TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2019 AND 2018

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

PWCR19000127

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Transcend Information Inc. and subsidiaries (the "Group") as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT$1,865,198 thousand and NT$1,858,795 thousand, both constituting 9% of the consolidated total assets, and total liabilities of NT$102,401 thousand and NT$37,296 thousand, constituting 5% and 2% of the consolidated total liabilities, as at September 30, 2019 and 2018, respectively, and total comprehensive loss of (NT$32,221) thousand, (NT$58,940) thousand, (NT$46,006) thousand and (NT$42,022) thousand, constituting (7%), (13%), (4%) and (3%) of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

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Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Lin, Chun-Yao

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

November 7, 2019

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	September 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	September 30, 2018 AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	$ 1,871,142	9	$ 1,429,737	7	$ 1,144,675	5
Financial assets at fair value through profit or loss - current	6(2)	2,034,713	10	89,457	-	400,163	2
Current financial assets at amortised cost, net	6(3)	8,017,516	38	9,145,557	42	6,973,918	33
Notes receivable, net	6(4)	183	-	872	-	2,079	-
Accounts receivable, net	6(4)	1,690,878	8	2,147,556	10	2,486,933	12
Other receivables		95,863	-	87,295	-	84,947	-
Inventories, net	6(5)	1,776,526	8	3,184,188	15	4,151,298	20
Other current assets		21,753	-	31,121	-	44,024	-
Total Current Assets		15,508,574	73	16,115,783	74	15,288,037	72
Non-current assets							
Non-current financial assets at fair value through other comprehensive income	6(6)	166,219	1	163,155	1	167,059	1
Investments accounted for using equity method	6(7)	99,559	1	105,322	-	163,566	1
Property, plant and equipment, net	6(8) and 8	2,478,992	12	2,599,493	12	2,627,730	12
Right-of-use assets	6(9) and 7	257,263	1	-	-	-	-
Investment property, net	6(11)	2,613,597	12	2,623,579	12	2,626,001	12
Deferred tax assets		56,478	-	90,301	-	105,630	1
Other non-current assets	6(12)	78,256	-	166,879	1	160,830	1
Total Non-current Assets		5,750,364	27	5,748,729	26	5,850,816	28
Total Assets		$ 21,258,938	100	$ 21,864,512	100	$ 21,138,853	100

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	September 30, 2018 AMOUNT	%
Current liabilities							
Financial liabilities at fair value through profit or loss - current	6(2)	$ 1,557	-	$ -	-	$ -	-
Accounts payable		1,150,729	6	1,187,300	6	930,157	5
Accounts payable - related parties	7	43,194	-	39,874	-	59,760	-
Other payables		248,070	1	265,229	1	291,253	1
Current tax liabilities		268,347	1	133,508	1	24,273	-
Current lease liabilities	7	54,621	-	-	-	-	-
Other current liabilities		27,951	-	23,376	-	19,553	-
Total Current Liabilities		1,794,469	8	1,649,287	8	1,324,996	6
Non-current liabilities							
Deferred tax liabilities		174,308	1	179,631	1	180,572	1
Non-current lease liabilities	7	88,119	1	-	-	-	-
Other non-current liabilities		71,620	-	55,292	-	53,055	-
Total Non-current Liabilities		334,047	2	234,923	1	233,627	1
Total Liabilities		2,128,516	10	1,884,210	9	1,558,623	7
Equity attributable to owners of parent							
Share capital	6(14)						
Common stock		4,307,617	20	4,307,617	20	4,307,617	21
Capital surplus	6(15)						
Capital surplus		4,346,854	20	4,605,233	21	4,605,233	22
Retained earnings	6(16)						
Legal reserve		4,510,981	21	4,302,782	20	4,302,782	20
Special reserve		61,572	1	47,247	-	47,247	-
Unappropriated retained earnings		5,994,650	28	6,778,995	31	6,389,939	30
Other equity interest	6(17)						
Other equity interest		(91,252)	-	(61,572)	(1)	(72,588)	-
Total Equity		19,130,422	90	19,980,302	91	19,580,230	93
Significant contingent liabilities and unrecognized contract commitments	9						
Significant events after the balance sheet date	11						
Total Liabilities and Equity		$ 21,258,938	100	$ 21,864,512	100	$ 21,138,853	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 as otherwise indicated)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating Revenue	6(18) and 7	$ 3,366,277	100	$ 4,431,313	100	$ 10,210,105	100	$ 13,642,598	100
Operating Costs	6(5)(21) and 7	(2,477,102)	(74)	(3,568,865)	(80)	(7,925,248)	(78)	(10,846,995)	(80)
Gross Profit		889,175	26	862,448	20	2,284,857	22	2,795,603	20
Operating Expenses	6(21)								
Sales and marketing expenses		(201,721)	(6)	(221,732)	(5)	(639,840)	(6)	(708,624)	(5)
Administrative expenses		(73,306)	(2)	(74,963)	(2)	(224,718)	(2)	(252,529)	(2)
Research and development expenses		(34,255)	(1)	(39,274)	(1)	(108,271)	(1)	(128,156)	(1)
Reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	6(4)	(1,079)	-	14	-	(246)	-	(82)	-
Total operating expenses		(310,361)	(9)	(335,955)	(8)	(973,075)	(9)	(1,089,391)	(8)
Operating Profit		578,814	17	526,493	12	1,311,782	13	1,706,212	12
Non-operating Income and Expenses									
Other income	6(19)	53,031	2	55,148	1	191,417	2	143,437	1
Other gains and losses	6(20)	28,589	1	32,645	1	152,043	1	278,417	2
Net gain from derecognizing financial assets measured at amortised cost	6(3)	4,807	-	3,974	-	13,195	-	12,246	-
Finance costs	6(9)	(567)	-	-	-	(1,220)	-	-	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	2,448	-	(5,942)	-	(6,243)	-	(11,720)	-
Total non-operating income and expenses		88,308	3	85,825	2	349,192	3	422,380	3
Profit before Income Tax		667,122	20	612,318	14	1,660,974	16	2,128,592	15
Income tax expense	6(22)	(131,616)	(4)	(123,669)	(3)	(327,923)	(3)	(437,285)	(3)
Profit for the Period		$ 535,506	16	$ 488,649	11	$ 1,333,051	13	$ 1,691,307	12
Other Comprehensive Income (Loss)									
Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	6(6)(17)	($ 1,815)	-	($ 4,291)	-	$ 3,320	-	($ 2,142)	-
Share of other comprehensive income of associates and joint ventures accounted for under equity method		-	-	-	-	479	-	2,164	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
Exchange differences on translation of foreign financial statements	6(17)	(69,477)	(2)	(54,724)	(1)	(41,250)	-	(31,030)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(17)(22)	13,894	-	10,945	-	8,250	-	6,206	-
Other comprehensive income (loss) for the period		($ 57,398)	(2)	($ 48,070)	(1)	($ 29,201)	-	($ 24,802)	-
Total Comprehensive Income		$ 478,108	14	$ 440,579	10	$ 1,303,850	13	$ 1,666,505	12
Net profit attributable to:									
Owners of parent		$ 535,506	16	$ 488,649	11	$ 1,333,051	13	$ 1,691,307	12
Comprehensive income attributable to:									
Owners of parent		$ 478,108	14	$ 440,579	10	$ 1,303,850	13	$ 1,666,505	12
Earnings Per Share	6(23)								
Basic earnings per share		$	1.24	$	1.13	$	3.09	$	3.93
Diluted earnings per share		$	1.24	$	1.13	$	3.09	$	3.92

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 financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
Nine months ended September 30, 2018												
Balance at January 1, 2018		$ 4,307,617	$ 4,652,151	$ 4,106	$ 35,128	$ 4,037,210	$ 145,689	$ 7,363,641	($ 67,262)	$ -	$ 20,015	$ 20,498,295
Effects of retrospective application and retrospective restatement		-	-	-	-	-	-	30,000	-	(9,985)	(20,015)	-
Balance after restatement at January 1, 2018		4,307,617	4,652,151	4,106	35,128	4,037,210	145,689	7,393,641	(67,262)	(9,985)	-	20,498,295
Net income for the period		-	-	-	-	-	-	1,691,307	-	-	-	1,691,307
Other comprehensive income (loss)	6(6)(17)	-	-	-	-	-	-	2,164	(24,824)	(2,142)	-	(24,802)
Total comprehensive income (loss)		-	-	-	-	-	-	1,693,471	(24,824)	(2,142)	-	1,666,505
Appropriation and distribution of 2017 earnings	6(16)											
Legal reserve		-	-	-	-	265,572	-	(265,572)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(2,498,418)	-	-	-	(2,498,418)
Reversal of special reserve		-	-	-	-	-	(98,442)	98,442	-	-	-	-
Cash payment from capital surplus	6(16)	-	(86,152)	-	-	-	-	-	-	-	-	(86,152)
Net loss on disposal of financial assets at fair value through other comprehensive income	6(6)(17)	-	-	-	-	-	-	(31,625)	-	31,625	-	-
Balance at September 30, 2018		$ 4,307,617	$ 4,565,999	$ 4,106	$ 35,128	$ 4,302,782	$ 47,247	$ 6,389,939	($ 92,086)	$ 19,498	$ -	$ 19,580,230
Nine months ended September 30, 2019												
Balance at January 1, 2019		$ 4,307,617	$ 4,565,999	$ 4,106	$ 35,128	$ 4,302,782	$ 47,247	$ 6,778,995	($ 77,165)	$ 15,593	$ -	$ 19,980,302
Net income for the period		-	-	-	-	-	-	1,333,051	-	-	-	1,333,051
Other comprehensive income (loss)	6(6)(17)	-	-	-	-	-	-	479	(33,000)	3,320	-	(29,201)
Total comprehensive income (loss)		-	-	-	-	-	-	1,333,530	(33,000)	3,320	-	1,303,850
Appropriation and distribution of 2018 earnings	6(16)											
Legal reserve		-	-	-	-	208,199	-	(208,199)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(1,895,351)	-	-	-	(1,895,351)
Special reserve		-	-	-	-	-	14,325	(14,325)	-	-	-	-
Cash payment from capital surplus	6(16)	-	(258,458)	-	-	-	-	-	-	-	-	(258,458)
Expired unclaimed dividends recognized as capital surplus	6(15)	-	-	79	-	-	-	-	-	-	-	79
Balance at September 30, 2019		$ 4,307,617	$ 4,307,541	$ 4,185	$ 35,128	$ 4,510,981	$ 61,572	$ 5,994,650	($ 110,165)	$ 18,913	$ -	$ 19,130,422

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	Nine months ended September 30 2019	Nine months ended September 30 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,660,974	$ 2,128,592
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(20)	13,772	(321)
Share of loss of associates and joint ventures accounted for using equity method	6(7)	6,243	11,720
Expected credit loss	6(4)	246	82
Loss (gain) on disposal of property, plant and equipment	6(20)	113	(1,475)
Depreciation	6(21)	195,726	158,543
Interest income	6(19)	(161,138)	(121,327)
Interest expense	6(9)	1,220	-
Dividend income	6(20)	(5,019)	(3,558)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets measured at fair value through profit or loss		(1,959,802)	(399,842)
Notes receivable		689	3,783
Accounts receivable		456,342	12,224
Other receivables		(17,091)	29,444
Other receivables - related parties		-	(168)
Inventories		1,407,662	1,089,852
Other current assets		460	186
Changes in operating liabilities			
Accounts payable		(36,571)	(307,395)
Accounts payable - related parties		3,320	22,306
Other payables		(17,159)	(56,599)
Other current liabilities		4,575	(11,861)
Other non-current liabilities		16,328	5,949
Cash inflow generated from operations		1,570,890	2,560,135
Dividends received		5,019	3,558
Interest received		169,661	121,450
Income tax paid		(156,333)	(768,717)
Net cash flows from operating activities		1,589,237	1,916,426
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortised costs		5,253,107	5,403,454
Acquisition of financial assets at amortised costs		(4,185,893)	(4,739,309)
Proceeds from disposal of financial assets at fair value through other comprehensive income		256	5,152
Acquisition of financial assets at fair value through other comprehensive income		-	(105,480)
Proceeds from disposal of property, plant and equipment		2,275	19,090
Acquisition of property, plant and equipment	6(8)	(43,485)	(103,731)
Acquisition of investment property	6(11)	-	(2,365,030)
(Increase) decrease in other non-current financial assets		(4,679)	67,523
Net cash flows from (used in) investing activities		1,021,581	(1,818,331)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (including cash payment from capital surplus)	6(16)	(2,153,809)	(2,584,570)
Repayment of lease liabilities	6(9)	(54,931)	-
Expired unclaimed dividends recognized as capital surplus		79	-
Net cash flows used in financing activities		(2,208,661)	(2,584,570)
Effect of exchange rate changes		39,248	(14,764)
Net increase (decrease) in cash and cash equivalents		441,405	(2,501,239)
Cash and cash equivalents at beginning of period		1,429,737	3,645,914
Cash and cash equivalents at end of period		$ 1,871,142	$ 1,144,675

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

(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 sales of computer software and hardware, peripheral equipment and other computer components. The Securities and Futures Commission of the Republic of China had approved the Company's shares to be listed on the Taiwan Stock Exchange and the shares started trading on May 3, 2001.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 7, 2019.

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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	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.

IFRS 16, ‘Leases’

A. 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.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ and ‘lease liability’ by $173,938 and $71,728, respectively, and decreased prepaid rents shown as other current assets and long-term prepaid rents shown as other non-current assets by $8,908 and 93,302, respectively, with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, information relating to rent expense recognized in the third quarter of 2019 is provided in Note 6(9).

(d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate ranging from 0.75% to 2.5%.

E. The Group recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. The amount of aforementioned present values is the same as the amount of lease liabilities recognized on January 1, 2019.

(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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(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 as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(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 at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(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 preparation of the consolidated financial statements as of and for the year ended December 31, 2018.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of Investor	Name of Subsidiary	Main Business Activities	September 30, 2019	December 31, 2018	September 30, 2018	Description
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	100	
〃	Transcend Japan Inc. (Transcend Japan)	Wholesale and import of computer memory modules and peripheral products	100	100	100	
〃	Transcend Information Inc. (Transcend USA)	Wholesale and import of computer memory modules and peripheral products	100	100	100	Note
〃	Transcend Korea Inc. (Transcend Korea)	Wholesale 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)	Wholesale and import of computer memory modules and peripheral products	100	100	100	Note
〃	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesale and import of computer memory modules and peripheral products	100	100	100	〃
〃	Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Manufacture and sales of computer memory modules, storage products and disks	100	100	100	〃
〃	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesale, agent, import and export and retail of computer memory modules, storage products and computer components	100	100	100	〃
〃	Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong)	Wholesale and import of computer memory modules and peripheral products	100	100	100	〃

Note: The financial statements of insignificant subsidiary as of and for the nine months ended September 30, 2019 and 2018 were not reviewed by the independent accountants.

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

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

E. Significant restrictions: None.

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

(4) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(5) Operating leases

Prior to 2019

Rent income (expense) made under an operating lease are recognized in profit or loss on a straight-line basis over the lease term.

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

There was no significant change during this period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and petty cash	$ 673	$ 606	$ 979
Checking accounts and demand deposits	1,870,469	1,429,131	1,143,696
	$ 1,871,142	$ 1,429,737	$ 1,144,675

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 assets and liabilities at fair value through profit or loss

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	$ 1,949,764	$ -	$ 399,977
Financial products	80,569	89,457	-
Valuation adjustments	4,380	-	186
	$ 2,034,713	$ 89,457	$ 400,163
Financial liabilities mandatorily measured at fair value through profit or loss			
Non-hedging derivatives	$ 1,557	$ -	$ -

A. Amounts recognized in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	Three months ended September 30,	
	2019	2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$ 2,079	$ 321
Financial products	890	-
Non-hedging derivatives	(6,170)	-
	($ 3,201)	$ 321

	Nine months ended September 30,	
	2019	2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$ 2,902	$ 321
Financial products	3,229	-
Non-hedging derivatives	(19,903)	-
	($ 13,772)	$ 321

B. The Group entered into contracts relating to derivative financial assets /liabilities which were not accounted for under hedge accounting. The information is listed below:

	September 30, 2019		
	Contract amount		
Derivative financial liablilties	(Notional principal)	(In thousands)	Contract period
Forward foreign exchange contracts			
-Sell USD / Buy NTD	USD	$ 14,397	2019/7/2 ~2019/12/5

There was no such transaction as of December 31, 2018 and September 30, 2018.

C. The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

E. The Group associates with Fubon Bank (China) and Industrial and Commercial Bank of China which have high credit quality for the financial products. The valuation of impairment is based on the 12-month expected credit losses model.

(3) Current financial assets at amortised cost

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Time deposits with original maturity of more than three months	$ 7,191,999	$ 8,588,506	$ 6,410,689
Bonds with repurchase agreement	825,517	557,051	549,921
Financial products	-	-	13,308
	$ 8,017,516	$ 9,145,557	$ 6,973,918

A. Amounts recognized in profit or loss in relation to financial assets at amortised cost are listed below:

	Three months ended September 30,	
	2019	2018
Interest income	$ 42,738	$ 43,638
Gain on disposal	4,807	3,974
	$ 47,545	$ 47,612

	Nine months ended September 30,	
	2019	2018
Interest income	$ 156,637	$ 114,500
Gain on disposal	13,195	12,246
	$ 169,832	$ 126,746

B. The Group has no financial assets at amortised cost pledged to others as collateral.

C. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of debt instruments on September 30, 2019, December 31, 2018 and September 30, 2018, and considered guarantee for repurchase agreement held by the Group to estimate expected credit loss. The Group does not expect material credit loss after assessment.

D. The Group transacts time deposits with reputable domestic and foreign banks, and the counterparties of the debt instrument investments are Yuanta Asset Management Limited and International Bills Finance Corporation. The Group's counterparties of transactions have good credit quality, and the impairment loss is assessed using a 12-month expected credit loss approach.

(4) Notes and accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	$ 183	$ 872	$ 2,079
Accounts receivable	$ 1,714,961	$ 2,172,183	$ 2,511,478
Less: Loss allowance	(24,083)	(24,627)	(24,545)
	$ 1,690,878	$ 2,147,556	$ 2,486,933

A. As of September 30, 2019, December 31, 2018 and September 30, 2018, the estimated sales discounts and allowances were $93,002, $110,768 and $102,653, respectively. Since the sales discounts and allowances met the requirements of financial liabilities and financial assets offset, the net amounts were shown under accounts receivable.

B. The ageing analysis of accounts receivable and notes receivable is as follows:

	September 30, 2019	
	Accounts receivable	Notes receivable
Not past due	$ 1,437,758	$ 183
Up to 30 days	212,551	-
31 to 90 days	16,253	-
91 to 180 days	3,431	-
Over 180 days	44,968	-
	$ 1,714,961	$ 183

	December 31, 2018	
	Accounts receivable	Notes receivable
Not past due	$ 1,602,866	$ 872
Up to 30 days	467,260	-
31 to 90 days	52,456	-
91 to 180 days	12,246	-
Over 180 days	37,355	-
	$ 2,172,183	$ 872

	September 30, 2018	
	Accounts receivable	Notes receivable
Not past due	$ 2,140,053	$ 2,079
Up to 30 days	319,213	-
31 to 90 days	14,349	-
91 to 180 days	11,561	-
Over 180 days	26,302	-
	$ 2,511,478	$ 2,079

The above ageing analysis was based on past due date.

C. The Group has credit insurance that covers accounts receivable of its major customers. Should bad debts occur, the Group will receive 90% of the losses resulting from non-payment.

D. As of September 30, 2019, December 31, 2018 and September 30, 2018, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2018, the balance of notes receivable and accounts receivable from contracts with customers amounted to $2,529,564.

E. As at September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes receivable were $183, $872 and $2,079, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Group’s accounts receivable were $1,690,878, $2,147,556 and $2,486,933, respectively.

F. The Group classifies customers' accounts receivable in accordance with the credit rating of the customer. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.

G. The Group wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On September 30, 2019, December 31, 2018 and September 30, 2018, the Group has no written-off financial assets that are still under recourse procedures.

H. The Group used historical and timely information to assess the loss rate of accounts receivable. On September 30, 2019, December 31, 2018 and September 30, 2018, the provision matrix is as follows:

	Not past due	1-180 days past due	Over 180 days past due	Total
September 30, 2019				
Expected loss rate	0.006%~0.3%	0.03%~60%	60%~100%	
Total book value	$ 1,437,758	$ 232,235	$ 44,968	$ 1,714,961

	Not past due	1-180 days past due	Over 180 days past due	Total
December 31, 2018				
Expected loss rate	0.006%~0.3%	0.03%~60%	80%~100%	
Total book value	$ 1,602,866	$ 531,962	$ 37,355	$ 2,172,183

	Not past due	1-180 days past due	Over 180 days past due	Total
September 30, 2018				
Expected loss rate	0.003%~0.6%	0.02%~65%	75%~100%	
Total book value	$ 2,140,053	$ 345,123	$ 26,302	$ 2,511,478

I. The balance of allowance for loss and movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable and notes receivable are as follows:

	2019	
	Accounts receivable	Notes receivable
At January 1	$ 24,627	$ -
Provision for impairment	246	-
Reclassified to overdue receivables	(880)	-
Effect of exchange rate changes	90	-
At September 30	$ 24,083	$ -

	2018	
	Accounts receivable	Notes receivable
At January 1_IAS 39	$ 23,929	$ -
Adjustments under new standards	-	-
At January 1_IFRS 9	23,929	-
Provision for impairment	82	-
Effect of exchange rate changes	534	-
At September 30	$ 24,545	$ -

J. The Group does not hold any collateral as security.

(5) Inventories

	September 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,085,706	($ 19,733)	$ 1,065,973
Work in progress	399,892	(332)	399,560
Finished goods	313,744	(2,751)	310,993
	$ 1,799,342	($ 22,816)	$ 1,776,526

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,878,238	($ 58,028)	$ 1,820,210
Work in progress	422,786	(3,565)	419,221
Finished goods	963,055	(18,298)	944,757
	$ 3,264,079	($ 79,891)	$ 3,184,188

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,576,836	($ 56,248)	$ 2,520,588
Work in progress	617,507	(4,519)	612,988
Finished goods	1,029,050	(11,328)	1,017,722
	$ 4,223,393	($ 72,095)	$ 4,151,298

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

	Three months ended September 30, 2019	Three months ended September 30, 2018
Cost of goods sold	$ 2,500,877	$ 3,567,336
Revenue from disposal of scraps	(2,678)	(15,404)
(Gain on reversal of) loss on decline in market value of inventory	(21,097)	16,933
	$ 2,477,102	$ 3,568,865

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cost of goods sold	$ 8,001,364	$ 10,835,124
Revenue from disposal of scraps	(19,041)	(25,778)
(Gain on reversal of) loss on decline in market value of inventory	(57,075)	37,649
	$ 7,925,248	$ 10,846,995

The gain on reversal of decline in market value of inventory for the three months and nine months ended September 30, 2019 was due to the Group's disposal of slow-moving inventory.

B. No inventories were pledged to others.

(6) Non-current financial assets at fair value through other comprehensive income

Items	September 30, 2019	December 31, 2018	September 30, 2018
Non-current items:			
Equity instruments			
Listed stocks	$ 146,181	$ 146,437	$ 146,436
Others	1,125	1,125	1,125
	147,306	147,562	147,561
Valuation adjustments	18,913	15,593	19,498
	$ 166,219	$ 163,155	$ 167,059

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $166,219, $163,155 and $167,059 as at September 30, 2019, December 31, 2018 and September 30, 2018, respectively. In addition, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was the aforementioned fair values.

B. For the three months and nine months ended September 30, 2019 and 2018, the Group disposed equity investments whose fair value was $0, $0, $0 and $1,980, respectively, and accumulated loss on disposal was transferred into retained earnings in the amount of $0, $0, $0 and $31,625, respectively.

C. For the three months and nine months ended September 30, 2019 and 2018, the Group's cost recovery of equity instruments were $256, $3,172, $256 and $3,172, respectively.

D. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended September 30, 2019	Three months ended September 30, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	($ 1,815)	($ 4,291)
Cumulative losses reclassified to retained earnings due to derecognition	$ -	$ -
Dividend income recognized in profit or loss		
Held at end of period	$ 5,019	$ 3,558
Derecognized during the period	-	-
	$ 5,019	$ 3,558

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	$ 3,320	($ 2,142)
Cumulative losses reclassified to retained earnings due to derecognition	$ -	($ 31,625)
Dividend income recognized in profit or loss		
Held at end of period	$ 5,019	$ 3,558
Derecognized during the period	-	-
	$ 5,019	$ 3,558

E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(7) Investments accounted for using equity method

Investee Company	September 30, 2019	December 31, 2018	September 30, 2018
Taiwan IC Packaging Corp.	$ 99,559	$ 105,322	$ 163,566

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

		Shareholding ratio				
Associate name	Principal place of business	September 30, 2019	December 31, 2018	September 30, 2018	Nature of relationship	Method of measurement
Taiwan IC Packaging Corp.	Taiwan	12.74%	12.74%	12.74%	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.		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	$ 941,609	$ 1,002,572	$ 1,066,338
Non-current assets	1,206,858	1,056,569	1,509,487
Current liabilities	(277,360)	(240,706)	(304,132)
Non-current liabilities	(89,016)	(4,349)	(4,348)
Total net assets	$ 1,782,091	$ 1,814,086	$ 2,267,345
Share in associate’s net assets	$ 227,064	$ 231,141	$ 288,893
Net equity differences	(127,505)	(125,819)	(125,327)
	$ 99,559	$ 105,322	$ 163,566

Statement of comprehensive income

	Taiwan IC Packaging Corp.	
	Three months ended September 30,	
	2019	2018
Revenue	$ 351,857	$ 309,902
Profit (loss) for the period from continuing operations	$ 19,216	($ 46,683)
Total comprehensive income (loss)	$ 19,216	($ 46,683)
Dividends received from associates	$ -	$ -

	Taiwan IC Packaging Corp.	
	Nine months ended September 30,	
	2019	2018
Revenue	$ 892,303	$ 983,947
Loss for the period from continuing operations	($ 31,995)	($ 111,043)
Total comprehensive loss	($ 31,995)	($ 111,043)
Dividends received from associates	$ -	$ -

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

Investee Company	Three months ended September 30, 2019	Three months ended September 30, 2018
Taiwan IC Packaging Corp.	$ 2,448	($ 5,942)

Investee Company	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Taiwan IC Packaging Corp.	($ 6,243)	($ 11,720)

D. The Group's investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was $161,479, $214,723 and $241,346 as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

(8) Property, plant and equipment

	2019						
	Land	Buildings and structures	Machinery	Vehicles	Office equipment	Others	Total
At January 1							
Cost	$ 728,476	$ 2,625,296	$ 472,258	$ 23,992	$ 32,908	$ 60,874	$ 3,943,804
Accumulated depreciation	-	(1,065,760)	(207,764)	(5,218)	(24,081)	(41,488)	(1,344,311)
	$ 728,476	$ 1,559,536	$ 264,494	$ 18,774	$ 8,827	$ 19,386	$ 2,599,493
Opening net book amount as at January 1	$ 728,476	$ 1,559,536	$ 264,494	$ 18,774	$ 8,827	$ 19,386	$ 2,599,493
Additions (including transfers)	-	9,197	30,106	-	81	4,101	43,485
Disposals	-	-	(2,202)	-	(63)	(123)	(2,388)
Depreciation charge	-	(81,248)	(57,939)	(2,896)	(2,162)	(6,394)	(150,639)
Net exchange differences	3,798	(13,667)	(897)	(45)	(79)	(69)	(10,959)
Closing net book amount as at September 30	$ 732,274	$ 1,473,818	$ 233,562	$ 15,833	$ 6,604	$ 16,901	$ 2,478,992
At September 30							
Cost	$ 732,274	$ 2,602,873	$ 476,329	$ 23,939	$ 30,694	$ 61,141	$ 3,927,250
Accumulated depreciation	-	(1,129,055)	(242,767)	(8,106)	(24,090)	(44,240)	(1,448,258)
	$ 732,274	$ 1,473,818	$ 233,562	$ 15,833	$ 6,604	$ 16,901	$ 2,478,992

	2018						
	Land	Buildings and structures	Machinery	Vehicles	Office equipment	Others	Total
<u>At January 1</u>							
Cost	$ 722,543	$ 2,611,665	$ 629,436	$ 11,780	$ 39,427	$ 77,178	$ 4,092,029
Accumulated depreciation	-	(969,017)	(333,006)	(4,843)	(28,789)	(49,451)	(1,385,106)
	$ 722,543	$ 1,642,648	$ 296,430	$ 6,937	$ 10,638	$ 27,727	$ 2,706,923
Opening net book amount as at January 1	$ 722,543	$ 1,642,648	$ 296,430	$ 6,937	$ 10,638	$ 27,727	$ 2,706,923
Additions (including transfers)	-	33,363	53,638	14,810	1,782	138	103,731
Disposals	-	-	(16,565)	(132)	(242)	(676)	(17,615)
Depreciation charge	-	(81,719)	(59,121)	(2,460)	(2,316)	(6,066)	(151,682)
Net exchange differences	2,461	(15,534)	389	(162)	(105)	(676)	(13,627)
Closing net book amount as at September 30	$ 725,004	$ 1,578,758	$ 274,771	$ 18,993	$ 9,757	$ 20,447	$ 2,627,730
<u>At September 30</u>							
Cost	$ 725,004	$ 2,611,612	$ 468,979	$ 23,216	$ 38,122	$ 63,147	$ 3,930,080
Accumulated depreciation	-	(1,032,854)	(194,208)	(4,223)	(28,365)	(42,700)	(1,302,350)
	$ 725,004	$ 1,578,758	$ 274,771	$ 18,993	$ 9,757	$ 20,447	$ 2,627,730

A. The relevant assets of the Group recognized as property, plant and equipment are all for self-use.

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

(9) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including land, buildings, and business vehicles. Rental contracts are typically made for periods of 1 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2019
	Carrying amount	Depreciation charge	Depreciation charge
Land	$ 186,521	$ 9,792	$ 23,059
Buildings	68,430	4,048	12,690
Transportation equipment (business vehicles)	2,312	260	787
	$ 257,263	$ 14,100	$ 36,536

C. For the three months and nine months ended September 30, 2019, the additions to right-of-use assets were $13,409 and $123,316, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 567	$ 1,220
Expense on short-term lease contracts	3,554	5,472
Expense on leases of low-value assets	373	1,173

E. For the nine months ended September 30, 2019, the Group’s total cash outflow for leases (including business tax) was $61,842.

(10) Leasing arrangements-lessor

Effective 2019

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 1 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor’s ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.

B. For the three months and nine months ended September 30, 2019, the Group recognized rent income in the amounts of $8,802 and $30,279, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	September 30, 2019
2019	$ 9,169
2020	36,348
2021	21,828
	$ 67,345

(11) Investment property

	2019		
	Land	Buildings and structures	Total
At January 1			
Cost	$ 2,268,726	$ 452,380	$ 2,721,106
Accumulated depreciation	-	(97,527)	(97,527)
	$ 2,268,726	$ 354,853	$ 2,623,579
Opening net book amount as at January 1	$ 2,268,726	$ 354,853	$ 2,623,579
Depreciation charge	-	(8,551)	(8,551)
Net exchange differences	-	(1,431)	(1,431)
Closing net book amount as at September 30	$ 2,268,726	$ 344,871	$ 2,613,597
At September 30			
Cost	$ 2,268,726	$ 447,334	$ 2,716,060
Accumulated depreciation	-	(102,463)	(102,463)
	$ 2,268,726	$ 344,871	$ 2,613,597

	2018		
	Land	Buildings and structures	Total
At January 1			
Cost	$ 137,037	$ 221,037	$ 358,074
Accumulated depreciation	-	(88,612)	(88,612)
	$ 137,037	$ 132,425	$ 269,462
Opening net book amount as at January 1	$ 137,037	$ 132,425	$ 269,462
Additions	2,131,689	233,341	2,365,030
Depreciation charge	-	(6,861)	(6,861)
Net exchange differences	-	(1,630)	(1,630)
Closing net book amount as at September 30	$ 2,268,726	$ 357,275	$ 2,626,001
At September 30			
Cost	$ 2,268,726	$ 451,584	$ 2,720,310
Accumulated depreciation	-	(94,309)	(94,309)
	$ 2,268,726	$ 357,275	$ 2,626,001

A. On April 17, 2018, the Board of Directors resolved to purchase an office building located at Xinhu 3rd Rd., Neihu Dist., Taipei City, with a total contract price of $2,370,000 (including business tax). In May 2018, all the payments have been settled by the Group and the transfer of the building has been completed.

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

	Three months ended September 30,	
	2019	2018
Rental income from investment property	$ 8,802	$ 10,686
Direct operating expenses arising from investment property that generated rental income	$ 2,643	$ 2,687
Direct operating expenses arising from investment property that did not generate rental income	$ 187	$ 213

	Nine months ended September 30,	
	2019	2018
Rental income from investment property	$ 30,279	$ 22,110
Direct operating expenses arising from investment property that generated rental income	$ 7,936	$ 6,222
Direct operating expenses arising from investment property that did not generate rental income	$ 615	$ 639

C. The fair value of the investment property held by the Group was $4,655,604, $4,650,075 and $4,648,782 as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively, which was based on the transaction prices of similar properties in the same area.

D. No investment property was pledged to others.

(12) Other non-current assets

	September 30, 2019	December 31, 2018	September 30, 2018
Long-term prepaid rents	$ -	$ 93,302	$ 93,169
Guarantee deposits paid	31,489	30,297	30,399
Prepayments for business facilities	31,005	31,202	24,442
Others	15,762	12,078	12,820
	$ 78,256	$ 166,879	$ 160,830

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 and the amounts had been recognized as long-term prepaid rents. The Group recognized rental expenses of $645 and $1,974 for the three months and nine months ended September 30, 2018, respectively. Since the Group applied IFRS 16 on January 1, 2019, the long-term prepaid rents were reclassified to right-of-use assets.

(13) <u>Pensions</u>

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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 December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following 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 $173, $166, $519 and $498 for the three months and nine months ended September 30, 2019 and 2018, respectively.

(c) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amount to $1,443.

B. Defined contribution plans

(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 20%. 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 the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2019 and 2018 were $10,365, $10,941, $31,586 and $33,576, respectively.

(14) Share capital

As of September 30, 2019, the Company's authorized capital was $5,000,000, consisting of 500 million shares of ordinary stock (including 25 million shares reserved for employee stock options), and the paid-in capital was $4,307,617. The number of outstanding shares for the nine months ended September 30, 2019 and 2018 was both 430,762 thousand shares with par value of $10 per share at the beginning and the end of the year. All proceeds from shares issued have been collected.

(15) Capital surplus

A. Pursuant to the R.O.C. Company Act, 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.

B. In accordance with Jing-Shang Letter No. 10602420200 issued by the Ministry of Economic Affairs, R.O.C. in September 2017, the expired unclaimed dividends from 2017 in the amount of $79 should be recognized as capital surplus.

(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 cash appropriation of earnings and cash payment from capital surplus for the years ended December 31, 2018 and 2017 have been resolved at the shareholders' meeting on June 12, 2019 and June 14, 2018, respectively. Details are summarized below:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 208,199		$ 265,572	
Special reserve	14,325		-	
Cash dividends	1,895,351	$ 4.40	2,498,418	$ 5.80
	$ 2,117,875		$ 2,763,990	
	Amount	Cash payment per share (in dollars)	Amount	Cash payment per share (in dollars)
Cash payment from capital surplus	$ 258,458	$ 0.60	$ 86,152	$ 0.20

Actual distribution of retained earnings of 2018 and 2017 is in agreement with the amounts resolved at the stockholders' meeting.

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

(17) Other equity items

	2019		
	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
At January 1	$ 15,593	($ 77,165)	($ 61,572)
Revaluation - gross	3,320	-	3,320
Currency translation differences	-	(41,250)	(41,250)
Effect from income tax	-	8,250	8,250
At September 30	$ 18,913	($ 110,165)	($ 91,252)

	2018		
	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
Balance after restatement at January 1	($ 9,985)	($ 67,262)	($ 77,247)
Revaluation - gross	(2,142)	-	(2,142)
Revaluation transferred to retained earnings - gross	31,625	-	31,625
Currency translation differences	-	(31,030)	(31,030)
Effect from income tax	-	6,206	6,206
At September 30	$ 19,498	($ 92,086)	($ 72,588)

(18) Operating revenue

	Three months ended September 30,	
	2019	2018
Sales revenue	$ 3,366,277	$ 4,431,313

	Nine months ended September 30,	
	2019	2018
Sales revenue	$ 10,210,105	$ 13,642,598

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods all at a point in time in the following geographical regions:

	Electronic products					
Three months ended September 30, 2019	Taiwan	Asia	America	Europe	Others	Total
Revenue from external customer contracts	$ 725,482	$ 1,235,824	$ 292,379	$ 883,823	$ 228,769	$ 3,366,277

	Electronic products					
Nine months ended September 30, 2019	Taiwan	Asia	America	Europe	Others	Total
Revenue from external customer contracts	$ 2,173,568	$ 3,617,598	$ 896,594	$ 2,795,085	$ 727,260	$10,210,105

Three months ended September 30, 2018	Electronic products					
	Taiwan	Asia	America	Europe	Others	Total
Revenue from external customer contracts	$ 1,136,076	$ 1,511,675	$ 474,559	$ 1,079,009	$ 229,994	$ 4,431,313

Nine months ended September 30, 2018	Electronic products					
	Taiwan	Asia	America	Europe	Others	Total
Revenue from external customer contracts	$ 3,334,609	$ 4,752,938	$ 1,375,124	$ 3,462,374	$ 717,553	$13,642,598

B. Contract assets and liabilities

The Group has no revenue-related contract assets and liabilities.

(19) Other income

	Three months ended September 30,	
	2019	2018
Interest income	$ 44,229	$ 44,462
Rental income	8,802	10,686
	$ 53,031	$ 55,148

	Nine months ended September 30,	
	2019	2018
Interest income	$ 161,138	$ 121,327
Rental income	30,279	22,110
	$ 191,417	$ 143,437

(20) Other gains and losses

	Three months ended September 30,	
	2019	2018
(Loss) gain on disposal of property, plant and equipment	($ 113)	$ 1,419
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(3,201)	321
Net currency exchange gain	8,836	22,400
Dividend income	5,019	3,558
Others	18,048	4,947
	$ 28,589	$ 32,645

	Nine months ended September 30,	
	2019	2018
(Loss) gain on disposal of property, plant and equipment	($ 113)	$ 1,475
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(13,772)	321
Net currency exchange gain	135,739	259,592
Dividend income	5,019	3,558
Others	25,170	13,471
	$ 152,043	$ 278,417

(21) Expenses by nature

	Three months ended September 30,	
	2019	2018
Wages and salaries	$ 275,730	$ 291,795
Labor and health insurance fees	28,809	31,312
Pension costs	10,538	11,107
Other personnel expenses	13,485	15,171
Depreciation on property, plant and equipment (including investment property and right-of-use assets)	66,744	52,642

	Nine months ended September 30,	
	2019	2018
Wages and salaries	$ 874,439	$ 955,553
Labor and health insurance fees	93,271	98,436
Pension costs	32,105	34,074
Other personnel expenses	43,068	46,150
Depreciation on property, plant and equipment (including investment property and right-of-use assets)	195,726	158,543

A. In accordance with 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 nine months ended September 30, 2019 and 2018, employees' compensation was accrued at $6,975, $6,407, $17,320 and $22,280, respectively; while directors' remuneration was accrued at $977, $897, $2,425 and $3,119, respectively. The aforementioned amounts were recognized in salary expenses.

For the nine months ended September 30, 2019, 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 amounts recognized in the 2018 financial statements by $948 and $524 were adjusted in profit or loss for 2019.

Information about employees' compensation and directors' remuneration of the Company as approved at 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 September 30, 2019	Three months ended September 30, 2018
Current tax:		
Current tax on profits for the period	$ 119,990	$ 129,004
Prior year income tax overestimation	(89)	-
Total current tax	119,901	129,004
Deferred tax:		
Origination and reversal of temporary differences	11,715	(5,335)
Impact of change in tax rate	-	-
Total deferred tax	11,715	(5,335)
Income tax expense	$ 131,616	$ 123,669

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Current tax:		
Current tax on profits for the period	$ 297,351	$ 380,999
Prior year income tax overestimation	(6,179)	(353)
Total current tax	291,172	380,646
Deferred tax:		
Origination and reversal of temporary differences	36,751	51,620
Impact of change in tax rate	-	5,019
Total deferred tax	36,751	56,639
Income tax expense	$ 327,923	$ 437,285

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

	Three months ended September 30,	
	2019	2018
Exchange differences on translation of foreign financial statements	($ 13,894)	($ 10,945)
Impact of change in tax rate	-	-
	($ 13,894)	($ 10,945)

	Nine months ended September 30,	
	2019	2018
Exchange differences on translation of foreign financial statements	($ 8,250)	($ 10,018)
Impact of change in tax rate	-	3,812
	($ 8,250)	($ 6,206)

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(23) Earnings per share

	Three months ended September 30, 2019		
	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	$ 535,506	430,762	$ 1.24
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 535,506	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	269	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 535,506	431,031	$ 1.24

	Nine months ended September 30, 2019		
	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	$ 1,333,051	430,762	$ 3.09
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,333,051	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	492	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,333,051	431,254	$ 3.09

	Three months ended September 30, 2018		
	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	$ 488,649	430,762	$ 1.13
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 488,649	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	318	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 488,649	431,080	$ 1.13

	Nine months ended September 30, 2018		
	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	$ 1,691,307	430,762	$ 3.93
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,691,307	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	553	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,691,307	431,315	$ 3.92

(24) Operating leases

Prior to 2019

A. The Group leases land, houses and buildings, which are partially recognized as investment property, to others under non-cancellable operating lease agreements. Rental revenues of $10,686 and $22,110 were recognized for these leases in profit or loss for the three months and nine months ended September 30, 2018, respectively. The leases for buildings have terms expiring between 2020 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:

	December 31, 2018	September 30, 2018
Not later than one year	$ 43,468	$ 43,485
Later than one year but not later than five years	59,863	70,670
	$ 103,331	$ 114,155

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 (excluding 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 nine months ended September 30, 2018, the rental expenses were $8,908 and $26,725, respectively. The future aggregate minimum lease commitments under non-cancellable operating leases are as follows:

	December 31, 2018	September 30, 2018
Not later than one year	$ -	$ 21,825
Later than one year but not later than five years	-	-
	$ -	$ 21,825

C. The leases of offices and corporate vehicles have lease terms between 1 ~ 11 years. The rent expenses for the three months and nine months ended September 30, 2018 amounted to $4,026 and $11,233, respectively. The future aggregate minimum lease commitments under non-cancellable operating leases are as follows:

	December 31, 2018	September 30, 2018
Not later than one year	$ 17,210	$ 15,803
Later than one year but not later than five years	47,776	40,649
Later than five years	11,092	8,024
	$ 76,078	$ 64,476

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
Won Chin	Major stockholder
Cheng Chuan	Major stockholder

(2) Significant transactions and balances with related parties

A. Operating revenue

	Three months ended September 30,	
	2019	2018
Sales of goods		
Associates accounted for using equity method	$ 404	$ 331

	Nine months ended September 30,	
	2019	2018
Sales of goods		
Associates accounted for using equity method	$ 1,406	$ 699

The sales prices charged to related parties are approximate to those charged to third parties. The credit term to Taiwan IC Packaging Corporation is collected on delivery. The credit term to third parties is 30 to 60 days after monthly billings.

B. Purchases

	Three months ended September 30,	
	2019	2018
Purchases of goods		
Associates accounted for using equity method	$ 75,680	$ 87,757

	Nine months ended September 30,	
	2019	2018
Purchases of goods		
Associates accounted for using equity method	$ 193,665	$ 202,778

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

C. Payables to related parties

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts payable			
Associates accounted for using equity method	$ 43,194	$ 39,874	$ 59,760

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.

D. Property transactions

In June 2018, the Group sold equipment and consumables to an associate accounted for using equity method, Taiwan IC Packaging Corporation, at a price of $570 and $388, respectively, and accounted as gain on disposal of property in the amount of $0 and as non-operating income in the amount of $388. As of September 30, 2018, the Group collected all proceeds. For the nine months ended September 30, 2019, there was no such transaction.

E. Leasing arrangements - lessee

(a) 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) B. for details.

(b) On June 11, 2019, the Company renewed the contract for another 3 years from June 12, 2019 to June 11, 2022. The annual rental payment is $37,058 (excluding tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by Sinyi Real Estate 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. As of September 30, 2019, the balance of related lease liabilities amounted to $72,761.

(c) In accordance with IFRS 16, on January 1, 2019, the Group increased related 'right-of-use asset' and decreased related other current assets - prepaid rents both by $8,908. As of September 30, 2019, the balance of related right-of-use assets amounted to $97,677. Details are provided in Note 6(9).

(3) Key management compensation

	Three months ended September 30,	
	2019	2018
Salaries and other employee benefits	$ 6,323	$ 6,556

	Nine months ended September 30,	
	2019	2018
Salaries and other employee benefits	$ 19,729	$ 21,093

8. PLEDGED ASSETS

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

	Book value			
Pledged assets	September 30, 2019	December 31, 2018	September 30, 2018	Pledge purpose
Property, plant and equipment	$ 157,452	$ 153,703	$ 149,216	Collateral for general credit limit granted by financial institutions

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of September 30, 2019, 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 DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

In order to secure the Company's credit rating and the stockholders' equity, the Company expects to repurchase and retire 3 billion shares from November 8, 2019 to January 7, 2020, as approved by the Board of Directors on November 7, 2019. The price range is between $49 and $97.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's own funds are currently sufficient, daily operations can create stable cash inflows, and there are no significant capital expenditure plans in the short term. Except for obtaining loans to reduce the exchange rate exposure, the Group has sufficient funds to cover its own needs. Debt financing is not necessary.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets			
Financial assets mandatorily measured at fair value through profit or loss	$ 2,034,713	$ 89,457	$ 400,163
Financial assets at fair value through other comprehensive income	166,219	163,155	167,059
Financial assets at amortised cost			
Cash and cash equivalents	1,871,142	1,429,737	1,144,675
Financial assets at amortised cost	8,017,516	9,145,557	6,973,918
Notes receivable	183	872	2,079
Accounts receivable	1,690,878	2,147,556	2,486,933
Other receivables	95,863	87,295	84,947
Refundable deposits	31,489	30,297	30,399
	$ 13,908,003	$ 13,093,926	$ 11,290,173

	September 30, 2019	December 31, 2018	September 30, 2018
Financial liabilities			
Financial liabilities mandatorily measured at fair value through profit or loss	$ 1,557	$ -	$ -
Financial liabilities at amortised cost			
Accounts payable (including related parties)	1,193,923	1,227,174	989,917
Other payables (including related parties)	248,070	265,229	291,253
	$ 1,443,550	$ 1,492,403	$ 1,281,170
Lease liabilities	$ 142,740	$ -	$ -

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, 2018 for the related information.

C. Significant financial risks and degrees of financial risks

There is no significant change except for the following information. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018 for the related information.

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

ii. 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:

	September 30, 2019					
	Foreign Currency		Foreign Currency Amount	Exchange rate		Book value
Financial assets	USD：NTD	$	186,061	31.0400	$	5,775,333
	JPY：NTD		1,778,035	0.2878		511,718
	EUR：NTD		5,619	33.9500		190,765
	GBP：NTD		736	38.2000		28,115
	RMB：NTD		5,239	4.3500		22,790
	USD：EUR		3,903	0.9143		121,149
	USD：JPY		1,158	107.8527		35,944
	USD：HKD		1,541	7.8423		47,833
	GBP：EUR		566	1.1252		21,621
Financial liabilities	USD：NTD	$	30,895	31.0400	$	958,981

	December 31, 2018					
	Foreign Currency		Foreign Currency Amount	Exchange rate		Book value
Financial assets	USD：NTD	$	284,287	30.7200	$	8,733,297
	JPY：NTD		1,196,063	0.2782		332,745
	EUR：NTD		8,627	35.2000		303,670
	USD：EUR		4,263	0.8727		130,959
	USD：HKD		1,650	7.8347		50,688
	USD：JPY		1,363	110.4242		41,871
	GBP：EUR		520	1.1045		20,218
Financial liabilities	USD：NTD	$	30,346	30.7200	$	932,229

	September 30, 2018					
	Foreign Currency		Foreign Currency Amount	Exchange rate		Book value
Financial assets	USD：NTD	$	283,732	30.5300	$	8,662,338
	JPY：NTD		1,382,927	0.2692		372,284
	EUR：NTD		3,480	35.4800		123,470
	USD：EUR		3,296	0.8605		100,627
	USD：HKD		1,078	7.8262		32,911
	USD：JPY		695	113.4101		21,218
	GBP：EUR		631	1.1246		25,177
Financial liabilities	USD：NTD	$	22,680	30.5300	$	692,420

The information on 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 nine moths ended September 30, 2019 and 2018 is provided in Note 6(20).

Sensitivity analysis relating to foreign exchange rate risks is 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 decrease or increase by $48,163 and $79,699 for the nine months ended September 30, 2019 and 2018, respectively.

Cash flow and fair value interest rate risk

i. The Group's principal interest-bearing assets are cash and cash equivalents and financial assets at amortised cost. Cash and cash equivalents are due within twelve months. Financial assets at amortised cost are maintained at fixed rates. Therefore, it is assessed that there is no significant cash flow interest rate risk.

ii. The Group has not used any financial instruments to hedge its interest rate risk.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

v. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. For details of credit risk in relation to accounts receivable and notes receivable, please refer to Note 6(4).

viii. For details of credit risk in relation to debt instrument investments measured at amortised cost, please refer to Note 6(3).

(3) <u>Fair value information</u>

A. 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 and beneficiary certificates 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 non-hedging derivatives 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, financial products and investment property is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, accounts payable and other payables are approximate to their fair values.

D. 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 are as follows:

September 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 1,951,549	$ -	$ -	$ 1,951,549
Financial products	-	-	83,164	83,164
Financial assets at fair value through other comprehensive income				
Equity securities	165,094	-	1,125	166,219
	$ 2,116,643	$ -	$ 84,289	$ 2,200,932
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Non-hedging derivatives	$ -	$ 1,557	$ -	$ 1,557

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Financial products	$ -	$ -	$ 89,457	$ 89,457
Financial assets at fair value through other comprehensive income				
Equity securities	162,030	-	1,125	163,155
	$ 162,030	$ -	$ 90,582	$ 252,612

September 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 400,163	$ -	$ -	$ 400,163
Financial assets at fair value through other comprehensive income				
Equity securities	165,934	-	1,125	167,059
	$ 566,097	$ -	$ 1,125	$ 567,222

E. 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 financial assets at fair value through other comprehensive income and beneficiary certificates classified as financial assets at fair value through profit or loss.

F. For the nine months ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

G. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants. Forward exchange contracts are usually valued based on the current forward exchange rate.

H. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

I. The financial products purchased for the nine months ended September 30, 2019 were categorised to Level 3. There were no changes in the financial instruments under Level 3 for the nine months ended September 30, 2018.

J. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and frequently review the fair value.

K. The qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement is as follows: financial products are income investments, and the judgements of their valuation technique and significant unobservable inputs are based on the cash flow of individual contract.

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: Please refer to table 3.

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 4.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

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 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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 September 30,	
	2019	2018
Segment revenue	$ 3,366,277	$ 4,431,313
Segment income	$ 535,506	$ 488,649

	Nine months ended September 30,	
	2019	2018
Segment revenue	$ 10,210,105	$ 13,642,598
Segment income	$ 1,333,051	$ 1,691,307

(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. and Subsidiaries

Provision of endorsements and guarantees to others

Nine months ended September 30, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements /guarantees provided (Note 7)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Transcend Taiwan	Transcend Japan Inc.	2	$ 3,826,084	$ 589,400 (JPY 2,000,000) (In thousands)	$ 575,600 (JPY 2,000,000) (In thousands)	$ -	-	3	$ 7,652,169	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 seven categories; fill in the number of category each case belongs to:

(a) Having business relationship

(b) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(c) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(d) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(e) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(f) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(g) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Not exceeding 20% of the Company's net asset value. ($19,130,422*20%=$3,826,084)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of September 30, 2019 is JPY$2,000,000 (In thousands).

Note 5: The amount was approved by the Board of Directors.

Note 6: The actual amount of endorsement drawn down is $0.

Note 7: Not exceeding 40% of the Company's net asset value. ($19,130,422*40%=$7,652,169)

Note 8: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary.

Transcend Information, Inc. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Nine months ended September 30, 2019

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 September 30, 2019 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Transcend Taiwan	Stocks							
	Hitron Tech. Inc.	-	Non-current financial assets at fair value through other comprehensive income	2,762,188	$ 52,758	1	$ 52,758	-
	Dramexchange Tech Inc.	-	"	60,816	1,125	1	1,125	-
	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	1,758,000	112,336	-	112,336	-
					$ 166,219			
	Beneficiary certificates							
	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	143,872,854	$ 1,951,549	-	$ 1,951,549	-
	Bonds							
	Yuanta Asset Management Limited - bond with repurchase agreement rated as investment-grade bonds by S&P	-	Current financial assets at amortised cost	-	$ 453,037	-	-	-
	International Bills Finance Corporation	-	〃	-	372,480	-	-	-
					$ 825,517			
Transcend Information (Shanghai), Ltd.	Financial products							
	Financial products of Fubon Bank (China)	-	Financial assets at fair value through profit or loss	-	$ 76,417	-	$ 76,417	-
	Industrial and Commercial Bank of China	-	〃	-	6,747	-	6,747	-
					$ 83,164			

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 ‘Financial instruments’.

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. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Nine months ended September 30, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)		Disposal (Note 3)				Balance as at September 30, 2019	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain on disposal	Number of shares	Amount
Transcend Taiwan	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	$ -	277,602,762	$ 3,760,000	133,729,909	$ 1,811,353	$ 1,810,236	$ 1,117	143,872,853	$ 1,949,764

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Transcend Information, Inc. and Subsidiaries

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

Nine months ended September 30, 2019

Table 4

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	$ 745,622	8	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	$ 179,691	12	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	494,123	5	"	"	"	22,240	1	-
"	Transcend Information, Inc.	The Company's subsidiary	"	278,194	3	"	"	"	24,502	2	-
"	Transcend Korea Inc.	The Company's subsidiary	"	242,338	3	"	"	"	6,695	-	-
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	"	516,644	5	"	"	"	96,521	6	-
"	Transcend Information (H.K) Ltd.	Subsidiary of Memhiro	"	186,033	2	"	"	"	42,795	3	-
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	361,118	4	"	"	"	13,880	1	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Controlled by the same ultimate parent company	"	143,854	24	30 days after delivery	"	7 to 60 days after delivery to third parties	19,488	22	-
Transcend Taiwan	Taiwan IC Packaging Corporation	Associate accounted for using equity method	(Purchase)	(193,665)	(3)	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	(43,194)	(3)	-

Note 1:The Company’s sales to subsidiaries were equivalent to subsidiaries' purchases from the Company; accordingly, the Company did not disclose the information on subsidiaries’ purchases from the Company.

Transcend Information, Inc. and Subsidiaries

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

Nine months ended September 30, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Transcend Taiwan	Transcend Japan Inc.	Subsidiary of the Company	$ 179,691	4.20	$ -	-	$ 98,977	$ -
Transcend Information (Shanghai), Ltd.	Transcend Taiwan	Ultimate parent company	408,762	-	408,762	-	-	-

Transcend Information, Inc. and Subsidiaries

Significant inter-company transactions during the reporting period

Nine months ended September 30, 2019

Table 6

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	$ 745,622	There is no significant difference in unit price from those to third parties.	7
"	"	Transcend Information Europe B. V.	"	"	494,123	"	5
"	"	Transcend Information, Inc.	"	"	278,194	"	3
"	"	Transcend Korea Inc.	"	"	242,338	"	2
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	516,644	"	5
"	"	Transcend Information (H.K) Ltd.	"	"	186,033	"	2
"	"	Transcend Information Trading GmbH, Hamburg	"	"	361,118	"	4
"	"	Transcend Japan Inc.	"	Accounts Receivable	179,691	120 days after monthly billings	1
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	(408,762)	"	(2)
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	143,854	There is no significant difference in unit price from those to third parties.	1

(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. and Subsidiaries

Information on investees

Nine months ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at September 30, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at September 30, 2019: Number of shares	Shares held as at September 30, 2019: Ownership (%)	Shares held as at September 30, 2019: Book value	Net profit (loss) of the investee for the nine months ended September 30, 2019	Investment income (loss) recognized by the Company for the nine months ended September 30, 2019 (Note 1)	Footnote
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	$ 1,202,418	$ 1,202,418	36,600,000	100	$ 1,718,716	($ 14,248)	($ 14,248)	Note 2
	Transcend Japan Inc.	Japan	Wholesale of computer memory modules and peripheral products	89,103	89,103	6,400	100	265,543	20,627	20,627	Note 2
	Transcend Information, Inc.	United States of America	Wholesale of computer memory modules and peripheral products	38,592	38,592	625,000	100	194,080	3,584	3,584	Note 2
	Transcend Korea Inc.	Korea	Wholesale of computer memory modules and peripheral products	6,132	6,132	40,000	100	60,085	4,733	4,733	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	51,842,975	12.74	99,559	(31,995)	(6,243)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	1,686,721	(15,032)	(15,032)	Note 3
Memhiro Pte Ltd.	Transcend Information Europe B.V.	Netherlands	Wholesale of computer memory modules and peripheral products	1,693	1,693	100	100	223,602	7,324	7,335	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesale of computer memory modules and peripheral products	2,288	2,288	-	100	111,384	4,723	4,723	Note 4
	Transcend Information (H.K.) Ltd.	Hong Kong	Wholesale of computer memory modules and peripheral products	7,636	7,636	2,000,000	100	25,280	8,488	8,488	Note 4

Note 1: The Company does not directly recognize the investment income (loss) except for the subsidiaries directly held.
Note 2: Subsidiary of the Company.
Note 3: Subsidiary of Saffire.
Note 4: Subsidiary of Memhiro.
Note 5: Please refer to Note 6 (7).

Transcend Information, Inc. and Subsidiaries

Information on investments in Mainland China

Nine months ended September 30, 2019

Table 8

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Net income (loss) of investee for the nine months ended of September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2019 (Note 2)	Book value of investments in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Transcend Information (Shanghai), Ltd.	Manufacture and sales of computer memory modules, storage products and disks	$ 1,134,178	(2)	$ 1,134,178	-	-	$ 1,134,178	($ 51,557)	100	($ 51,557)	$ 1,255,881	$ 1,464,028	-
Transtech Trading (Shanghai) Co., Ltd.	Wholesale, agent, import and export and retail of computer memory modules, storage products and computer components	16,310	(2)	16,310	-	-	16,310	15,723	100	15,723	47,418	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	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	$ 11,478,253

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 recognition basis of gain and loss on investment was the financial statements which were not reviewed by independent accountant.

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