
Increase in other non-current assets	(183,114)	(6,099)
<b>Net cash used in investing activities</b>	<b>(532,040)</b>	<b>(260,187)</b>
<b>Cash flows from financing activities:</b>		
Cash dividends	(724,717)	(629,188)
Issuance (repurchase) of restricted stock	(1,818)	19,252
Repurchase of treasury stock	(1,335)	(146,181)
<b>Net cash used in financing activities</b>	<b>(727,870)</b>	<b>(756,117)</b>
<b>Effects of exchange rate changes on balance of cash held in foreign currencies</b>	<b>(152)</b>	<b>958</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(514,104)</b>	<b>336,563</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>2,557,441</b>	<b>2,220,878</b>
<b>Cash and cash equivalents at the end of year</b>	<b>\$ 2,043,337</b>	<b>2,557,441</b>

## LandMark Optoelectronics Corporation 2017 Earnings distribution table

	Units: NTD
Item	Amount
Accumulated undistributed earnings from previous period	\$ 331,985,329
Less: Written-off the treasury share	(130,136,625)
Add: Actuarial benefits of 2017 defined benefit pension plans	379,594
Net profit of 2017	<u>655,569,074</u>
Retained earnings in 2017 available for distribution	857,797,372
Less: 10% legal reserve	(65,556,907)
Distributable items(Note):	
Cash dividends to common share holders- (NT\$5 per share)	<u>(452,860,885)</u>
The end of unappropriated retained earnings	<u>\$ 339,379,580</u>

Note: 2017 earnings are to receive priority in this earnings distribution.

Chairman:



President:



CFO

