

**TRANSCEND INFORMATION, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2015 AND 2014**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR15000012

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

We have reviewed the accompanying consolidated balance sheets of Transcend Information, Inc. and its subsidiaries as of March 31, 2015 and 2014 and the related consolidated statements of comprehensive income, of changes in equity, and of cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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資誠

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

PricewaterhouseCoopers, Taiwan

April 29, 2015

Taipei, Taiwan

Republic of China

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

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of March 31, 2015 and 2014 are reviewed, not audited)

Assets	Notes	March 31, 2015		December 31, 2014		March 31, 2014	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	\$ 10,816,047	43	\$ 11,565,344	44	\$ 10,757,242	44
Current financial assets at fair value	6(2)						
through profit or loss		92,710	-	53,545	-	-	-
Current bond investments without	6(3)						
active market		630,679	3	637,025	3	564,158	2
Notes receivable, net		5,126	-	-	-	3,562	-
Accounts receivable, net	6(4)	2,775,812	11	2,993,131	11	2,750,479	11
Other receivables		231,840	1	283,316	1	274,232	1
Other receivables - related parties	7	-	-	-	-	10,457	-
Inventories, net	6(5)	6,120,689	25	6,364,987	24	5,974,014	24
Other current assets		40,057	-	44,515	-	18,183	-
Current Assets		<u>20,712,960</u>	<u>83</u>	<u>21,941,863</u>	<u>83</u>	<u>20,352,327</u>	<u>82</u>
Non-current assets							
Available-for-sale financial	6(6)						
assets-non-current		223,624	1	232,639	1	299,624	1
Investments accounted for using	6(7)						
equity method		334,366	1	332,593	1	221,092	1
Property, plant and equipment, net	6(8), 7 and						
	8	3,100,919	12	3,160,974	12	3,279,621	13
Investment property, net	6(9)	295,892	1	298,614	1	301,587	1
Deferred tax assets		117,288	1	92,319	1	96,262	1
Other non-current assets	6(10) and 8	197,028	1	234,238	1	218,853	1
Non-current Assets		<u>4,269,117</u>	<u>17</u>	<u>4,351,377</u>	<u>17</u>	<u>4,417,039</u>	<u>18</u>
Total Assets		<u>\$ 24,982,077</u>	<u>100</u>	<u>\$ 26,293,240</u>	<u>100</u>	<u>\$ 24,769,366</u>	<u>100</u>

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of March 31, 2015 and 2014 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2015		December 31, 2014		March 31, 2014	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term borrowings	6(11)	\$ 478,240	2	\$ 903,300	4	\$ 593,500	2
Notes payable		-	-	8	-	11	-
Accounts payable		1,619,528	7	3,202,531	12	2,141,199	9
Accounts payable to related parties	7	82,964	-	74,185	-	40,717	-
Other payables		354,474	1	475,052	2	384,602	2
Current tax liabilities		434,723	2	319,927	1	348,144	1
Other current liabilities		7,082	-	60,063	-	35,936	-
Current Liabilities		<u>2,977,011</u>	<u>12</u>	<u>5,035,066</u>	<u>19</u>	<u>3,544,109</u>	<u>14</u>
Non-current liabilities							
Deferred tax liabilities		444,537	2	485,378	2	397,188	2
Other non-current liabilities	6(12)	71,179	-	54,191	-	54,622	-
Non-current Liabilities		<u>515,716</u>	<u>2</u>	<u>539,569</u>	<u>2</u>	<u>451,810</u>	<u>2</u>
Total Liabilities		<u>3,492,727</u>	<u>14</u>	<u>5,574,635</u>	<u>21</u>	<u>3,995,919</u>	<u>16</u>
Share capital							
	6(13)						
Common stock		4,307,617	17	4,307,617	16	4,307,617	18
Capital surplus							
	6(14)						
Capital surplus		4,799,075	19	4,799,075	18	4,799,075	19
Retained earnings							
	6(15)						
Legal reserve		3,053,235	12	3,053,235	12	2,733,339	11
Unappropriated retained earnings		9,340,018	38	8,504,167	32	8,875,858	36
Other equity interest							
	6(16)						
Other equity interest		(10,595)	-	54,511	1	57,558	-
Total equity attributable to owners of parent		<u>21,489,350</u>	<u>86</u>	<u>20,718,605</u>	<u>79</u>	<u>20,773,447</u>	<u>84</u>
Total Equity		<u>21,489,350</u>	<u>86</u>	<u>20,718,605</u>	<u>79</u>	<u>20,773,447</u>	<u>84</u>
Commitments and contingent liabilities							
	9						
Total Liabilities and Equity		<u>\$ 24,982,077</u>	<u>100</u>	<u>\$ 26,293,240</u>	<u>100</u>	<u>\$ 24,769,366</u>	<u>100</u>

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

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

Items	Notes	Three months ended March 31			
		2015		2014	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(17)	\$ 6,131,745	100	\$ 6,794,611	100
Operating Costs	6(5) and 7	(4,827,011)	(79)	(5,467,852)	(81)
Gross Profit		<u>1,304,734</u>	<u>21</u>	<u>1,326,759</u>	<u>19</u>
Operating Expenses	6(20)				
Sales and marketing expenses		(280,885)	(5)	(281,855)	(4)
General and administrative expenses		(61,563)	(1)	(91,112)	(1)
Research and development expenses		(33,947)	-	(45,938)	(1)
Total operating expenses		<u>(376,395)</u>	<u>(6)</u>	<u>(418,905)</u>	<u>(6)</u>
Operating Profit		<u>928,339</u>	<u>15</u>	<u>907,854</u>	<u>13</u>
Non-operating Income and Expenses					
Other income	6(18)	51,372	1	42,665	1
Other gains and losses	6(19)	(38,264)	-	74,539	1
Finance costs		(1,816)	-	(2,666)	-
Share of gain (loss) of associates and joint ventures accounted for under equity method	6(7)	1,773	-	(163)	-
Total non-operating income and expenses		<u>13,065</u>	<u>1</u>	<u>114,375</u>	<u>2</u>
Profit before Income Tax		<u>941,404</u>	<u>16</u>	<u>1,022,229</u>	<u>15</u>
Income tax expense	6(21)	(105,553)	(2)	(121,418)	(2)
Profit for the Period		<u>\$ 835,851</u>	<u>14</u>	<u>\$ 900,811</u>	<u>13</u>
Other Comprehensive Income					
Cumulative translation differences for foreign operations	6(16)	(\$ 67,579)	(1)	\$ 15,934	-
Unrealized (loss) gain on available-for-sale financial assets	6(6)	(9,015)	-	35,202	1
Income tax on other comprehensive income	6(16)(21)	11,488	-	(2,709)	-
Other Comprehensive (Loss) Income for the Period		<u>(\$ 65,106)</u>	<u>(1)</u>	<u>\$ 48,427</u>	<u>1</u>
Total Comprehensive Income		<u>\$ 770,745</u>	<u>13</u>	<u>\$ 949,238</u>	<u>14</u>
Net Profit attributable to:					
Owners of parent		<u>\$ 835,851</u>	<u>14</u>	<u>\$ 900,811</u>	<u>13</u>
Comprehensive Income attributable to:					
Owners of parent		<u>\$ 770,745</u>	<u>13</u>	<u>\$ 949,238</u>	<u>14</u>
Earnings Per Share	6(22)				
Basic earnings per share		<u>\$</u>	<u>1.94</u>	<u>\$</u>	<u>2.09</u>
Diluted earnings per share		<u>\$</u>	<u>1.94</u>	<u>\$</u>	<u>2.09</u>

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014
(Expressed in thousands of New Taiwan Dollars)
(UNAUDITED)

	Notes	Equity attributable to owners of the parent								Total equity
		Common stock	Capital Surplus		Retained Earnings			Other equity interest		
			Additional paid-in capital	Capital surplus, donated assets received	Capital surplus, net assets from merger	Legal reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	
<u>For the three-month period ended March 31, 2014</u>										
Balance at January 1, 2014		\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 2,733,339	\$ 7,975,047	\$ 27,764	(\$ 18,633)	\$ 19,824,209
Net income for the period		-	-	-	-	-	900,811	-	-	900,811
Other comprehensive income for the period	6(16)	-	-	-	-	-	-	13,225	35,202	48,427
Balance at March 31, 2014		<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 2,733,339</u>	<u>\$ 8,875,858</u>	<u>\$ 40,989</u>	<u>\$ 16,569</u>	<u>\$ 20,773,447</u>
<u>For the three-month period ended March 31, 2015</u>										
Balance at January 1, 2015		\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 3,053,235	\$ 8,504,167	\$ 104,927	(\$ 50,416)	\$ 20,718,605
Net income for the period		-	-	-	-	-	835,851	-	-	835,851
Other comprehensive loss for the period	6(16)	-	-	-	-	-	-	(56,091)	(9,015)	(65,106)
Balance at March 31, 2015		<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 3,053,235</u>	<u>\$ 9,340,018</u>	<u>\$ 48,836</u>	<u>(\$ 59,431)</u>	<u>\$ 21,489,350</u>

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

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

	Notes	For the three-month periods ended March 31,	
		2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before tax for the period		\$ 941,404	\$ 1,022,229
Adjustments to reconcile profit before tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Net gains on financial assets at fair value through profit or loss	6(2)(19)	(39,165)	-
Gain on disposal of financial assets	6(3)(19)	(3,259)	(2,432)
Share of (gain) loss of associates and joint ventures accounted for using equity method	6(7)	(1,773)	163
(Gain) loss on market price (recovery) decline of inventory	6(5)	(25,650)	19,852
Depreciation	6(20)	60,055	59,742
Interest income	6(18)	(46,619)	(38,584)
Interest expense		1,816	-
Loss (gain) on disposal of property, plant and equipment	6(19)	1	(855)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes and accounts receivable		213,005	(19,925)
Other receivables		41,897	(11,538)
Other receivables - related parties		-	(10,457)
Inventories		269,948	(917,927)
Other current assets		4,458	18,128
Net changes in liabilities relating to operating activities			
Notes and accounts payable		(1,574,232)	(534,673)
Other payables		(120,578)	(6,845)
Other current liabilities		(52,981)	(14,077)
Other non-current liabilities		16,988	5,273
Cash used in operations		(314,685)	(431,926)
Interest received		56,198	30,418
Interest paid		(1,816)	(2,363)
Income tax paid		(45,079)	(31,651)
Net cash used in operating activities		(305,382)	(435,522)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of bond investments without active markets		556,530	-
Acquisition of bond investments without active markets		(547,400)	(436,329)
Acquisition of property, plant and equipment (including investment property)	6(8)	(15,616)	(36,854)
Proceeds from disposal of property, plant and equipment	6(8)	30	42,298
Decrease (increase) in other non-current assets		37,210	(35,162)
Net cash provided by (used in) investing activities		30,754	(466,047)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		(418,760)	-
Net cash used in financing activities		(418,760)	-
Effect of foreign exchange rate changes		(55,909)	19,306
Decrease in cash and cash equivalents		(749,297)	(882,263)
Cash and cash equivalents at beginning of period		11,565,344	11,639,505
Cash and cash equivalents at end of period		<u>\$ 10,816,047</u>	<u>\$ 10,757,242</u>

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

A. IAS 1, ‘Presentation of financial statements’

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

B. IFRS 12, ‘Disclosure of interests in other entities’

The standard integrates the disclosure requirements for subsidiaries, joint arrangements,

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”)
- B. The consolidated financial statements as of and for the three-month period ended March 31, 2015 should be read together with the consolidated financial statements as of and for the year ended December 31, 2014.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

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

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

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

Pensions

Defined benefit plans

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Cash on hand and petty cash	\$ 1,157	\$ 1,523	\$ 852
Checking accounts and demand deposits	1,235,349	2,245,438	4,447,962
Time deposits	9,191,421	8,925,923	6,308,428
Cash equivalents -			
Bond with repurchase agreement	<u>388,120</u>	<u>392,460</u>	<u>-</u>
Total	<u>\$ 10,816,047</u>	<u>\$ 11,565,344</u>	<u>\$ 10,757,242</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Cash and cash equivalents pledged as collateral had been reclassified as 'other non-current assets' in the amount of \$3,050 as of March 31, 2014. Please refer to Note 8 for details. As of March 31, 2015 and December 31, 2014, the Group had no cash and cash equivalents pledged to others.
- C. As of March 31, 2015 and December 31, 2014, the bond with repurchase agreement recognized as cash equivalents is 30-day highly-liquid investments with annual interest rate of 1.50%.

(2) Financial assets at fair value through profit or loss

Items	March 31, 2015	December 31, 2014	March 31, 2014
Current item :			
Financial assets held for trading			
Non-hedging derivatives	\$ 92,710	\$ 53,545	\$ -

A. The Group recognized net gain of \$120,541 and \$0 on financial assets held for trading for the three-month periods ended March 31, 2015 and 2014, respectively.

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

(Unit: in thousand dollars)

March 31, 2015			
Derivative Instruments	Contract Amount (Notional Principal)	Contract Period	
Current items:			
Forward foreign exchange contracts	EUR	3,000	November 6, 2014 to April 20, 2015
"	"	1,200	November 25, 2014 to April 23, 2015
"	"	5,200	November 25, 2014 to May 18, 2015
"	"	3,900	December 10, 2014 to June 8, 2015
"	"	4,200	January 27, 2015 to July 20, 2015
"	"	5,600	February 3, 2015 to July 27, 2015
"	"	5,000	March 13, 2015 to September 8, 2015
"	"	1,000	March 13, 2015 to May 28, 2015
"	"	6,500	March 19, 2015 to September 14, 2015
"	"	1,000	March 19, 2015 to May 28, 2015
"	JPY	460,000	November 10, 2014 to April 27, 2015
"	"	800,000	December 10, 2014 to June 8, 2015
"	"	875,000	March 19, 2015 to September 14, 2015
"	"	875,000	March 25, 2015 to September 14, 2015

(Unit: in thousand dollars)

December 31, 2014			
Derivative Instruments	Contract Amount (Notional Principal)	Contract Period	
Current items:			
Forward foreign exchange contracts	EUR	16,000	November 6, 2014 to April 20, 2015
"	"	4,200	November 25, 2014 to April 23, 2015
"	"	5,200	November 25, 2014 to May 18, 2015
"	"	3,900	December 10, 2014 to June 8, 2015
"	JPY	1,910,000	November 10, 2014 to April 27, 2015
"	"	800,000	December 10, 2014 to June 8, 2015

The Group entered into forward foreign exchange contracts to buy USD (sell EUR and JPY) to

hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

(3) Current bond investments without active markets

Items	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Current items :			
Funds-bonds	\$ 51,629	\$ 51,500	\$ -
Bond with repurchase agreement	<u>579,050</u>	<u>585,525</u>	<u>564,158</u>
	<u>\$ 630,679</u>	<u>\$ 637,025</u>	<u>\$ 564,158</u>

A. The counterparties of the Group's fund investments, namely Industrial and Commercial Bank of China, Bank of China, China Construction Bank, Shanghai Pudong Development Bank and Fubon Bank (China) Co, Ltd., are well-known banks in the People's Republic of China. The bond with repurchase agreements is sold by Yuanta Asset Management Limited.

B. The Group recognised gain on disposal of financial assets of \$3,259 and \$2,432 in profit or loss for the three-month periods ended March 31, 2015 and 2014, respectively.

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

(4) Accounts receivable

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Accounts receivable	\$ 2,808,175	\$ 3,026,355	\$ 2,799,844
Less: Allowance for bad debts	(32,363)	(33,224)	(49,365)
	<u>\$ 2,775,812</u>	<u>\$ 2,993,131</u>	<u>\$ 2,750,479</u>

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

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows :

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Up to 30 days	\$ 328,804	\$ 620,543	\$ 508,116
31 to 90 days	36,034	19,446	38,820
91 to 180 days	<u>2,141</u>	<u>1,037</u>	<u>4,596</u>
	<u>\$ 366,979</u>	<u>\$ 641,026</u>	<u>\$ 551,532</u>

The above ageing analysis was based on past due date.

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

(a) As of March 31, 2015, December 31, 2014 and March 31, 2014, the Group's accounts receivable that were impaired amounted to \$32,363, \$33,224 and \$49,365, respectively.

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

	2015		2014	
	Individual provision		Individual provision	
At January 1	\$	33,224	\$	47,322
Write-offs during the period	(49)		-
Net exchange differences	(812)		2,043
At March 31	\$	32,363	\$	49,365

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

	March 31, 2015	December 31, 2014	March 31, 2014
Group 1	\$ 1,106,878	\$ 905,678	\$ 649,371
Group 2	1,301,955	1,446,427	1,549,576
	<u>\$ 2,408,833</u>	<u>\$ 2,352,105</u>	<u>\$ 2,198,947</u>

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

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

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

(5) Inventories

	March 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,334,822	(\$ 58,887)	\$ 3,275,935
Work in progress	1,270,232	(5,466)	1,264,766
Finished goods	1,616,965	(36,977)	1,579,988
Total	<u>\$ 6,222,019</u>	<u>(\$ 101,330)</u>	<u>\$ 6,120,689</u>

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

	March 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,832,992	(\$ 48,166)	\$ 3,784,826
Work in progress	796,362	(9,663)	786,699
Finished goods	1,441,486	(38,997)	1,402,489
Total	<u>\$ 6,070,840</u>	<u>(\$ 96,826)</u>	<u>\$ 5,974,014</u>

A. The cost of inventories recognized as expense:

	Three-month periods ended March 31,	
	2015	2014
Cost of inventories sold	\$ 4,852,661	\$ 5,448,000
(Gain on reversal of) loss on inventory write-down	(25,650)	19,852
	<u>\$ 4,827,011</u>	<u>\$ 5,467,852</u>

The reversal of inventory write-down for the three-month period ended March 31, 2015 was caused by actively dealing with the slow-moving inventory.

B. No inventories were pledged to others.

(6) Non-current available-for-sale financial assets

Items	March 31, 2015	December 31, 2014	March 31, 2014
Non-current items :			
Listed stocks	\$ 281,930	\$ 281,930	\$ 281,930
Others	31,125	31,125	31,125
Subtotal	313,055	313,055	313,055
Valuation adjustments of available-for-sale financial assets	(59,431)	(50,416)	16,569
Accumulated impairment	(30,000)	(30,000)	(30,000)
Total	<u>\$ 223,624</u>	<u>\$ 232,639</u>	<u>\$ 299,624</u>

A. The Group recognized (\$9,015) and \$35,202 in other comprehensive (loss) income for fair value change for the three-month periods ended March 31, 2015 and 2014, respectively.

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

(7) Investments accounted for using equity method

<u>Investee Company</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Taiwan IC Packaging Corp.	\$ 334,366	\$ 332,593	\$ 221,092

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

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

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

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

Balance sheet

	<u>Taiwan IC Packaging Corp.</u>		
	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Current assets	\$ 2,435,594	\$ 2,553,825	\$ 1,518,239
Non-current assets	1,581,870	1,481,686	1,446,530
Current liabilities	(375,530)	(397,229)	(328,325)
Non-current liabilities	(63,810)	(75,239)	(98,389)
Total net assets	\$ 3,578,124	\$ 3,563,043	\$ 2,538,055
Share in associate's net assets	\$ 460,871	\$ 458,929	\$ 344,001
Net equity differences	(126,505)	(126,336)	(122,909)
Carrying amount of the associate	\$ 334,366	\$ 332,593	\$ 221,092

Statement of comprehensive income

	<u>Taiwan IC Packaging Corp.</u>	
	<u>Three-month period ended March 31, 2015</u>	<u>Three-month period ended March 31, 2014</u>
Revenue	\$ 527,163	\$ 497,409
Profit (loss) for the period from continuing operations	\$ 15,081	(\$ 9,155)
Total comprehensive income (loss)	\$ 15,081	(\$ 9,155)

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

<u>Investee Company</u>	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Taiwan IC Packaging Corp.	\$ 1,773	(\$ 163)

D. The Group’s investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was \$588,418, \$521,022 and \$467,400 as of March 31, 2015, December 31, 2014 and March 31, 2014, respectively.

(8) Property, plant and equipment

	Land	Buildings	Machinery	Vehicles	Office Equipment	Others	Total
<u>At January 1, 2015</u>							
Cost	\$ 724,203	\$ 2,774,759	\$ 824,587	\$ 9,402	\$ 48,271	\$ 64,797	\$ 4,446,019
Accumulated depreciation	-	(730,255)	(467,879)	(6,120)	(36,300)	(44,491)	(1,285,045)
	<u>\$ 724,203</u>	<u>\$ 2,044,504</u>	<u>\$ 356,708</u>	<u>\$ 3,282</u>	<u>\$ 11,971</u>	<u>\$ 20,306</u>	<u>\$ 3,160,974</u>
<u>2015</u>							
Opening net book amount	\$ 724,203	\$ 2,044,504	\$ 356,708	\$ 3,282	\$ 11,971	\$ 20,306	\$ 3,160,974
Additions(including transfer)	-	1,000	11,028	-	133	3,456	15,617
Disposals	-	-	(16)	-	-	(15)	(31)
Depreciation charge	-	(29,156)	(26,330)	(301)	(946)	(1,370)	(58,103)
Net exchange differences	(1,830)	(13,791)	(1,314)	(27)	(468)	(108)	(17,538)
Closing net book amount	<u>\$ 722,373</u>	<u>\$ 2,002,557</u>	<u>\$ 340,076</u>	<u>\$ 2,954</u>	<u>\$ 10,690</u>	<u>\$ 22,269</u>	<u>\$ 3,100,919</u>
<u>At March 31, 2015</u>							
Cost	\$ 722,373	\$ 2,753,990	\$ 830,615	\$ 9,325	\$ 47,364	\$ 66,208	\$ 4,429,875
Accumulated depreciation	-	(751,433)	(490,539)	(6,371)	(36,674)	(43,939)	(1,328,956)
	<u>\$ 722,373</u>	<u>\$ 2,002,557</u>	<u>\$ 340,076</u>	<u>\$ 2,954</u>	<u>\$ 10,690</u>	<u>\$ 22,269</u>	<u>\$ 3,100,919</u>

	Land	Buildings	Machinery	Vehicles	Office Equipment	Others	Total
<u>At January 1, 2014</u>							
Cost	\$ 729,847	\$ 2,780,284	\$ 863,765	\$ 12,411	\$ 53,981	\$ 71,969	\$ 4,512,257
Accumulated depreciation	-	(648,599)	(431,096)	(9,238)	(39,088)	(53,361)	(1,181,382)
	<u>\$ 729,847</u>	<u>\$ 2,131,685</u>	<u>\$ 432,669</u>	<u>\$ 3,173</u>	<u>\$ 14,893</u>	<u>\$ 18,608</u>	<u>\$ 3,330,875</u>
<u>2014</u>							
Opening net book amount	\$ 729,847	\$ 2,131,685	\$ 432,669	\$ 3,173	\$ 14,893	\$ 18,608	\$ 3,330,875
Additions(including transfer)	-	424	33,558	691	-	1,836	36,509
Disposals	-	-	(41,366)	(52)	(2)	(23)	(41,443)
Depreciation charge	-	(29,973)	(25,093)	(346)	(961)	(1,403)	(57,776)
Net exchange differences	5,975	5,019	409	10	42	1	11,456
Closing net book amount	<u>\$ 735,822</u>	<u>\$ 2,107,155</u>	<u>\$ 400,177</u>	<u>\$ 3,476</u>	<u>\$ 13,972</u>	<u>\$ 19,019</u>	<u>\$ 3,279,621</u>
<u>At March 31, 2014</u>							
Cost	\$ 735,822	\$ 2,788,026	\$ 814,837	\$ 10,137	\$ 54,442	\$ 73,343	\$ 4,476,607
Accumulated depreciation	-	(680,871)	(414,660)	(6,661)	(40,470)	(54,324)	(1,196,986)
	<u>\$ 735,822</u>	<u>\$ 2,107,155</u>	<u>\$ 400,177</u>	<u>\$ 3,476</u>	<u>\$ 13,972</u>	<u>\$ 19,019</u>	<u>\$ 3,279,621</u>

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

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 137,037	\$ 236,633	\$ 373,670
Accumulated depreciation and impairment	<u>-</u>	<u>(75,056)</u>	<u>(75,056)</u>
	<u>\$ 137,037</u>	<u>\$ 161,577</u>	<u>\$ 298,614</u>
<u>2015</u>			
Opening net book amount	\$ 137,037	\$ 161,577	\$ 298,614
Depreciation charge	-	(1,952)	(1,952)
Net exchange differences	<u>-</u>	<u>(770)</u>	<u>(770)</u>
Closing net book amount	<u>\$ 137,037</u>	<u>\$ 158,855</u>	<u>\$ 295,892</u>
<u>At March 31, 2015</u>			
Cost	\$ 137,037	\$ 234,141	\$ 371,178
Accumulated depreciation and impairment	<u>-</u>	<u>(75,286)</u>	<u>(75,286)</u>
	<u>\$ 137,037</u>	<u>\$ 158,855</u>	<u>\$ 295,892</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ 137,037	\$ 232,509	\$ 369,546
Accumulated depreciation and impairment	<u>-</u>	<u>(66,314)</u>	<u>(66,314)</u>
	<u>\$ 137,037</u>	<u>\$ 166,195</u>	<u>\$ 303,232</u>
<u>2014</u>			
Opening net book amount	\$ 137,037	\$ 166,195	\$ 303,232
Additions	-	345	345
Depreciation charge	-	(1,966)	(1,966)
Net exchange differences	<u>-</u>	<u>(24)</u>	<u>(24)</u>
Closing net book amount	<u>\$ 137,037</u>	<u>\$ 164,550</u>	<u>\$ 301,587</u>
<u>At March 31, 2014</u>			
Cost	\$ 137,037	\$ 232,810	\$ 369,847
Accumulated depreciation and impairment	<u>-</u>	<u>(68,260)</u>	<u>(68,260)</u>
	<u>\$ 137,037</u>	<u>\$ 164,550</u>	<u>\$ 301,587</u>

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

	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Rental income from investment property	\$ 4,753	\$ 4,081
Direct operating expenses arising from investment property that generated rental income in the period	\$ 1,726	\$ 1,966
Direct operating expenses arising from investment property that did not generate rental income in the period	\$ 226	\$ 211

B. The fair value of the investment property held by the Group was \$1,875,451, \$1,829,038 and \$1,194,023 as of March 31, 2015, December 31, 2014 and March 31, 2014, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(10) Other non-current assets

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Long-term prepaid rents	\$ 116,051	\$ 117,884	\$ 115,898
Guarantee deposits paid	36,780	67,592	64,810
Others	44,197	48,762	38,145
	<u>\$ 197,028</u>	<u>\$ 234,238</u>	<u>\$ 218,853</u>

In May 2005, the Group signed a land-use right contract with the People's Republic of China for the use of land with a term of 50 years. All rentals had been paid on the contract date. The Group recognized rental expenses of \$724 and \$711 for the three-month periods ended March 31, 2015 and 2014, respectively.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2015</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings:			
Secured	\$ 390,600	0.63-0.64%	Transcend Japan's Land and Buildings
Unsecured	87,640	0.92%	-
	<u>\$ 478,240</u>		

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

<u>Type of borrowings</u>	<u>March 31, 2014</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings:			
Secured	\$ 298,600	0.65%	Transcend Japan's Land and Buildings
Unsecured	<u>294,900</u>	2.46%	-
	<u>\$ 593,500</u>		

(12) Pensions

- A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$274 and \$350 for the three-month periods ended March 31, 2015 and 2014, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2016 amounted to \$2,478.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Group's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages, ranging from 12.5% to 22%. Other than the monthly contributions, the Group has no further obligations.
- (c) Transcend Japan, Transcend Korea, Transcend USA, Transcend Europe and Transcend Germany have a defined contribution plan. Monthly contributions are based on a certain percentage of employees' monthly salaries and wages and are recognized as pension costs accordingly. Other than the monthly contributions, the Group has no further obligations.
- (d) The pension costs under defined contribution pension plans of the Group for the three-month periods ended March 31, 2015 and 2014 were \$11,974 and \$10,614, respectively.

(13) Share capital

As of March 31, 2015, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 25 thousand shares reserved for employee stock options). The paid-in capital was \$4,307,617 with a par value of \$10 (in dollars) per share, and consisting of 430,762 thousand shares of ordinary stock outstanding. All proceeds from shares issued have been collected.

(14) Capital surplus

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

(15) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and 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. When distributing earnings, the Company shall appropriate 0.2% of the total distributable amount as the directors' and supervisors' remuneration. Bonus distributed to the employees shall account for at least 1% of the total distributable earnings. The remainder to be appropriated shall be resolved by stockholders at the stockholders' meeting, and cash dividends shall account for at least 5% of the total dividends distributed.
- B. The Company distributes dividends taking into consideration the Company's economic environment and growth phases, future demands of funds, long-term financial planning, and the cash flows that the stockholders desire. Cash dividends shall account for at least 5% of the total dividend distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included

in the distributable earnings.

- E. For the three-month periods ended March 31, 2015 and 2014, employees' bonus was accrued at \$7,523 and \$8,107, respectively, which was based on a certain percentage prescribed by the Company's Articles of Incorporation of net profit after taking into account the legal reserve and other factors (under the Company's Articles of Incorporation, bonus distributed to the employees shall account for at least 1% of total distributable earnings for the years ended December 31, 2014 and 2013, respectively.)

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

- F. The appropriation of earnings and distribution of capital reserve of years 2014 and 2013 had been resolved at the Board of Directors and stockholders' meeting on March 12, 2015 and June 12, 2014, respectively. Details are summarized below:

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

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

The above appropriation of earnings of 2014 and legal reserve has to be resolved at the shareholders' meeting of 2015.

(16) Other equity items

	Unrealised gain or loss on available-for-sale financial assets	Cumulative translation differences for foreign operations	Total
At January 1, 2015	(\$ 50,416)	\$ 104,927	\$ 54,511
Change in unrealized gains or losses for available-for-sale financial assets	(9,015)	-	(9,015)
Cumulative translation differences for foreign operations	-	(67,579)	(67,579)
Effect from income tax	-	11,488	11,488
At March 31, 2015	<u>(\$ 59,431)</u>	<u>\$ 48,836</u>	<u>(\$ 10,595)</u>

	Unrealised gain or loss on available-for-sale financial assets	Cumulative translation differences for foreign operations	Total
At January 1, 2014	(\$ 18,633)	\$ 27,764	\$ 9,131
Change in unrealized gains or losses for available-for-sale financial assets	35,202	-	35,202
Cumulative translation differences for foreign operations	-	15,934	15,934
Effect from income tax	-	(2,709)	(2,709)
At March 31, 2014	<u>\$ 16,569</u>	<u>\$ 40,989</u>	<u>\$ 57,558</u>

(17) Operating revenue

	Three-month periods ended March 31,	
	2015	2014
Sales revenue	<u>\$ 6,131,745</u>	<u>\$ 6,794,611</u>

(18) Other income

	Three-month periods ended March 31,	
	2015	2014
Interest income	\$ 46,619	\$ 38,584
Rental revenue	4,753	4,081
Total	<u>\$ 51,372</u>	<u>\$ 42,665</u>

(19) Other gains and losses

	Three-month periods ended March 31,	
	2015	2014
Net gain on financial assets at fair value through profit or loss	\$ 120,541	\$ -
Gain on disposal of financial assets	3,259	2,432
(Loss) gain on disposal of property, plant and equipment	(1)	855
Net currency exchange (loss) gain	(166,904)	69,260
Others	4,841	1,992
Total	<u>(\$ 38,264)</u>	<u>\$ 74,539</u>

(20) Expenses by nature

	Three-month periods ended March 31,	
	2015	2014
Wages and salaries	\$ 354,227	\$ 395,756
Labor and health insurance fees	37,810	39,992
Pension costs	12,248	10,964
Other personnel expenses	16,169	15,514
Depreciation on property, plant and equipment (including investment property)	60,055	59,742

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month periods ended March 31,	
	2015	2014
Current tax:		
Current tax on profits for the period	\$ 157,296	\$ 139,412
Prior year income tax underestimated	2,759	416
Total current tax	<u>159,875</u>	<u>139,828</u>
Deferred tax:		
Origination and reversal of temporary differences	(54,322)	(18,410)
Total deferred tax	<u>(54,322)</u>	<u>(18,410)</u>
Income tax expense	<u>\$ 105,553</u>	<u>\$ 121,418</u>

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

	Three-month periods ended March 31,	
	2015	2014
Cumulative translation differences for foreign operations	<u>(\$ 11,488)</u>	<u>\$ 2,709</u>

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

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Earnings generated in and before 1997	\$ 121,097	\$ 121,097	\$ 121,097
Earnings generated in and after 1998	<u>9,218,921</u>	<u>8,383,070</u>	<u>8,754,761</u>
	<u>\$ 9,340,018</u>	<u>\$ 8,504,167</u>	<u>\$ 8,875,858</u>

- E. As of March 31, 2015, December 31, 2014 and March 31, 2014, the balance of the imputation tax credit account was \$988,601, \$1,971,495 and \$1,028,831, respectively. The creditable tax rate was 15.89% for 2013 and is estimated to be 14.86% for 2014.

(22) Earnings per share

	<u>Three-month period ended March 31, 2015</u>		
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	<u>\$ 835,851</u>	<u>430,762</u>	<u>\$ 1.94</u>
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 835,851	\$ 430,762	
Dilutive potential ordinary shares :			
Employees’ bonus	<u>-</u>	<u>340</u>	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 835,851</u>	<u>431,102</u>	<u>\$ 1.94</u>

	Three-month period ended March 31, 2014		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	\$ 900,811	430,762	\$ 2.09
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 900,811	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	-	676	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	\$ 900,811	431,438	\$ 2.09

(23) Operating leases

A. The Group leases land and buildings to others under operating lease agreements. Rental revenue of \$4,753 and \$4,081 were recognized for these leases in profit or loss for the three-month periods ended March 31, 2015 and 2014, respectively. The leases for buildings have terms expiring between 2016 and 2017, and all these lease agreements are not renewable at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Not later than one year	\$ 18,989	\$ 19,085	\$ 9,439
Later than one year but not later than five years	19,326	24,218	15,435
	<u>\$ 38,315</u>	<u>\$ 43,303</u>	<u>\$ 24,874</u>

B. On April 8, 2009, the Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land. The lease has a term of 10 years from April 10, 2009 to April 9, 2019. The annual rental payment is \$35,633 (exclusive of tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by CCIS Real Estate Joint Appraisers Firm. Rent was paid on the contract date and becomes payable on the same date each following year until the end of the lease. The Group recognised rental expenses of \$8,908 for both the three-month periods ended March 31, 2015 and 2014. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Not later than one year	\$ 37,415	\$ 37,415	\$ 37,415
Later than one year but not later than five years	115,362	124,716	149,659
Later than five years	<u>-</u>	<u>-</u>	<u>3,118</u>
	<u>\$ 152,777</u>	<u>\$ 162,131</u>	<u>\$ 190,192</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Purchases of goods

	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Investments accounted for using equity method	\$ <u>119,895</u>	\$ <u>57,209</u>

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

B. Accounts payable

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Payables to related parties – Investments accounted for using equity method	\$ <u>82,964</u>	\$ <u>74,185</u>	\$ <u>40,717</u>

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

C. Property transactions

Disposal of property, plant and equipment:

For the three-month period ended March 31, 2014, the Group sold property, plant and equipment to Taiwan IC Packaging Corporation, the investment accounted for using equity method, at book value of \$10,457. In addition to the above disposal transactions, the Group made purchases of property, plant, and equipment on behalf of Taiwan IC Packaging Corporation in the amount of \$3,874. As of March 31, 2014, the other receivable was \$10,457.

D. Lease contracts

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

(2) Compensation of key management

	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Salaries and other short-term employee benefits	\$ <u>23,675</u>	\$ <u>23,972</u>

8. PLEDGED ASSETS

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

Nature of assets	Book value			Pledge purpose
	March 31, 2015	December 31, 2014	March 31, 2014	
Property, plant and equipment	\$ 150,907	\$ 957,822	\$ 985,510	Long-term and short-term loans
Other non-current assets				
Time deposit	-	-	3,050	Patent deposit
	<u>\$ 150,907</u>	<u>\$ 957,822</u>	<u>\$ 988,560</u>	

9. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2015, except for the provision of endorsements and guarantees mentioned in Note 13(1)B and the lease contract described in Notes 6(23) and 7(1)D, there are no other commitments and contingent liabilities.

10. SIGNIFICANT CATASTROPHE

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

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

Foreign exchange risk

The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currencies: JPY, KRW, USD, EUR,

GBP and RMB, etc.). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2015				
	Foreign Currency	Foreign Currency Amount	Exchange Rate	Book Value
<u>Financial assets</u>	USD:NTD	\$ 336,643	31.3000	\$ 10,536,926
	JPY:NTD	1,259,929	0.2604	328,086
	EUR:NTD	10,576	33.6500	355,882
	RMB:NTD	176,049	5.0440	887,991
	USD:RMB	93,248	6.2054	2,918,666
<u>Financial liabilities</u>	USD:NTD	\$ 98,311	31.3000	\$ 3,077,134
December 31, 2014				
	Foreign Currency	Foreign Currency Amount	Exchange Rate	Book Value
<u>Financial assets</u>	USD:NTD	\$ 331,867	31.6500	\$ 10,503,591
	JPY:NTD	1,090,586	0.2646	288,569
	EUR:NTD	16,468	38.4700	633,524
	RMB:NTD	353,396	5.0920	1,799,492
	USD:RMB	51,329	6.2156	1,624,554
<u>Financial liabilities</u>	USD:NTD	\$ 138,173	31.6500	\$ 4,373,175
March 31, 2014				
	Foreign Currency	Foreign Currency Amount	Exchange Rate	Book Value
<u>Financial assets</u>	USD:NTD	\$ 78,246	30.4950	\$ 2,386,112
	RMB:NTD	591,593	4.9150	2,907,680
	USD:RMB	43,739	6.2035	271,335
	JPY:NTD	2,779,093	0.2986	829,837
	EUR:NTD	11,339	41.8700	474,764
<u>Financial liabilities</u>	USD:NTD	\$ 101,583	30.4950	\$ 3,097,774
	RMB:NTD	60,000	4.9150	294,900

The total exchange (loss) gain, including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2015 and 2014 amounted to (\$166,904) and \$69,260, respectively.

Sensitivity analyses relating to foreign exchange rate risks are primarily for financial reporting period-end date of foreign currency monetary item. If the New Taiwan dollar exchange rate to the U.S. dollar increases or decreases by 1%, the Group's net income will increase or decrease by \$74,598 and \$7,117 for the three-month periods ended March 31, 2015 and 2014, respectively.

(3) Fair value information

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

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

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

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

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

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

<u>March 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Current financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 92,710</u>	<u>\$ -</u>	<u>\$ 92,710</u>
Non-current available-for-sale financial assets	<u>\$ 222,499</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 223,624</u>
<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Current financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 53,545</u>	<u>\$ -</u>	<u>\$ 53,545</u>
Non-current available-for-sale financial assets	<u>\$ 231,514</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 232,639</u>
<u>March 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Non-current available-for-sale financial assets	<u>\$ 298,499</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 299,624</u>

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount as of March 31, 2015 (Note 4)	Outstanding endorsement/guarantee amount as of March 31, 2015 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided (Note 6)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor (Note 2)											
0	Transcend Taiwan	Transcend Japan Inc.	2	\$ 4,297,870	\$ 520,800	\$ 520,800	\$ 390,600	-	2	\$ 8,595,740	Y	-	-	-

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

(a)The Company is '0'.

(b)The subsidiaries are numbered in order starting from '1'.

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

(a)Having business relationship.

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

(c)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

(e)Mutual guarantee of the trade as required by the construction contract.

(f)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Not exceeding 20% of the Company's net asset value. (\$21,489,350*20%=\$4,297,870)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of March 31, 2015 is JPY\$2,000,000.

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

Note 6: Not exceeding 40% of the Company's net asset value. (\$21,489,350*40%=\$8,595,740)

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

C. Holding of marketable securities as of March 31, 2015 (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares or units	As of March 31, 2015			Footnote (Note 4)
					Book value (Note 3)	Ownership (%)	Fair value	
Transcend Taiwan	Stocks							
	Alcor Micro Corp.	-	Non-current available-for-sale financial assets	6,220,933	\$ 172,009	8	\$ 172,009	-
	Hitron Tech. Inc.	-	"	3,060,017	50,490	1	50,490	-
	Skyviia Corp.	-	"	259,812	-	2	-	-
	Dramexchange Tech Inc.	-	"	60,816	1,125	1	1,125	-
					<u>\$ 223,624</u>			
	Bonds							
	Yuanta Asset Management Limited - bond with repurchase agreement rated as investment-grade bonds by S&P	-	Current bond investment without active market	-	<u>\$ 579,050</u>	-	-	-
Transcend Shanghai	Finance products							
	Yuedeying financial planning No.14100028, Financial products of Fubon Bank (China) Co., Ltd.	-	Current bond investment without active market	-	<u>\$ 51,629</u>	-	-	-

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

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

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.

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

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

G. Purchases or sales of goods from or to related parties exceeding NT\$100 million or 20% of the Company' paid-in capital or more:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Sales/purchases	Sales (purchases) amount	Percentage of total sales (purchases)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	\$ 658,578	11	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	\$ 299,397	11	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	579,671	9	"	"	"	247,079	9	-
"	Transcend Information, Inc.	The Company's subsidiary	"	330,420	5	"	"	"	255,746	9	-
"	Transcend Korea Inc.	The Company's subsidiary	"	238,768	4	60 days after monthly billings	"	"	53,044	2	-
"	Transtech Shanghai	Subsidiary of Memhiro	"	214,051	3	120 days after monthly billings	"	"	212,480	7	-
"	Transcend Information (H.K.) Ltd.	Subsidiary of Memhiro	"	166,505	3	"	"	"	84,859	3	-
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	163,474	3	"	"	"	29,747	1	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Together with Transcend Information Europe B.V. are controlled by parent company	"	160,168	25	30 days after receipt of goods	"	7 to 60 days after receipt of goods to third parties	20,013	9	-
Transcend Taiwan	Transcend Shanghai	Subsidiary of Memhiro	(Purchases)	(157,983)	(4)	60 days after receipt of goods	Note 1	7 to 30 days after receipt of goods to third parties	(1,587,685)	(49)	-
"	Taiwan IC Packaging Corp.	Associates accounted for using the equity method	"	(119,895)	(2)	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	(82,964)	(3)	-

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

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

H. Receivables from related parties exceeding NT\$100 million or 20% of the Company's paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Balance at March 31, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Transcend Taiwan	Transcend Information Europe B.V.	Subsidiary of Memhiro	\$ 247,079	\$ 7.33	\$ -	-	\$ 95,963	\$ -
"	Transcend Japan Inc.	Subsidiary of the Company	299,397	9.80	-	-	143,204	-
"	Transcend Information Inc.	Subsidiary of the Company	255,746	5.69	-	-	57,552	-
"	Transtech shanghai	Subsidiary of Memhiro	212,480	5.41	-	-	38,189	-
Transcend Shanghai	Transcend Taiwan	Parent company	1,587,685	3.35	-	-	316,312	-

I. Derivative financial instruments undertaken during the three-month period ended March 31, 2015: Please refer to Note 6(2).

J. Significant inter-company transactions during the three-month period ended March 31, 2015:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				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	\$ 658,578	There is no significant difference in unit price from those to third parties.	11%
"	"	Transcend Information Europe B. V.	"	"	579,671	"	9%
"	"	Transcend Information, Inc.	"	"	330,420	"	5%
"	"	Transcend Korea Inc.	"	"	238,768	"	4%
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	214,051	"	3%
"	"	Transcend Information (H.K.) Ltd	"	"	166,505	"	3%
"	"	Transcend Information Trading GmbH, Hamburg	"	"	163,474	"	3%
"	"	Transcend Information (Shanghai), Ltd.	"	Purchases	157,983	Processing with supplied materials. No other similar transactions can be used for comparison.	3%
"	"	Transcend Japan Inc.	"	Accounts Receivable	299,397	120 days after monthly billings	1%
"	"	Transcend Information, Inc.	"	"	255,746	"	1%
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	1,587,685	60 days after receipt of goods	6%
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	160,168	There is no significant difference in unit price from those to third parties.	3%

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

(a) Parent company: 0

(b) Subsidiaries were numbered from 1.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(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.

(2) Information on investees (not including investees in Mainland China)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at March 31, 2015			Book value	Net profit (loss) of the investee for the three-month period ended March 31, 2015	Investment income(loss) recognised by the Company for the three-month period ended March 31, 2015 (Note 1)	Footnote
				Balance at March 31, 2015	Balance at December 31, 2014	No. of Shares (in units)	Ownership (%)					
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	\$ 1,202,418	\$ 1,202,418	36,600,000	100	\$ 3,395,401	\$ 39,372	\$ 29,040	Note 2	
	Transcend Japan Inc.	Japan	Wholesaler of computer memory modules and peripheral products	89,103	89,103	6,400	100	145,200	(3,456)	(3,456)	Note 2	
	Transcend Information, Inc.	United States of America	Wholesaler of computer memory modules and peripheral products	38,592	38,592	625,000	100	113,204	(3,233)	(3,233)	Note 2	
	Transcend Korea Inc.	Korea	Wholesaler of computer memory modules and peripheral products	6,132	6,132	40,000	100	33,286	2,892	2,892	Note 2	
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	51,842,975	12.88	334,366	15,081	1,773	Note 5	
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	3,466,310	39,419	39,419	Note 3	
Memhiro Pte Ltd.	Transcend Information Europe B.V.	Netherlands	Wholesaler of computer memory modules and peripheral products	1,693	1,693	100	100	181,983	23,329	23,334	Note 4	
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesaler of computer memory modules and peripheral products	2,288	2,288	-	100	56,059	4,202	4,202	Note 4	
	Transcend Information (H.K.) Ltd.	Hong Kong	Wholesaler of computer memory modules and peripheral products	7,636	7,636	2,000,000	100	3,928	(4,342)	(4,342)	Note 4	

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

Note 2 : Subsidiaries of the Company.

Note 3 : Subsidiary of Saffire.

Note 4 : Subsidiaries of Memhiro.

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

(3) Information on investments in Mainland China

A. Basic information :

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, 2015	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three-month period ended March 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2015	Net income of investee as of March 31, 2015	Ownership held by the Company (direct and indirect)	Investment income (loss) recognized by the Company for the three-month period ended March 31, 2015 (Note 2)	Book value of investments in Mainland China as of March 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2015	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Transcend Information (Shanghai), Ltd.	Manufacturer and seller of computer memory modules, storage products and disks	\$ 1,134,178	(2)	\$ 1,134,178	-	-	\$ 1,134,178	\$ 27,313	100	\$ 27,265	\$ 3,197,638	-	-
Transtech Trading (Shanghai) Co., Ltd.	Manufacturer and seller of computer memory modules, storage products and disks. Wholesaler and agent of computer memory modules and peripheral products. Retailer of computer components.	16,310	(2)	16,310	-	-	16,310	(11,018)	100	(11,018)	3,695	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2015	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Transcend Information (Shanghai), Ltd.	\$ 1,134,178	\$ 1,134,178	\$ -
Transtech Trading (Shanghai) Co., Ltd.	16,310	16,310	-
	\$ 1,150,488	\$ 1,150,488	\$ 12,893,610

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

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

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

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

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	<u>Three-month periods ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Segment revenue	<u>\$ 6,131,745</u>	<u>\$ 6,794,611</u>
Segment income	<u>\$ 835,851</u>	<u>\$ 900,811</u>

(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.