

**TRANSCEND INFORMATION, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2015 AND 2014**

For the convenience of readers and for information purpose only, 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.



資誠

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR15000070

To the Board of Directors and Shareholders of Transcend Information, Inc.

We have reviewed the accompanying consolidated balance sheets of Transcend Information, Inc. and its subsidiaries as of June 30, 2015 and 2014 and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the “Rules Governing the Preparations of Financial Statements by Securities Issuers” and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

August 6, 2015

Taipei, Taiwan

Republic of China

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

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of June 30, 2015 and 2014 are reviewed, not audited)

Assets	Notes	June 30, 2015		December 31, 2014		June 30, 2014	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	\$ 10,644,707	41	\$ 11,565,344	44	\$ 11,599,585	44
Current financial assets at fair value	6(2)						
through profit or loss		9,131	-	53,545	-	-	-
Current bond investments without	6(3)						
active market		1,147,290	4	637,025	3	657,856	3
Notes receivable, net		339	-	-	-	1,000	-
Accounts receivable, net	6(4)	2,851,994	11	2,993,131	11	2,917,994	11
Other receivables		264,305	1	283,316	1	287,725	1
Other receivables - related parties	7	-	-	-	-	10,235	-
Inventories, net	6(5)	7,090,049	27	6,364,987	24	6,260,636	24
Other current assets		96,091	-	44,515	-	50,995	-
Current Assets		<u>22,103,906</u>	<u>84</u>	<u>21,941,863</u>	<u>83</u>	<u>21,786,026</u>	<u>83</u>
Non-current assets							
Available-for-sale financial	6(6)						
assets-non-current		192,681	1	232,639	1	301,821	1
Investments accounted for using	6(7)						
equity method		325,229	1	332,593	1	221,717	1
Property, plant and equipment, net	6(8), 7 and						
8		3,037,261	12	3,160,974	12	3,208,703	12
Investment property, net	6(9)	292,762	1	298,614	1	297,858	1
Deferred tax assets		127,396	-	92,319	1	95,195	1
Other non-current assets	6(10) and 8	188,025	1	234,238	1	225,262	1
Non-current Assets		<u>4,163,354</u>	<u>16</u>	<u>4,351,377</u>	<u>17</u>	<u>4,350,556</u>	<u>17</u>
Total Assets		<u>\$ 26,267,260</u>	<u>100</u>	<u>\$ 26,293,240</u>	<u>100</u>	<u>\$ 26,136,582</u>	<u>100</u>

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of June 30, 2015 and 2014 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2015		December 31, 2014		June 30, 2014	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term borrowings	6(11)	\$ 378,600	1	\$ 903,300	4	\$ 681,815	3
Financial liabilities at fair value	6(2)						
through profit or loss - current		21,503	-	-	-	6,240	-
Notes payable		-	-	8	-	4	-
Accounts payable		2,772,863	11	3,202,531	12	2,721,654	10
Accounts payable to related parties	7	80,971	-	74,185	-	68,057	-
Other payables		3,685,342	14	475,052	2	3,246,798	13
Current tax liabilities		265,934	1	319,927	1	275,072	1
Other current liabilities		36,799	-	60,063	-	34,442	-
Current Liabilities		<u>7,242,012</u>	<u>27</u>	<u>5,035,066</u>	<u>19</u>	<u>7,034,082</u>	<u>27</u>
Non-current liabilities							
Deferred tax liabilities		405,897	2	485,378	2	378,535	2
Other non-current liabilities	6(12)	70,039	-	54,191	-	57,120	-
Non-current Liabilities		<u>475,936</u>	<u>2</u>	<u>539,569</u>	<u>2</u>	<u>435,655</u>	<u>2</u>
Total Liabilities		<u>7,717,948</u>	<u>29</u>	<u>5,574,635</u>	<u>21</u>	<u>7,469,737</u>	<u>29</u>
Share capital	6(13)						
Common stock		4,307,617	17	4,307,617	16	4,307,617	16
Capital surplus	6(14)						
Capital surplus		4,799,075	18	4,799,075	18	4,799,075	18
Retained earnings	6(15)						
Legal reserve		3,426,756	13	3,053,235	12	3,053,235	12
Unappropriated retained earnings		6,097,550	23	8,504,167	32	6,509,834	25
Other equity interest	6(16)						
Other equity interest		(81,686)	-	54,511	1	(2,916)	-
Total equity attributable to owners of parent		<u>18,549,312</u>	<u>71</u>	<u>20,718,605</u>	<u>79</u>	<u>18,666,845</u>	<u>71</u>
Total Equity		<u>18,549,312</u>	<u>71</u>	<u>20,718,605</u>	<u>79</u>	<u>18,666,845</u>	<u>71</u>
Commitments and contingent liabilities	9						
Total Liabilities and Equity		<u>\$ 26,267,260</u>	<u>100</u>	<u>\$ 26,293,240</u>	<u>100</u>	<u>\$ 26,136,582</u>	<u>100</u>

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan Dollars, except Earnings Per Share)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2015		2014 (Restated)		2015		2014 (Restated)	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating Revenue	6(17)	\$ 6,024,924	100	\$ 6,656,660	100	\$ 12,156,669	100	\$ 13,451,271	100
Operating Costs	6(5) and 7	(4,925,142)	(82)	(5,209,111)	(78)	(9,752,153)	(80)	(10,676,963)	(79)
Gross Profit		<u>1,099,782</u>	<u>18</u>	<u>1,447,549</u>	<u>22</u>	<u>2,404,516</u>	<u>20</u>	<u>2,774,308</u>	<u>21</u>
Operating Expenses	6(20)								
Sales and marketing expenses		(305,525)	(5)	(294,961)	(4)	(586,410)	(5)	(576,816)	(4)
General and administrative expenses		(89,327)	(1)	(103,124)	(2)	(150,890)	(1)	(194,236)	(2)
Research and development expenses		(30,915)	(1)	(42,384)	(1)	(64,862)	(1)	(88,322)	(1)
Total operating expenses		<u>(425,767)</u>	<u>(7)</u>	<u>(440,469)</u>	<u>(7)</u>	<u>(802,162)</u>	<u>(7)</u>	<u>(859,374)</u>	<u>(7)</u>
Operating Profit		<u>674,015</u>	<u>11</u>	<u>1,007,080</u>	<u>15</u>	<u>1,602,354</u>	<u>13</u>	<u>1,914,934</u>	<u>14</u>
Non-operating Income and Expenses									
Other income	6(18)	43,234	1	57,918	1	94,606	1	100,583	1
Other gains and losses	6(19)	(140,572)	(3)	(73,164)	(1)	(178,836)	(2)	(1,375)	-
Finance costs		(582)	-	(4,080)	-	(2,398)	-	(6,746)	-
Share of gain (loss) of associates and joint ventures accounted for under equity method	6(7)	(9,137)	-	625	-	(7,364)	-	462	-
Total non-operating income and expenses		<u>(107,057)</u>	<u>(2)</u>	<u>(18,701)</u>	<u>-</u>	<u>(93,992)</u>	<u>(1)</u>	<u>95,674</u>	<u>1</u>
Profit before Income Tax		<u>566,958</u>	<u>9</u>	<u>988,379</u>	<u>15</u>	<u>1,508,362</u>	<u>12</u>	<u>2,010,608</u>	<u>15</u>
Income tax expense	6(21)	(75,964)	(1)	(148,404)	(2)	(181,517)	(1)	(269,822)	(2)
Profit for the Period		<u>\$ 490,994</u>	<u>8</u>	<u>\$ 839,975</u>	<u>13</u>	<u>\$ 1,326,845</u>	<u>11</u>	<u>\$ 1,740,786</u>	<u>13</u>
Other Comprehensive Income									
Components of other comprehensive income that will be reclassified to profit or loss									
Cumulative translation differences for foreign operations	6(16)	(\$ 48,371)	(1)	(\$ 75,508)	(1)	(\$ 115,950)	(1)	(\$ 59,574)	-
Unrealized gain (loss) on available-for-sale financial assets	6(6)	(30,943)	-	2,197	-	(39,958)	-	37,399	-
Income tax on other comprehensive income	6(16)(21)	8,223	-	12,837	-	19,711	-	10,128	-
Other Comprehensive Loss for the Period		<u>(\$ 71,091)</u>	<u>(1)</u>	<u>(\$ 60,474)</u>	<u>(1)</u>	<u>(\$ 136,197)</u>	<u>(1)</u>	<u>(\$ 12,047)</u>	<u>-</u>
Total Comprehensive Income		<u>\$ 419,903</u>	<u>7</u>	<u>\$ 779,501</u>	<u>12</u>	<u>\$ 1,190,648</u>	<u>10</u>	<u>\$ 1,728,739</u>	<u>13</u>
Net Profit attributable to:									
Owners of parent		<u>\$ 490,994</u>	<u>8</u>	<u>\$ 839,975</u>	<u>13</u>	<u>\$ 1,326,845</u>	<u>11</u>	<u>\$ 1,740,786</u>	<u>13</u>
Comprehensive Income attributable to:									
Owners of parent		<u>\$ 419,903</u>	<u>7</u>	<u>\$ 779,501</u>	<u>12</u>	<u>\$ 1,190,648</u>	<u>10</u>	<u>\$ 1,728,739</u>	<u>13</u>
Earnings Per Share	6(22)								
Basic earnings per share		<u>\$ 1.14</u>		<u>\$ 1.95</u>		<u>\$ 3.08</u>		<u>\$ 4.04</u>	
Diluted earnings per share		<u>\$ 1.14</u>		<u>\$ 1.95</u>		<u>\$ 3.08</u>		<u>\$ 4.04</u>	

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

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

Notes	Equity attributable to owners of the parent								Total equity
	Capital Reserves				Retained Earnings		Other equity interest		
	Common stock	Additional paid-in capital	Capital surplus, donated assets received	Capital surplus, net assets from merger	Legal reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	
<u>For the six-month period ended June 30, 2014</u>									
Balance at January 1, 2014	\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 2,733,339	\$ 7,975,047	\$ 27,764	(\$ 18,633)	\$ 19,824,209
Appropriation of 2013 earnings	6(15)								
Legal reserve	-	-	-	-	319,896	(319,896)	-	-	-
Cash dividends	-	-	-	-	-	(2,886,103)	-	-	(2,886,103)
Net income for the period	-	-	-	-	-	1,740,786	-	-	1,740,786
Other comprehensive income (loss) for the period	6(6)(16)								
	-	-	-	-	-	-	(49,446)	37,399	(12,047)
Balance at June 30, 2014	<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 3,053,235</u>	<u>\$ 6,509,834</u>	<u>(\$ 21,682)</u>	<u>\$ 18,766</u>	<u>\$ 18,666,845</u>
<u>For the six-month period ended June 30, 2015</u>									
Balance at January 1, 2015	\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 3,053,235	\$ 8,504,167	\$ 104,927	(\$ 50,416)	\$ 20,718,605
Appropriations of 2014 earnings	6(15)								
Legal reserve	-	-	-	-	373,521	(373,521)	-	-	-
Cash dividends	-	-	-	-	-	(3,359,941)	-	-	(3,359,941)
Net income for the period	-	-	-	-	-	1,326,845	-	-	1,326,845
Other comprehensive loss for the period	6(6)(16)								
	-	-	-	-	-	-	(96,239)	(39,958)	(136,197)
Balance at June 30, 2015	<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 3,426,756</u>	<u>\$ 6,097,550</u>	<u>\$ 8,688</u>	<u>(\$ 90,374)</u>	<u>\$ 18,549,312</u>

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan Dollars)
(UNAUDITED)

	Notes	For the six-month periods ended June 30,	
		2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the period		\$ 1,508,362	\$ 2,010,608
Adjustments to reconcile profit before tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Net loss on financial assets at fair value through profit or loss	6(2)	44,414	-
Gain on disposal of financial assets	6(3)(19)	(9,563)	(5,799)
Share of loss (gain) of associates and joint ventures accounted for using equity method	6(7)	7,364	(462)
Reversal of bad debts	6(4)	(87)	-
Net losses on financial liabilities at fair value through profit or loss	6(2)	21,503	6,632
Depreciation	6(20)	119,969	117,999
Interest income	6(18)	(85,142)	(92,869)
Interest expense		2,398	-
Loss (gain) on disposal of property, plant and equipment	6(19)	241	(813)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes and accounts receivable		142,043	(182,835)
Other receivables		18,336	(11,538)
Other receivables - related parties		-	(10,235)
Inventories		(725,062)	(1,184,697)
Other current assets		(51,576)	(14,684)
Net changes in liabilities relating to operating activities			
Net gain on financial liabilities at fair value through profit or loss		-	(392)
Notes and accounts payable		(422,890)	73,115
Other payables		(149,651)	(28,077)
Other current liabilities		(23,264)	(15,571)
Other non-current liabilities		15,848	7,771
Cash generated from operations		413,243	668,153
Interest received		85,817	71,210
Interest paid		(2,398)	(5,038)
Income tax paid		(330,357)	(257,876)
Net cash provided by operating activities		<u>166,305</u>	<u>476,449</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of bond investments without active markets		600,825	-
Acquisition of bond investments without active markets		(1,107,214)	(534,857)
Acquisition of property, plant and equipment (including investment property)	6(8)	(30,989)	(19,327)
Proceeds from disposal of property, plant and equipment	6(8)	31	10,080
Decrease (increase) in other non-current assets		46,213	(41,571)
Net cash used in investing activities		<u>(491,134)</u>	<u>(585,675)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(506,400)	98,555
Net cash (used in) provided by financing activities		<u>(506,400)</u>	<u>98,555</u>
Effect of foreign exchange rate changes		(89,408)	(29,249)
Decrease in cash and cash equivalents		(920,637)	(39,920)
Cash and cash equivalents at beginning of period		11,565,344	11,639,505
Cash and cash equivalents at end of period		<u>\$ 10,644,707</u>	<u>\$ 11,599,585</u>

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

(Unaudited)

1. HISTORY AND ORGANIZATION

Transcend Information, Inc. (the "Company") was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) in August 1989. The main activities of the Company and its subsidiaries (collectively referred herein as the "Group") are manufacturing, processing and the sale of computer software and hardware, peripheral equipment and other computer components. The Securities and Futures Commission of the Republic of China had approved the Company's shares to be listed on the Taiwan Stock Exchange and the shares started trading on May 3, 2001.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on August 6, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers " effective January 1, 2015 (collectively referred herein as the "2013 version of IFRSs") in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group has adjusted its presentation of the statement of comprehensive income.

B. IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group has disclosed additional information about its interests in consolidated entities and unconsolidated entities accordingly.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation and additional descriptions that are set out below, the rest of the principal accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2014. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, “Interim Financial Reporting” endorsed by the FSC.
- B. The consolidated financial statements as of and for the three-month period ended June 30, 2015 should be read together with the consolidated financial statements as of and for the year ended December 31, 2014.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit (loss).
 - (b) Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2014.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			June 30, 2015	December 31, 2014	June 30, 2014	
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	100	-
"	Transcend Japan Inc. (Transcend Japan)	Wholesaler of computer memory modules and peripheral products	100	100	100	-
"	Transcend Information Inc. (Transcend USA)	Wholesaler of computer memory modules and peripheral products	100	100	100	-
"	Transcend Korea Inc. (Transcend Korea)	Wholesaler of computer memory modules and peripheral products	100	100	100	-
Saffire Investment Ltd.	Memhiro Pte. Ltd. (Memhiro)	Investment holding company	100	100	100	-
Memhiro Pte. Ltd.	Transcend Information Europe B.V. (Transcend Europe)	Wholesaler of computer memory modules and peripheral products	100	100	100	-
"	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesaler of computer memory modules and peripheral products	100	100	100	-
"	Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Manufacturing, processing and sale of computer software and hardware, peripheral equipment and other computer components	100	100	100	-
"	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesaler of computer memory modules, peripheral equipment and other computer components	100	100	100	-
"	Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong)	Wholesaler of computer memory modules and peripheral products	100	100	100	-

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustment for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Except for additional descriptions set out below, the rest of the principal accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2014.

(1) Pensions

Defined benefit plans

- A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).
- B. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- C. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(2) Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements as of and for the year ended December 31, 2014 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Cash on hand and petty cash	\$ 1,372	\$ 1,523	\$ 1,031
Checking accounts and demand deposits	1,725,387	2,245,438	4,575,962
Time deposits	8,535,284	8,925,923	6,858,334
Cash equivalents -			
Bond with repurchase agreement	382,664	392,460	164,258
Total	<u>\$ 10,644,707</u>	<u>\$ 11,565,344</u>	<u>\$ 11,599,585</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Cash and cash equivalents pledged as collateral had been reclassified as 'other non-current assets' in the amount of \$2,987 as of June 30, 2014. Please refer to Note 8 for details. As of June 30, 2015 and December 31, 2014, the Group had no cash and cash equivalents pledged to others.
- C. As of June 30, 2015, December 31, 2014 and June 30, 2014, the bond with repurchase agreement recognized as cash equivalents is 30-day highly-liquid investments with annual interest rate of 1.50%.

(2) Current financial assets/liabilities at fair value through profit or loss

<u>Items</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Current item :			
Financial assets held for trading			
Non-hedging derivatives	\$ 9,131	\$ 53,545	\$ -
Financial liabilities held for trading			
Non-hedging derivatives	(\$ 21,503)	\$ -	(\$ 6,240)

- A. The Group recognized net gain (loss) of (\$35,346), (\$6,632), \$85,195 and (\$6,632) on financial assets/liabilities held for trading for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.
- B. The non-hedging derivative financial assets/liabilities transactions and contract information are as follows:

(Unit: in thousand dollars)

June 30, 2015

<u>Derivative financial assets</u>	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts	JPY 800,000	March 19, 2015 to September 14, 2015
"	" 800,000	March 25, 2015 to September 14, 2015

(Unit: in thousand dollars)

June 30, 2015

<u>Derivative financial liabilities</u>	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts	EUR 2,100	January 27, 2015 to July 20, 2015
"	" 3,500	February 3, 2015 to July 27, 2015
"	" 5,000	March 13, 2015 to September 8, 2015
"	" 6,500	March 19, 2015 to September 14, 2015
"	" 6,000	April 24, 2015 to October 19, 2015

(Unit: in thousand dollars)

December 31, 2014

<u>Derivative financial assets</u>	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts	EUR 16,000	November 6, 2014 to April 20, 2015
"	" 4,200	November 25, 2014 to April 23, 2015
"	" 5,200	November 25, 2014 to May 18, 2015
"	" 3,900	December 10, 2014 to June 8, 2015
"	JPY 1,910,000	November 10, 2014 to April 27, 2015
"	" 800,000	December 10, 2014 to June 8, 2015

(Unit: in thousand dollars)

June 30, 2014

<u>Derivative financial liabilities</u>	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		
Forward foreign exchange contracts	EUR 22,000	June 13, 2014 to December 1, 2014

The Group entered into forward foreign exchange contracts to buy USD (sell EUR and JPY) to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Current bond investments without active markets

<u>Items</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Current items :			
Funds-bonds	\$ 576,380	\$ 51,500	\$ 48,610
Bond with repurchase agreement	570,910	585,525	609,246
	<u>\$ 1,147,290</u>	<u>\$ 637,025</u>	<u>\$ 657,856</u>

A. The Group's fund-bonds are from Shanghai Pudong Development Bank and Fubon Bank (China) Co, Ltd. which are well-known banks in Mainland China. The Group's bonds with repurchase agreement are from Yuanta Asset Management Limited.

B. The Group recognized gain on disposal of financial assets of \$6,304, \$3,367, \$9,563 and \$5,799 in profit or loss for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

C. No bond investments without active market were pledged to others.

(4) Accounts receivable

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Accounts receivable	\$ 2,883,257	\$ 3,026,355	\$ 2,964,277
Less: Allowance for bad debts	(31,263)	(33,224)	(46,283)
	<u>\$ 2,851,994</u>	<u>\$ 2,993,131</u>	<u>\$ 2,917,994</u>

- A. The Group has insured credit insurance that covers accounts receivable of its major customers. Should bad debt occur, the Group will receive 90% of the losses resulting from non-payment.
- B. The ageing analysis of accounts receivable that were past due but not impaired is as follows :

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Up to 30 days	\$ 427,277	\$ 620,543	\$ 589,116
31 to 90 days	33,053	19,446	25,010
91 to 180 days	-	1,037	1,899
	<u>\$ 460,330</u>	<u>\$ 641,026</u>	<u>\$ 616,025</u>

The above ageing analysis was based on past due date.

- C. Movement analysis of financial assets that were impaired is as follows:

- (a) As of June 30, 2015, December 31, 2014 and June 30, 2014, the Group's accounts receivable that were impaired amounted to \$31,263, \$33,224 and \$46,283, respectively.
- (b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Individual provision</u>		<u>Individual provision</u>	
At January 1	\$	33,224	\$	47,322
Reversal of impairment	(87)		-
Write-offs during the period	(716)		-
Net exchange differences	(1,158)	(1,039)
At June 30	<u>\$</u>	<u>31,263</u>	<u>\$</u>	<u>46,283</u>

- D. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Group 1	\$ 1,011,558	\$ 905,678	\$ 691,464
Group 2	1,380,106	1,446,427	1,610,505
	<u>\$ 2,391,664</u>	<u>\$ 2,352,105</u>	<u>\$ 2,301,969</u>

Group 1: Customers with credit line under \$20,000, after a comprehensive consideration of revenues, capital, and operational performance.

Group 2: Customers with credit line over \$20,000, after a comprehensive consideration of revenues, capital, and operational performance.

- E. The Group does not hold any collateral as security.

(5) Inventories

June 30, 2015		
Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,580,047 (\$ 56,590)	\$ 4,523,457
Work in process	838,161 (7,867)	830,294
Finished goods	1,775,452 (39,154)	1,736,298
Total	\$ 7,193,660 (\$ 103,611)	\$ 7,090,049

December 31, 2014		
Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,864,256 (\$ 85,740)	\$ 3,778,516
Work in process	856,658 (14,430)	842,228
Finished goods	1,771,056 (26,813)	1,744,243
Total	\$ 6,491,970 (\$ 126,983)	\$ 6,364,987

June 30, 2014		
Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,457,742 (\$ 48,804)	\$ 3,408,938
Work in process	1,397,223 (10,472)	1,386,751
Finished goods	1,485,466 (20,519)	1,464,947
Total	\$ 6,340,431 (\$ 79,795)	\$ 6,260,636

A. The cost of inventories recognized as expense:

	Three-month periods ended June 30,	
	2015	2014
Cost of inventories sold	\$ 4,922,864	\$ 5,226,142
Loss on (gain on reversal of) inventory write-down	2,278 (17,031)
	\$ 4,925,142	\$ 5,209,111

	Six-month periods ended June 30,	
	2015	2014
Cost of inventories sold	\$ 9,775,525	\$ 10,674,142
(Gain on reversal of) loss on inventory write-down	(23,372)	2,821
	\$ 9,752,153	\$ 10,676,963

The reversal of inventory write-down for the six-month periods ended June 30, 2015 was caused by aggressively disposing the slow-moving inventory.

The reversal of inventory write-down for the three-month periods ended June 30, 2014 was caused by the price recovery of certain finished goods which offset the allowance of valuation loss on certain raw materials, work-in-process goods and finished goods.

B. No inventories were pledged to others.

(6) Available-for-sale financial assets - non-current

Items	June 30, 2015	December 31, 2014	June 30, 2014
Non-current items :			
Listed stocks	\$ 281,930	\$ 281,930	\$ 281,930
Others	31,125	31,125	31,125
Subtotal	313,055	313,055	313,055
Valuation adjustments of available-for-sale financial assets	(90,374)	(50,416)	18,766
Accumulated impairment	(30,000)	(30,000)	(30,000)
Total	<u>\$ 192,681</u>	<u>\$ 232,639</u>	<u>\$ 301,821</u>

A. The Group recognized (\$30,943), \$2,197, \$39,958 and \$37,399 in other comprehensive (loss) income for fair value change for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

B. No available-for-sale financial assets were pledged to others.

(7) Investments accounted for using equity method

Investee Company	June 30, 2015	December 31, 2014	June 30, 2014
Taiwan IC Packaging Corp.	<u>\$ 325,229</u>	<u>\$ 332,593</u>	<u>\$ 221,717</u>

A. The basic information of the associates that are material to the Group is as follows:

Associates name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		June 30, 2015	December 31, 2014	June 30, 2014		
Taiwan IC Packaging Corp.	Taiwan	12.88%	12.88%	13.55%	Packaging of semi-conductors	Equity method

Taiwan IC Packaging Corporation issued new shares in September 2014. The Group subscribed for 10,843 thousands of new shares, increasing the book value of investments accounted for using equity method by \$103,008. The percentage of ownership decreased to 12.88% after the subscription.

B. The summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	Taiwan IC Packaging Corp.		
	June 30, 2015	December 31, 2014	June 30, 2014
Current assets	\$ 2,271,781	\$ 2,553,825	\$ 1,568,089
Non-current assets	1,663,239	1,481,686	1,410,444
Current liabilities	(367,341)	(397,229)	(351,893)
Non-current liabilities	(54,109)	(75,239)	(83,973)
Total net assets	<u>\$ 3,513,570</u>	<u>\$ 3,563,043</u>	<u>\$ 2,542,667</u>
Share in associate's net assets	\$ 452,556	\$ 458,929	\$ 344,626
Net equity differences	(127,327)	(126,336)	(122,909)
Carrying amount of the associate	<u>\$ 325,229</u>	<u>\$ 332,593</u>	<u>\$ 221,717</u>

Statement of comprehensive income

	Taiwan IC Packaging Corp.	
	Three-month periods ended June 30, 2015	Three-month periods ended June 30, 2014
Revenue	\$ 459,101	\$ 543,627
(Loss) profit for the period from continuing operations	(\$ 70,943)	\$ 4,612
Total comprehensive (loss) income	<u>(\$ 70,943)</u>	<u>\$ 4,612</u>

	Taiwan IC Packaging Corp.	
	Six-month periods ended June 30, 2015	Six-month periods ended June 30, 2014
Revenue	\$ 986,264	\$ 1,041,036
Loss for the period from continuing operations	(\$ 55,862)	(\$ 4,543)
Total comprehensive loss	<u>(\$ 55,862)</u>	<u>(\$ 4,543)</u>

C. Share of (loss) gain of investments accounted for using the equity method is as follows:

<u>Investee Company</u>	<u>Three-month periods ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Taiwan IC Packaging Corp.	<u>(\$ 9,137)</u>	<u>\$ 625</u>

<u>Investee Company</u>	<u>Six-month periods ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Taiwan IC Packaging Corp.	<u>(\$ 7,364)</u>	<u>\$ 462</u>

D. The Group's investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was \$472,290, \$521,022 and \$459,200 as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively.

(8) Property, plant and equipment

	Land	Buildings	Machinery	Vehicles	Office Equipment	Others	Total
<u>At January 1, 2015</u>							
Cost	\$ 724,203	\$ 2,774,759	\$ 824,587	\$ 9,402	\$ 48,271	\$ 64,797	\$ 4,446,019
Accumulated depreciation	-	(730,255)	(467,879)	(6,120)	(36,300)	(44,491)	(1,285,045)
	<u>\$ 724,203</u>	<u>\$ 2,044,504</u>	<u>\$ 356,708</u>	<u>\$ 3,282</u>	<u>\$ 11,971</u>	<u>\$ 20,306</u>	<u>\$ 3,160,974</u>
<u>2015</u>							
Opening net book amount	\$ 724,203	\$ 2,044,504	\$ 356,708	\$ 3,282	\$ 11,971	\$ 20,306	\$ 3,160,974
Additions(including transfer)	-	3,046	20,103	-	2,213	5,627	30,989
Disposals	-	-	(18)	-	(182)	(72)	(272)
Depreciation charge	-	(58,046)	(52,841)	(598)	(2,101)	(2,499)	(116,085)
Net exchange differences	(5,133)	(29,096)	(3,297)	(63)	(482)	(274)	(38,345)
Closing net book amount	<u>\$ 719,070</u>	<u>\$ 1,960,408</u>	<u>\$ 320,655</u>	<u>\$ 2,621</u>	<u>\$ 11,419</u>	<u>\$ 23,088</u>	<u>\$ 3,037,261</u>
<u>At June 30, 2015</u>							
Cost	\$ 719,070	\$ 2,732,793	\$ 833,261	\$ 9,209	\$ 44,077	\$ 66,813	\$ 4,405,223
Accumulated depreciation	-	(772,385)	(512,606)	(6,588)	(32,658)	(43,725)	(1,367,962)
	<u>\$ 719,070</u>	<u>\$ 1,960,408</u>	<u>\$ 320,655</u>	<u>\$ 2,621</u>	<u>\$ 11,419</u>	<u>\$ 23,088</u>	<u>\$ 3,037,261</u>

	Land	Buildings	Machinery	Vehicles	Office Equipment	Others	Total
<u>At January 1, 2014</u>							
Cost	\$ 729,847	\$ 2,780,284	\$ 863,765	\$ 12,411	\$ 53,981	\$ 71,969	\$ 4,512,257
Accumulated depreciation	-	(648,599)	(431,096)	(9,238)	(39,088)	(53,361)	(1,181,382)
	<u>\$ 729,847</u>	<u>\$ 2,131,685</u>	<u>\$ 432,669</u>	<u>\$ 3,173</u>	<u>\$ 14,893</u>	<u>\$ 18,608</u>	<u>\$ 3,330,875</u>
<u>2014</u>							
Opening net book amount	\$ 729,847	\$ 2,131,685	\$ 432,669	\$ 3,173	\$ 14,893	\$ 18,608	\$ 3,330,875
Additions(including transfer)	-	804	11,950	1,618	1,085	3,525	18,982
Disposals	-	-	(9,043)	(189)	(10)	(25)	(9,267)
Depreciation charge	-	(59,264)	(49,453)	(707)	(1,888)	(2,782)	(114,094)
Net exchange differences	3,995	(17,762)	(3,612)	(55)	(43)	(316)	(17,793)
Closing net book amount	<u>\$ 733,842</u>	<u>\$ 2,055,463</u>	<u>\$ 382,511</u>	<u>\$ 3,840</u>	<u>\$ 14,037</u>	<u>\$ 19,010</u>	<u>\$ 3,208,703</u>
<u>At June 30, 2014</u>							
Cost	\$ 733,842	\$ 2,718,084	\$ 788,805	\$ 8,956	\$ 55,147	\$ 73,347	\$ 4,378,181
Accumulated depreciation	-	(662,621)	(406,294)	(5,116)	(41,110)	(54,337)	(1,169,478)
	<u>\$ 733,842</u>	<u>\$ 2,055,463</u>	<u>\$ 382,511</u>	<u>\$ 3,840</u>	<u>\$ 14,037</u>	<u>\$ 19,010</u>	<u>\$ 3,208,703</u>

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 137,037	\$ 236,633	\$ 373,670
Accumulated depreciation and impairment	-	(75,056)	(75,056)
	<u>\$ 137,037</u>	<u>\$ 161,577</u>	<u>\$ 298,614</u>
<u>2015</u>			
Opening net book amount	\$ 137,037	\$ 161,577	\$ 298,614
Depreciation charge	-	(3,884)	(3,884)
Net exchange differences	-	(1,968)	(1,968)
Closing net book amount	<u>\$ 137,037</u>	<u>\$ 155,725</u>	<u>\$ 292,762</u>
<u>At June 30, 2015</u>			
Cost	\$ 137,037	\$ 232,540	\$ 369,577
Accumulated depreciation and impairment	-	(76,815)	(76,815)
	<u>\$ 137,037</u>	<u>\$ 155,725</u>	<u>\$ 292,762</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ 137,037	\$ 232,509	\$ 369,546
Accumulated depreciation and impairment	-	(66,314)	(66,314)
	<u>\$ 137,037</u>	<u>\$ 166,195</u>	<u>\$ 303,232</u>
<u>2014</u>			
Opening net book amount	\$ 137,037	\$ 166,195	\$ 303,232
Additions	-	345	345
Depreciation charge	-	(3,905)	(3,905)
Net exchange differences	-	(1,814)	(1,814)
Closing net book amount	<u>\$ 137,037</u>	<u>\$ 160,821</u>	<u>\$ 297,858</u>
<u>At June 30, 2014</u>			
Cost	\$ 137,037	\$ 230,548	\$ 367,585
Accumulated depreciation and impairment	-	(69,727)	(69,727)
	<u>\$ 137,037</u>	<u>\$ 160,821</u>	<u>\$ 297,858</u>

A. Rental income from the investment property and direct operating expenses arising from investment property are shown below:

	Three-month periods ended June 30,	
	2015	2014
Rental income from investment property	\$ 4,711	\$ 3,633
Direct operating expenses arising from investment property that generated rental income in the period	\$ 1,707	\$ 1,492
Direct operating expenses arising from investment property that did not generate rental income in the period	\$ 225	\$ 236

	Six-month periods ended June 30,	
	2015	2014
Rental income from investment property	\$ 9,464	\$ 7,714
Direct operating expenses arising from investment property that generated rental income in the period	\$ 3,433	\$ 3,458
Direct operating expenses arising from investment property that did not generate rental income in the period	\$ 451	\$ 447

B. The fair value of the investment property held by the Group was \$1,628,193, \$1,829,038 and \$1,186,410 as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(10) Other non-current assets

	June 30, 2015	December 31, 2014	June 30, 2014
Long-term prepaid rents	\$ 113,672	\$ 117,884	\$ 112,757
Guarantee deposits paid	37,113	67,592	65,333
Others	37,240	48,762	47,172
	<u>\$ 188,025</u>	<u>\$ 234,238</u>	<u>\$ 225,262</u>

In May 2005, the Group signed a land-use right contract with the People's Republic of China for the use of land with a term of 50 years. All rentals had been paid on the contract date. The Group recognized rental expenses of \$712, \$682, \$1,436 and \$1,393 for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2015</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings:			
Secured	<u>\$ 378,600</u>	0.38-0.65%	Transcend Japan's Land and Buildings

<u>Type of borrowings</u>	<u>December 31, 2014</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings:			
Secured	\$ 396,900	0.63-0.64%	Transcend Japan's Land and Buildings
Unsecured	<u>506,400</u>	0.93-0.95%	-
	<u>\$ 903,300</u>		

<u>Type of borrowings</u>	<u>June 30, 2014</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings:			
Secured	\$ 294,600	0.64-0.65%	Transcend Japan's Land and Buildings
Unsecured	<u>387,215</u>	0.99-2.78%	-
	<u>\$ 681,815</u>		

(12) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) For the aforementioned pension plan, the Group recognized pension costs of \$275, \$350, \$549 and \$700 for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2016 amounted to \$2,357.

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The Group's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages, ranging from 12.5% to 22%. Other than the monthly contributions, the Group has no further obligations.
- (c) Transcend Japan, Transcend Korea, Transcend USA, Transcend Europe and Transcend Germany have a defined contribution plan. Monthly contributions are based on a certain percentage of employees' monthly salaries and wages and are recognized as pension costs accordingly. Other than the monthly contributions, the Group has no further obligations.
- (d) The pension costs under defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2015 and 2014 were \$12,564, \$11,328, \$24,538 and \$21,942, respectively.

(13) Share capital

As of June 30, 2015, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 25 thousand shares reserved for employee stock options). The paid-in capital was \$4,307,617 with a par value of \$10 (in dollars) per share, consisting of 430,762 thousand shares of ordinary stock outstanding. All proceeds from shares issued have been collected.

(14) Capital surplus

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve shall not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and to offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The Company shall also set aside special reserve in accordance with the regulations. On the premise that there is no effect on the Company's normal operations and no violation of regulations, the Company shall reserve certain amount for maintaining stability of dividends. The remainder, if any, is distributable earnings to be appropriated as resolved by stockholders at the stockholders' meeting.
- B. The Company distributes dividends taking into consideration the Company's economic environment and growth phases, future demands of funds, long-term financial planning, and the cash flow needs of stockholders. Cash dividends shall account for at least 5% of the total dividend distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(20).
- F. The appropriation of earnings of years 2014 and 2013 had been resolved at the stockholders' meeting on June 12, 2015 and June 12, 2014, respectively. Details are summarized below:

	Years ended December 31,			
	2014		2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 373,521		\$ 319,896	
Cash dividends	3,359,941	\$ 7.8	2,886,103	\$ 6.7
Total	<u>\$ 3,733,462</u>		<u>\$ 3,205,999</u>	

	Years ended December 31,			
	2014		2013	
Directors' and supervisors' remuneration	\$	6,049	\$	5,192
Employees' cash bonus		30,243		25,962
	\$	<u>36,292</u>	\$	<u>31,154</u>

(a) The above appropriation of earnings of years 2014 and 2013 as resolved by the shareholders was in agreement with those amounts recognized in the 2014 and 2013 financial statements.

(b) The Company had unpaid cash dividends recorded as "other payables" in the amounts of \$3,359,941 and \$2,886,103, as of June 30, 2015 and 2014, respectively.

(16) Other equity items

	Unrealised gain or loss on available-for-sale financial assets	Cumulative translation differences for foreign operations	Total
At January 1, 2015	(\$ 50,416)	\$ 104,927	\$ 54,511
Change in unrealized gains or losses for available-for-sale financial assets	(39,958)	-	(39,958)
Cumulative translation differences for foreign operations	-	(115,950)	(115,950)
Effect from income tax	-	19,711	19,711
At June 30, 2015	<u>(\$ 90,374)</u>	<u>\$ 8,688</u>	<u>(\$ 81,686)</u>

	Unrealised gain or loss on available-for-sale financial assets	Cumulative translation differences for foreign operations	Total
At January 1, 2014	(\$ 18,633)	\$ 27,764	\$ 9,131
Change in unrealized gains or losses for available-for-sale financial assets	37,399	-	37,399
Cumulative translation differences for foreign operations	-	(59,574)	(59,574)
Effect from income tax	-	10,128	10,128
At June 30, 2014	<u>\$ 18,766</u>	<u>(\$ 21,682)</u>	<u>\$ 2,916</u>

(17) Operating revenue

	Three-month periods ended June 30,	
	2015	2014
Sales revenue	<u>\$ 6,024,924</u>	<u>\$ 6,656,660</u>

	Six-month periods ended June 30,	
	2015	2014
Sales revenue	<u>\$ 12,156,669</u>	<u>\$ 13,451,271</u>

(18) Other income

	Three-month periods ended June 30,	
	2015	2014
Interest income	\$ 38,523	\$ 54,285
Rental revenue	4,711	3,633
Total	<u>\$ 43,234</u>	<u>\$ 57,918</u>

	Six-month periods ended June 30,	
	2015	2014
Interest income	\$ 85,142	\$ 92,869
Rental revenue	9,464	7,714
Total	<u>\$ 94,606</u>	<u>\$ 100,583</u>

(19) Other gains and losses

	Three-month periods ended June 30,	
	2015	2014
Net loss on financial assets at fair value through profit or loss	(\$ 12,413)	\$ -
Net loss on financial liabilities at fair value through profit or loss	(22,933)	(6,632)
Gain on disposal of financial assets	6,304	3,367
Loss on disposal of property, plant and equipment	(240)	(42)
Net currency exchange loss	(120,474)	(82,153)
Others	9,184	12,296
Total	(\$ 140,572)	(\$ 73,164)

	Six-month periods ended June 30,	
	2015	2014
Net gain on financial assets at fair value through profit or loss	\$ 108,128	\$ -
Net loss on financial liabilities at fair value through profit or loss	(22,933)	(6,632)
Gain on disposal of financial assets	9,563	5,799
(Loss) gain on disposal of property, plant and equipment	(241)	813
Net currency exchange loss	(287,378)	(12,893)
Others	14,025	14,288
Total	(\$ 178,836)	\$ 1,375

(20) Expenses by nature

	Three-month periods ended June 30,	
	2015	2014
Wages and salaries	\$ 358,511	\$ 379,598
Labor and health insurance fees	42,793	36,098
Pension costs	12,839	11,678
Other personnel expenses	19,354	15,313
Depreciation on property, plant and equipment (including investment property)	59,914	58,257

	Six-month periods ended June 30,	
	2015	2014
Wages and salaries	\$ 712,738	\$ 775,354
Labor and health insurance fees	80,603	76,090
Pension costs	25,087	22,642
Other personnel expenses	35,523	30,827
Depreciation on property, plant and equipment (including investment property)	119,969	117,999

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for at least 1% of the total distributable earnings; and pay remuneration to the directors and supervisors that account for 0.2% of the total distributable amount. However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. Taking into consideration of the Company's actual procedures, the Company's Articles of Incorporation has not been revised in accordance with the amended Company Act. Thus, all accruals are based on the unrevised Articles of Incorporation.
- B. For the three-month and six-month periods ended June 30, 2015 and 2014, employees' remuneration (bonus) was accrued at \$5,917, \$7,560, \$13,440 and \$15,667, respectively. The aforementioned amounts were recognized in salary expenses.

The difference between employees' bonus and directors' and supervisors' remuneration of 2014 as resolved by the stockholders and the amount recognized in the 2014 financial statements by \$3,377 will be adjusted in the 2015 statement of comprehensive income.

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three-month periods ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Current tax:		
Current tax on profits for the period	\$ 113,318	\$ 136,486
Prior year income tax underestimated	<u>3,171</u>	<u>16,667</u>
Total current tax	<u>116,489</u>	<u>153,153</u>
Deferred tax:		
Origination and reversal of temporary differences	(40,525)	(4,749)
Total deferred tax	<u>(40,525)</u>	<u>(4,749)</u>
Income tax expense	<u>\$ 75,964</u>	<u>\$ 148,404</u>

	<u>Six-month periods ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Current tax:		
Current tax on profits for the period	\$ 270,434	\$ 275,898
Prior year income tax underestimated	<u>5,930</u>	<u>17,083</u>
Total current tax	<u>276,364</u>	<u>292,981</u>
Deferred tax:		
Origination and reversal of temporary differences	(94,847)	(23,159)
Total deferred tax	<u>(94,847)</u>	<u>(23,159)</u>
Income tax expense	<u>\$ 181,517</u>	<u>\$ 269,822</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	<u>Three-month periods ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Cumulative translation differences for foreign operations	<u>(\$ 8,223)</u>	<u>(\$ 12,837)</u>

	<u>Six-month periods ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Cumulative translation differences for foreign operations	<u>(\$ 19,711)</u>	<u>(\$ 10,128)</u>

- B. The investment plan of the Company to increase capital to expand the business of “manufacturing of computers, electronic products and optical products, printing and reproduction of recorded media, and computer system designing services” qualified for “The Guidelines for the Calculation of Exempt Income for the Five-year Profit-seeking Enterprise Income Tax Exemption by Manufacturing Industries and their Related Technical Services Industries Increasing New Investment from July 1, 2008 to December 31, 2009”, which indicates the Company is entitled to operating income tax exemption for 5 consecutive years (ending December 2016).
- C. As of June 30, 2015, the Company’s income tax returns through 2012 have been assessed and approved by the National Taxation Bureau of Taipei, Ministry of Finance.
- D. Unappropriated retained earnings:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Earnings generated in and before 1997	\$ 121,097	\$ 121,097	\$ 121,097
Earnings generated in and after 1998	<u>5,976,453</u>	<u>8,383,070</u>	<u>6,388,737</u>
	<u>\$ 6,097,550</u>	<u>\$ 8,504,167</u>	<u>\$ 6,509,834</u>

- E. As of June 30, 2015, December 31, 2014 and June 30, 2014, the balance of the imputation tax credit account was \$1,242,431, \$1,971,495 and \$1,244,845, respectively. The creditable tax rate was 14.82% for 2014 and is estimated to be 15.79% for 2015.

(22) Earnings per share

	<u>Three-month periods ended June 30, 2015</u>		
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	\$ 490,994	430,762	\$ 1.14
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 490,994	430,762	
Dilutive potential ordinary shares :			
Employees’ bonus	<u>-</u>	<u>322</u>	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 490,994</u>	<u>431,084</u>	<u>\$ 1.14</u>

<u>Six-month periods ended June 30, 2015</u>			
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	\$ 1,326,845	430,762	\$ 3.08
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 1,326,845	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	-	349	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,326,845</u>	<u>431,111</u>	<u>\$ 3.08</u>

<u>Three-month periods ended June 30, 2014</u>			
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	\$ 839,975	430,762	\$ 1.95
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 839,975	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	-	299	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 839,975</u>	<u>431,061</u>	<u>\$ 1.95</u>

	Six-month periods ended June 30, 2014		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	\$ 1,740,786	430,762	\$ 4.04
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 1,740,786	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	-	320	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,740,786	431,082	\$ 4.04

(23) Operating leases

A. The Group leases land and buildings to others under operating lease agreements. Rental revenue of \$4,711, \$3,633, \$9,464 and \$7,714 were recognized for these leases in profit or loss for the three-month and six-month periods ended June 30, 2015 and 2014, respectively. The leases for buildings have terms expiring between 2016 and 2017, and all these lease agreements are not renewable at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Not later than one year	\$ 18,846	\$ 19,085	\$ 18,519
Later than one year but not later than five years	14,436	24,218	32,628
	<u>\$ 33,282</u>	<u>\$ 43,303</u>	<u>\$ 51,147</u>

B. On April 8, 2009, the Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land. The lease has a term of 10 years from April 10, 2009 to April 9, 2019. The annual rental payment is \$35,633 (exclusive of tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by CCIS Real Estate Joint Appraisers Firm. Rent was paid on the contract date and becomes payable on the same date each following year until the end of the lease. The Group recognized rental expenses of \$8,909, \$8,909, \$17,817 and \$17,817 for the three-month and six-month periods ended June 30, 2015 and 2014, respectively. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Not later than one year	\$ 37,415	\$ 37,415	\$ 37,415
Later than one year but not later than five years	106,009	124,716	143,423
	<u>\$ 143,424</u>	<u>\$ 162,131</u>	<u>\$ 180,838</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Purchases of goods

	<u>Three-month periods ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Investments accounted for using equity method	<u>\$ 129,295</u>	<u>\$ 87,769</u>

	<u>Six-month periods ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Investments accounted for using equity method	<u>\$ 249,190</u>	<u>\$ 144,978</u>

The purchase prices charged by related parties are almost equivalent to those charged by third parties. The credit term from Taiwan IC Packaging Corporation is 30 days after monthly billings. The credit term from third parties is 30 to 45 days after monthly billings.

B. Accounts payable

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Payables to related parties – Investments accounted for using equity method	<u>\$ 80,971</u>	<u>\$ 74,185</u>	<u>\$ 68,057</u>

The payables to related parties arise mainly from purchase transactions and are due 30 days after the date of purchase. The payables bear no interest.

C. Property transactions

Disposal of property, plant and equipment:

For the six-month periods ended June 30, 2014, the Group sold property, plant and equipment to Taiwan IC Packaging Corporation, the investment accounted for using equity method, at book value of \$10,235. In addition to the above disposal transactions, the Group made purchases of property, plant, and equipment on behalf of Taiwan IC Packaging Corporation in the amount of \$3,874. As of June 30, 2014, the other receivable was \$10,235.

D. Lease contracts

On April 8, 2009, the Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land. Please refer to Note 6(23) for details.

(2) Compensation of key management

	Three-month periods ended June 30,	
	2015	2014
Salaries and other short-term employee benefits	\$ 21,848	\$ 28,349

	Six-month periods ended June 30,	
	2015	2014
Salaries and other short-term employee benefits	\$ 45,523	\$ 52,321

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Nature of assets	Book value			Pledge purpose
	June 30, 2015	December 31, 2014	June 30, 2014	
Property, plant and equipment	\$ 145,816	\$ 957,822	\$ 980,530	Long-term and short-term loans
Other non-current assets				
Time deposit	-	-	2,987	Patent deposit
	<u>\$ 145,816</u>	<u>\$ 957,822</u>	<u>\$ 983,517</u>	

9. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2015, except for the provision of endorsements and guarantees mentioned in Note 13(1) B and the lease contract described in Notes 6(23) and 7, there are no other commitments and contingent liabilities.

10. SIGNIFICANT CATASTROPHE

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Capital risk management

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2014 for the related information.

(2) Financial instruments

A. Fair value information of financial instruments

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2014 for the related information.

B. Financial risk management policies

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2014 for the related information.

C. Significant financial risks and degrees of financial risks

There is no significant change except the following information. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2014 for the related information.

Foreign exchange risk

The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currencies: JPY, KRW, USD, EUR, GBP and RMB, etc.). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

June 30, 2015				
	Foreign Currency	Foreign Currency Amount	Exchange Rate	Book Value
Financial assets	USD:NTD	\$ 359,769	30.8600	\$ 11,102,471
	JPY:NTD	274,826	0.2524	69,366
	EUR:NTD	3,219	34.4600	110,927
	RMB:NTD	19,102	4.9730	94,994
Financial liabilities	USD:NTD	\$ 77,004	30.8600	\$ 2,376,343
December 31, 2014				
	Foreign Currency	Foreign Currency Amount	Exchange Rate	Book Value
Financial assets	USD:NTD	\$ 331,867	31.6500	\$ 10,503,591
	JPY:NTD	1,090,586	0.2646	288,569
	EUR:NTD	16,468	38.4700	633,524
	RMB:NTD	353,396	5.0920	1,799,492
	USD:RMB	51,329	6.2156	1,624,554
Financial liabilities	USD:NTD	\$ 138,173	31.6500	\$ 4,373,175
June 30, 2014				
	Foreign Currency	Foreign Currency Amount	Exchange Rate	Book Value
Financial assets	USD:NTD	\$ 143,218	29.8650	\$ 4,277,206
	RMB:NTD	622,646	4.8110	2,995,550
	JPY:NTD	2,563,327	0.2946	755,156
	EUR:NTD	11,034	40.7800	449,967
Financial liabilities	USD:NTD	\$ 128,877	29.8650	\$ 3,848,912
	RMB:NTD	60,000	4.8110	288,660

The total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2015 and 2014, amounted to (\$120,474), (\$82,153), (\$287,378) and (\$12,893), respectively.

Sensitivity analyses relating to foreign exchange rate risks are primarily for financial reporting period-end date of foreign currency monetary item. If the New Taiwan dollar exchange rate to the U.S. dollar increases or decreases by 1%, the Group's net income will increase or decrease by \$87,261 and \$4,283 for the six-month periods ended June 30, 2015 and 2014, respectively.

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in certain equity instruments is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability cannot be based on observable market data. The fair value of the Group's investment in certain equity investment without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2015, December 31, 2014 and June 30, 2014 is as follows:

<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Current financial assets at fair value through profit or loss	\$ -	\$ 9,131	\$ -	\$ 9,131
Non-current available-for-sale financial assets	\$ 191,556	\$ -	\$ 1,125	\$ 192,681
Financial liabilities:				
Current financial liabilities at fair value through profit or loss	\$ -	(\$ 21,503)	\$ -	(\$ 21,503)
<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Current financial assets at fair value through profit or loss	\$ -	\$ 53,545	\$ -	\$ 53,545
Non-current available-for-sale financial assets	\$ 231,514	\$ -	\$ 1,125	\$ 232,639

<u>June 30, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Non-current available-for-sale financial assets				
	\$ 300,696	\$ -	\$ 1,125	\$ 301,821
Financial liabilities:				
Current financial liabilities at fair value through profit or loss				
	\$ -	(\$ 6,240)	\$ -	(\$ 6,240)

- D. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments classified as available-for-sale financial assets.
- E. Forward foreign exchange contracts' resulting fair value estimates are included in level 2, and valued based on the current forward exchange rate.
- F. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- G. The financial instruments of Level 3 had no changes for the six-month periods ended June 30, 2015 and for the year ended December 31, 2014.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities as of June 30, 2015 (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to relate parties exceeding NT\$100 million or 20% of the Company's paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties exceeding NT\$100 million or 20% of the Company's paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the six-month periods ended June 30, 2015: Please refer to Note 6(2).
- J. Significant inter-company transactions during the six-month periods ended June 30, 2015: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry, allocating resources and assessing performance of the Group as a whole, and has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Three-month periods ended June 30,	
	2015	2014
Segment revenue	\$ 6,024,924	\$ 6,656,660
Segment income	\$ 490,994	\$ 839,975

	Six-month periods ended June 30,	
	2015	2014
Segment revenue	\$ 12,156,669	\$ 13,451,271
Segment income	\$ 1,326,845	\$ 1,740,786

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Transcend Information, Inc.
Provision of endorsements and guarantees to others
For the six-month periods ended June 30, 2015

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2015 (Note 4)	Outstanding endorsement/ guarantee amount at June 30, 2015 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company(%)	Ceiling on total amount of endorsements/ guarantees provided (Note 6)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by parent company	Provision of endorsements to the party in Mainland China	Footnote
		Relationship with the endorser/ guarantor (Note 2)	Company name											
0	Transcend Taiwan	Transcend Japan Inc.	2	\$ 3,709,862	\$ 504,800	\$ 504,800	\$ 378,600	-	2	\$ 7,419,725	Y	-	-	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (a)The Company is '0'.
- (b)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (a)Having business relationship
- (b)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (c)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (d)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (e)Mutual guarantee of the trade as required by the construction contract.
- (f)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Not exceeding 20% of the Company's net asset value. (\$18,549,312*20%=\$3,709,862)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of June 30, 2015 is JPY\$2,000,000.

Note 5: The actual amount of endorsement drawn down is JPY\$1,500,000.

Note 6: Not exceeding 40% of the Company's net asset value. (\$18,549,312*40%=\$7,419,725)

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary.

Transcend Information, Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
For the six-month periods ended June 30, 2015

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2015				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Transcend Taiwan	Stocks							
	Alcor Micro Corp.	-	Non-current available-for-sale financial assets	6,220,933	\$ 150,858	8	\$ 150,858	-
	Hitron Tech. Inc.	-	"	3,060,017	40,698	1	40,698	-
	Skyviii Corp.	-	"	259,812	-	2	-	-
	Dramexchange Tech Inc.	-	"	60,816	1,125	1	1,125	-
					<u>\$ 192,681</u>			
	Bonds							
	Yuanta Asset Management Limited - bond with repurchase agreement rated as investment-grade bonds by S&P	-	Current bond investment without active market		<u>\$ 570,910</u>	-	-	-
Transcend Shanghai	Finance products							
	Structured deposit financial products of Fubon Bank (China) Co., Ltd.	-	Current bond investment without active market		<u>\$ 576,380</u>	-	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS 39 'Financial instruments: recognition and measurement'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Transcend Information, Inc.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the six-month periods ended June 30, 2015

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Sales/purchases	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
				Sales (purchases) amount	Percentage of total sales (purchases)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	\$ 1,165,907	10	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	\$ 289,660	10	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	1,097,202	9	"	"	"	288,730	10	-
"	Transcend Information, Inc.	The Company's subsidiary	"	565,004	5	"	"	"	217,833	8	-
"	Transcend Korea Inc.	The Company's subsidiary	"	458,308	4	60 days after monthly billings	"	"	70,733	2	-
"	Transtech Shanghai	Subsidiary of Memhiro	"	438,450	4	120 days after monthly billings	"	"	251,980	9	-
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	332,935	3	"	"	"	9,902	0	-
"	Transcend Information (H.K) Ltd.	Subsidiary of Memhiro	"	296,549	2	"	"	"	82,356	3	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Together with Transcend Information Europe B.V. are controlled by parent company	"	293,101	25	30 days after receipt of goods	"	7 to 60 days after receipt of goods to third parties	37,875	17	-
Transcend Taiwan	Transcend Shanghai	Subsidiary of Memhiro	(Purchases)	(309,249)	(3)	60 days after receipt of goods	Note 1	7 to 30 days after receipt of goods to third parties	(1,085,167)	(28)	-
"	Taiwan IC Packaging Corp.	Associates accounted for using the equity method	"	(249,190)	(2)	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	(80,971)	(2)	-

Note 1: The purchase transactions between Transcend Taiwan and Transcend Shanghai were attributed to processing of supplied materials. No other similar transactions can be used for comparison.

Note 2: The Company's sales to subsidiaries were equivalent to subsidiaries's purchases from the Company; accordingly, the Company did not disclose the information on subsidiaries' purchases from the Company.

Transcend Information, Inc.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

June 30, 2015

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Transcend Taiwan	Transcend Information Europe B.V.	Subsidiary of Memhiro	\$ 288,730	6.51	\$ -	-	\$ 147,539	\$ -
"	Transcend Japan Inc.	Subsidiary of the Company	289,660	8.81	-	-	83,463	-
"	Transcend Information Inc.	Subsidiary of the Company	217,833	5.30	-	-	61,437	-
"	Transtech shanghai	Subsidiary of Memhiro	251,980	4.93	-	-	24,943	-
Transcend Shanghai	Transcend Taiwan	Parent company	1,085,167	0.46	-	-	400,693	-

Transcend Information, Inc.
Significant inter-company transactions during the reporting periods
For the six-month periods ended June 30, 2015

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount	Transaction terms	
0	Transcend Taiwan	Transcend Japan Inc.	1	Sales	\$ 1,165,907	There is no significant difference in unit price from those to third parties.	10%
"	"	Transcend Information Europe B. V.	"	"	1,097,202	"	9%
"	"	Transcend Information, Inc.	"	"	565,004	"	5%
"	"	Transcend Korea Inc.	"	"	458,308	"	4%
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	438,450	"	4%
"	"	Transcend Information (H.K) Ltd.	"	"	296,549	"	2%
"	"	Transcend Information Trading GmbH, Hamburg	"	"	332,935	"	3%
"	"	Transcend Information (Shanghai), Ltd.	"	Purchases	309,249	Processing with supplied materials. No other similar transactions can be used for comparison.	3%
"	"	Transcend Japan Inc.	"	Accounts Receivable	289,660	120 days after monthly billings	1%
"	"	Transcend Information Europe B. V.	"	"	288,730	"	1%
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	1,085,167	60 days after receipt of goods	4%
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	293,101	There is no significant difference in unit price from those to third parties.	2%

(Individual transactions not exceeding 1% of the consolidated total revenue and total assets are not disclosed.)

Note 1: Transaction information between parent company and subsidiaries should be noted in the first column, the number is written as below:

(a) Parent company is "0".

(b) Subsidiaries were numbered from 1.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(a) Parent company to subsidiary.

(b) Subsidiary to parent company.

(c) Subsidiary to subsidiaries.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Transcend Information, Inc.
Information on investees
For the six-month periods ended June 30, 2015

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2015			Net profit (loss) of the investee for the six- month period ended June 30, 2015	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2015 (Note 1)	Footnote
				Balance as at June 30, 2015	Balance as at December 31, 2014	Number of shares (in units)	Ownership (%)	Book value			
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	\$ 1,202,418	\$ 1,202,418	36,600,000	100	\$ 3,314,882	(\$ 6,295)	(\$ 16,788)	Note 2
	Transcend Japan Inc.	Japan	Wholesaler of computer memory modules and peripheral products	89,103	89,103	6,400	100	140,334	(18,524)	(18,524)	Note 2
	Transcend Information, Inc.	United States of America	Wholesaler of computer memory modules and peripheral products	38,592	38,592	625,000	100	119,495	(12,341)	(12,341)	Note 2
	Transcend Korea Inc.	Korea	Wholesaler of computer memory modules and peripheral products	6,132	6,132	40,000	100	26,312	(4,162)	(4,162)	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	51,842,975	12.88	325,229	(55,862)	(7,365)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	3,380,170	(6,259)	(6,259)	Note 3
Memhiro Pte Ltd.	Transcend Information Europe B.V.	Netherlands	Wholesaler of computer memory modules and peripheral products	1,693	1,693	100	100	150,146	(13,758)	(13,750)	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesaler of computer memory modules and peripheral products	2,288	2,288	-	100	45,180	(8,242)	(8,242)	Note 4
	Transcend Information (H.K.) Ltd.	Hong Kong	Wholesaler of computer memory modules and peripheral products	7,636	7,636	2,000,000	100	(965)	(9,186)	(9,186)	Note 4

Note 1: The Company does not directly recognize the investment income (loss) except for the subsidiaries directly held.

Note 2: Subsidiaries of the Company.

Note 3: Subsidiary of Saffire.

Note 4: Subsidiaries of Memhiro.

Note 5: Please refer to Note 6 (7).

Transcend Information, Inc.
Information on investments in Mainland China
For the six-month periods ended June 30, 2015

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2015		Accumulated	Net income of investee as of June 30, 2015	Ownership held by the Company (direct or indirect)	Investment income	Book value of investments in Mainland China as of June 30, 2015	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2015	Remitted to Mainland China	Remitted back to Taiwan	amount of remittance from Taiwan to Mainland China as of June 30, 2015			(loss) recognised by the Company for the six-month period ended June 30, 2015 (Note 2)		amount of investment income remitted back to Taiwan as of June 30, 2015	
Transcend Information (Shanghai), Ltd.	Manufacturer and seller of computer memory modules, storage products and disks	\$ 1,134,178	(2)	\$ 1,134,178	-	-	\$ 1,134,178	\$ 44,508	100	\$ 44,600	\$ 3,168,145	-	-
Transtech Trading (Shanghai) Co., Ltd.	Manufacturer and seller of computer memory modules, storage products and disks. Wholesaler and agent of computer memory modules and peripheral products. Retailer of computer components.	16,310	(2)	16,310	-	-	16,310	(19,599)	100	(19,599)	(4,959)	-	-
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2015	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
Transcend Information (Shanghai), Ltd.	\$ 1,134,178	\$ 1,134,178	\$ -										
Transtech Trading (Shanghai) Co., Ltd.	16,310	16,310	-										
	\$ 1,150,488	\$ 1,150,488	\$ 11,129,587										

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area (Memhiro Pte Ltd.), which then invested in Mainland China.
- (3) Others.

Note 2: The financial statements that are reviewed and attested by R.O.C. parent company's CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars