



Stock Code : 3088

# **AXIOMTEK CO., LTD.**

## **Handbook for the 2018 Annual Meeting of Shareholders** (Translation)

Meeting Time : May 29<sup>th</sup>, 2018

Meeting Venue : 8F., No.55, Nanxing Road, Xizhi District,

New Taipei City 221, Taiwan

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**AXIOMTEK CO., LTD.**  
**2018 Annual Meeting of Shareholders**

**PART ONE - Meeting Agenda**

Meeting time: 9:00 a.m., May 29<sup>th</sup> (Tuesday), 2018

Meeting venue: 8F., No.55, Nanxing Rd., Xizhi Dist., New Taipei City 221, Taiwan

1. Call Meeting to Order (and declaration of the number of shares of shareholders in attendance)
2. Chairman's Address
3. Reports Items
  - (1) 2017 Business Report.
  - (2) 2017 Consent Report of Audit Committee
  - (3) 2017 Report of Remuneration Distribution to Employees and Directors
  - (4) The Status of the First Domestic Unsecured Convertible Corporate Bonds Conversion
4. Proposals and Acknowledgement
  - (1) 2017 Business Report and Financial Statements (including Parent Company only and Consolidated reports and statements where "Consolidated" refers to the Company and its subsidiaries (hereinafter referred to as "the Group"))
  - (2) 2017 Profit Distribution
5. Election and Discussion
  - (1) Election of Directors
  - (2) Release of the Prohibition on Directors from Participation in Competitive Business
6. Extemporaneous Motions
7. Adjournment

## I. Reports Items

### (I) 2017 Business Report

- Explanation:

The 2017 Business Report is attached as P.9 ~ P.12, ATTACHMENT I.

### (II) 2017 Consent Report of Audit Committee

- Explanation:

The 2017 Consent Report of Audit Committee is attached as P.13, ATTACHMENT II.

### (III) 2017 Report of Remuneration Distribution to Employees and Directors

- Explanation:

1. Pursuant to Article 27 of the Articles of Incorporation of the Company: For a particular fiscal year, if profits are made (i.e., if net profits before-tax are available prior to the deduction of remuneration to employees and Directors), the Company shall allocate one to twenty percent as remuneration to employees and up to 2% as remuneration to Directors.
2. The Board of Directors of the Company had approved to allocate TWD 41,595,000 as the remuneration to employees and TWD 5,294,000 as the remuneration to the Directors for the year 2017, where all remuneration shall be paid in cash. (hereinafter all monetary unit will be TWD)
3. The above-mentioned remuneration to employees and to Directors had been expensed for the year 2017, the amount of the expenditures is consistent with that of the remuneration allocation agreed by the Board of Directors.

### (IV) The Status of the First Domestic Unsecured Convertible Corporate Bonds Conversion

- Explanation:

1. In order to enrich the working capital, for the first time the Company had planned to issue unsecured convertible corporate bonds (hereinafter referred to as “the Convertible Corporate Bonds”) matter of which was entering into effect as per an official approval letter (of Jin-Guan-Zheng-Fa-zi-No. 1050022240) dated June 16<sup>th</sup>, 2016 issued by Financial Supervisory Commission; further, this matter was approved for an extended period for fund raising as per an official approval letter (of Jin-Guan-Zheng-Fa-zi-No. 1050036756) dated September 2<sup>nd</sup>, 2016 issued by Financial Supervisory Commission.
2. Particulars about the issuance and conversion of the Convertible Corporate Bonds are

as follows:

- (1) Total amount of issuance: The face value of each Convertible Corporate Bond was set to be TWD 100,000 even sold at the full price where totally 4,200 Convertible Corporate Bonds were issued this time totaling in TWD 420 million even.
- (2) Coupon rate/ yield to maturity: Annual coupon rate was set to be 0%.
- (3) Issuance period: The maturity period was set to be five years from December 13<sup>th</sup>, 2016 (the issuance date) to December 13<sup>th</sup> 2021(the maturity date).
- (4) Conversion status: As of March 31<sup>st</sup>, 2018, none of any conversion of the Convertible Corporate Bonds had taken place.

## II. Proposals and Acknowledgement

(I) Proposal One (proposed by the Board of Directors)

- Subject:

Regarding 2017 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements), please kindly acknowledge it.

- Explanation:

1. 2017 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company had received consent of the Audit Committee and passed the resolutions of the Board of Directors where the Financial Statements had been audited by CPA Ming-Juan Feng and Shien-Chung Hsu of PricewaterhouseCoopers Taiwan. The Audit committee had also issued a written Consent Report incorporating 2017 Business Report, Financial Statements along with 2017 Profit Distribution.
2. For details, please refer to ATTACHMENT I for 2017 Business Report (P.9 ~ P.12), ATTACHMENT III for 2017 Independent Auditors' Report and Parent Company Only Financial Statements (P.14 ~ P.25), and ATTACHMENT IV for 2017 Independent Auditors' Report and Consolidated Financial Statements (P.26 ~ P.37).
3. Please kindly acknowledge this proposal.

- Resolutions:

(II) Proposal Two (proposed by the Board of Directors)

- Subject:

Regarding 2017 Profit Distribution, please kindly acknowledge it.

- Descriptions:

1. The 2017 Profit Distribution table is attached as P.38, ATTACHMENT V.
2. For 2017, the beginning retained earnings of the Company is TWD 101,403,280, deducting other comprehensive income and loss-net defined benefit liability (assets) measuring adjustment of TWD 4,768,290, and unappropriated retained earnings after adjustment is TWD 96,634,990, plus 2017 net income of TWD 926,239,309, and set aside legal reserve of TWD 92,623,931, and special reserve of TWD 12,913,553, the total unappropriated retained earnings is TWD 917,336,815, the distribution of 2017 profits is following:

【TWD 917,336,815 =

TWD 101,403,280 - 4,768,290 + 926,239,309 - 10% x 926,239,309 - 12,913,553】

The final surplus TWD 917,336,815 is to be allocated for 2017 Profit Distribution according to provisions of regulations as follows:

- (1) The dividend of the shareholders is to be distributed in the form of cash dividend totaling in TWD 439,004,768, or TWD 5.53 per share. Once this Proposal is passed at the Annual Meeting of Shareholders this time, the Chairman of the Board of Directors is authorized to determine the record date and relevant matters for the distribution of the cash dividend.
- (2) If there is any change in the number of common shares of the Company which consequently leads to a change in the dividend distribution ratio, it is proposed by the Meeting, the Chairman of the Board of Directors is authorized to adjust the dividend distribution ratio based on the actual shares outstanding on the record date for distribution.
- (3) The net income for the most recent year shall be distributed with higher priority.
- (4) Regarding the cash dividend distribution this time, the cash dividend is to be calculated to the integral number with all decimals truncated. And all the truncated decimals from all distorted figures are accumulated to a summation amount which will then be adjusted among shareholders - in the order of decimal of each cash dividend amount from big to small as well as in the order of account number from the top to the bottom - until the total amount of cash dividend actually paid out can match that in the book.

3. Please kindly acknowledge this proposal.

- Resolutions:

### III. Election and Discussion

(I) Proposal Three

(proposed by the Board of Directors)

● Subject:

Election of Directors. Please Vote.

● Explanation:

1. The three-year term of Directors of the Board will be end on June 2<sup>nd</sup>, 2018. Accordingly, the company proposes to duly elect new Board members at this year's Annual meeting shareholders.

According to Company Act 199-1 where election of all directors is effected, by a resolution adopted by a shareholders' meeting, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance.

2. According to Article 18 and Article 18-1 of the Articles of Incorporation of the Company, the shareholders' meeting plans to elect 7 Directors (including 3 Independent Directors). The candidate nomination system is adopted for the election of directors. Their three-year term will start from May 29<sup>th</sup>, 2018 and conclude on May 28<sup>th</sup>, 2021. The term of the original directors is until the completion of this year's Annual meeting shareholders.

3. According to the Articles of Incorporation of the Company, the Company's directors shall be elected from the nomination list prepared by the company. The qualification of the nominated directors has been reviewed by Board meeting on April 12<sup>th</sup>, 2018. Personal information of the 7 nominees is as follows:

Title	Name	Experience(Education)	Shareholding
Director	YANG, YU-TE	Founder, Axiomtek Co., Ltd. Head of Automation System Unit, Advantech Co., Ltd. Bachelor's in Electrical Engineering, Fu Jen Catholic University	3,154,512
Director	Advantech Co., Ltd. Representative LIU, WEI-TING	Investment Representative, Corporate Investment Division, Advantech Co., Ltd. MBA, National Taiwan University Bachelor of Electrical Engineering, University of Illinois, Urbana- Champaign	20,537,984
Director	TSAI, SHIH-YANG	Supervisor, Axiomtek Co., Ltd. Chairman, Smart Management Consulting Co., Ltd. Department and Institute of Electronic Engineering Minghsin	419,000



<b>Title</b>	<b>Name</b>	<b>Experience(Education)</b>	<b>Shareholding</b>
		University of Science and Technology, Taiwan Department of Applied Mathematics Chinese Culture University, Taiwan	
Director	HUANG, JUI-NAN	Consultant, YUS Consultant Service Inc. Vice President, Advantech Industrial Automation Group CEO, Cermate Technologies Inc. Vice President, Advantech iService Automation Group Master of Tamkang University, Department of Management Sciences Bachelor of National Taiwan University, Department of Information Technology	0
Independent director	LIN, YIH-JONG	Chairman, Ufi Space Co., Ltd Chief Operating Officer, Embedded Platform Group, Industrial Automation Group President, Advantech Managing Director, Tektornix China Vice President, Computer Systems Organization, HP Taiwan BE Electrical Engineering, National Cheng Kung University	0
Independent director	SHON, ZHENG-YI	Dean of College of Management & Professor of Department of International Business Management, Tainan University of Technology Director of Research Center for International Marketing and Global Logistic Management, Tainan University of Technology PH.D.in Transportation and Communication Management, National Cheng Kung University	0
Independent director	CHANG, JEN-CHIH	Hot Tai Public Accountant Firms Certified Public Accountant Chungyu College of Business Management Chairman of Department of Accounting & Statistics National Taipei College of Business Chairman of Department of Accounting & Statistics National Chengchi University Master degree of Commerce National Chung Hsing University Bachelor of Commerce in the Department of Accounting	0

4. Election of directors under the Methods for Election of Directors of the company.

5. Please vote.

- Voting results:

(II) Proposal Four

(proposed by the Board of Directors)

- Subject:

Regarding the release of the Prohibition on Directors from participation in competitive business, please kindly discuss it.

- Explanation:

1. In accordance with Article 209 of the Company Act: “A Director shall address the important contents of his conducts - acting on behalf of himself or on others within the scope of the business of the Company - to the Shareholders’ Meeting while obtaining the permission from the shareholders”, this Proposal is proposed.
2. In order to take advantage of the specialty and relevant experience of the Directors of the Company, hereby it is proposed – according to the provision mentioned above - to add a new clause which is to release the prohibition on directors from participation in competitive business, hereby propose for getting approval of shareholder’s meeting.
3. Please kindly discuss this proposal.

- Resolutions:

#### **IV. Extemporary Motions**

## PART TWO – Attachments

(ATTACHMENT I)

### AXIOMTEK CO., LTD.

#### 2017 Business Report

Dear Shareholders:

In 2017, the annual operating income of Axiomtek Co., Ltd. (hereinafter referred to as "the Company") had reached TWD 2.53 billion - a 2.87% increase in comparison with TWD 2.46 billion in 2016.

Looking into Year 2018, the Company is to continue the pursuit of the construction of the IIoT (i.e. Industrial Internet of Things) Ecosystem under the collaboration with technological partners in regard to the industries of intelligent transportation system, smart energy, and factory automation; so that software and hardware technology can be integrated and richer solutions for vertical markets can be further developed.

Herewith, business results for 2017 and business plan for 2018 are reported as follows:

#### I. Business Results for 2017:

(I) Implementation results of the business plan:

The operating income of the Company totaled in TWD 2.53 billion for year 2017 where the net profit for the same period amounted to TWD 926 million, the comprehensive profit TWD 895 million, and the after-tax earnings per share TWD 11.71.

(II) Implementation particulars about budgeting:

Since the Group did not disclose its financial forecast for year 2017, there were no budgeting particulars to share.

(III) Financial revenues, expenditures, and profitability:

Item		2017	2016
Financial Structure	Debt Ratio (%)	32.94	38.17
	Ratio of long-term capital to Property, plant and equipment (%)	204.93	1,038.99
Solvency	Current Ratio (%)	156.25	281.15
	Quick Ratio (%)	121.16	226.64
	Interest earned ratio (times)	15,307.74	95,167.80
Profitability	Return on total assets (%)	29.31	13.58
	Return on Equity (%)	45.02	20.94

Item		2017	2016
	Pre-tax Income to Paid-in Capital Ratio (%)	126.41	53.05
	Profit ratio (%)	36.60	14.64
	Earnings Per Share (TWD)	11.71	4.56

(IV) Particulars about research and development:

In response to the trend of Industrial 4.0 and Industrial IoT, five mid- to long-term development directions had been planned:

1. Regarding automation solution had been provided to Machine Vision, smart energy, and automation control over EtherCAT Ethernet network.
2. Integrating LabVIEW system engineering software with Microsoft's Azure cloud computing platform for applications in intelligent predictive maintenance technology.
3. Developing LiteSCADA remote monitoring programs and computer systems with data collecting capabilities.
4. Continuously dedicated to providing mission-critical railway traffic solutions by developing a comprehensive range of system products with the recognition of professional certifications.
5. Continuous efforts had been made in deepening the gaming industry, smart retail and digital electronic billboard applications, and the offering to partners of exclusive, customized and flexible services of added values.
6. Continuous focus had been placed on the product development on network application platform and in cloud computing, including the investment in the research and development of new technology, integration of hardware and software.

II. Summary of Business Plan for 2018:

(I) Operating principles:

1. Aiming towards specific vertical application markets, a complete product line and professional customized services are to be provided for customers to obtain relevant products and technical support.
2. With a focus on technologies and products related to Industrial IoT and Industry 4.0, the Company is to continue to be a leading brand around the globe in the targeted vertical application markets such as factory automation, intelligent transportation, and smart energy.
3. To pursue long-term development and sustainable operation, the Company is to cooperate with strategic partners to form alliance relations while integrating hardware and software to enhance product added values.
4. The Company is to aggressively expand oversea service outlets, deepen customer relationships, and establish global distribution franchise for win-win partnership.

5. The Company is to attach importance to organizational development and talent cultivation.

(II) Production and sales & marketing policy:

1. The MES smart factory operating management is to be introduced so that gradually implemented may be the factory automation.
2. Global information management and communication mechanism is to be implemented for better grasp of the information about the inventory of materials, semi-finished goods, and finished goods, and about the quantity of demand in future market so that the cost of logistics management and the loss of depreciation due to sluggish inventory may be comprehensively reduced.
3. Localization of brand recognition around the globe is to be promoted.

III. Future Development Strategy of the Company:

(I) Sales strategy:

1. To continue to promote its independent brand of the Company for marketing worldwide, as well as to focus on research and development, manufacturing, sales while accumulating hardware and software integration technology to provide customers with more information and diversified product applications.
2. To actively build more sales and technical outlets while expanding marketing channels and realizing the localization services.
3. To develop strategies and tactics based on the sales objective of key account and channel partner, so as to expand sales scale and help clients develop new markets.
4. To strengthen the added value of integration of hardware and software products while duplicating success stories, so as to shorten the time to market for customers and build win-win business model.
5. To utilize the Salesforce Service Cloud application platform, so as to effectively manage customer experience and project progress with IT technology as well as improve customer experience with comprehensive digital marketing pattern.

(II) Product technology:

1. Embedded product technology

(1) Embedded board and SoM

Continuous effort is to be made in product development and the provision of customized design-in service in a timely fashion.

(2) Industrial and embedded systems and touch panel computer

The Company has been gearing towards the development of IIoT-related products to suit mission-critical and heavy-duty applications with industrial modular and industrial aesthetic design.

(3) LiteSCADA intelligent remote monitoring and management software

The LiteSCADA intelligent software independently developed by the Company has

not only enhanced the capability of remote monitoring and management but also supported features such as embedded Application Programming Interface (eAPI), online management tools, controlling mechanism and database services.

- (4) Dedicated computer platform for gaming industry and electronic digital signage player

Especially designed for the gaming industry, the Video Mixer technology and the Tracking system platform for the game player are to cultivate the independent expertise and integration capabilities in vertical industry.

- (5) Network application hardware platform and cloud application computer

Targeting at the network security application market, the Company is to develop remote monitoring technology IPMI (Intelligent Platform Management Interface), 10G/25G Ethernet module, and the SDN (Software-Defined Networking) application platform.

#### IV. Impact of the external competitive environment, regulatory environment, and the overall operating environment:

With regards to the external competitive environment, the scale of Industrial IoT vertical application market will continue to grow in size while the globe will deploy infrastructure construction plan for the long term. The Company is striving to build up its own technical expertise by focusing on specific vertical application markets, embracing/joining the driving trends of 5G , AI (artificial intelligence) as well as robotic applications to construct its core competitiveness with differentiation and innovation. In terms of the overall environment, the development of industrial IoT, smartness, and automation will be prosperous more rapidly due to the new trend of AI artificial intelligence and IOT . Upon launching relevant products, the Group will be engaged more in the integration of hardware and software while aiming to develop wireless network technology; Thus providing a more diversified product portfolio.

Looking into the future, continuous efforts shall be made to deepen the local operation and actively engage in sales and marketing activities, to open up market reputation, to gradually solidify the brand recognition and lay the foundation for sustainable management. It is believed that more success stories would be told at the Company based on its healthy operation, its clear development objective, as well as its thorough global deployment and specific brand positioning; thus driving the Company's revenue to new heights.

Yang, Yu-Te, Chairman

Yang, Yu-Te, President

Hsu, Chin-Chuan, Principal accounting officer

AXIOMTEK CO., LTD.

(ATTACHMENT II)

## 2017 Consent Report of Audit Committee

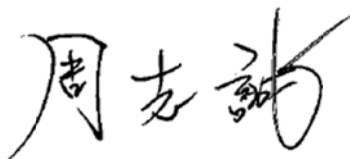
To: 2018 Annual Meeting of Shareholders  
AXIOMTEK CO., LTD.

Date: February 27<sup>th</sup>, 2018

Consented by the Audit Committee, 2017 Business Report, Financial Statements and profit distribution proposals have also been resolved by the Board of Directors of the Company where the financial statements have been completely audited and subsequently an 2017 Unqualified Opinion Independent Auditors' Report has been issued by CPA Ming-Chuan Feng and Shien-Chong Hsu of PricewaterhouseCoopers Taiwan which has been entrusted by the Board of Directors.

In compliance with the provisions of relevant laws and regulations, the abovementioned 2017 Business Report, Financial Statements and profit distribution proposals are being reported and presented herewith for review in accordance with the provisions of Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,



Chou, Chih-Chen  
Convener of Audit Committee  
AXIOMTEK CO., LTD.

(ATTACHMENT III)

**2017 Independent Auditors' Report**  
**(Parent Company Only Financial Statements)**

(107) Cai-Shen-Bao-zi-No. 17002841

February 27<sup>th</sup>, 2018

To the Board of Directors and Shareholders of AXIOMTEK CO., LTD.:

***Opinion***

We have audited the accompanying Parent Company Only balance sheets of AXIOMTEK CO., LTD. (hereinafter referred to as "Axiomtek" or "the Company") as at December 31, 2017 and 2016, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinion thereon,



we do not provide a separate opinion on these matters.

### ***Assessment of Allowance for Reduction of Inventory to Market***

#### Description of the matter

Please refer to Notes 4(12) in the “Parent Company Only Financial Statements” for the accounting policies related to the assessment of the “Allowance for Reduction of Inventory to Market”. Please refer to Notes 5(2) in the “Parent Company Only Financial Statements” for the accounting estimate and the uncertainty of the assumption related to the assessment of the “Allowance for Reduction of Inventory to Market”. Please refer to Notes 6(6) in the “Parent Company Only Financial Statements” for the description of the accounting items of the inventory. As of December 31st, 2017, the balance of “Allowance for Inventory to Market” and that of “Allowance for Reduction of Inventory to Market” had been assessed at TWD 401.237 million and TWD 25 million, respectively.

In view that the main business of the Company lies in the manufacturing and sales of products related to industrial computers which are susceptible to fluctuations in market prices due to rapid evolution of technology, the Company has been facing a higher risk of losses arising from “Allowance for Inventory to Market” or obsolescence of the inventory. At Axiomtek, the approach it has been taking was to adjust the balance sheet based on the cost or the net realizable value – whichever is the lower - of the normally sold inventory, as well as on the net realizable value - provisioned as the loss - of the obsolete or damaged inventory individually identified.

Herewith, out of the discretion of the CPAs, the assessment of the “Allowance for Reduction of Inventory to Market” evaluated by Axiomtek has been put among the most significant matters of this audit for further verification because the inventory of Axiomtek represented a huge amount of value and high diversification of items where it has been subject to the subjective judgment of the management level for the identification of the net realizable value of any individual obsolete or damaged items in the inventory.

#### How does this audit address the corresponding matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- Evaluating the reasonableness of accounting policy on provision for inventory, and the consistency of process application during the financial reporting period.
- Testing the details of loss on market price decline, discussing with management and inspecting related documents to confirm the adequacy of the provision for loss on inventory market price decline.
- Comparing the related document we gathered during the physical inventory count and the scrap and slow-moving inventory report made by management, and performing an inquiry with management and related personnel to verify whether the following have been addressed in the inventory list:
  - a. Slow-moving inventory

- b. Inventory that is over certain age
- c. Significant amount of inventory that is damaged

### ***Investment income recognized under equity method***

#### Description of the matter

Please refer to Notes 4(13) in the “Parent Company Only Financial Statements” for the accounting policies of the investments using the equity method. Please refer to Note 6(7) in the “Parent Company Only Financial Statements” for the description of the accounting items of the investments using the equity method.

Axiomtek disposed all the holding stocks of the subsidiary company- EtherWAN Systems, Inc. in 2017. The disposition price and the gain (or loss) on disposal of this subsidiary company are material to Axiomtek and the disposal also make significant influence to the Axiomtek’s future operating. Therefore, CPA considers the accuracy of the investment profit and loss recognized under equity method for this disposal is one of the key audit matters.

#### How our audit addressed the matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- Examined the disposal transaction if it conforms to the requirements of 『 Operating Procedures for Acquisition and Disposal of Assets by Public Companies. Obtained the reference information of the transaction price and approved by the Board of Directors.
- Checked the disposal contract, transaction documents and the receipts recorded, and tested the accuracy of the investment profit and loss recognized for this disposal.

### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the Parent Company Only financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Parent Company Only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company’s financial reporting process.

### ***Auditor's responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the Parent Company Only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Parent Company Only 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 Group'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 parent company only 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 Parent Company Only financial statements, including the disclosures, and whether the Parent Company Only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Company Only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company Only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ming-Chuan Feng, CPA

Shien-Chong Hsu, CPA

PricewaterhouseCoopers Taiwan

Former Securities and Futures Bureau of the

Financial Supervisory Committee of the Executive Yuan

Approval certificate no.: Jin-Guan-Zheng-VI-zi-No.0960038033

Financial Supervisory Commission

Approval certificate no.: Jin-Guan-Zheng-Shen-zi-No.1010034097

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations and 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 such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.*

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
<b>Current assets</b>				
Total cash and cash equivalents	\$ 638,528	18	\$ 649,319	23
Total current financial assets at fair value through profit or loss	35,006	1	244,028	9
Notes receivable, net	2,229	-	4,355	-
Accounts receivable, net	98,567	3	91,895	3
Accounts receivable due from related parties, net	288,926	8	285,354	10
Other receivables, net	21,059	1	13,288	-
Other receivables due from related parties, net	59,952	2	74,631	3
Total current tax assets	-	-	274	-
Total inventories	366,237	10	311,720	11
Total prepayments	8,420	-	16,214	1
Total other current assets	149,599	4	473	-
<b>Total current assets</b>	<b>1,668,520</b>	<b>47</b>	<b>1,691,551</b>	<b>60</b>
<b>Non-current assets</b>				
Non-current financial assets at cost, net	923	-	923	-
Investments accounted for using equity method, net	585,247	16	873,271	31
Total property, plant and equipment	1,203,699	34	213,725	7
Investment property, net	22,858	1	-	-
Total intangible assets	21,215	1	16,220	1
Deferred tax assets	28,566	1	20,667	1
Guarantee deposits paid	3,562	-	5,884	-
<b>Total non-current assets</b>	<b>1,866,070</b>	<b>53</b>	<b>1,130,690</b>	<b>40</b>
<b>Total assets</b>	<b>\$ 3,534,590</b>	<b>100</b>	<b>\$ 2,882,241</b>	<b>100</b>

(Continued)

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
<b>Liabilities</b>				
<b>Current liabilities</b>				
Total current financial liabilities at fair value through profit or loss	\$ 4,998	-	\$ -	-
Total notes payable	1,473	-	42	-
Total accounts payable	365,766	10	329,058	11
Total accounts payable to related parties	12,543	-	25,244	1
Total other payables	201,331	6	191,152	7
Current tax liabilities	62,955	2	29,686	1
Total advance receipts	24,854	1	25,257	1
Other current liabilities, others	393,953	11	1,220	-
<b>Total current liabilities</b>	<b>1,067,873</b>	<b>30</b>	<b>601,659</b>	<b>21</b>
<b>Non-current liabilities</b>				
Total non-current financial liabilities at fair value through profit or loss	-	-	6,048	-
Total bonds payable	-	-	386,161	14
Total deferred tax liabilities	58,178	2	50,749	2
Accrued pension liabilities	37,413	1	32,422	1
Guarantee deposits received	929	-	336	-
<b>Total non-current liabilities</b>	<b>96,520</b>	<b>3</b>	<b>475,716</b>	<b>17</b>
<b>Total liabilities</b>	<b>1,164,393</b>	<b>33</b>	<b>1,077,375</b>	<b>38</b>
<b>Equity</b>				
<b>Share capital</b>				
Ordinary share	793,130	22	790,310	28
Advance receipts for share capital	1,379	-	-	-
<b>Capital surplus</b>				
Total capital surplus	198,563	6	183,745	6
<b>Retained earnings</b>				
Legal reserve	367,165	10	331,163	12
Total unappropriated retained earnings (accumulated deficit)	1,022,874	29	425,869	15
<b>Other equity interest</b>				
Total other equity interest	(12,914)	-	13,779	1
<b>Total equity</b>	<b>2,370,197</b>	<b>67</b>	<b>1,744,866</b>	<b>62</b>
<b>Major commitment &amp; contingent item</b>				
<b>Total liabilities and equity</b>	<b>\$ 3,534,590</b>	<b>100</b>	<b>\$ 2,822,241</b>	<b>100</b>

The accompanying notes are an integral part of the parent company only financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	2017		2016	
	Amount	%	Amount	%
<b>Operating revenue</b>				
<b>Total operating revenue</b>	<b>\$ 2,530,366</b>	<b>100</b>	<b>\$ 2,459,756</b>	<b>100</b>
<b>Operating costs</b>				
<b>Total operating costs</b>	<b>(1,784,820)</b>	<b>(71)</b>	<b>(1,668,242)</b>	<b>(68)</b>
<b>Gross profit (loss) from operations</b>	<b>745,546</b>	<b>29</b>	<b>791,514</b>	<b>32</b>
<b>Unrealized profit (loss) from sales</b>	(53,428)	(2)	(43,129)	(2)
<b>Realized profit (loss) on from sales</b>	43,129	2	65,967	3
<b>Gross profit (loss) from operations</b>	<b>735,247</b>	<b>29</b>	<b>814,352</b>	<b>33</b>
<b>Operating expenses</b>				
Total selling expenses	(98,683)	(4)	(85,585)	(3)
Total administrative expenses	(87,650)	(4)	(88,522)	(4)
Total research and development expenses	(356,023)	(14)	(350,861)	(14)
<b>Total operating expenses</b>	<b>(542,356)</b>	<b>(22)</b>	<b>(524,968)</b>	<b>(21)</b>
<b>Net operating income (loss)</b>	<b>192,891</b>	<b>7</b>	<b>289,384</b>	<b>12</b>
<b>Non-operating income and expenses</b>				
Total other income	17,084	1	27,734	1
Other gains and losses, net	733,759	29	(14,485)	(1)
Finance costs, net	(6,604)	-	(441)	-
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	67,189	2	117,057	5
<b>Total non-operating income and expenses</b>	<b>811,428</b>	<b>32</b>	<b>129,865</b>	<b>5</b>
<b>Profit (loss) before tax</b>	<b>1,004,319</b>	<b>39</b>	<b>419,249</b>	<b>17</b>
Total tax expense (income)	(78,080)	(3)	(59,226)	(2)
<b>Profit (loss)</b>	<b>\$ 926,239</b>	<b>36</b>	<b>\$ 360,023</b>	<b>15</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified subsequently to profit or loss :</b>				
<b>profit or loss:</b>				
Remeasurement of defined benefit obligation	\$ (5,745)	-	\$ 7,411	-
Share of other comprehensive income (loss) of subsidiaries and associates	-	-	656	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	977	-	(1,260)	-
<b>Items that may be reclassified subsequently to profit or loss :</b>				
<b>profit or loss:</b>				
Exchange differences arising on translation of foreign operations	(23,842)	(1)	(17,026)	(1)
Share of other comprehensive income (loss) of subsidiaries and associates	(6,904)	-	(1,778)	-
Income tax benefit (expense) related to items that may be reclassified subsequently	4,053	-	2,894	-
<b>Other comprehensive income, net of tax</b>	<b>\$ (31,461)</b>	<b>(1)</b>	<b>\$ (9,103)</b>	<b>(1)</b>
<b>Comprehensive income</b>	<b>\$ 894,778</b>	<b>35</b>	<b>\$ 350,920</b>	<b>14</b>
<b>Basic earnings per share</b>				
<b>Total basic earnings per share</b>	<b>\$</b>	<b>11.71</b>	<b>\$</b>	<b>4.56</b>
<b>Diluted earnings per share</b>				
<b>Total diluted earnings per share</b>	<b>\$</b>	<b>10.59</b>	<b>\$</b>	<b>4.43</b>

The accompanying notes are an integral part of the parent company only financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Share capital		Capital surplus					Retained Earnings			Exchange differences on translation of foreign financial statements	Total	
	Ordinary share	Advance receipts for share capital	Capital surplus In Excess of par value-Common Stock	Capital surplus In Excess of par value-Treasury Stock	Capital surplus from Difference between consideration and carrying amount of subsidiaries acquired or disposed	Capital surplus from Gain on Disposal of Property	Capital surplus from stock option exercised by employees	Capital surplus from stock option	Legal Reserve	Unappropriated retained earnings			
<b>Year 2016</b>													
Beginning balance, January 1, 2016	\$ 790,310	\$ -	\$ 118,619	\$ 1,026	\$ -	\$ 2	\$ 23,386	\$ -	\$ 288,752	\$ 441,283	\$ 29,689	\$ 1,693,067	
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	-	-	-	-	42,411	(42,411)	-	-	
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-	(339,833)	-	(339,833)	
Net income for 2016	-	-	-	-	-	-	-	-	-	360,023	-	360,023	
Other comprehensive income(loss)	-	-	-	-	-	-	-	-	-	6,807	(15,910)	(9,103)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	177	-	-	-	-	-	-	177	
Compensation cost of employee stock options	-	-	-	-	-	-	16,175	-	-	-	-	16,175	
Proceeds from issuing convertible bonds	-	-	-	-	-	-	-	24,360	-	-	-	24,360	
Ending balance, December 31, 2016	\$ 790,310	\$ -	\$ 118,619	\$ 1,026	\$ 177	\$ 2	\$ 39,561	\$ 24,360	\$ 331,163	\$ 425,869	\$ 13,779	\$ 1,744,866	

(Note 1) The directors' and supervisors' compensation were \$7,018 and the employees' bonuses were \$61,754, which had been deducted from net income for the year 2015.  
(Note 2) The directors' and supervisors' compensation were \$6,700 and the employees' bonuses were \$52,646, which had been deducted from net income for the year 2016.

The accompanying notes are an integral part of the parent company only financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan



AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Share capital		Capital surplus					Retained Earnings			Exchange differences on translation of foreign financial statements	Total	
	Ordinary share	Advance receipts for share capital	Capital surplus In Excess of par value-Common Stock	Capital surplus In Excess of par value-Treasury Stock	Capital surplus from Difference between consideration and carrying amount of subsidiaries acquired or dispose	Capital surplus from Gain on Disposal of Property	Capital surplus from stock option exercised by employees	Capital surplus from stock option	Legal Reserve	Unappropriated retained earnings			
<b>Year 2017</b>													
Beginning balance, January 1, 2017	\$ 790,310	\$ -	\$ 118,619	\$ 1,026	\$ 177	\$ 2	\$ 39,561	\$ 24,360	\$ 331,163	\$ 425,869	\$ 13,779	\$ 1,744,866	
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	-	-	-	-	36,002	(36,002)	-	-	
Cash dividends of ordinary share	-	-	-	-	-	-	-	-	-	(288,464)	-	(288,464)	
Net income for 2017	-	-	-	-	-	-	-	-	-	926,239	-	926,239	
Other comprehensive income(loss)	-	-	-	-	-	-	-	-	-	(4,768)	(26,693)	(31,461)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(1)	-	-	-	-	-	-	(1)	
Exercise of employee share options	2,820	1,379	4,004	-	-	-	-	-	-	-	-	8,203	
Proceeds from issuing convertible bonds							10,815					10,815	
Ending balance, December 31, 2016	\$ 793,130	\$ 1,379	\$ 122,623	\$ 1,026	\$ 176	\$ 2	\$ 50,376	\$ 24,360	\$ 367,165	\$ 1,022,874	\$ 12,914	\$ 2,370,197	

(Note 1) The directors' and supervisors' compensation were \$7,018 and the employees' bonuses were \$61,754, which had been deducted from net income for the year 2015.

(Note 2) The directors' and supervisors' compensation were \$6,700 and the employees' bonuses were \$52,646, which had been deducted from net income for the year 2016.

The accompanying notes are an integral part of the parent company only financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities, indirect method		
Profit (loss) before tax	\$ 1,004,319	\$ 419,249
Adjustments		
Adjustments to reconcile profit (loss)		
Reversal of provision for bad debt expense	5	(734)
Depreciation expense	40,820	37,591
Amortization expense	8,457	6,578
Interest income	(7,391)	(2,104)
Interest expense	6,604	441
Loss (gain) on disposal of investments	(489)	(456)
Loss (gain) on disposal of investments for using equity method	(766,094)	-
Loss (gain) on disposal of property, plant and equipment	(2,301)	(157)
Loss (gain) on disposal of intangible assets	(120)	-
Net loss (gain) on financial assets at fair value through profit or loss	23	(15)
Net loss (gain) on financial liabilities at fair value through profit or loss	(1,050)	546
Share of loss (profit) of associates and joint ventures accounted for using equity method	(67,189)	(117,057)
Dividend income	90,160	91,657
Share-based payments	10,815	16,175
Unrealized profit (loss) from sales	10,299	(22,838)
Changes in operating assets and liabilities		
Changes in operating assets		
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	209,488	(145,544)
Decrease (increase) in notes receivable	2,126	1,643
Decrease (increase) in accounts receivable	(10,249)	143,534
Decrease (increase) in other receivable	6,908	(55,397)
Decrease (increase) in inventories	(54,517)	65,460
Decrease (increase) in prepayments	7,794	(7,982)
Decrease (increase) in other financial assets	(148,800)	-
Decrease (increase) in other current assets	(326)	-
Changes in operating liabilities		
Increase (decrease) in notes payable	1,431	(678)
Increase (decrease) in accounts payable	24,007	(80,615)
Increase (decrease) in other payable	(953)	228
Increase (decrease) in receipts in advance	(403)	-
Increase (decrease) in other current liabilities	(26)	559
Increase (decrease) in accrued pension liabilities	(754)	(807)
Cash inflow (outflow) generated from operations	362,594	349,277
Interest received	7,391	2,104
Interest paid	(6)	(168)
Income taxes refund (paid)	(39,978)	(74,152)
Net cash flows from (used in) operating activities	330,001	277,061

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) investing activities		
Acquisition of investments accounted for using equity method	\$ (14,329)	\$ (14,676)
Proceeds from disposal of investments accounted for using equity method	1,004,432	-
Acquisition of property, plant and equipment	(1,042,810)	(22,943)
Proceeds from disposal of property, plant and equipment	2,590	234
Acquisition of intangible assets	(13,452)	(4,461)
Proceeds from disposal of intangible assets	120	-
Increase in refundable deposits	2,332	(241)
Net cash flows from (used in) investing activities	(61,127)	(42,087)
Cash flows from (used in) financing activities		
Decrease in short-term loans	(21,000)	-
Increase in short-term loans	21,000	-
Proceeds from issuing bonds	-	420,000
Increase in Guarantee deposits received	593	336
Cash dividends paid	(288,464)	(339,833)
Exercise of employee share options	8,203	-
Net cash flows from (used in) financing activities	(279,668)	80,503
Net increase (decrease) in cash and cash equivalents	(10,794)	315,477
Cash and cash equivalents at beginning of period	649,319	333,842
Cash and cash equivalents at end of period	\$ 638,525	\$ 649,319

The accompanying notes are an integral part of the parent company only financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

(ATTACHMENT IV)

## **2017 Independent Auditors' Report**

### **(Consolidated Financial Statements)**

(107) Cai-Shen-Bao-zi-No. 17002823

February 27<sup>th</sup>, 2018

To the Board of Directors and Shareholders of AXIOMTEK CO., LTD.:

#### ***Opinion***

We have audited the accompanying Consolidated balance sheets of AXIOMTEK CO., LTD. and its subsidiaries (hereinafter referred to as “the Group”) as at December 31, 2017 and 2016, and the related Consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the Consolidated financial position of the Group as at December 31, 2017 and 2016, and its Consolidated financial performance and its Consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

#### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (hereinafter referred to as the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in

the context of our audit of the Consolidated Financial Statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

### ***The cut-off of the revenue from the sales of goods in the inventory***

#### Description of the matter

Please refer to Note 4(31) in the “Consolidated Financial Statements” for the accounting policy for revenue recognition. Please refer to Note 6(21) in the “Consolidated Financial Statements” for operating revenue.

In view that the sales model of the Group mainly lies in generating revenue from sales of products shipped out of the inventory warehouse out of which revenue is recognized upon shipping of products. At the Group, the approach it has been taking was to record the revenue based on the change of inventory in the inventory warehouse. Seeing that warehouses of the Group are located in Europe, America, and China as well as that each warehouse had used different inventory system, it had been prone to improper timing of revenue recognition or inconsistent quantities between the actual inventory and the recorded bookkeeping, taking into the consideration that tremendous manual operation may be involved in the process of revenue recognition.

Herewith, out of the discretion of the CPAs, the “cut-off of the revenue from the sales of the inventory” has been put among the most significant matters of this audit for further verification because the transaction for sales of goods in the inventory of the Group represented a huge amount of value on a daily basis and that the impact of the transaction value, especially before and after the cut-off date of financial statements, on the financial statements remained a highly significant factor.

#### How does this audit address the corresponding matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- Based on the understanding towards the operation of the Group, the rationality was assessed for the circular system adopted for the revenue in product sales as well as the procedure for the logistics of inventory and warehouse. The CPAs had conducted tests on the cut-off of the revenue from sales of goods during a certain period before and after the year-end cut-off dates, including the verification of supporting documents kept by custodians of the inventory warehouse, and the review of transactions records noted during the proper time frame upon any change of inventory and any settlement of sales costs.
- The CPAs had physically inspected and observed the quantity of inventory at warehouses while verifying the consistency of the quantity of the inventory between the reality and the records. Any inconsistency found had been investigated by the CPAs as well. Finally, tests had been conducted by the CPAs on the adjustment items compiled by the Group to verify whether any major inconsistency had been adequately adjusted and recorded.

## ***Assessment of Allowance for Evaluation of Inventory to Market***

### Description of the matter

Please refer to Note 4(13) in the “Consolidated Financial Statements” for the accounting policy related to the assessment of the inventory. Please refer to Note 5(2) in the “Consolidated Financial Statements” for the accounting estimate and the uncertainty of the assumption related to the assessment of the inventory. Please refer to Note 6(6) in the “Consolidated Financial Statements” for the description of the accounting items of the inventory. As of December 31st, 2017, the balance of “Allowance for Inventory to Market” and that of “Allowance for Evaluation of Inventory to Market” had been assessed at TWD 771.43 million and TWD 41.166 million, respectively.

In view that the main business of the Group lies in the manufacturing and sales of products related to industrial computers which are susceptible to fluctuations in market prices due to rapid evolution of technology, the Group has been facing a higher risk of losses arising from “Allowance for Inventory to Market” or obsolescence of the inventory. At the Group, the approach it has been taking was to adjust the balance sheet based on the cost or the net realizable value – whichever is the lower - of the normally sold inventory, as well as on the net realizable value - provisioned as the loss - of the obsolete or damaged inventory individually identified.

Herewith, out of the discretion of the CPAs, the assessment of the “Allowance for Evaluation of Inventory to Market” evaluated by the Group has been put among the most significant matters of this audit for further verification because the inventory of the Group represented a huge amount of value and high diversification of items where it has been subject to the subjective judgment of the management level for the identification of the net realizable value of any individual obsolete or damaged items in the inventory.

### How does this audit address the corresponding matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

- Evaluating the reasonableness of accounting policy on provision for inventory, and the consistency of process application during the financial reporting period.
- Testing the details of loss on market price decline, discussing with management and inspecting related documents to confirm the adequacy of the provision for loss on inventory market price decline.
- Comparing the related document we gathered during the physical inventory count and the scrap and slow-moving inventory report made by management, and performing an inquiry with management and related personnel to verify whether the following have been addressed in the inventory list:
  - a. Slow-moving inventory

- b. Inventory that is over certain age
- c. Significant amount of inventory that is damaged

The gain (or loss) on disposal of this subsidiary company

Description of the matter

Please refer to Note 4(3) in the “Consolidated Financial Statements” for the accounting policy the gain (or loss) on disposal of this subsidiary company.

Axiomtek disposed all the holding stocks of the subsidiary company- EtherWAN Systems, Inc. in 2017. The disposition price and the gain (or loss) on disposal of this subsidiary company are material to Axiomtek and the disposal also make significant influence to the Axiomtek’s future operating. Therefore, CPA considers the accuracy of the investment profit and loss recognized under equity method for this disposal is one of the most important auditing activities.

How does this audit address the corresponding matter?

The main audit process regarding the corresponding key audit matter was listed by the CPAs as follows:

Examined the disposal transaction if it conforms to the requirements of 『 Operating Procedures for Acquisition and Disposal of Assets by Public Companies. Obtained the reference information of the transaction price and approved by the Board of Directors.

Checked the disposal contract, transaction documents and the receipts recorded, and tested the accuracy of the investment profit and loss recognized for this disposal.

***Other matter – Parent company only financial reports***

Compiled by the Company, both 2017 and 2016 Individual Financial Statements had also been audited by the undersigned CPAs for reference as stated in corresponding reports without any reservation.

***Responsibilities of management and those charged with governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The Component Unit (including Audit Committee) of the Group is responsible for overseeing financial reporting process of the Group.

### ***Auditor's responsibilities for the audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements. As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements.



We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ming-Chuan Feng CPA

Shien-Chong Hsu CPA

Former Securities and Futures Bureau of the  
Financial Supervisory Committee of the Executive Yuan  
Approval certificate no.: Jin-Guan-Zheng-VI-zi-No.0960038033

Financial Supervisory Commission  
Approval certificate no.: Jin-Guan-Zheng-Shen-zi-No.1010034097

#### Notice to Readers

*The accompanying Consolidated Financial Statements are intended only to present the consolidated financial position, results of operations and 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 such Consolidated Financial Statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying Consolidated Financial Statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and Consolidated Financial Statements shall prevail.*

AXIOMTEK CO., LTD. and Subsidiaries  
CONSOLIDATED BALANCE SHEETS  
December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
<b>Current assets</b>				
Total cash and cash equivalents	\$ 843,239	22	\$ 995,597	30
Total current financial assets at fair value through profit or loss	35,006	1	244,028	7
Notes receivable, net	4,014	-	8,434	-
Accounts receivable, net	456,376	12	610,308	18
Accounts receivable due from related parties, net	6	-	53	-
Other receivables, net	21,059	1	16,874	1
Total current tax assets	-	-	6,113	-
Total inventories	730,264	19	758,290	23
Total prepayments	20,782	1	28,014	1
Total other current assets	150,028	4	1,610	-
<b>Total current assets</b>	<b>2,260,774</b>	<b>60</b>	<b>2,669,321</b>	<b>80</b>
<b>Non-current assets</b>				
Non-current financial assets at cost, net	923	-	923	-
Total property, plant and equipment	1,335,402	35	484,696	15
Investment property, net	22,858	1	-	-
Total intangible assets	104,642	3	138,464	4
Deferred tax assets	39,571	1	41,982	1
Total other non-current assets, others	6,680	-	10,201	-
<b>Total non-current assets</b>	<b>1,510,076</b>	<b>40</b>	<b>676,266</b>	<b>20</b>
<b>Total assets</b>	<b>\$ 3,770,850</b>	<b>100</b>	<b>\$ 3,345,587</b>	<b>100</b>

(Continued)

AXIOMTEK CO., LTD. and Subsidiaries  
CONSOLIDATED BALANCE SHEETS  
December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
<b>Liabilities</b>				
<b>Current liabilities</b>				
Total current financial liabilities at fair value through profit or loss	\$ 4,998	-	\$ -	-
Total notes payable	1,473	-	178	-
Total accounts payable	476,730	13	524,757	16
Total accounts payable to related parties	12,466	-	14,835	1
Total other payables	252,053	7	314,813	9
Current tax liabilities	59,395	2	43,270	1
Total current provisions	774	-	1,018	-
Total other current liabilities	432,515	11	34,078	1
<b>Total current liabilities</b>	<b>1,240,404</b>	<b>28</b>	<b>932,949</b>	<b>28</b>
<b>Non-current liabilities</b>				
Total non-current financial liabilities at fair value through profit or loss	-	-	6,048	-
Total bonds payable	-	-	386,161	12
Total long-term borrowings	63,729	2	119,137	4
Total deferred tax liabilities	58,178	1	75,443	2
Total other non-current liabilities	38,342	1	42,241	1
<b>Total non-current liabilities</b>	<b>160,249</b>	<b>4</b>	<b>629,030</b>	<b>19</b>
<b>Total liabilities</b>	<b>1,400,653</b>	<b>37</b>	<b>1,561,979</b>	<b>47</b>
<b>Equity</b>				
<b>Equity attributable to owners of parent</b>				
<b>Share capital</b>				
Ordinary share	793,130	21	790,310	24
Advance receipts for share capital	1,379	-	-	-
<b>Capital surplus</b>				
Total capital surplus	198,563	5	183,745	5
<b>Retained earnings</b>				
Legal reserve	367,165	10	331,163	10
Total unappropriated retained earnings (accumulated deficit)	1,022,874	27	425,869	13
<b>Other equity interest</b>				
Total other equity interest	(12,914)	-	13,779	-
<b>Total equity attributable to owners of parent</b>	<b>2,370,197</b>	<b>63</b>	<b>1,744,866</b>	<b>52</b>
<b>Non-controlling interests</b>				
	-	-	38,742	1
<b>Total equity</b>	<b>2,370,197</b>	<b>63</b>	<b>1,783,608</b>	<b>53</b>
<b>Total liabilities and equity</b>	<b>\$ 3,770,850</b>	<b>100</b>	<b>\$ 3,345,587</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD. and Subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	2017		2016	
	Amount	%	Amount	%
<b>Operating revenue</b>	\$ 3,994,229	100	\$ 4,707,109	100
<b>Operating costs</b>	(2,634,227)	(66)	(2,961,663)	(63)
<b>Gross profit</b>	1,360,002	34	1,745,446	37
<b>Operating expenses</b>				
Total selling expenses	(562,038)	(14)	(660,353)	(14)
Total administrative expenses	(101,312)	(2)	(113,383)	(2)
Total research and development expenses	(403,250)	(10)	(480,916)	(10)
<b>Total operating expenses</b>	(1,066,600)	(26)	(1,254,652)	(26)
<b>Net operating income</b>	293,402	8	490,794	11
<b>Non-operating income and expenses</b>				
Total other income	17,432	-	26,413	-
Other gains and losses, net	722,548	18	(19,937)	-
Finance costs, net	(9,224)	-	(3,701)	-
<b>Total non-operating income and expenses</b>	730,756	18	2,775	-
<b>Profit before income tax</b>	1,024,158	26	493,569	11
Total income tax expense	(95,244)	(3)	(118,761)	(3)
<b>Net income</b>	\$ 928,914	23	\$ 374,808	8
<b>Other comprehensive income</b>				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
Gains (losses) on remeasurements of defined benefit plans	\$ (5,745)	-	\$ 8,304	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	977	-	(1,412)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
Exchange differences on translation	(33,424)	(1)	(19,742)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	5,682	-	3,356	-
<b>Other comprehensive income, net</b>	\$ (32,510)	(1)	\$ (9,494)	-
<b>Total comprehensive income</b>	\$ 896,404	22	\$ 365,314	8
<b>Net income attributable to:</b>				
Shareholders of the parent	\$ 926,239	23	\$ 360,023	8
Non-controlling interests	\$ 2,675	-	\$ 14,785	-
<b>Comprehensive income attributable to:</b>				
Shareholders of the parent	\$ 894,778	22	\$ 350,920	8
Non-controlling interests	\$ 1,626	-	\$ 14,394	-
<b>Earnings per share</b>				
Total basic earnings per share	\$ 11.71		\$ 4.56	
Total diluted earnings per share	\$ 10.59		\$ 4.43	

The accompanying notes are an integral part of the consolidated financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to Shareholders of the Parent									
	Share capital			Retained earnings			Other equity			
	Ordinary share	Advance receipts for share capital	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total	Non-controlling interests	Total equity	
Beginning balance, January 1, 2016	\$ 790,310	\$ -	\$ 143,033	\$ 288,752	\$ 441,283	\$ 29,689	\$ 1,693,067	\$ 45,147	\$ 1,738,214	
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	42,411	(42,411)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(339,833)	-	(339,833)	-	(339,833)	
Net income for 2016	-	-	-	-	360,023	-	360,023	14,785	374,808	
Other comprehensive income	-	-	-	-	6,807	(15,910)	(9,103)	(391)	(9,494)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	177	-	-	-	177	-	177	
Compensation cost of employee stock options	-	-	16,175	-	-	-	16,175	-	16,175	
Proceeds from issuing convertible bonds	-	-	24,360	-	-	-	24,360	-	24,360	
Changes in non-controlling interests	-	-	-	-	-	-	-	(20,799)	(20,799)	
Ending balance, December 31, 2016	<u>\$ 790,310</u>	<u>\$ -</u>	<u>\$ 183,745</u>	<u>\$ 331,163</u>	<u>\$ 425,869</u>	<u>\$ 13,779</u>	<u>\$ 1,744,866</u>	<u>\$ 38,742</u>	<u>\$ 1,783,608</u>	
Beginning balance, January 1, 2017	\$ 790,310	\$ -	\$ 183,745	\$ 331,163	\$ 425,869	\$ 13,779	\$ 1,744,866	\$ 38,742	\$ 1,783,608	
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	36,002	(36,002)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(288,464)	-	(288,464)	-	(288,464)	
Net income for 2017	-	-	-	-	926,239	-	926,239	2,675	928,914	
Other comprehensive income	-	-	-	-	(4,768)	(26,693)	(31,461)	(1,049)	(32,510)	
Share-based payments	2,820	1,379	4,004	-	-	-	8,203	-	8,203	
Compensation cost of employee stock options	-	-	10,815	-	-	-	10,815	-	10,815	
Changes in non-controlling interests	-	-	(1)	-	-	-	(1)	(40,368)	(40,369)	
Ending balance, December 31, 2017	<u>\$ 793,130</u>	<u>\$ 1,379</u>	<u>\$ 198,563</u>	<u>\$ 367,165</u>	<u>\$ 1,022,874</u>	<u>\$ (12,914)</u>	<u>\$ 2,370,197</u>	<u>\$ -</u>	<u>\$ 2,370,197</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

AXIOMTEK CO., LTD. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities, indirect method		
Profit (loss) before tax	\$ 1,024,158	\$ 493,569
Adjustments		
Adjustments to reconcile profit (loss)		
Provision (reversal of provision) for bad debt expense	808	353
Depreciation expense	52,299	53,909
Amortization expense	15,301	17,252
Interest income	(6,360)	(2,103)
Loss (gain) on disposal of property, plant and equipment	(2,301)	336
Loss (gain) on disposal of intangible assets	(120)	-
Loss (gain) on disposal of investments	(489)	(456)
Loss (gain) on disposal of investments	(766,094)	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	23	(15)
Net loss (gain) on financial liabilities at fair value through profit or loss	546	546
Interest expense	9,224	3,701
Share-based payments	10,815	16,175
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in financial assets held for trading	209,488	(145,544)
Decrease (increase) in notes receivable	1,865	973
Decrease (increase) in accounts receivable	22,401	(10,423)
Decrease (increase) in other receivable	(4,184)	(2,802)
Decrease (increase) in inventories	(158,355)	217,255
Decrease (increase) in prepayments	570	(1,948)
Decrease (increase) in other financial assets	(148,800)	-
Decrease (increase) in other current assets	(1,375)	511
Changes in operating liabilities		
Increase (decrease) in notes payable	1,560	(647)
Increase (decrease) in accounts payable	103,159	(10,264)
Increase (decrease) in other payable	(16,242)	(5,042)
Increase (decrease) in other current liabilities	9,087	(12,296)
Cash inflow (outflow) generated from operations	354,248	613,040
Interest received	6,360	2,103
Interest paid	(2,625)	(3,882)
Income taxes refund (paid)	(51,270)	(145,515)
Net cash flows from (used in) operating activities	306,713	465,746

(Continued)

AXIOMTEK CO., LTD. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) investing activities		
Proceeds from disposal of subsidiaries	\$ 801,680	\$ -
Acquisition of property, plant and equipment	(1,073,507)	(42,650)
Proceeds from disposal of property, plant and equipment	2,589	2,641
Acquisition of intangible assets	(14,217)	(14,689)
Proceeds from disposal of intangible assets	120	-
Increase in other non-current assets	1,153	32
Net cash flows from (used in) investing activities	(282,182)	(54,666)
Cash flows from (used in) financing activities		
Decrease in short-term loans	(21,000)	(291,000)
Increase in short-term loans	146,000	281,000
Repayments of long-term debt	(5,062)	(6,934)
Proceeds from long-term debt	17,856	-
Decrease in other non-current liabilities	5,852	(995)
Proceeds from issuing bonds	-	420,000
Cash dividends paid	(288,464)	(339,833)
Exercise of employee share options	8,203	-
Change in non-controlling interests	(40,368)	20,799
Net cash flows from (used in) financing activities	(176,983)	83,037
Effect of exchange rate changes on cash and cash equivalents	94	(57,526)
Net increase (decrease) in cash and cash equivalents	(152,358)	436,591
Cash and cash equivalents at beginning of period	995,597	559,006
Cash and cash equivalents at end of period	\$ 843,239	\$ 995,597

The accompanying notes are an integral part of the consolidated financial statements.  
(With PricewaterhouseCoopers audit report dated February 27, 2018)

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan

**AXIOMTEK CO., LTD.**  
**2017 Profit Distribution Table**

Unit : TWD

Item	Amounts	
	Sub-total	Total
Unappropriated retained earnings at the beginning of the term		101,403,280
Other comprehensive income and loss-net defined benefit liability (assets) measuring adjustment	(4,768,290)	
Adjusted unappropriated retained earnings		96,634,990
2017 Net income	926,239,309	
10% set aside as legal reserve	(92,623,931)	
Special reserves	(12,913,553)	
Total unappropriated retained earnings		917,336,815
Distributable item:		
Shareholders' dividend – cash (\$5.53 per share)		(439,004,768)
Unappropriated retained earnings at the end of the term		478,332,047

Remarks: The 2017 net income shall be distributed with higher priority this time.

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal accounting officer : Hsu, Chin-Chuan



## **PART THREE – Appendices**

**(APPENDIX I)**

### **AXIOMTEK CO., LTD.**

#### **Methods for Election of Directors**

##### **Article 1**

To ensure a just, fair, and open election of Directors and Supervisors, these Procedures are adopted pursuant to Articles 21 of the 「Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.」

##### **Article 2**

Except as otherwise provided by law and regulation or by the Company's articles of incorporation, elections of Directors shall be conducted in accordance with these Procedures.

##### **Article 3**

The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's Directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the Directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The Board of Directors of the Company shall consider adjusting its composition based on the results of performance evaluation.

#### **Article 4**

The qualifications for the Independent Directors of the Company shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of Independent Directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

#### **Article 5**

Elections of Directors (including Independent Directors) at the Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. The Company shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee Directors and may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the results of the review to shareholders for their reference, so that qualified Directors will be elected

When the number of Directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of Directors falls short by one third of the total number prescribed in the Company's articles of incorporation, the Company shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of Independent Directors falls below that required under the provision of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent Directors are all dismissed, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

#### **Article 6**

The cumulative voting method shall be used for election of the Directors at the Company. Each share will have voting rights in number equal to the Directors to be elected, and may be cast for a single candidate or split among multiple candidates.

The election of Directors at the Company, shareholder may exercise the right by choosing the way of electronic or cast the vote.

Shareholder shall exercise the vote right in the electronic platform assigned by the Company as executing election right stated in preceding paragraph.

The election of the Company's Independent Directors is used candidate nominate system, independent and non-Independent Directors elected at the same time, but in separately calculated numbers.

## **Article 7**

The Board of Directors shall prepare separate ballots for Directors and Supervisors in numbers corresponding to the Directors or Supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. The ballots will not be printed if shareholder use the way of electronic election.

## **Article 8**

The number of Directors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

The voting right stated in the preceding paragraph will be calculated with electronic and cast vote in the shareholder's meeting.

The results of the preceding vouchers shall be determined by the shareholders who meet the requirements of Article 44 of the Rules of Shareholders before the shareholders' meeting, confirm the identity of the shareholders and vote and complete the statistical verification

## **Article 9**

Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel, vote monitoring personnel shall be shareholder to execute each job of duty. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.

## **Article 10**

If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

## **Article 11**

A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by the Board of Directors.

2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

#### **Article 12**

The voting rights shall be calculated on site immediately under the supervision of vote monitoring after the end of the poll. The results of the calculation, including the list of persons elected as Directors or Supervisors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

#### **Article 13**

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

#### **Article 14**

The Method was amended on May 22, 2017.

# AXIOMTEK CO., LTD.

## Articles of Incorporation

### Section I-General Provisions

#### Article 1

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 艾訊股份有限公司 in the Chinese language, and Axiomtek Co., Ltd. in the English language.

#### Article 2

The scope of business of the Corporation shall be as follow:

1. CB01020 Office Machines Manufacturing
2. CC01080 Electronic Parts and Components Manufacturing
3. F219010 Retail Sale of Electronic Materials
4. I301020 Data Processing Services
5. I301030 Digital Information Supply Services
6. I501010 Product Designing
7. E605010 Computing Equipment's Installation Construction
8. CC01060 Wired Communication Equipment and Apparatus Manufacturing
9. CC01070 Telecommunication Equipment and Apparatus Manufacturing
10. CC01110 Computers and Computing Peripheral Equipment Manufacturing
11. CE01010 Precision Instruments Manufacturing
12. EZ05010 Apparatus Installation Construction
13. I301010 Software Design Services
14. F213030 Retail sale of Computing and Business Machinery Equipment
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

#### Article 3

The Corporation shall have its head office in New Taipei County, Taiwan, Republic of China, and shall has its right to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities, upon approval of government authorities in charge.

#### Article 4

The Company may provide endorsement and guarantee and act as a guarantor, the proceeding in accordance with the Operating Procedures of Fund Lending and Making of Endorsements and

Guarantees.

## **Section II – Capital Stock**

### **Article 5**

The total capital stock of Corporation shall be in the amount of 1,600,000,000 New Taiwan Dollars, divided into 160,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments upon approval of Board of Directors.

The Corporation may issue employee stock options from time to time upon Directors' resolution. A total of 10,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

### **Article 6**

The Corporation may transfer shares to employees at less than the average actual share repurchase price in accordance with Article 10-1 in the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, To transfer shares to employees at less than the average actual share repurchase price, a company must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.

### **Article 6-1**

The Corporation may issue the shares to employees with Employee stock options and the share price would be less than the Ordinary Shares Closing Price of the issued date of the Corporation, and the Employee stock options mentioned herein shall be adopted by two-thirds of the shareholders present who represent majority of the total number of its outstanding shares by the Corporation.

### **Article 7**

The Company is exempted from having the stock shares printed out; however, the Company should contact the securities depository and clearing institution for registration.

### **Article 8**

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

### **Article 9**

All transfer of stocks, pledge of rights, loss, succession, gift, and loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholder of the Company shall follow the "Guidelines for Stock Operations for Public Companies".

## **Article 10**

The investment amount of the Corporation will not be limited to regulation 「 Shall not exceed forty percent of the paid-up share capital of the Company 」 in the Article XIII of the Company Law of the Republic of China.

## **SECTION III- Shareholders' Meeting**

### **Article 11**

Shareholders' meeting of the Corporation are of two types, namely:( 1 )regular meeting and ( 2 ) special meetings. Regular meeting shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant, rules and regulations of the Republic of China.

### **Article 12**

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law of the Republic of China. Regarding to the issue of Power of Attorney, would be follow the regulations of “Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies”.

### **Article 13**

Each share of stock shall be entitled to one vote. But the share will not be entitled to have vote in accordance with the regulations of Article 179 of the Company Law of the Republic of China.

### **Article 14**

Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

### **Article 15**

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Corporation for the convening of shareholders' meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices sent out to the shareholders.

### **Article 16**

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, Chairman should appoint one of the Board of Directors as his

representative to preside the meeting, or one of the Directors shall be elected among Directors if Chairman does not appoint anyone. If the meeting is convened by the outsider of the Board of Directors, the convener should preside the meeting; when there are more than 2 conveners, conveners should elect one among conveners to preside the meeting.

### **Article 17**

The resolutions of the shareholders' meeting shall be recorded in the minutes, and handle in accordance with the regulations of Article 183 of the Company Law of the Republic of China.

## **Section IV-Directors and the Functional Committee**

### **Article 18**

The Corporation shall have seven to nine Directors, the term of office for Directors shall be three (3) years. Directors should be elected by adopting candidates' nomination system, the shareholders can elect the directors from the candidates list of directors, and all Directors shall be eligible for re-election. All directors of the proportion of the total shareholding of the Corporation shall be governed by the provisions of the securities regulatory authorities. The Corporation reserves the right to purchase Liability Insurance for the Directors according to his function and the compensation liability the Directors might take in accordance with the Law as the Director conducting his business.

### **Article 18-1**

The Corporation must have at least three independent directors in accordance with the regulations of Article 14-2 of the Securities Exchange Act of the Republic of China, and no less than one-fifth of total number of directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the Security Competent Authority. Independent directors and directors shall have election together, and the elected quota shall be calculated separately, the independent directors and directors shall be elected by the high suffrage represented by the resulting ballot.

### **Article 19**

The Directors shall elect from among themselves a Chairman of the Board of Directors by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

### **Article 20**

In Chairman's absence, any one of the Directors shall be acting for him according to the regulations of Article 208 of the Company Law of the Republic of China.



## **Article 21**

In calling a meeting of the board of directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.

The remuneration of directors, be authorized the Board agreed according to Directors' value to the extent of their involvement of the Corporation's operations and the contribution, also referred with general standard of the similar industry standard.

## **Article 22**

In the case that vacancies on the Board of Directors exceed, for any reason, on third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting to elect new Directors to fill such vacancies within 60 days, the new Directors shall serve the remaining term of the predecessors.

## **Article 23**

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting. A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

## **Article 24**

Resolutions adopted at a meeting of the Board of Directors shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all Directors within fifteen (15) days after the close of the meeting. The minute of the meeting of the Board of Directors shall record the date and the place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes and the attendance register book of the Directors, including the authorizations, shall be kept persistently.

## **Article 24-1**

The Corporation shall establish a Remuneration Committee, an Audit Committee or other Functional Committees.

The Corporation establishes an Audit Committee consist of all independent directors in compliance with Article 14-4 of the ROC Securities and Exchange Law, The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.

## **Section V-Management of the Corporation**

### **Article 25**

The Corporation may, by resolution of the Board of Directors, appoint managerial personnel to meet the Corporation's operational or managerial needs, appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with the regulations of the Article 29 of the Company Law. Managerial personnel has the right to manage and perform such duties under the function scope of authorization by the Board of the Directors. The Corporation has the right to purchase Liability Insurance for the managerial personnel according to his function and the compensation liability the managerial personnel might take in accordance with the Law as the managerial personnel conducting his business.

## **Section VI-Accounting**

### **Article 26**

At the close of each fiscal year, the Board of Directors shall prepare the following statements and records and shall forward the same to the general meeting of shareholders for its ratification:

1. Business Report;
2. Financial Statement; and
3. The surplus earning distribution or loss off-setting proposals.

### **Article 27**

This Corporation shall set aside 1%-20% as employees' compensation and the percentage lower than 2% as directors' compensation if the Corporation has profit (means the Pre-tax Income before deduction of the employees' and directors' compensation) in the current year. However, the company's accumulated losses shall have been covered, if any (including the adjustment of unappropriated retained earnings).

The Corporation may have the profit distributable as employees' compensation in the preceding paragraphs distributed in the form of shares or in cash to the qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, the remuneration of directors only can receive the profit in the form of cash.

The Corporation shall, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors for the preceding two paragraphs distributed and such distribution shall be submitted to the shareholders' meeting.

### **Article 27-1**

When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the

rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution of the dividends and bonuses to the shareholders base on the amount in this provision and provide the proposal to shareholders' meeting to get resolution.

The Dividend Policy of the Company is in concert with the development plan of current and future, the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than 25% as shareholders' dividends; the dividends in the said proceeding sentence can be distributed in the form of shares or in cash, the stock Dividends of Share Allocations will not be higher than 80% of the Total Dividends.

## **Section VII-Supplementary Provisions**

### **Article 28**

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

### **Article 29**

These Articles of Incorporation are agreed to and signed on May 8, 1990 by all the promoters of the Corporation.

The first Amendment was approved on January 7, 1993;

The second Amendment was made on October 1, 1993;

The third Amendment was made on May 24, 1997;

The fourth Amendment was made on August 15, 1997;

The fifth Amendment was made on September 5, 1997;

The sixth Amendment was made on June 20, 1998;

The seventh Amendment was made on June 12, 1999;

The eighth Amendment was made on June 24, 2000;

The ninth Amendment was made on June 16, 2001;

The tenth Amendment was made on March 5, 2002;

The eleventh Amendment was made on June 25, 2002;

The twelfth Amendment was made on June 30, 2003;

The thirteen Amendment was made on May 24, 2004;

The fourteen Amendment was made on June 24, 2005;

The fifteen Amendment was made on June 9, 2006;

The sixteen Amendment was made on June 25, 2007;

The seventeen Amendment was made on June 6, 2008;

The eighteen Amendment was made on June 22, 2009;

The nineteen Amendment was made on June 17, 2010;

The twenty Amendment was made on June 24, 2011;

The twenty-first Amendment was made on June 18, 2012;  
The twenty-two Amendment was made on June 3, 2015.  
The twenty-three Amendment was made on May 31, 2016.  
The twenty-four Amendment was made on May 22, 2017

## **AXIOMTEK CO., LTD.**

### **Rules of Procedures for Shareholders' Meeting**

1. To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
2. The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
3. Unless otherwise provided by law or regulation, the Company's shareholder meetings shall be convened by the Board of Directors.

The Company shall make including the shareholders meeting notice, proxy form, approval proposal, discussion proposal, election or discharge Directors and so on(a regular meeting of shareholders prior within 30 days or special meeting of shareholders prior 15 days) as electronic forms upload to MOPS. And the amendment of the meeting shall be made as electronic files and upload to MOPS (a regular meeting of shareholders prior within 21 days or special meeting of shareholders prior 15 days). Before the 15 days of the shareholders meeting, the Company shall well prepare the Shareholders meeting's handbook and the amendment to be put in the place of professional stock transfer agency authorized by the Company and reviewed by each shareholder anytime, and shall grant to shareholders in the place of the meeting.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of Directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the Company, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issue shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal for discussion at a regular shareholders meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. And the proposal issued by shareholder should be pursuant to Article 172-1 of the Company Act, any proposal with regards to the Item 4 of Article 172-1 of the Company act will not be discussed for

the motion.

Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

4. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

5. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the Independent Directors with respect to the place and time of the meeting.
6. The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders or their proxies (collectively, “shareholders”) shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker’s slips, voting slips, and other meeting materials. Where there is an election of Directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

7. If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the chairman shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the Directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the Directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders meetings convened by the Board of Directors be chaired by the chairperson of the board in person and attended by a majority of the Directors and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

8. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The Company shall retain the recording for at 1 year. If, however, a shareholder files a lawsuit

pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

9. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act, all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

10. If a shareholders meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders, when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the



speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor, the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

12. Voting at shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

13. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be established in accordance with the laws and shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting

in person. However, the shareholder mentioned in the preceding paragraph will be deemed to waive the right for the motion and the modification of the proposal at that shareholders' meeting mentioned herein, therefore, the Company shall avoid the situation of providing the proposal for the motion and the modification for the agenda item.

When shareholder exercises voting rights by written consent or electronic means in accordance with the preceding paragraph, the intention shall be delivered to the Company before 2 days before the date of the shareholders' meeting, when the intention repeat, the one received earliest shall prevail unless a declaration is made to cancel the previous intention.

After shareholder exercises voting rights by written consent or electronic means, if they want to attend to the shareholders' meeting in personal, the shareholder mentioned in the preceding sentence shall withdraw the intention by written consent or electronic means in the same way of exercising voting rights before 2 days before the date of the shareholders' meeting; when the withdraw mentioned herein is overdue, the voting rights by written consent or electronic mean shall prevail. If shareholder exercises voting rights by written consent or electronic means and appoint agent as proxy to attend the shareholders meeting, the voting right of proxy shall prevail.

Except as otherwise specified in the Company Act or in the Company's articles of incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed veto, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, and all monitoring personnel shall be shareholders of the Company.

Vote counting shall be conducted in public at the place of the shareholders meeting, and voting results shall be reported on –site immediately and recorded in writing.

14. The election of Directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the company Act, the ballots shall be retained until the conclusion of the litigation.

15. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The distribution of the meeting minutes could be in the way of electronic form.

The distribution for the meeting minutes in the preceding paragraph can be in the ways of

published in MOPS.

The meeting minutes shall record the date of the meeting, place, the chair name, the way of resolution and the results, and keep it forever during the term of continuing of the Company.

16. On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute information under applicable laws or regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

17. The personnel who is responsible for the shareholders' meeting shall wear the badge or identification card.

The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the meeting place. Such disciplinary officers or the security guard shall wear the badge marked "Disciplinary officers" for identification purpose.

At the place of meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceeding and refusing to heed calls to stop, the chair may direct relevant personnel to escort the shareholder from the meeting.

18. During the meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on the situation.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

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

20. The amendment was made on June 3<sup>rd</sup>, 2015.

**AXIOMTEK CO., LTD.****Particulars about Shareholding of All Directors**

I. As per calculation based on the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the overall shareholding by Directors are as follow:

- (I) The Company has issued 79,418,034 common shares of which 10% (i.e. 7,941,803 shares) shall be held by all Directors according to statutory requirements. Also, the Audit Committee comprising Independent Directors has been established by the Company in accordance with Article 14.4 of the Securities and Exchange Act, responsible for the implementation of the authority of Supervisors under the provisions of the Company Act, the Securities and Exchange Act and other laws and regulations. Therefore, supervisors' shareholding requirements are not applicable.
- (II) The Company has also elected three Independent Directors; subsequently, the statutorily required number of common shares held by the Directors shall be reduced according to 80% of the abovementioned shares that shall be held by Directors. Hence, the total number of common shares held by the Directors of the Company shall come to 6,353,442 shares.

II. As of March 31<sup>st</sup>, 2018 (book closure date), the shareholding of common shares held by all Directors in the shareholders' registry has been as follows:

Title	Name	Representative	Current shareholding	
			Shares	Shareholding ratio %
Chairman	Yang, Yu-Te		3,154,512	3.97
Director	Advantech Co., Ltd.	Liu, Wei-Ting	20,537,984	25.86
Director	Huang, Ming-Ta		140,119	0.18
Director	Tsai, Shih-Yang		419,000	0.53
Independent Director	Liu, Chun-Lian		0	0
Independent Director	Chou, Chih-Chen		0	0
Independent Director	Lin, Yih-Jong		0	0
The shareholding of common shares held by all Directors			24,251,615	30.54

III. As it has stood, the number of common shares held by all Directors has reached the statutorily required number.