# TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

# CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

# JUNE 30, 2017 AND 2016

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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.

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# REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR17000059

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, 2017 and 2016 and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity, and of cash flows for the six months 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 in the first paragraph 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.

Lin, Chun-Yao

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

August 3, 2017

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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, 2017 and 2016 are reviewed, not audited)

| | | June 30, 2017 | | | December 31, 2016 | | | June 30, 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Assets | Notes | | AMOUNT | % | | AMOUNT | % | | AMOUNT | % |
| **Current assets** | | | | | | | | | | |
| Cash and cash equivalents | 6(1) | $ | 2,885,567 | 12 | $ | 1,842,670 | 8 | $ | 4,021,714 | 16 |
| Investment in debt instrument | 6(3) | | | | | | | | | |
| without active market - current | | | 747,811 | 3 | | 366,295 | 2 | | 1,013,050 | 4 |
| Notes receivable, net | | | 3,880 | - | | 5,348 | - | | 870 | - |
| Accounts receivable, net | 6(4) | | 2,520,331 | 10 | | 2,841,228 | 12 | | 2,635,101 | 11 |
| Accounts receivable- related parties, | 7 | | | | | | | | | |
| net | | | - | - | | 21,369 | - | | 6,181 | - |
| Other receivables | | | 121,731 | 1 | | 146,619 | 1 | | 147,030 | 1 |
| Inventories, net | 6(5) | | 5,131,511 | 21 | | 5,166,821 | 23 | | 4,950,286 | 20 |
| Other current financial assets | 6(6) | | 9,038,042 | 37 | | 8,702,590 | 38 | | 7,943,080 | 32 |
| Other current assets, others | | | 49,122 | - | | 36,389 | - | | 56,952 | - |
| **Current Assets** | | | 20,497,995 | 84 | | 19,129,329 | 84 | | 20,774,264 | 84 |
| **Non-current assets** | | | | | | | | | | |
| Available-for-sale financial assets - | 6(7) | | | | | | | | | |
| non-current | | | 167,690 | 1 | | 179,580 | 1 | | 191,161 | 1 |
| Investments accounted for using | 6(8) | | | | | | | | | |
| equity method | | | 245,432 | 1 | | 282,610 | 1 | | 301,578 | 1 |
| Property, plant and equipment, net | 6(9) and 8 | | 2,683,073 | 11 | | 2,740,210 | 12 | | 2,890,358 | 12 |
| Investment property, net | 6(10) | | 271,909 | 1 | | 277,316 | 1 | | 284,400 | 1 |
| Deferred tax assets | | | 128,521 | 1 | | 77,759 | - | | 81,551 | - |
| Other non-current assets | 6(11) | | 269,981 | 1 | | 204,250 | 1 | | 171,921 | 1 |
| **Non-current Assets** | | | 3,766,606 | 16 | | 3,761,725 | 16 | | 3,920,969 | 16 |
| **Total Assets** | | $ | 24,264,601 | 100 | $ | 22,891,054 | 100 | $ | 24,695,233 | 100 |

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TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

| | | June 30, 2017 | | December 31, 2016 | | June 30, 2016 | |
|---|---|---|---|---|---|---|---|
| Liabilities and Equity | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| **Current liabilities** | | | | | | | |
| Short-term borrowings | 6(12) | $ - | - | $ - | - | $ 314,300 | 1 |
| Financial liabilities at fair value through profit or loss - current | 6(2) | - | - | - | - | 122 | - |
| Accounts payable | | 1,703,771 | 7 | 1,740,266 | 8 | 1,650,313 | 7 |
| Accounts payable - related parties | 7 | 39,555 | - | 48,218 | - | 55,584 | - |
| Other payables | | 2,898,310 | 12 | 390,533 | 2 | 3,247,637 | 13 |
| Current tax liabilities | | 345,565 | 1 | 96,138 | - | 202,296 | 1 |
| Other current liabilities | | 8,361 | - | 44,415 | - | 23,173 | - |
| **Current Liabilities** | | 4,995,562 | 20 | 2,319,570 | 10 | 5,493,425 | 22 |
| **Non-current liabilities** | | | | | | | |
| Deferred tax liabilities | | 136,832 | 1 | 167,817 | 1 | 183,322 | 1 |
| Other non-current liabilities | 6(13) | 50,730 | - | 76,733 | - | 66,815 | - |
| **Non-current Liabilities** | | 187,562 | 1 | 244,550 | 1 | 250,137 | 1 |
| **Total Liabilities** | | 5,183,124 | 21 | 2,564,120 | 11 | 5,743,562 | 23 |
| **Equity attributable to owners of parent** | | | | | | | |
| **Share capital** | 6(14) | | | | | | |
| Common stock | | 4,307,617 | 18 | 4,307,617 | 19 | 4,307,617 | 18 |
| **Capital surplus** | 6(15) | | | | | | |
| Capital surplus | | 4,691,385 | 19 | 4,799,075 | 21 | 4,799,075 | 19 |
| **Retained earnings** | 6(16) | | | | | | |
| Legal reserve | | 4,037,210 | 17 | 3,748,946 | 16 | 3,748,946 | 15 |
| Special reserve | | 145,689 | - | 21,691 | - | 21,691 | - |
| Unappropriated retained earnings | | 6,055,179 | 25 | 7,595,294 | 33 | 6,104,089 | 25 |
| **Other equity interest** | 6(17) | | | | | | |
| Other equity interest | | ( 155,603) | - | ( 145,689) | - | ( 29,747) | - |
| **Total Equity** | | 19,081,477 | 79 | 20,326,934 | 89 | 18,951,671 | 77 |
| **Significant contingent liabilities and unrecognized contract commitments** | 9 | | | | | | |
| **Total Liabilities and Equity** | | $ 24,264,601 | 100 | $ 22,891,054 | 100 | $ 24,695,233 | 100 |

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 amounts)

(UNAUDITED)

| | | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | | 2016 | | 2017 | | 2016 | |
| Items | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| **Operating Revenue** | 6(18) and 7 | $ 4,996,479 | 100 | $ 5,332,177 | 100 | $ 10,686,247 | 100 | $ 10,980,184 | 100 |
| **Operating Costs** | 6(5) and 7 | (3,686,268) | (74) | (4,204,560) | (79) | (7,762,661) | (73) | (8,597,174) | (78) |
| **Gross Profit** | | 1,310,211 | 26 | 1,127,617 | 21 | 2,923,586 | 27 | 2,383,010 | 22 |
| **Operating Expenses** | 6(21) | | | | | | | | |
| Sales and marketing expenses | | (268,587) | (5) | (315,852) | (6) | (532,411) | (5) | (609,701) | (6) |
| Administrative expenses | | (67,736) | (1) | (80,123) | (1) | (150,479) | (1) | (164,995) | (1) |
| Research and development expenses | | (44,021) | (1) | (36,523) | (1) | (90,373) | (1) | (75,296) | (1) |
| **Total operating expenses** | | (380,344) | (7) | (432,498) | (8) | (773,263) | (7) | (849,992) | (8) |
| **Operating Profit** | | 929,867 | 19 | 695,119 | 13 | 2,150,323 | 20 | 1,533,018 | 14 |
| **Non-operating Income and Expenses** | | | | | | | | | |
| Other income | 6(19) | 45,228 | 1 | 35,757 | 1 | 85,312 | 1 | 72,613 | 1 |
| Other gains and losses | 6(20) | 35,028 | 1 | 113,739 | 2 | (521,107) | (5) | (65,494) | (1) |
| Finance costs | | (292) | - | (251) | - | (292) | - | (1,529) | - |
| Share of loss of associates and joint ventures accounted for under equity method | 6(8) | (15,939) | (1) | (7,585) | - | (36,548) | - | (15,633) | - |
| **Total non-operating income and expenses** | | 64,025 | 1 | 141,660 | 3 | (472,635) | (4) | (10,043) | - |
| **Profit before Income Tax** | | 993,892 | 20 | 836,779 | 16 | 1,677,688 | 16 | 1,522,975 | 14 |
| Income tax expense | 6(22) | (218,282) | (4) | (73,008) | (2) | (328,031) | (3) | (135,806) | (1) |
| **Profit for the Period** | | $ 775,610 | 16 | $ 763,771 | 14 | $ 1,349,657 | 13 | $ 1,387,169 | 13 |
| **Other Comprehensive Income (Loss)** | | | | | | | | | |
| **Components of other comprehensive loss that will not be reclassified to profit or loss** | | | | | | | | | |
| Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss | | $ - | - | $ - | - | ($ 630) | - | ($ 344) | - |
| **Components of other comprehensive income (loss) that will be reclassified to profit or loss** | | | | | | | | | |
| Exchange differences on translation of foreign financial statements | 6(17) | 45,266 | 1 | (24,991) | - | (55,095) | - | (17,968) | - |
| Unrealized gain on available-for-sale financial assets | 6(7)(17) | 20,118 | - | 5,855 | - | 35,815 | - | 6,857 | - |
| Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss | 6(17)(22) | (7,695) | - | 4,249 | - | 9,366 | - | 3,055 | - |
| **Other comprehensive income (loss) for the period** | | $ 57,689 | 1 | ($ 14,887) | - | ($ 10,544) | - | ($ 8,400) | - |
| **Total Comprehensive Income** | | $ 833,299 | 17 | $ 748,884 | 14 | $ 1,339,113 | 13 | $ 1,378,769 | 13 |
| **Net Profit attributable to:** | | | | | | | | | |
| Owners of parent | | $ 775,610 | 16 | $ 763,771 | 14 | $ 1,349,657 | 13 | $ 1,387,169 | 13 |
| **Comprehensive Income attributable to:** | | | | | | | | | |
| Owners of parent | | $ 833,299 | 17 | $ 748,884 | 14 | $ 1,339,113 | 13 | $ 1,378,769 | 13 |
| **Earnings Per Share** | 6(23) | | | | | | | | |
| **Basic earnings per share** | | $ | 1.80 | $ | 1.77 | $ | 3.13 | $ | 3.22 |
| **Diluted earnings per share** | | $ | 1.80 | $ | 1.77 | $ | 3.13 | $ | 3.22 |

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)

| | | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Surplus | | | Retained Earnings | | | Other equity interest | | |
| | Notes | Common stock | Additional paid-in capital | Donated assets received | Net assets from merger | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gain or loss on available-for-sale financial assets | Total equity |
| Six months ended June 30, 2016 | | | | | | | | | | | |
| Balance at January 1, 2016 | | $ 4,307,617 | $ 4,759,841 | $ 4,106 | $ 35,128 | $ 3,426,756 | $ - | $ 7,990,324 | $ 77,060 | ($ 98,751) | $20,502,081 |
| Appropriation of 2015 earnings | 6(16) | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 322,190 | - | ( 322,190) | - | - | - |
| Special reserve | | - | - | - | - | - | 21,691 | ( 21,691) | - | - | - |
| Cash dividends | | - | - | - | - | - | - | ( 2,929,179) | - | - | ( 2,929,179) |
| Net income for the period | | - | - | - | - | - | - | 1,387,169 | - | - | 1,387,169 |
| Other comprehensive (loss) income for the period | 6(7)(17) | - | - | - | - | - | - | ( 344) | ( 14,913) | 6,857 | ( 8,400) |
| Balance at June 30, 2016 | | $ 4,307,617 | $ 4,759,841 | $ 4,106 | $ 35,128 | $ 3,748,946 | $ 21,691 | $ 6,104,089 | $ 62,147 | ($ 91,894) | $18,951,671 |
| Six months ended June 30, 2017 | | | | | | | | | | | |
| Balance at January 1, 2017 | | $ 4,307,617 | $ 4,759,841 | $ 4,106 | $ 35,128 | $ 3,748,946 | $ 21,691 | $ 7,595,294 | ($ 42,214) | ($ 103,475) | $20,326,934 |
| Appropriation of 2016 earnings | 6(16) | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 288,264 | - | ( 288,264) | - | - | - |
| Special reserve | | - | - | - | - | - | 123,998 | ( 123,998) | - | - | - |
| Cash dividends | | - | - | - | - | - | - | ( 2,476,880) | - | - | ( 2,476,880) |
| Cash from capital surplus | 6(16) | - | ( 107,690) | - | - | - | - | - | - | - | ( 107,690) |
| Net income for the period | | - | - | - | - | - | - | 1,349,657 | - | - | 1,349,657 |
| Other comprehensive loss (income) for the period | 6(7)(17) | - | - | - | - | - | - | ( 630) | ( 45,729) | 35,815 | ( 10,544) |
| Balance at June 30, 2017 | | $ 4,307,617 | $ 4,652,151 | $ 4,106 | $ 35,128 | $ 4,037,210 | $ 145,689 | $ 6,055,179 | ($ 87,943) | ($ 67,660) | $19,081,477 |

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 | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 1,677,688 | $ 1,522,975 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Net loss on financial assets at fair value through profit or loss | 6(2)(20) | - | 15,768 |
| Share of loss of associates and joint ventures accounted for using equity method | 6(8) | 36,548 | 15,633 |
| Gain on reversal of bad debts | 6(4) | ( 5,699 ) | ( 113 ) |
| Loss on disposal of investments | 6(7)(20) | 23,466 | - |
| Net loss on financial liabilities at fair value through profit or loss | 6(2)(20) | - | 109 |
| Loss on disposal of property,plant and equiment | 6(20) | 847 | 83 |
| Depreciation | 6(21) | 106,547 | 117,186 |
| Interest income | 6(19) | ( 76,361 ) | ( 63,263 ) |
| Interest expense | | 292 | 1,529 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 1,468 | 89 |
| Accounts receivable | | 328,122 | 568,532 |
| Accounts receivable - related parties | | 21,369 | 3,166 |
| Other receivables | | 24,644 | ( 6,966 ) |
| Inventories | | 35,310 | ( 436,530 ) |
| Other current assets, others | | ( 12,733 ) | ( 4,466 ) |
| Changes in operating liabilities | | | |
| Accounts payable | | ( 36,495 ) | 61,201 |
| Accounts payable - related parties | | ( 8,663 ) | ( 2,976 ) |
| Other payables | | ( 76,793 ) | ( 48,474 ) |
| Other current liabilities | | ( 36,054 ) | ( 12,919 ) |
| Other non-current liabilities | | ( 26,003 ) | ( 2,010 ) |
| Cash inflow generated from operations | | 1,977,500 | 1,728,554 |
| Interest received | | 76,605 | 52,230 |
| Interest paid | | ( 292 ) | ( 1,529 ) |
| Income tax paid | | ( 150,986 ) | ( 296,116 ) |
| Net cash flows from operating activities | | 1,902,827 | 1,483,139 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| (Increase) decrease in other current financial assets | | ( 335,452 ) | 588,926 |
| Acquisition of investment in debt instrument without active markets | | ( 1,247,878 ) | ( 1,747,139 ) |
| Proceeds from disposal of investment in debt instrument without active markets | | 866,362 | 1,632,412 |
| Proceeds from disposal of available-for-sale financial assets | | 24,239 | - |
| Acquisition of property, plant and equipment (including investment property) | 6(9) | ( 80,136 ) | ( 18,282 ) |
| Proceeds from disposal of property, plant and equipment | 6(9) | 3,040 | - |
| (Increase) decrease in other current financial assets | | ( 65,731 ) | 13,785 |
| Net cash flows (used in) from investing activities | | ( 835,556 ) | 469,702 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in short-term borrowings | | - | ( 639,225 ) |
| Net cash flows used in financing activities | | - | ( 639,225 ) |
| Effect of exchange rate changes on cash and cash equivalents | | ( 24,374 ) | 44,736 |
| Net increase in cash and cash equivalents | | 1,042,897 | 1,358,352 |
| Cash and cash equivalents at beginning of period | | 1,842,670 | 2,663,362 |
| Cash and cash equivalents at end of period | | $ 2,885,567 | $ 4,021,714 |

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, 2017 AND 2016
(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 reported to the Board of Directors on August 3, 2017.

## 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”)

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| 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 |
| 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 |

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| 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 above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Classification and measurement of share-based payment transactions (amendments to IFRS 2) | January 1, 2018 |
| Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4) | January 1, 2018 |
| IFRS 9, 'Financial instruments' | January 1, 2018 |
| IFRS 15, 'Revenue from contracts with customers' | January 1, 2018 |
| Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15) | January 1, 2018 |
| Disclosure initiative (amendments to IAS 7) | January 1, 2017 |
| Recognition of deferred tax assets for unrealised losses (amendments to IAS 12) | January 1, 2017 |
| Transfers of investment property (amendments to IAS 40) | January 1, 2018 |
| IFRIC 22, 'Foreign currency transactions and advance consideration' | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards' | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities' | January 1, 2017 |
| Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures' | January 1, 2018 |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15 'Revenue from contracts with customers'

IFRS 15 "Revenue from contracts with customers" replaces IAS 11 "Construction contracts", IAS 18 "Revenue" and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity

to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

D. Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealized losses’

These amendments clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset’s tax base. When an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits.

(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 IFRSs endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | To be determined by International Accounting Standards Board |
| IFRS 16, ‘Leases’ | January 1, 2019 |
| IFRS 17, ‘Insurance contracts’ | January 1, 2021 |
| IFRIC 23, ‘Uncertainty over income tax treatments’ | January 1, 2019 |

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The gain or loss resulting from a transaction that involves sales or contribution of assets between an investor and its associates or joint ventures is recognized either in full or partially depending on the nature of the assets sold or contributed:

(a) If sales or contributions of assets that constitute a ‘business’, the full gain or loss is recognized;

(b) If sales or contributions of assets that do not constitute a ‘business’, the partial gain or loss is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.

B. IFRS 16, ‘Leases’

IFRS 16, 'Leases', replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation and basis of consolidation 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, 2016. The 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 Standards 34, 'Interim Financial Reporting' as endorsed by the FSC.

B. The consolidated financial statements as of and for the six months ended June 30, 2017 should be read together with the consolidated financial statements as of and for the year ended December 31, 2016.

### (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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 reparation of the consolidated financial statements as of and for the year ended December 31, 2016.

B. Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) June 30, 2017 | December 31, 2016 | June 30, 2016 | Description |
|---|---|---|---|---|---|---|
| Transcend Taiwan | Saffire Investment Ltd. (Saffire) | Investment holding company | 100 | 100 | 100 | - |
| 〃 | Transcend Japan Inc. (Transcend Japan) | Wholesaler and import of computer memory modules and peripheral products | 100 | 100 | 100 | - |
| 〃 | Transcend Information Inc. (Transcend USA) | Wholesaler and import of computer memory modules and peripheral products | 100 | 100 | 100 | - |
| 〃 | Transcend Korea Inc. (Transcend Korea) | Wholesaler and import 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 and import of computer memory modules and peripheral products | 100 | 100 | 100 | - |
| 〃 | Transcend Information Trading GmbH, Hamburg (Transcend Germany) | Wholesaler and import of computer memory modules and peripheral products | 100 | 100 | 100 | - |
| 〃 | Transcend Information (Shanghai), Ltd. (Transcend Shanghai) | Manufacturer and seller of computer memory modules, storage products and disks | 100 | 100 | 100 | - |
| 〃 | Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai) | Wholesaler, agent, import and export and retailer of computer memory modules, storage products and computer components | 100 | 100 | 100 | - |
| 〃 | Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong) | Wholesaler and import 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.

## 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, 2016 for related information.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Cash on hand and petty cash | $ 1,032 | $ 1,040 | $ 1,179 |
| Checking accounts and demand deposits | 2,884,535 | 1,323,718 | 1,428,836 |
| Cash equivalents | | | |
| Time deposits | - | - | 2,285,193 |
| Bonds with repurchase agreement | - | 517,912 | 306,506 |
| Total | $ 2,885,567 | $ 1,842,670 | $ 4,021,714 |

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. The Group has no cash and cash equivalents pledged to others.

### (2) Financial liabilities at fair value through profit or loss

| Items | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Current item : | | | |
| Financial liabilities held for trading | | | |
| Non-hedging derivatives | $ - | $ - | ($ 122) |

A. The Group recognized net gain (loss) of $1,137 and ($22,911) on financial liabilities held for trading for the three months and six months ended June 30, 2016. For the three months and six months ended June 30, 2017, there was no such gain or loss incurred.

B. The non-hedging derivative transactions and contract information are as follows:

There was no transaction and contract as at June 30, 2017 and December 31, 2016.

(Unit: in thousand dollars)

| | June 30, 2016 | | |
|---|---|---|---|
| Derivative financial liabilities | Contract Amount (Notional Principal) | | Contract Period |
| Current items: | | | |
| Forward foreign exchange contracts | HKD | 4,000 | January 22, 2016 to July 18, 2016 |

The Group entered into forward foreign exchange contracts to buy USD (sell HKD) 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) Investments in debt instrument without active markets - current

| Items | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Current items： | | | |
| Bonds with repurchase agreement | $ 747,811 | $ 366,295 | $ 1,013,050 |

A. The Group's investments in debt instrument with repurchase agreement are from Yuanta Asset Management Limited.

B. The Group recognized gain on disposal of financial assets of $2,557, $4,046, $3,925 and $8,612 in profit or loss for the three months ended June 30, 2017 and 2016 and six months ended June 30, 2017 and 2016, respectively.

C. No investments in debt instrument without active market were pledged to others.

(4) Accounts receivable

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Accounts receivable | $ 2,689,904 | $ 3,043,191 | $ 2,860,060 |
| Less: Provision for sales discounts and allowances | ( 144,348) | ( 169,513) | ( 193,672) |
| Allowance for bad debts | ( 25,225) | ( 32,450) | ( 31,287) |
| | $ 2,520,331 | $ 2,841,228 | $ 2,635,101 |

A. The Group has 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 financial assets that were past due but not impaired is as follows:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Up to 30 days | $ 209,313 | $ 583,946 | $ 436,773 |
| 31 to 90 days | 10,657 | 9,798 | 19,949 |
| 91 to 180 days | 1,688 | 471 | - |
| Over 181 days | 456 | 805 | 821 |
| | $ 222,114 | $ 595,020 | $ 457,543 |

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, 2017, December 31, 2016 and June 30, 2016, the Group's accounts receivable that were impaired amounted to $25,225, $32,450 and $31,287, respectively.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

| | 2017 | | |
|---|---|---|---|
| | Individual provision | Group provision | Total |
| At January 1 | $ 32,450 | $ - | $ 32,450 |
| Reversal of impairment | ( 5,699) | - | ( 5,699) |
| Net exchange differences | ( 1,526) | - | ( 1,526) |
| At June 30 | $ 25,225 | $ - | $ 25,225 |

| | 2016 | | |
|---|---|---|---|
| | Individual provision | Group provision | Total |
| At January 1 | $ 31,580 | $ - | $ 31,580 |
| Reversal of impairment | ( 113) | - | ( 113) |
| Net exchange differences | ( 180) | - | ( 180) |
| At June 30 | $ 31,287 | $ - | $ 31,287 |

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:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Group 1 | $ 1,088,010 | $ 934,670 | $ 834,868 |
| Group 2 | 1,210,207 | 1,311,538 | 1,342,690 |
| | $ 2,298,217 | $ 2,246,208 | $ 2,177,558 |

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, 2017 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 3,023,302 | ($ 18,970) | $ 3,004,332 |
| Work in process | 680,089 | ( 6,898) | 673,191 |
| Finished goods | 1,473,223 | ( 19,235) | 1,453,988 |
| Total | $ 5,176,614 | ($ 45,103) | $ 5,131,511 |

| | December 31, 2016 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 2,858,764 | ($ 26,854) | $ 2,831,910 |
| Work in process | 870,078 | ( 3,576) | 866,502 |
| Finished goods | 1,483,892 | ( 15,483) | 1,468,409 |
| Total | $ 5,212,734 | ($ 45,913) | $ 5,166,821 |

| | June 30, 2016 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 2,856,239 | ($ 46,636) | $ 2,809,603 |
| Work in process | 1,083,781 | ( 17,802) | 1,065,979 |
| Finished goods | 1,096,148 | ( 21,444) | 1,074,704 |
| Total | $ 5,036,168 | ($ 85,882) | $ 4,950,286 |

A. The cost of inventories recognized as expense for the period:

| | Three months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Cost of goods sold | $ 3,688,299 | $ 4,199,232 |
| (Gain on reversal of) loss on decline in market value of inventory | ( 2,031) | 5,328 |
| | $ 3,686,268 | $ 4,204,560 |

| | Six months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Cost of goods sold | $ 7,763,471 | $ 8,582,191 |
| (Gain on reversal of) loss on decline in market value of inventory | ( 810) | 14,983 |
| | $ 7,762,661 | $ 8,597,174 |

The gain on reversal of decline in market value of inventory for the three months and six months ended June 30, 2017 was due to the Group's disposal of slow-moving inventory.

B. No inventories were pledged to others.

(6) Other current financial assets

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Time deposits with original maturity of more than three months | $ 9,038,042 | $ 8,702,590 | $ 7,943,080 |

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

| Items | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Non-current items： | | | |
| Listed stocks | $ 234,225 | $ 281,930 | $ 281,930 |
| Others | 31,125 | 31,125 | 31,125 |
| Subtotal | 265,350 | 313,055 | 313,055 |
| Valuation adjustments of available-for-sale financial assets | ( 67,660) | ( 103,475) | ( 91,894) |
| Accumulated impairment | ( 30,000) | ( 30,000) | ( 30,000) |
| Total | $ 167,690 | $ 179,580 | $ 191,161 |

A. The Group recognized $20,118, $5,855, $35,815 and $6,857 in other comprehensive income for fair value change and reclassified $23,466, $0, $23,466 and $0 from equity to loss for the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017 and 2016, respectively.

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

(8) Investments accounted for using equity method

| Investee Company | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Taiwan IC Packaging Corp. | $ 245,432 | $ 282,610 | $ 301,578 |

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

| | | Shareholding ratio | | | | |
|---|---|---|---|---|---|---|
| Associate name | Principal place of business | June 30, 2017 | December 31, 2016 | June 30, 2016 | Nature of relationship | Method of measurement |
| Taiwan IC Packaging Corp. | Taiwan | 12.71% | 12.70% | 12.67% | Note | Equity method |

Note: Taiwan IC Packaging Corp. is engaged in IC packaging and testing and is the upstream supplier in the IT and semiconductor industries. In order to reach synergy of vertical integration, Taiwan IC Packaging Corp. processes the raw materials provided by the Group into relevant semi-finished goods.

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

Balance sheet

| | Taiwan IC Packaging Corp. | | |
|---|---|---|---|
| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Current assets | $ 1,376,105 | $ 1,721,637 | $ 1,964,637 |
| Non-current assets | 1,954,158 | 1,941,925 | 1,770,539 |
| Current liabilities | ( 370,005) | ( 409,078) | ( 330,179) |
| Non-current liabilities | ( 26,460) | ( 33,010) | ( 39,993) |
| Total net assets | $ 2,933,798 | $ 3,221,474 | $ 3,365,004 |
| Share in associate's net assets | $ 372,761 | $ 409,003 | $ 426,428 |
| Net equity differences | ( 127,329) | ( 126,393) | ( 124,850) |
| | $ 245,432 | $ 282,610 | $ 301,578 |

Statement of comprehensive income

| | Taiwan IC Packaging Corp. | |
|---|---|---|
| | Three months ended June 30, | |
| | 2017 | 2016 |
| Revenue | $ 331,202 | $ 441,874 |
| Loss for the period from continuing operations | ($ 112,371) | ($ 58,889) |
| Total comprehensive loss | ($ 112,371) | ($ 58,889) |
| Dividends received from associates | $ - | $ - |

| | Taiwan IC Packaging Corp. | |
|---|---|---|
| | Six months ended June 30, | |
| | 2017 | 2016 |
| Revenue | $ 681,590 | $ 890,693 |
| Loss for the period from continuing operations | ($ 292,175) | ($ 127,250) |
| Total comprehensive loss | ($ 292,175) | ($ 127,250) |
| Dividends received from associates | $ - | $ - |

C. Share of loss of associates accounted for using the equity method is as follows:

| Investee Company | Three months ended June 30, 2017 | 2016 |
|---|---|---|
| Taiwan IC Packaging Corp. | ($ 15,939) | ($ 7,585) |

| Investee Company | Six months ended June 30, 2017 | 2016 |
|---|---|---|
| Taiwan IC Packaging Corp. | ($ 36,548) | ($ 15,633) |

D. The Group’s investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was $326,092, $386,230 and $382,083 as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

(9) Property, plant and equipment

| | Land | Buildings | Machinery | Vehicles | Office Equipment | Others | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2017 | | | | | | | |
| Cost | $ 728,741 | $ 2,668,305 | $ 678,618 | $ 6,354 | $ 41,055 | $ 65,023 | $ 4,188,096 |
| Accumulated depreciation | - | ( 906,674) | ( 460,554) | ( 5,490) | ( 30,317) | ( 44,851) | ( 1,447,886) |
| | $ 728,741 | $ 1,761,631 | $ 218,064 | $ 864 | $ 10,738 | $ 20,172 | $ 2,740,210 |
| 2017 | | | | | | | |
| Opening net book amount | $ 728,741 | $ 1,761,631 | $ 218,064 | $ 864 | $ 10,738 | $ 20,172 | $ 2,740,210 |
| Additions (including transfers) | - | 4,126 | 70,341 | - | 981 | 4,688 | 80,136 |
| Disposal | - | - | ( 3,793) | - | ( 94) | - | ( 3,887) |
| Depreciation charge | - | ( 55,000) | ( 43,182) | ( 168) | ( 1,307) | ( 3,397) | ( 103,054) |
| Net exchange differences | ( 2,940) | ( 24,516) | ( 2,489) | ( 33) | ( 108) | ( 246) | ( 30,332) |
| Closing net book amount | $ 725,801 | $ 1,686,241 | $ 238,941 | $ 663 | $ 10,210 | $ 21,217 | $ 2,683,073 |
| At June 30, 2017 | | | | | | | |
| Cost | $ 725,801 | $ 2,597,873 | $ 580,964 | $ 6,151 | $ 38,030 | $ 67,148 | $ 4,015,967 |
| Accumulated depreciation | - | ( 911,632) | ( 342,023) | ( 5,488) | ( 27,820) | ( 45,931) | ( 1,332,894) |
| | $ 725,801 | $ 1,686,241 | $ 238,941 | $ 663 | $ 10,210 | $ 21,217 | $ 2,683,073 |

| | Land | Buildings | Machinery | Vehicles | Office Equipment | Others | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2016 | | | | | | | |
| Cost | $ 728,131 | $ 2,774,915 | $ 847,161 | $ 7,452 | $ 46,682 | $ 66,614 | $ 4,470,955 |
| Accumulated depreciation | - | ( 836,426) | ( 556,193) | ( 5,512) | ( 32,701) | ( 45,032) | ( 1,475,864) |
| | $ 728,131 | $ 1,938,489 | $ 290,968 | $ 1,940 | $ 13,981 | $ 21,582 | $ 2,995,091 |
| 2016 | | | | | | | |
| Opening net book amount | $ 728,131 | $ 1,938,489 | $ 290,968 | $ 1,940 | $ 13,981 | $ 21,582 | $ 2,995,091 |
| Additions (including transfers) | - | 216 | 17,415 | - | 104 | 547 | 18,282 |
| Disposals | - | ( 3) | ( 2) | - | ( 58) | ( 20) | ( 83) |
| Depreciation charge | - | ( 59,048) | ( 49,175) | ( 482) | ( 2,165) | ( 2,395) | ( 113,265) |
| Net exchange differences | 14,907 | ( 15,963) | ( 7,363) | ( 30) | 80 | ( 1,298) | ( 9,667) |
| Closing net book amount | $ 743,038 | $ 1,863,691 | $ 251,843 | $ 1,428 | $ 11,942 | $ 18,416 | $ 2,890,358 |
| At June 30, 2016 | | | | | | | |
| Cost | $ 743,038 | $ 2,742,557 | $ 737,477 | $ 7,279 | $ 46,224 | $ 62,764 | $ 4,339,339 |
| Accumulated depreciation | - | ( 878,866) | ( 485,634) | ( 5,851) | ( 34,282) | ( 44,348) | ( 1,448,981) |
| | $ 743,038 | $ 1,863,691 | $ 251,843 | $ 1,428 | $ 11,942 | $ 18,416 | $ 2,890,358 |

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

(10) Investment property

| | Land | | Buildings | | Total | |
|---|---|---|---|---|---|---|
| At January 1, 2017 | | | | | | |
| Cost | $ | 137,037 | $ | 222,427 | $ | 359,464 |
| Accumulated depreciation and impairment | | - | ( | 82,148) | ( | 82,148) |
| | $ | 137,037 | $ | 140,279 | $ | 277,316 |
| 2017 | | | | | | |
| Opening net book amount | $ | 137,037 | $ | 140,279 | $ | 277,316 |
| Depreciation charge | | - | ( | 3,493) | ( | 3,493) |
| Net exchange differences | | - | ( | 1,914) | ( | 1,914) |
| Closing net book amount | $ | 137,037 | $ | 134,872 | $ | 271,909 |
| At June 30, 2017 | | | | | | |
| Cost | $ | 137,037 | $ | 219,345 | $ | 356,382 |
| Accumulated depreciation and impairment | | - | ( | 84,473) | ( | 84,473) |
| | $ | 137,037 | $ | 134,872 | $ | 271,909 |

| | Land | | Buildings | | Total | |
|---|---|---|---|---|---|---|
| At January 1, 2016 | | | | | | |
| Cost | $ | 137,037 | $ | 233,860 | $ | 370,897 |
| Accumulated depreciation and impairment | | - | ( | 80,316) | ( | 80,316) |
| | $ | 137,037 | $ | 153,544 | $ | 290,581 |
| 2016 | | | | | | |
| Opening net book amount | $ | 137,037 | $ | 153,544 | $ | 290,581 |
| Depreciation charge | | - | ( | 3,921) | ( | 3,921) |
| Net exchange differences | | - | ( | 2,260) | ( | 2,260) |
| Closing net book amount | $ | 137,037 | $ | 147,363 | $ | 284,400 |
| At June 30, 2016 | | | | | | |
| Cost | $ | 137,037 | $ | 230,583 | $ | 367,620 |
| Accumulated depreciation and impairment | | - | ( | 83,220) | ( | 83,220) |
| | $ | 137,037 | $ | 147,363 | $ | 284,400 |

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

| | Three months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Rental income from investment property | $ 4,487 | $ 4,647 |
| Direct operating expenses arising from investment property that generated rental income | $ 1,520 | $ 1,734 |
| Direct operating expenses arising from investment property that did not generate rental income | $ 213 | $ 213 |

| | Six months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Rental income from investment property | $ 8,951 | $ 9,350 |
| Direct operating expenses arising from investment property that generated rental income | $ 3,066 | $ 3,495 |
| Direct operating expenses arising from investment property that did not generate rental income | $ 426 | $ 426 |

B. The fair value of the investment property held by the Group was $1,708,059, $1,590,260 and $1,597,851 as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(11) Other non-current assets

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Long-term prepaid rents | $ 97,452 | $ 101,625 | $ 107,992 |
| Guarantee deposits paid | 31,749 | 32,224 | 33,165 |
| Prepayments for business facilities | 122,208 | 53,628 | 12,476 |
| Others | 18,572 | 16,773 | 18,288 |
| | $ 269,981 | $ 204,250 | $ 171,921 |

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 $631, $711, $1,278 and $1,437 for the three months and six months ended June 30, 2017 and 2016, respectively.

(12) Short-term borrowings

There was no transaction as of June 30, 2017 and December 31, 2016.

| Type of borrowings | June 30, 2016 | Interest rate | Collateral |
|---|---|---|---|
| Bank borrowings: | | | |
| Secured borrowings | $ 314,300 | 0.26-0.63% | Transcend Japan's land and buildings |

(13) 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. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) For the aforementioned pension plan, the Group recognized pension costs of $188, $235, $377 and $469 for the three months and six months ended June 30, 2017 and 2016, respectively.

(c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to $2,003.

B.(a) Effective July 1, 2005, the Company has 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 contributes 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) Transcend Shanghai, Transtech Shanghai and Transcend Hong Kong have defined contribution plans. 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 defined contribution plans. 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 Company for the three months and six months ended June 30, 2017 and 2016 were $11,758, $12,242, $23,237 and $20,595, respectively.

(14) Share capital

As of June 30, 2017, the Company's authorized capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 25,000 thousand shares reserved for employee stock options). The paid-in capital was $4,307,617 with a par value of $10 per share, consisting of 430,762 thousand shares of ordinary stock outstanding. All proceeds from shares issued have been collected.

(15) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus 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 Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus shall not be used to cover accumulated deficit unless the legal reserve is insufficient.

(16) 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, 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. The appropriation of earnings and capital surplus cash payment for the years ended December 31, 2016 and 2015 have been resolved at the shareholders' meeting on June 16, 2017 and June 14, 2016 respectively. Details are summarized below:

| | Year ended December 31, 2016 | | Year ended December 31, 2015 | |
|---|---|---|---|---|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve | $ 288,264 | | $ 322,190 | |
| Special reserve | 123,998 | | 21,691 | |
| Cash dividends | 2,476,880 | $ 5.75 | 2,929,179 | $ 6.80 |
| Total | $ 2,889,142 | | $ 3,273,060 | |

| | Amount | Cash payment per share in 2016 (in dollars) |
|---|---|---|
| Capital surplus cash payment | $ 107,690 | $ 0.25 |

Actual distribution of retained earnings of 2015 is in agreement with the amounts resolved at stockholders' meeting. As of June 30, 2017, the appropriation of earnings of 2016 and capital surplus were not distributed, therefore, the Group recognized $2,584,570 as other payables.

F. Please refer to Note 6(21) for the information relating to employees' compensation and directors' remuneration.

(17) Other equity items

| | Unrealised gain or loss on available-for-sale financial assets | Exchange differences on translation of foreign financial statements | Total |
|---|---|---|---|
| At January 1, 2017 | ($ 103,475) | ($ 42,214) | ($ 145,689) |
| Change in unrealized gains or losses for available-for-sale financial assets | 35,815 | - | 35,815 |
| Currency translation differences | - | ( 55,095) | ( 55,095) |
| Effect from income tax | - | 9,366 | 9,366 |
| At June 30, 2017 | ($ 67,660) | ($ 87,943) | ($ 155,603) |

| | Unrealised gain or loss on available-for-sale financial assets | Exchange differences on translation of foreign financial statements | Total |
|---|---|---|---|
| At January 1, 2016 | ($ 98,751) | $ 77,060 | ($ 21,691) |
| Change in unrealized gains or losses for available-for-sale financial assets | 6,857 | - | 6,857 |
| Currency translation differences | - | ( 17,968) | ( 17,968) |
| Effect from income tax | - | 3,055 | 3,055 |
| At June 30, 2016 | ($ 91,894) | $ 62,147 | ($ 29,747) |

(18) Operating revenue

| | Three months ended June 30, 2017 | Three months ended June 30, 2016 |
|---|---|---|
| Sales revenue | $ 4,996,479 | $ 5,332,177 |

| | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|
| Sales revenue | $ 10,686,247 | $ 10,980,184 |

(19) Other income

| | Three months ended June 30, 2017 | Three months ended June 30, 2016 |
|---|---|---|
| Interest income | $ 40,741 | $ 31,110 |
| Rental income | 4,487 | 4,647 |
| Total | $ 45,228 | $ 35,757 |

| | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|
| Interest income | $ 76,361 | $ 63,263 |
| Rental income | 8,951 | 9,350 |
| Total | $ 85,312 | $ 72,613 |

(20) Other gains and losses

| | Three months ended June 30, 2017 | Three months ended June 30, 2016 |
|---|---|---|
| Net loss on financial assets at fair value through profit or loss | $ - | ($ 10,242) |
| Net gain on financial liabilities at fair value through profit or loss | - | 11,379 |
| Gain on disposal of financial assets | 2,557 | 4,046 |
| Loss on disposal of investments | ( 23,466) | - |
| (Loss) gain on disposal of property, plant and equipment | ( 847) | 3 |
| Net currency exchange gain | 53,213 | 97,900 |
| Others | 3,571 | 10,653 |
| Total | $ 35,028 | $ 113,739 |

| | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|
| Net loss on financial assets at fair value through profit or loss | $ - | ($ 22,802) |
| Net loss on financial liabilities at fair value through profit or loss | - | ( 109) |
| Gain on disposal of financial assets | 3,925 | 8,612 |
| Loss on disposal of investments | ( 23,466) | - |
| Loss on disposal of property, plant and equipment | ( 847) | ( 83) |
| Net currency exchange loss | ( 513,133) | ( 78,674) |
| Others | 12,414 | 27,562 |
| Total | ($ 521,107) | ($ 65,494) |

(21) Expenses by nature

| | Three months ended June 30, 2017 | Three months ended June 30, 2016 |
|---|---|---|
| Wages and salaries | $ 339,686 | $ 370,522 |
| Labor and health insurance fees | 37,366 | 41,164 |
| Pension costs | 11,946 | 12,477 |
| Other personnel expenses | 16,327 | 17,771 |
| Depreciation on property, plant and equipment (including investment property) | 52,744 | 57,784 |

| | Six months ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| Wages and salaries | $ | 707,175 | $ | 741,761 |
| Labor and health insurance fees | | 74,457 | | 80,345 |
| Pension costs | | 23,614 | | 21,064 |
| Other personnel expenses | | 33,966 | | 36,284 |
| Depreciation on property, plant and equipment (including investment property) | | 106,547 | | 117,186 |

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 0.2% for directors and supervisors' remuneration.

B. For the three months and six months ended June 30, 2017 and 2016, employees' compensation was accrued at $10,497, $8,788, $17,679 and $15,635, respectively, and directors' remuneration was accrued at $1,469, $1,232, $2,475 and $2,191, respectively. The aforementioned amounts were recognized in salary expenses.

For the six months ended June 30, 2017, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 1% and 0.2% of distributable profit of current year as of the end of reporting period.

The difference between employees' compensation and directors' remuneration as resolved by the Board of Directors and the amount recognized in the 2016 financial statements by $1,397 and $442 will be adjusted in the profit or loss of 2017. The employees' compensation and directors' and supervisors' remuneration have yet to be paid.

Information about employees' compensation and directors' remuneration of the Company as approved by the meeting of Board of Directors and resolved by the stockholders at their meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Three months ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| Current tax: | | | | |
| Current tax on profits for the period | $ | 152,157 | $ | 107,446 |
| Prior year income tax underestimation (overestimation) | | 38,698 | ( | 38,130) |
| Total current tax | | 190,855 | | 69,316 |
| Deferred tax: | | | | |
| Origination and reversal of temporary differences | | 27,427 | | 3,692 |
| Total deferred tax | | 27,427 | | 3,692 |
| Income tax expense | $ | 218,282 | $ | 73,008 |

| | Six months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Current tax: | | |
| Current tax on profits for the period | $ 361,627 | $ 255,327 |
| Prior year income tax underestimation (overestimation) | 38,785 | ( 37,775) |
| Total current tax | 400,412 | 217,552 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 72,381) | ( 81,746) |
| Total deferred tax | ( 72,381) | ( 81,746) |
| Income tax expense | $ 328,031 | $ 135,806 |

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

| | Three months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Exchange differences on translation of foreign financial statements | $ 7,695 | ($ 4,249) |

| | Six months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Exchange differences on translation of foreign financial statements | ($ 9,366) | ($ 3,055) |

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, 2017, the Company's income tax returns through 2013 have been assessed and approved by the National Taxation Bureau of Taipei, Ministry of Finance.

D. Unappropriated retained earnings:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Earnings generated in and before 1997 | $ 121,097 | $ 121,097 | $ 121,097 |
| Earnings generated in and after 1998 | 5,934,082 | 7,474,197 | 5,982,992 |
| | $ 6,055,179 | $ 7,595,294 | $ 6,104,089 |

E. As of June 30, 2017, December 31, 2016 and June 30, 2016, the balance of the imputation tax credit account was $1,117,949, $989,048 and $1,160,571, respectively. The creditable tax rate was 14.98% for 2016 and is estimated to be 17.5% for 2017.

(23) Earnings per share

| | Three months ended June 30, 2017 | | |
|---|---|---|---|
| | Profit after tax | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 775,610 | 430,762 | $ 1.80 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 775,610 | 430,762 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 432 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 775,610 | 431,194 | $ 1.80 |

| | Six months ended June 30, 2017 | | |
|---|---|---|---|
| | Profit after tax | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 1,349,657 | 430,762 | $ 3.13 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 1,349,657 | 430,762 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 457 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 1,349,657 | 431,219 | $ 3.13 |

| | Three months ended June 30, 2016 | | |
|---|---|---|---|
| | Profit after tax | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 763,771 | 430,762 | $ 1.77 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 763,771 | 430,762 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 472 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 763,771 | 431,234 | $ 1.77 |

| | Six months ended June 30, 2016 | | |
|---|---|---|---|
| | Profit after tax | Weighted-average outstanding common shares (in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 1,387,169 | 430,762 | $ 3.22 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 1,387,169 | 430,762 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 508 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 1,387,169 | 431,270 | $ 3.22 |

(24) Operating leases

A. The Group leases land and buildings to others under operating lease agreements. Rental revenue of $4,487, $4,647, $8,951 and $9,350 were recognized for these leases in profit or loss for the three months and six months ended June 30, 2017 and 2016, respectively. The leases for buildings have terms expiring between 2017 and 2021, 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, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Not later than one year | $ 19,139 | $ 13,834 | $ 14,270 |
| Later than one year but not later than five years | 52,048 | 36,720 | - |
| | $ 71,187 | $ 50,554 | $ 14,270 |

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. For the three months and six months ended June 30, 2017 and 2016, the rental expense were $8,909, $8,909, $17,817 and $17,817, respectively. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Not later than one year | $ 37,415 | $ 37,415 | $ 37,415 |
| Later than one year but not later than five years | 31,179 | 49,886 | 68,594 |
| | $ 68,594 | $ 87,301 | $ 106,009 |

## 7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Group |
|---|---|
| Taiwan IC Packaging Corporation | Associate accounted for using equity method |
| Alcor Micro Corporation (Note A) | Other related party |
| Hitron Tech. Inc. (Note B) | Other related party |
| Won Chin | Major stockholder |
| Cheng Chuan | Major stockholder |

Note A: In April 2017, the Company resigned as a member of the Board of Directors of the counterparty who is no longer a related party of the Group from then on.

Note B: In June 2017, the Company resigned as a member of the Board of Directors of the counterparty who is no longer a related party of the Group from then on.

(2) Significant transactions and balances with related parties

A. Operating revenue

| | Three months ended June 30, 2017 | Three months ended June 30, 2016 |
|---|---|---|
| Sales | | |
| Associates accounted for using equity method | $ - | $ 53 |
| Other related parties | 47,223 | 26,153 |
| | $ 47,223 | $ 26,206 |

| | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|
| Sales | | |
| Associates accounted for using equity method | $ 97 | $ 847 |
| Other related parties | 161,776 | 64,686 |
| | $ 161,873 | $ 65,533 |

The sales prices charged to related parties are approximate to those charged to third parties. The credit term to Taiwan IC Packaging Corporation and Hitron Tech. Inc. are both 30 days after receipt of goods. The credit term to third parties is 30 to 60 days after monthly billings.

B. Purchases

| | Three months ended June 30, 2017 | Three months ended June 30, 2016 |
|---|---|---|
| Purchases of goods | | |
| Associates accounted for using equity method | $ 58,150 | $ 74,604 |
| Other related parties | - | 12,013 |
| | $ 58,150 | $ 86,617 |

| | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|
| Purchases of goods | | |
| Associates accounted for using equity method | $ 112,252 | $ 163,756 |
| Other related parties | 10,193 | 29,037 |
| | $ 122,445 | $ 192,793 |

The purchase prices charged by related parties are approximate to those charged by third parties. The credit term from Taiwan IC Packaging Corporation and Alcor Micro Corporation are both 30 days after monthly billings. The credit term from third parties is 30 to 45 days after monthly billings.

C. Receivables from related parties

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Accounts receivable | | | |
| Other related parties | $ - | $ 21,369 | $ 6,181 |

The receivables from related parties arised mainly from sales transactions. The credit term to Hitron Tech. Inc. is 30 days after receipt of goods. The receivables are unsecured and bear no interest. There are no provisions for receivables from related parties.

D. Payables to related parties

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Accounts payable | | | |
| Associates accounted for using equity method | $ 39,555 | $ 36,835 | $ 45,820 |
| Other related parties | - | 11,383 | 9,764 |
| | $ 39,555 | $ 48,218 | $ 55,584 |

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.

E. 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(24) for details.

(3) Key management compensation

| | Three months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Salaries and other employee benefits | $ 7,540 | $ 10,080 |

| | Six months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Salaries and other employee benefits | $ 14,459 | $ 18,178 |

## 8. PLEDGED ASSETS

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

| | Book value | | | |
|---|---|---|---|---|
| Pledged of assets | June 30, 2017 | December 31, 2016 | June 30, 2016 | Pledge purpose |
| Property, plant and equipment | $ 152,993 | $ 156,240 | $ 179,311 | Collaterals for general credit limit granted by financial institutions |

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of June 30, 2017, except for the provision of endorsements and guarantees mentioned in Note 13(1) B and the lease contract described in Notes 6(24) and 7, there are no other significant commitments.

## 10. SIGNIFICANT DIASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital risk management

There is no significant change in this period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2016 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 in the consolidated financial statements for the year ended December 31, 2016 for the related information.

B. Financial risk management policies

There is no significant change in this period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2016 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 in the consolidated financial statements for the year ended December 31, 2016 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, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Foreign Currency | | Foreign Currency Amount | Exchange rate | | Book value |
| Financial assets | USD：NTD | $ | 335,598 | 30.4200 | $ | 10,208,891 |
| | JPY：NTD | | 908,006 | 0.2716 | | 246,614 |
| | USD：EUR | | 3,020 | 0.8761 | | 91,868 |
| | EUR：NTD | | 2,703 | 34.7200 | | 93,848 |
| | USD：JPY | | 1,032 | 112.3596 | | 31,393 |
| | USD：HKD | | 1,196 | 7.8064 | | 36,382 |
| Financial liabilities | USD：NTD | $ | 46,984 | 30.4200 | $ | 1,429,253 |
| | USD：RMB | | 847 | 6.7797 | | 25,766 |

| | December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Foreign Currency | | Foreign Currency Amount | Exchange rate | | Book value |
| Financial assets | USD:NTD | $ | 305,248 | 32.2500 | $ | 9,844,248 |
| | JPY:NTD | | 3,952,641 | 0.2756 | | 1,089,348 |
| | EUR:NTD | | 8,659 | 33.9000 | | 293,540 |
| | RMB:NTD | | 39,025 | 4.6170 | | 180,178 |
| | KRW:NTD | | 1,023,560 | 0.0270 | | 27,636 |
| | GBP:NTD | | 405 | 39.6100 | | 16,042 |
| | USD:EUR | | 2,385 | 0.9513 | | 76,916 |
| | USD:JPY | | 2,062 | 117.6471 | | 66,500 |
| Financial liabilities | USD:NTD | $ | 42,244 | 32.2500 | $ | 1,362,369 |
| | RMB:NTD | | 101,466 | 4.6170 | | 468,469 |

| | June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Foreign Currency | | Foreign Currency Amount | Exchange rate | | Book value |
| Financial assets | USD:NTD | $ | 386,066 | 32.2750 | $ | 12,460,280 |
| | JPY:NTD | | 105,060 | 0.3143 | | 33,020 |
| | EUR:NTD | | 6,804 | 35.8900 | | 244,196 |
| | GBP:NTD | | 562 | 43.4600 | | 24,425 |
| | HKD:NTD | | 4,309 | 4.1590 | | 17,921 |
| Financial liabilities | USD:NTD | $ | 42,246 | 32.2750 | $ | 1,363,490 |
| | USD:RMB | | 1,361 | 6.6622 | | 43,926 |

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 months and six months ended June 30, 2017 and 2016, amounted to $53,213, $97,900, ($513,133) and ($78,674), 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 $87,796 and $110,968 for the six months ended June 30, 2017 and 2016, 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(10).

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: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks 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 or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in 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, 2017, December 31, 2016 and June 30, 2016 is as follows:

| June 30, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Available-for-sale financial assets | | | | |
| Equity securities | $ 166,565 | $ - | $ 1,125 | $ 167,690 |

| December 31, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Available-for-sale financial assets | | | | |
| Equity securities | $ 178,455 | $ - | $ 1,125 | $ 179,580 |

| June 30, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Available-for-sale financial assets | | | | |
| Equity securities | $ 190,036 | $ - | $ 1,125 | $ 191,161 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | $ - | ($ 122) | $ - | ($ 122) |

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 listed stocks classified as available-for-sale financial assets.

E. Forward foreign exchange contracts’ resulting fair value estimates are included in level 2.

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 months ended June 30, 2017 and 2016.

## 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 at the end of the period (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 NT$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to relate parties reaching NT$100 million or 20% of the Company’s paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: 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, the Chairman of the Board of Directors who allocates resources and assesses performance of the Group as a whole, 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 months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Segment revenue | $ 4,996,479 | $ 5,332,177 |
| Segment income | $ 775,610 | $ 763,771 |

| | Six months ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Segment revenue | $ 10,686,247 | $ 10,980,184 |
| Segment income | $ 1,349,657 | $ 1,387,169 |

(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

Six months ended June 30, 2017

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, 2017 (Note 4) | Outstanding endorsement/ guarantee amount at June 30, 2017 (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 | Investment income (loss) recognized by the Company for the six months ended June 30, 2017 （Note 2） | Provision of endorsements/ guarantees by parent company to subsidiary (Note 7) | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements/ guarantees to the party in Mainland China | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Company name | Relationship with the endorser/ guarantor (Note 2) | | | | | | | | | | | |
| 0 | Transcend Taiwan | Transcend Japan Inc. | 2 | $ 3,816,295 | $ 551,200 (JPY 2,000,000) (In thousands) | $ 543,200 (JPY 2,000,000) (In thousands) | $ - | - | 3 | $ 7,632,591 | 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; fill in the number of category each case belongs to:

(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. ($19,081,477*20%=$3,816,295)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of June 30, 2017 is JPY$2,000,000 (In thousands).

Note 5: The actual amount of endorsement drawn down is $0.

Note 6: Not exceeding 40% of the Company's net asset value. ($19,081,477*40%=$7,632,591)

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)

Six months ended June 30, 2017

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, 2017 Number of shares | Book value (Note 3) | Ownership (%) | Fair value | Footnote (Note 4) |
|---|---|---|---|---|---|---|---|---|
| Transcend Taiwan | Stocks | | | | | | | |
| | Alcor Micro Corp. | - | Non-current available-for-sale financial assets | 5,101,933 | $ 95,267 | 7 | $ 95,267 | - |
| | Hitron Tech. Inc. | - | " | 3,060,017 | 71,298 | 1 | 71,298 | - |
| | Skyviia Corp. | - | " | 259,812 | - | 2 | - | - |
| | Dramexchange Tech Inc. | - | " | 60,816 | 1,125 | 1 | 1,125 | - |
| | | | | | $ 167,690 | | | |
| | Bonds | | | | | | | |
| | Yuanta Asset Management Limited - bond with repurchase agreement rated as investment-grade bonds by S&P | - | Current bond investment without active market | | $ 747,811 | - | - | - |

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

Six months ended June 30, 2017

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Sales (purchases) | Amount | Percentage of total sales (purchases) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| Transcend Taiwan | Transcend Japan Inc. | The Company's subsidiary | Sales | $ 742,998 | 7 | 120 days after monthly billings | No significant difference | 30 to 60 days after monthly billings to third parties | $ 440,529 | 16 | - |
| " | Transcend Information Europe B.V. | Subsidiary of Memhiro | " | 728,186 | 7 | " | " | " | 64,885 | 2 | - |
| " | Transcend Information, Inc. | The Company's subsidiary | " | 511,667 | 5 | " | " | " | 141,032 | 5 | - |
| " | Transtech Shanghai | Subsidiary of Memhiro | " | 470,894 | 4 | " | " | " | 213,840 | 8 | - |
| " | Transcend Korea Inc. | The Company's subsidiary | " | 332,789 | 3 | 60 days after monthly billings | " | " | 44,994 | 2 | - |
| " | Transcend Information (H.K) Ltd. | Subsidiary of Memhiro | " | 206,025 | 2 | 120 days after monthly billings | " | " | 84,669 | 3 | - |
| " | Transcend Information Trading GmbH, Hamburg | " | " | 205,132 | 2 | " | " | " | 22,514 | 1 | - |
| " | Hitron Tech. Inc. | Other related parties (Note 2) | " | 161,776 | 2 | 30 days after receipt of goods | " | " | - | - | - |
| " | Transcend Information (Shanghai), Ltd. | Subsidiary of Memhiro | " | 125,561 | 1 | " | " | " | - | - | - |
| Transcend Information Europe B.V. | Transcend Information Trading GmbH, Hamburg | Together with Transcend Information Europe B.V. are controlled by parent company | " | 266,639 | 33 | 30 days after receipt of goods | " | 7 to 60 days after receipt of goods to third parties | 27,662 | 19 | - |
| Transcend Information (Shanghai), Ltd. | Transtech Shanghai | Together with Transcend Information (Shanghai), Ltd. are controlled by parent company | " | 125,469 | 16 | 60 days after monthly billings | " | 30 to 60 days after receipt of goods to third parties | 123,221 | 24 | - |
| Transcend Taiwan | Transcend Information (Shanghai), Ltd. | Subsidiary of Memhiro | (Purchases) | ( 157,016) | ( 2) | 60 days after receipt of goods | Note 1 | 7 to 30 days after receipt of goods to third parties | ( 479,714) | ( 22) | - |
| " | Taiwan IC Packaging Corporation, Inc. | Associate accounted for using the equity method | " | ( 112,252) | ( 1) | 30 days after monthly billings | No significant difference | 30 to 45 days after monthly billings to third parties | ( 39,555) | ( 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: In June 2017, Transcend Taiwan resigned as a member of the Board of Directors of the counterparty who is no longer a related party of the Group from then on.

Transcend Information, Inc.

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

Six months ended June 30, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at June 30, 2017 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| Transcend Taiwan | Transcend Japan Inc. | Subsidiary of the Company | $ 440,529 | 2.83 | $ - | - | $ 112,714 | $ - |
| " | Transcend Information Inc. | " | 141,032 | 6.38 | - | - | 43,871 | - |
| " | Transtech Trading (shanghai) Co., Ltd. | Subsidiary of Memhiro | 213,840 | 5.18 | - | - | 41,720 | - |
| Transcend Shanghai | Transcend Taiwan | Parent company | 479,714 | 0.63 | - | - | 1,687 | - |
| " | Transtech Trading (shanghai) Co., Ltd. | Together with Transcend Shanghai are controlled by parent company | 123,221 | 2.58 | - | - | 26,019 | - |

Transcend Information, Inc.

Significant inter-company transactions during the reporting periods

Six months ended June 30, 2017

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | Transcend Taiwan | Transcend Japan Inc. | 1 | Sales | $ 742,998 | There is no significant difference in unit price from those to third parties. | 7 |
| " | " | Transcend Information Europe B. V. | " | " | 728,186 | " | 7 |
| " | " | Transcend Information, Inc. | " | " | 511,667 | " | 5 |
| " | " | Transtech Trading (Shanghai) Co., Ltd. | " | " | 470,894 | " | 4 |
| " | " | Transcend Korea Inc. | " | " | 332,789 | " | 3 |
| " | " | Transcend Information (H.K) Ltd. | " | " | 206,025 | " | 2 |
| " | " | Transcend Information Trading GmbH, Hamburg | " | " | 205,132 | " | 2 |
| " | " | Transcend Information (Shanghai), Ltd. | " | " | 125,561 | " | 1 |
| " | " | " | " | Purchases | 157,016 | Processing with supplied materials. No other similar transactions can be used for comparison. | 1 |
| " | " | Transcend Japan Inc. | " | Accounts Receivable | 440,529 | 120 days after monthly billings | 2 |
| " | " | Transcend Information (Shanghai), Ltd. | " | Accounts Payable | 479,714 | 60 days after receipt of goods | 2 |
| 1 | Transcend Information (Shanghai), Ltd. | Transtech Trading (Shanghai) Co., Ltd. | 3 | Sales | 125,469 | There is no significant difference in unit price from those to third parties. | 1 |
| 2 | Transcend Information Europe B. V. | Transcend Information Trading GmbH, Hamburg | " | " | 266,639 | " | 2 |

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

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(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

Six months ended June 30, 2017

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount: Balance as at June 30, 2017 | Initial investment amount: Balance as at December 31, 2016 | Shares held as at June 30, 2017: Number of shares | Shares held as at June 30, 2017: Ownership (%) | Shares held as at June 30, 2017: Book value | Net profit (loss) of the investee for six months ended June 30, 2017 | Investment income (loss) recognized by the Company for the six months ended June 30, 2017 （Note 2） | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Transcend Taiwan | Saffire Investment Ltd. | B.V.I. | Investments holding company | $ 1,202,418 | $ 1,202,418 | 36,600,000 | 100 | $ 1,761,005 | ($ 10,910) | ($ 10,648) | Note 2 |
| | Transcend Japan Inc. | Japan | Wholesaler of computer memory modules and peripheral products | 89,103 | 89,103 | 6,400 | 100 | 164,047 | ( 39,895) | ( 39,895) | Note 2 |
| | Transcend Information, Inc. | United States of America | Wholesaler of computer memory modules and peripheral products | 38,592 | 38,592 | 625,000 | 100 | 136,275 | ( 9,304) | ( 9,304) | Note 2 |
| | Transcend Korea Inc. | Korea | Wholesaler of computer memory modules and peripheral products | 6,132 | 6,132 | 40,000 | 100 | 34,635 | ( 9,713) | ( 9,713) | Note 2 |
| | Taiwan IC Packaging Corp. | Taiwan | Packaging of Semi-conductors | 354,666 | 354,666 | 51,842,975 | 12.71 | 245,432 | ( 292,175) | ( 36,548) | Note 5 |
| Saffire Investment Ltd. | Memhiro Pte Ltd. | Singapore | Investments holding company | 1,156,920 | 1,156,920 | 55,132,000 | 100 | 1,800,591 | ( 11,071) | ( 11,071) | 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 | 191,414 | ( 9,930) | ( 9,933) | Note 4 |
| | Transcend Information Trading GmbH, Hamburg | Germany | Wholesaler of computer memory modules and peripheral products | 2,288 | 2,288 | - | 100 | 66,963 | ( 19,138) | ( 19,138) | 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 | 2,777 | ( 1,910) | ( 1,910) | 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 (8).

Transcend Information, Inc.

Information on investments in Mainland China

Six months ended June 30, 2017

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 of remittance from Taiwan to Mainland China as of January 1, 2016 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2017 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017 | Net income of investee as of June 30, 2017 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the six months ended June 30, 2017 (Note 2) | Book value of investments in Mainland China as of June 30, 2017 | Accumulated amount of investment income remitted back to Taiwan as of June 30, 2017 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| 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 | $ 12,144 | 100 | $ 11,520 | $ 1,487,428 | $ 1,464,028 | - |
| Transtech Trading (Shanghai) Co., Ltd. | Wholesaler, agent, import andexport and retailer of computer memory modules, storage products and computer components | 16,310 | (2) | 16,310 | - | - | 16,310 | 8,337 | 100 | 8,337 | 29,915 | - | - |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017 | 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 | $ 11,448,886 |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(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