TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2018 AND 2017

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000062

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 June 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the three months and six 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$1,974,587 thousand, constituting 8% of the consolidated total assets, and total liabilities of NT$37,974 thousand, constituting 1% of the consolidated total liabilities as at June 30, 2018, and total comprehensive (loss) income of ($21,681) thousand and NT$16,918 thousand, constituting (3%) and 1% of the consolidated total comprehensive income for the three months and six months then ended. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these subsidiaries.

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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 June 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months and six 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

August 9, 2018

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

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

		June 30, 2018			December 31, 2017			June 30, 2017		
Assets	Notes		AMOUNT	%		AMOUNT	%		AMOUNT	%
Current assets										
Cash and cash equivalents	6(1)	$	2,970,473	13	$	3,645,914	16	$	2,885,567	12
Current financial assets at amortised cost, net	6(2)		7,008,521	29		-	-		-	-
Investment in debt instrument without active market - current	12(4)		-	-		738,877	3		747,811	3
Notes receivable, net	6(3)		2,954	-		5,862	-		3,880	-
Accounts receivable, net	6(3) and 12(4)		2,699,187	11		2,499,773	11		2,520,331	10
Other receivables	7		126,662	1		114,346	1		121,731	1
Inventories, net	6(4)		5,028,257	21		5,241,150	23		5,131,511	21
Other current financial assets	12(4)		-	-		6,899,661	30		9,038,042	37
Other current assets, others			49,023	-		44,210	-		49,122	-
Current Assets			17,885,077	75		19,189,793	84		20,497,995	84
Non-current assets										
Non-current financial assets at fair value through other comprehensive income	6(5)		174,521	1		-	-		-	-
Available-for-sale financial assets - non-current	12(4)		-	-		68,874	-		167,690	1
Investments accounted for using equity method	6(6)		169,508	1		173,122	1		245,432	1
Property, plant and equipment, net	6(7) and 8		2,716,304	11		2,706,923	12		2,683,073	11
Investment property, net	6(8)		2,630,935	11		269,462	1		271,909	1
Deferred tax assets			104,893	-		133,954	1		128,521	1
Other non-current assets	6(9)		163,486	1		228,353	1		269,981	1
Non-current Assets			5,959,647	25		3,580,688	16		3,766,606	16
Total Assets		$	23,844,724	100	$	22,770,481	100	$	24,264,601	100

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%	June 30, 2017 AMOUNT	%
Current liabilities							
Accounts payable		$ 1,323,060	6	$ 1,237,552	5	$ 1,703,771	7
Accounts payable - related parties	7	13,023	-	37,454	-	39,555	-
Other payables		2,864,115	12	347,619	2	2,898,310	12
Other payables - related parties		634	-	233	-	-	-
Current tax liabilities		232,541	1	412,345	2	345,565	1
Other current liabilities		23,300	-	31,414	-	8,361	-
Current Liabilities		4,456,673	19	2,066,617	9	4,995,562	20
Non-current liabilities							
Deferred tax liabilities		196,115	1	158,463	1	136,832	1
Other non-current liabilities	6(10)	52,285	-	47,106	-	50,730	-
Non-current Liabilities		248,400	1	205,569	1	187,562	1
Total Liabilities		4,705,073	20	2,272,186	10	5,183,124	21
Equity attributable to owners of parent							
Share capital	6(11)						
Common stock		4,307,617	18	4,307,617	19	4,307,617	18
Capital surplus	6(12)						
Capital surplus		4,605,233	19	4,691,385	20	4,691,385	19
Retained earnings	6(13)						
Legal reserve		4,302,782	18	4,037,210	18	4,037,210	17
Special reserve		47,247	-	145,689	1	145,689	-
Unappropriated retained earnings		5,901,290	25	7,363,641	32	6,055,179	25
Other equity interest	6(14)						
Other equity interest		(24,518)	-	(47,247)	-	(155,603)	-
Total Equity		19,139,651	80	20,498,295	90	19,081,477	79
Significant contingent liabilities and unrecognized contract commitments	9						
Total Liabilities and Equity		$ 23,844,724	100	$ 22,770,481	100	$ 24,264,601	100

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan Dollars, except earnings per share amounts)
(UNAUDITED)

		Three months ended June 30				Six months ended June 30			
		2018		2017		2018		2017	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating Revenue	6(15), 7 and 12(5)	$ 4,411,721	100	$ 4,996,479	100	$ 9,211,285	100	$ 10,686,247	100
Operating Costs	6(4)(18) and 7	(3,545,674)	(80)	(3,686,268)	(74)	(7,278,130)	(79)	(7,762,661)	(73)
Gross Profit		866,047	20	1,310,211	26	1,933,155	21	2,923,586	27
Operating Expenses	6(18)								
Sales and marketing expenses		(252,097)	(6)	(268,587)	(5)	(486,892)	(5)	(532,411)	(5)
Administrative expenses		(86,056)	(2)	(67,736)	(1)	(177,566)	(2)	(150,479)	(1)
Research and development expenses		(42,389)	(1)	(44,021)	(1)	(88,882)	(1)	(90,373)	(1)
Impairment gain (loss) determined in accordance with IFRS 9	6(3)	133	-	-	-	(96)	-	-	-
Total operating expenses		(380,409)	(9)	(380,344)	(7)	(753,436)	(8)	(773,263)	(7)
Operating Profit		485,638	11	929,867	19	1,179,719	13	2,150,323	20
Non-operating Income and Expenses									
Other income	6(16)	49,413	1	45,228	1	88,289	1	85,312	1
Other gains and losses	6(17)	368,325	8	35,028	1	245,772	2	(521,107)	(5)
Net gain from derecognizing financial assets measured at amortised cost	6(2)	4,278	-	-	-	8,272	-	-	-
Finance costs		-	-	(292)	-	-	-	(292)	-
Share of loss of associates and joint ventures accounted for under equity method	6(6)	(2,161)	-	(15,939)	(1)	(5,778)	-	(36,548)	-
Total non-operating income and expenses		419,855	9	64,025	1	336,555	3	(472,635)	(4)
Profit before Income Tax		905,493	20	993,892	20	1,516,274	16	1,677,688	16
Income tax expense	6(19)	(181,627)	(4)	(218,282)	(4)	(313,616)	(3)	(328,031)	(3)
Profit for the Period		$ 723,866	16	$ 775,610	16	$ 1,202,658	13	$ 1,349,657	13
Other Comprehensive Income (Loss)									
Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
Unrealized gain on financial assets at fair value through other comprehensive income	6(5)(14)	$ 1,209	-	$ -	-	$ 2,149	-	$ -	-
Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income (loss) that will not be reclassified to profit or loss		-	-	-	-	2,164	-	(630)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
Exchange differences on translation of foreign financial statements	6(14)	(6,999)	-	45,266	1	23,694	-	(55,095)	-
Unrealized gain on available-for-sale financial assets	6(14) and 12(4)	-	-	20,118	-	-	-	35,815	-
Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss	6(14)(19)	1,400	-	(7,695)	-	(4,739)	-	9,366	-
Other comprehensive income (loss) for the period		($ 4,390)	-	$ 57,689	1	$ 23,268	-	($ 10,544)	-
Total Comprehensive Income		$ 719,476	16	$ 833,299	17	$ 1,225,926	13	$ 1,339,113	13
Net profit attributable to:									
Owners of parent		$ 723,866	16	$ 775,610	16	$ 1,202,658	13	$ 1,349,657	13
Comprehensive income attributable to:									
Owners of parent		$ 719,476	16	$ 833,299	17	$ 1,225,926	13	$ 1,339,113	13
Earnings Per Share	6(20)								
Basic earnings per share		$	1.68	$	1.80	$	2.79	$	3.13
Diluted earnings per share		$	1.68	$	1.80	$	2.79	$	3.13

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
Six months ended June 30, 2017												
Balance at January 1, 2017		$ 4,307,617	$ 4,759,841	$ 4,106	$ 35,128	$ 3,748,946	$ 21,691	$ 7,595,294	($ 42,214)	$ -	($ 103,475)	$ 20,326,934
Net income for the period		-	-	-	-	-	-	1,349,657	-	-	-	1,349,657
Other comprehensive income (loss)	6(14)	-	-	-	-	-	-	(630)	(45,729)	-	35,815	(10,544)
Total comprehensive income		-	-	-	-	-	-	1,349,027	(45,729)	-	35,815	1,339,113
Appropriation and distribution of 2016 earnings	6(13)											
Legal reserve		-	-	-	-	288,264	-	(288,264)	-	-	-	-
Special reserve		-	-	-	-	-	123,998	(123,998)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(2,476,880)	-	-	-	(2,476,880)
Cash payment from capital surplus	6(13)	-	(107,690)	-	-	-	-	-	-	-	-	(107,690)
Balance at June 30, 2017		$ 4,307,617	$ 4,652,151	$ 4,106	$ 35,128	$ 4,037,210	$ 145,689	$ 6,055,179	($ 87,943)	$ -	($ 67,660)	$ 19,081,477
Six months ended June 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	12(4)	-	-	-	-	-	-	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		-	-	-	-	-	-	1,202,658	-	-	-	1,202,658
Other comprehensive income		-	-	-	-	-	-	2,164	18,955	2,149	-	23,268
Total comprehensive income		-	-	-	-	-	-	1,204,822	18,955	2,149	-	1,225,926
Appropriation and distribution of 2017 earnings	6(13)											
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(13)	-	(86,152)	-	-	-	-	-	-	-	-	(86,152)
Net loss on disposal of financial assets at fair value through other comprehensive income	6(5)(14)	-	-	-	-	-	-	(31,625)	-	31,625	-	-
Balance at June 30, 2018		$ 4,307,617	$ 4,565,999	$ 4,106	$ 35,128	$ 4,302,782	$ 47,247	$ 5,901,290	($ 48,307)	$ 23,789	$ -	$ 19,139,651

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

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

	Notes	Six months ended June 30 2018	Six months ended June 30 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,516,274	$ 1,677,688
Adjustments			
Adjustments to reconcile profit (loss)			
Share of loss of associates and joint ventures accounted for using equity method	6(6)	5,778	36,548
Expected credit loss/Gain on reversal of bad debts	6(3)	96	(5,699)
Loss on disposal of investments	12(4)	-	23,466
Loss (gain) on disposal of property, plant and equipment	6(17)	(56)	847
Depreciation	6(18)	105,901	106,547
Interest income	6(16)	(76,865)	(76,361)
Interest expense		-	292
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,908	1,468
Accounts receivable		(200,028)	328,122
Accounts receivable - related parties		-	21,369
Other receivables		(5,632)	24,644
Inventories		212,893	35,310
Other current assets, others		(4,813)	(12,733)
Changes in operating liabilities			
Accounts payable		85,508	(36,495)
Accounts payable - related parties		(24,431)	(8,663)
Other payables		(68,074)	(76,793)
Other payables - related parties		401	-
Other current liabilities		(8,114)	(36,054)
Other non-current liabilities		5,179	(26,003)
Cash inflow generated from operations		1,546,925	1,977,500
Interest received		70,181	76,605
Interest paid		-	(292)
Income tax paid		(431,447)	(150,986)
Net cash flows from operating activities		1,185,659	1,902,827
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets		-	24,239
Acquisition of financial assets at amortised cost		(2,705,931)	-
Proceeds from disposal of financial assets at amortised cost		3,335,950	-
Increase in other current financial assets		-	(1,346,322)
Decrease in other current financial assets		-	1,010,870
Proceeds from disposal of investment in debt instrument without active markets		-	866,362
Acquisition of investment in debt instrument without active markets		-	(1,247,878)
Acquisition of financial assets at fair value through other comprehensive income		(105,480)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(5)	1,980	-
Acquisition of property, plant and equipment	6(7)	(100,238)	(80,136)
Proceeds from disposal of property, plant and equipment	6(7)	845	3,040
Acquisition of investment property	6(8)	(2,365,030)	-
Decrease (increase) in other non-current financial assets		64,867	(65,731)
Net cash flows used in investing activities		(1,873,037)	(835,556)
Effect of exchange rate changes on cash and cash equivalents		11,937	(24,374)
Net (decrease) increase in cash and cash equivalents		(675,441)	1,042,897
Cash and cash equivalents at beginning of period		3,645,914	1,842,670
Cash and cash equivalents at end of period		$ 2,970,473	$ 2,885,567

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 9, 2018.

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 FSC effective from 2018 are as follows:

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A IFRS 9, 'Financial instruments'

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

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

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4)B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15.

(3) Amendments to IAS 7, 'Disclosure initiative'

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

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

(4) Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized losses'

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

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

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

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

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.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period, and the effects will be adjusted on January 1, 2019.

(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 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

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.

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

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

A. If sales or contributions of assets constitute a 'business', the full gain or loss is recognized;

B. If sales or contributions of assets do not constitute a 'business', the partial gain or loss is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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, 2017, except for the compliance statement, basis of preparations, 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, 2017.

(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 other comprehensive income/Available-for-sale financial assets measured at fair value.

(b) 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.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity interest as of January 1, 2018 and the financial statements for the second quarter of 2017 was not restated. The financial statements for the second quarter of 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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, 2017.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) June 30, 2018	December 31, 2017	June 30, 2017	Description
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	100	
〃	Transcend Japan Inc. (Transcend Japan)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	
〃	Transcend Information Inc. (Transcend USA)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	Note
〃	Transcend Korea Inc. (Transcend Korea)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	〃
Saffire Investment Ltd.	Memhiro Pte. Ltd. (Memhiro)	Investment holding company	100	100	100	
Memhiro Pte. Ltd.	Transcend Information Europe B.V. (Transcend Europe)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	Note
〃	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	〃
〃	Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Manufacturer and seller of computer memory modules, storage products and disks	100	100	100	〃
〃	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesaler, agent, import and export and retailer of computer memory modules, storage products and computer components	100	100	100	〃
〃	Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	〃

Note : The financial statements of insignificant subsidiary as of and for the six months ended June 30, 2018 were not reviewed by 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) Financial assets at fair value through other comprehensive income

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting. (Irrevocable election is separately classified, and needs to be disclosed when there is various election).

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(5) Financial assets at amortised cost

Effective 2018

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(6) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Financial assets impairment

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(8) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(9) Revenue recognition

A. Sales of goods

(1) The Group manufactures and sells computer software and hardware, computer peripheral equipment, and computer component products. When the right of control is transferred to the customer, sales revenue is recognized. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(2) Sales revenue was recognized based on contract price net of sales return, volume discounts and estimated sales discounts. The goods are often sold with volume discounts based on aggregate sales over a one month period. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date and recognized as allowance for sales discounts. No element of financing is deemed present as the sales are made with a credit term of 30-60 days after monthly billing, which is consistent with market practice.

(3) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

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, 2017 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand and petty cash	$ 983	$ 693	$ 1,032
Checking accounts and demand deposits	2,969,490	3,645,221	2,884,535
Total	$ 2,970,473	$ 3,645,914	$ 2,885,567

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 at amortised cost

Effective 2018

Items	June 30, 2018
Current items:	
Time deposits with original maturity of more than three months	$ 6,460,931
Bonds with repurchase agreement	547,590
	$ 7,008,521

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

	Three months ended June 30, 2018	Six months ended June 30, 2018
Interest income	$ 37,201	$ 70,862
Gains on disposal	4,278	8,272
	$ 41,479	$ 79,134

B. For the three months and six months ended June 30, 2018, the Group sold bonds with repurchase agreement and obtained gain on disposal in the amount of $4,278 and $8,272, respectively.

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

D. 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 instrument on June 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.

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

F. Information on investment in debt instruments without active markets and time deposits with original maturity of more than three months as of December 31, 2017 and June 30, 2017 is provided in Note 12(4).

(3) Notes and accounts receivable

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	$ 2,954	$ 5,862	$ 3,880

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts receivable	$ 2,833,443	$ 2,639,912	$ 2,689,904
Less: Provision for sales discounts and allowances	(109,713)	(116,210)	(144,348)
Loss allowance	(24,543)	(23,929)	(25,225)
	$ 2,699,187	$ 2,499,773	$ 2,520,331

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

	June 30, 2018	
	Accounts receivable	Notes receivable
Not past due	$ 2,315,357	$ 2,954
Up to 30 days	352,756	-
31 to 90 days	27,274	-
91 to 180 days	279	-
Over 181 days	28,064	-
	$ 2,723,730	$ 2,954

	December 31, 2017	
	Accounts receivable	Notes receivable
Not past due	$ 2,006,395	$ 5,862
Up to 30 days	477,941	-
31 to 90 days	6,905	-
91 to 180 days	3,719	-
Over 181 days	28,742	-
	$ 2,523,702	$ 5,862

	June 30, 2017	
	Accounts receivable	Notes receivable
Not past due	$ 2,298,217	$ 3,880
Up to 30 days	209,313	-
31 to 90 days	10,657	-
91 to 180 days	1,688	-
Over 181 days	25,681	-
	$ 2,545,556	$ 3,880

The above ageing analysis was based on past due date.

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

C. As at June 30, 2018, December 31, 2017 and June 30, 2017, 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 $2,954, $5,862 and $3,880; the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $2,723,730, $2,523,702 and $2,545,556, respectively.

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

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

F. The Group used historical and timely information to assess the loss rate of accounts receivable. On June 30, 2018, the provision matrix is as follows:

	Not past due	Up to 1-180 days past due	Over 181 days past due	Total
June 30, 2018				
Expected loss rate	0.003%~0.6%	0.02%~65%	75%~100%	
Total book value	$ 2,315,357	$ 380,309	$ 28,064	$ 2,723,730

G. 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:

	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	96	-
Effect of exchange rate changes	518	-
At June 30	$ 24,543	$ -

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

(4) Inventories

	June 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,262,527	($ 42,187)	$ 3,220,340
Work in progress	711,059	(4,006)	707,053
Finished goods	1,109,833	(8,969)	1,100,864
Total	$ 5,083,419	($ 55,162)	$ 5,028,257

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,081,401	($ 23,064)	$ 3,058,337
Work in progress	574,309	(1,133)	573,176
Finished goods	1,619,886	(10,249)	1,609,637
Total	$ 5,275,596	($ 34,446)	$ 5,241,150

	June 30, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,023,302	($ 18,970)	$ 3,004,332
Work in progress	680,089	(6,898)	673,191
Finished goods	1,473,223	(19,235)	1,453,988
Total	$ 5,176,614	($ 45,103)	$ 5,131,511

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

	Three months ended June 30,	
	2018	2017
Cost of goods sold	$ 3,538,411	$ 3,706,780
Revenue from disposal of scraps	(10,374)	(18,481)
Loss on decline in (gain on reversal of) market value of inventory	17,637	(2,031)
	$ 3,545,674	$ 3,686,268

	Six months ended June 30,	
	2018	2017
Cost of goods sold	$ 7,267,788	$ 7,845,452
Revenue from disposal of scraps	(10,374)	(81,981)
Loss on decline in (gain on reversal of) market value of inventory	20,716	(810)
	$ 7,278,130	$ 7,762,661

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

B. No inventories were pledged to others.

(5) Financial assets at fair value through other comprehensive income

Effective 2018

Items	June 30, 2018
Non-current items：	
Equity instruments	
Listed stocks	$ 149,608
Others	1,125
Subtotal	150,733
Valuation adjustments	23,788
Total	$ 174,521

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 $174,521 as at June 30, 2018.

B. For the three months and six months ended June 30, 2018, the Group disposed of equity investments whose fair value was $0 and $1,980, respectively, accumulated loss on disposal was transferred into retained earnings in the amount of $30,000 and $31,625, respectively.

C. 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 June 30, 2018	Six months ended June 30, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	$ 1,209	$ 2,149
Cumulative losses reclassified to retained earnings due to derecognition	($ 30,000)	($ 31,625)
Dividend income recognized in profit or loss		
Held at end of period	$ -	$ -
Derecognised during the period	-	-
	$ -	$ -

D. As at June 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 financial assets at fair value through other comprehensive income held by the Group was $174,521.

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

F. Information on available-for-sale financial assets as of December 31, 2017 and June 30, 2017 is provided in Note 12(4).

(6) Investments accounted for using equity method

Investee Company	June 30, 2018	December 31, 2017	June 30, 2017
Taiwan IC Packaging Corp.	$ 169,508	$ 173,122	$ 245,432

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

Associate name	Principal place of business	Shareholding ratio June 30, 2018	Shareholding ratio December 31, 2017	Shareholding ratio June 30, 2017	Nature of relationship	Method of measurement
Taiwan IC Packaging Corp.	Taiwan	12.73%	12.73%	12.71%	Note	Equity method

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

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

Balance sheet

	Taiwan IC Packaging Corp. June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 1,109,841	$ 1,189,868	$ 1,376,105
Non-current assets	1,528,118	1,546,981	1,954,158
Current liabilities	(319,583)	(332,000)	(370,005)
Non-current liabilities	(4,348)	(26,944)	(26,460)
Total net assets	$ 2,314,028	$ 2,377,905	$ 2,933,798
Share in associate's net assets	$ 294,518	$ 302,648	$ 372,761
Net equity differences	(125,010)	(129,526)	(127,329)
	$ 169,508	$ 173,122	$ 245,432

Statement of comprehensive income

	Taiwan IC Packaging Corp. Three months ended June 30, 2018	2017
Revenue	$ 328,536	$ 331,202
Loss for the period from continuing operations	($ 16,216)	($ 112,371)
Total comprehensive loss	($ 16,216)	($ 112,371)
Dividends received from associates	$ -	$ -

	Taiwan IC Packaging Corp.	
	Six months ended June 30,	
	2018	2017
Revenue	$ 674,045	$ 681,590
Loss for the period from continuing operations	($ 64,360)	($ 292,175)
Total comprehensive loss	($ 64,360)	($ 292,175)
Dividends received from associates	$ -	$ -

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

	Three months ended June 30,	
Investee Company	2018	2017
Taiwan IC Packaging Corp.	($ 2,161)	($ 15,939)

	Six months ended June 30,	
Investee Company	2018	2017
Taiwan IC Packaging Corp.	($ 5,778)	($ 36,548)

D. The Group's investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was $260,985, $291,876 and $326,092 as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Vehicles	Office Equipment	Others	Total
At January 1, 2018							
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
2018							
Opening net book amount	$ 722,543	$ 1,642,648	$ 296,430	$ 6,937	$ 10,638	$ 27,727	$ 2,706,923
Additions (including transfers)	-	31,888	54,010	12,613	1,486	241	100,238
Disposals	-	-	(370)	(133)	(80)	(206)	(789)
Depreciation charge	-	(54,750)	(39,961)	(1,521)	(1,532)	(4,176)	(101,940)
Net exchange differences	4,692	7,872	(1)	(133)	3	(561)	11,872
Closing net book amount	$ 727,235	$ 1,627,658	$ 310,108	$ 17,763	$ 10,515	$ 23,025	$ 2,716,304
At June 30, 2018							
Cost	$ 727,235	$ 2,653,804	$ 605,218	$ 21,049	$ 39,734	$ 69,407	$ 4,116,447
Accumulated depreciation	-	(1,026,146)	(295,110)	(3,286)	(29,219)	(46,382)	(1,400,143)
	$ 727,235	$ 1,627,658	$ 310,108	$ 17,763	$ 10,515	$ 23,025	$ 2,716,304

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

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

(8) Investment property

	Land	Buildings and structures	Total
At January 1, 2018			
Cost	$ 137,037	$ 221,037	$ 358,074
Accumulated depreciation and impairment	-	(88,612)	(88,612)
	$ 137,037	$ 132,425	$ 269,462
2018			
Opening net book amount	$ 137,037	$ 132,425	$ 269,462
Additions	2,131,689	233,341	2,365,030
Depreciation charge	-	(3,961)	(3,961)
Net exchange differences	-	404	404
Closing net book amount	$ 2,268,726	$ 362,209	$ 2,630,935
At June 30, 2018			
Cost	$ 2,268,726	$ 454,988	$ 2,723,714
Accumulated depreciation and impairment	-	(92,779)	(92,779)
	$ 2,268,726	$ 362,209	$ 2,630,935

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

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 June 30,	
	2018	2017
Rental income from investment property	$ 6,676	$ 4,487
Direct operating expenses arising from investment property that generated rental income	$ 1,966	$ 1,520
Direct operating expenses arising from investment property that did not generate rental income	$ 213	$ 213

	Six months ended June 30,	
	2018	2017
Rental income from investment property	$ 11,424	$ 8,951
Direct operating expenses arising from investment property that generated rental income	$ 3,535	$ 3,066
Direct operating expenses arising from investment property that did not generate rental income	$ 426	$ 426

C. The fair value of the investment property held by the Group was $4,733,637, $1,701,941 and $1,708,059 as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively, which was based on the transaction prices of similar properties in the same area.

D. No investment property was pledged to others.

(9) Other non-current assets

	June 30, 2018	December 31, 2017	June 30, 2017
Long-term prepaid rents	$ 97,132	$ 97,843	$ 97,452
Guarantee deposits paid	30,670	32,617	31,749
Prepayments for business facilities	21,373	81,374	122,208
Others	14,311	16,519	18,572
	$ 163,486	$ 228,353	$ 269,981

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 $669, $631, $1,329 and $1,278 for the three months and six months ended June 30, 2018 and 2017, respectively.

(10) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by 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 $166, $188, $332 and $377 for the three months and six months ended June 30, 2018 and 2017, respectively.

(c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to $1,608.

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 22%. Other than the monthly contributions, the Group has no further obligations.

(c) Transcend Japan, Transcend Korea, Transcend USA, Transcend Europe and Transcend Germany have defined contribution plans. Monthly contributions are based on a certain percentage of employees' monthly salaries and wages and are recognized as pension costs accordingly. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under defined contribution pension plans of the Company for the three months and six months ended June 30, 2018 and 2017 were $11,364, $11,758, $22,635 and $23,237, respectively.

(11) Share capital

As of June 30, 2018, the Company's authorized capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 25,000 thousand shares reserved for employee stock options). Paid-in capital was $4,307,617, the number of outstanding shares for the six months ended June 30, 2018 and 2017 was both 430,762 thousand shares with par value of $10 per share at the beginning and the end of the period.

(12) Capital surplus

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

(13) 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.(a) The cash appropriation of earnings and cash payment from capital surplus for the years ended December 31, 2017 and 2016 have been resolved at the shareholders' meeting on June 14, 2018 and June 16, 2017, respectively. Details are summarized below:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 265,572		$ 288,264	
Special reserve	-		123,998	
Cash dividends	2,498,418	$ 5.80	2,476,880	$ 5.75
Total	$ 2,763,990		$ 2,889,142	
	Amount	Cash payment per share (in dollars)	Amount	Cash payment per share (in dollars)
Cash payment from capital surplus	$ 86,152	$ 0.20	$ 107,690	$ 0.25

Actual distribution of retained earnings of 2016 is in agreement with the amounts resolved at the stockholders' meeting. As of June 30, 2018, the appropriation of earnings of 2017 and capital surplus were not distributed, therefore, the Group recognized $2,584,570 as other payables.

F. Please refer to Note 6(18) for the information relating to employees' compensation and directors' remuneration.

(14) Other equity items

	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
Balance after restatement at January 1, 2018	($ 9,985)	($ 67,262)	($ 77,247)
Revaluation – gross	2,149	-	2,149
Revaluation transferred to retained earnings – gross	31,625	-	31,625
Currency translation differences	-	23,694	23,694
Effect from income tax	-	(4,739)	(4,739)
At June 30, 2018	$ 23,789	($ 48,307)	($ 24,518)

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

(15) Operating revenue

	Three months ended June 30, 2018	Six months ended June 30, 2018
Sales revenue	$ 4,411,721	$ 9,211,285

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product categories:

Three months ended June 30, 2018	Industry product	NAND FLASH flash memory	Strategy products	DRAM memory module	Total
Revenue from external customer contracts	$ 1,933,622	$ 916,511	$ 831,427	$ 730,161	$ 4,411,721

Six months ended June 30, 2018	Industry product	NAND FLASH flash memory	Strategy products	DRAM memory module	Total
Revenue from external customer contracts	$ 4,184,643	$ 1,769,902	$ 1,877,895	$ 1,378,845	$ 9,211,285

B. Contract assets and liabilities

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

C. Related disclosures for the three months and six months ended June 30, 2017 operating revenue are provided in Note 12(5).

(16) Other income

	Three months ended June 30, 2018	Three months ended June 30, 2017
Interest income	$ 42,737	$ 40,741
Rental income	6,676	4,487
Total	$ 49,413	$ 45,228

	Six months ended June 30, 2018	Six months ended June 30, 2017
Interest income	$ 76,865	$ 76,361
Rental income	11,424	8,951
Total	$ 88,289	$ 85,312

(17) Other gains and losses

	Three months ended June 30, 2018	Three months ended June 30, 2017
Gain on disposal of financial assets	$ -	$ 2,557
Loss on disposal of investments	-	(23,466)
Loss on disposal of property, plant and equipment	(61)	(847)
Net currency exchange gain	362,922	53,213
Others	5,464	3,571
Total	$ 368,325	$ 35,028

	Six months ended June 30, 2018	Six months ended June 30, 2017
Gain on disposal of financial assets	$ -	$ 3,925
Loss on disposal of investments	-	(23,466)
Gain (loss) on disposal of property, plant and equipment	56	(847)
Net currency exchange gain (loss)	237,192	(513,133)
Others	8,524	12,414
Total	$ 245,772	($ 521,107)

(18) Expenses by nature

	Three months ended June 30,	
	2018	2017
Wages and salaries	$ 325,484	$ 339,686
Labor and health insurance fees	34,607	37,366
Pension costs	11,530	11,946
Other personnel expenses	14,983	16,327
Depreciation on property, plant and equipment (including investment property)	52,764	52,744

	Six months ended June 30,	
	2018	2017
Wages and salaries	$ 663,758	$ 707,175
Labor and health insurance fees	67,124	74,457
Pension costs	22,967	23,614
Other personnel expenses	30,979	33,966
Depreciation on property, plant and equipment (including investment property)	105,901	106,547

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 six months ended June 30, 2018 and 2017, employees' compensation was accrued at $9,481, $10,497, $15,873 and $17,679, respectively; while directors' remuneration was accrued at $1,327, $1,469, $2,222 and $2,475, respectively. The aforementioned amounts were recognized in salary expenses.

For the six months ended June 30, 2018, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 1% and 0.2% of distributable profit of current year as of the end of reporting period.

The difference between employees' compensation and directors' remuneration as resolved by the Board of Directors and the amount recognized in the 2017 financial statements by $1,499 and $445 have adjusted in the profit or loss of 2018. The directors' remuneration has not yet to be paid.

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.

(19) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended June 30, 2018	Three months ended June 30, 2017
Current tax:		
Current tax on profits for the year	$ 104,830	$ 152,157
Prior year income tax underestimation	11	38,698
Total current tax	104,841	190,855
Deferred tax:		
Origination and reversal of temporary differences	76,786	27,427
Impact of change in tax rate	-	-
Total deferred tax	76,786	27,427
Income tax expense	$ 181,627	$ 218,282

	Six months ended June 30, 2018	Six months ended June 30, 2017
Current tax:		
Current tax on profits for the period	$ 251,995	$ 361,627
Prior year income tax (overestimation) underestimation	(353)	38,785
Total current tax	251,642	400,412
Deferred tax:		
Origination and reversal of temporary differences	56,955	(72,381)
Impact of change in tax rate	5,019	-
Total deferred tax	61,974	(72,381)
Income tax expense	$ 313,616	$ 328,031

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

	Three months ended June 30, 2018	Three months ended June 30, 2017
Exchange differences on translation of foreign financial statements	($ 1,400)	$ 7,695
Impact of change in tax rate	-	-
	($ 1,400)	$ 7,695

	Six months ended June 30,	
	2018	2017
Exchange differences on translation of foreign financial statements	$ 927	($ 9,366)
Impact of change in tax rate	3,812	-
	$ 4,739	($ 9,366)

B. As of June 30, 2018, the Company's income tax returns through 2013 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 in February, 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.

(20) Earnings per share

	Three months ended June 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	$ 723,866	430,762	$ 1.68
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 723,866	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	505	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 723,866	431,267	$ 1.68

	Six months ended June 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	$ 1,202,658	430,762	$ 2.79
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,202,658	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	542	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,202,658	431,304	$ 2.79

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

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

(21) Operating leases

A. The Group leases land, houses and buildings, which are partially recognized as investment property, to others under non-cancellable operating lease agreements. Rental revenue of $6,676, $4,487, $11,424 and $8,951 were recognized for these leases in profit or loss for the three months and six months ended June 30, 2018 and 2017, 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:

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than one year	$ 43,093	$ 19,314	$ 19,139
Later than one year but not later than five years	80,280	42,741	52,048
	$ 123,373	$ 62,055	$ 71,187

B. On April 8, 2009, the Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land. The lease has a term of 10 years from April 10, 2009 to April 9, 2019. The annual rental payment is $35,633 (exclusive of tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by CCIS Real Estate Joint Appraisers Firm. Rent was paid on the contract date and becomes payable on the same date each following year until the end of the lease. For the three months and six months ended June 30, 2018 and 2017, the rental expense were $8,909, $8,909, $17,817 and $17,817, respectively. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than one year	$ 31,179	$ 37,415	$ 37,415
Later than one year but not later than five years	-	12,472	31,179
	$ 31,179	$ 49,887	$ 68,594

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

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

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

(2) Significant transactions and balances with related parties

A. Operating revenue

	Three months ended June 30,	
	2018	2017
Sales		
Associates accounted for using equity method	$ 368	$ -
Other related parties	-	47,223
	$ 368	$ 47,223

	Six months ended June 30,	
	2018	2017
Sales		
Associates accounted for using equity method	$ 368	$ 97
Other related parties	-	161,776
	$ 368	$ 161,873

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

B. Purchases

	Three months ended June 30,	
	2018	2017
Purchases of goods		
Associates accounted for using equity method	$ 38,010	$ 58,150
Other related parties	-	-
	$ 38,010	$ 58,150

	Six months ended June 30,	
	2018	2017
Purchases of goods		
Associates accounted for using equity method	$ 115,021	$ 112,252
Other related parties	-	10,193
	$ 115,021	$ 122,445

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

C. Payables to related parties

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts payable			
Associates accounted for using equity method	$ 13,023	$ 37,454	$ 39,555

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 which 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 June 30, 2018, the Group has not collected the proceeds and accounted as other receivables. For the six months ended June 30, 2017, there was no such transaction.

E. Lease contracts

On April 8, 2009, the Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land. Please refer to Note 6(21) for details.

(3) Key management compensation

	Three months ended June 30,	
	2018	2017
Salaries and other employee benefits	$ 7,698	$ 7,540

	Six months ended June 30,	
	2018	2017
Salaries and other employee benefits	$ 14,537	$ 14,459

8. PLEDGED ASSETS

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

	Book value			
Pledged of assets	June 30, 2018	December 31, 2017	June 30, 2017	Pledge purpose
Property, plant and equipment	$ 153,149	$ 147,873	$ 152,993	Collaterals for general credit limit granted by financial institutions

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of June 30, 2018, except for the provision of endorsements and guarantees mentioned in Note 13(1) B and the lease contract described in Notes 6(21) and 7, there are no other significant commitments.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

None.

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 desirable and not necessary.

(2) Financial instruments

A. Financial instruments by category

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets			
Financial assets at fair value through other comprehensive income	$ 174,521	$ -	$ -
Available-for-sale financial assets	-	68,874	167,690
Financial assets at amortised cost			
Cash and cash equivalents	2,970,473	3,645,914	2,885,567
Financial assets at amortised cost	7,008,521	-	-
Investments in debt instruments without active market	-	738,877	747,811
Notes receivable	2,954	5,862	3,880
Accounts receivable	2,699,187	2,499,773	2,520,331
Other receivables	126,662	114,346	121,731
Refundable deposits	30,670	32,617	31,749
Other current financial assets	-	6,899,661	9,038,042
	$ 13,012,988	$ 14,005,924	$ 15,516,801

	June 30, 2018	December 31, 2017	June 30, 2017
Financial liabilities			
Financial liabilities at amortised cost			
Accounts payable	$ 1,336,083	$ 1,275,006	$ 1,743,326
Other payables	2,864,749	347,852	2,898,310
	$ 4,200,832	$ 1,622,858	$ 4,641,636

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, 2017 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, 2017 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:

	June 30, 2018			
	Foreign Currency	Foreign Currency Amount	Exchange rate	Book value
Financial assets	USD：NTD	$ 276,865	30.4600	$ 8,433,308
	EUR：NTD	13,551	35.4000	479,705
	JPY：NTD	1,092,833	0.2754	300,966
	RMB：NTD	28,396	4.5930	130,423
	GBP：NTD	1,386	39.9600	55,385
	USD：EUR	3,908	0.8605	119,038
	USD：HKD	1,787	7.8485	54,432
	GBP：EUR	915	1.1288	36,563
Financial liabilities	USD：NTD	$ 36,421	30.4600	$ 1,109,384

	December 31, 2017			
	Foreign Currency	Foreign Currency Amount	Exchange rate	Book value
Financial assets	USD：NTD	$ 297,429	29.7600	$ 8,851,487
	JPY：NTD	2,165,791	0.2642	572,202
	EUR：NTD	14,747	35.5700	524,551
	GBP：NTD	1,079	40.1100	43,279
	USD：EUR	3,052	0.8367	90,828
	USD：HKD	1,989	7.8186	59,193
Financial liabilities	USD：NTD	$ 34,790	29.7600	$ 1,035,350

	June 30, 2017			
	Foreign Currency	Foreign Currency Amount	Exchange rate	Book value
Financial assets	USD:NTD	$ 335,598	30.4200	$ 10,208,891
	JPY:NTD	908,006	0.2716	246,614
	USD:EUR	3,020	0.8761	91,868
	EUR:NTD	2,703	34.7200	93,848
	USD:JPY	1,032	112.3596	31,393
	USD:HKD	1,196	7.8064	36,382
Financial liabilities	USD:NTD	$ 46,984	30.4200	$ 1,429,253
	USD:RMB	847	6.7797	25,766

The total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2018 and 2017, amounted to $362,922, $53,213, $237,192 and ($513,133), respectively.

Sensitivity analyzes 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 decrease or increase by $73,239 and $87,796 for the six months ended June 30, 2018 and 2017, respectively.

<u>Cash flow and fair value interest rate risk</u>

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

<u>Effective 2018</u>

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 analysing 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 assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts 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(3).

viii. For details of credit risk in relation to debt instrument investment measured at amortised cost, please refer to Note 6(2).

ix. Credit risk information for the six months ended June 30, 2017 is provided in Note 12(4).

(3) Fair value information

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 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.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and investment property is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

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, notes payable, 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:

June 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 173,396	$ -	$ 1,125	$ 174,521

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 67,749	$ -	$ 1,125	$ 68,874

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

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.

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

G. The financial instruments of Level 3 had no changes for the six months ended June 30, 2018 and 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. For significant accounting policies for the six months ended June 30, 2017, please refer to Note 4 of the consolidated financial statements for the year ended December 31,2017.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

(a) Under IAS 39, because the cash flows of debt instruments, which were classified as: bonds with repurchase agreement which without active markets and time deposits with original maturity of more than three months of other financial assets, amounting to $738,877, and $6,899,661, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at amortised cost" amounting to $7,638,538 on initial application of IFRS 9.

(b) Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets amounting to $68,874, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $68,874, and adjusted relevant impairment loss by increased retained earnings and decreased other equity interest in both amounts of $30,000 on initial application of IFRS 9.

C. The reconciliation of allowance for impairment from December 31, 2017 , as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, has no material impact.

D. As of December 31, 2017 and June 30, 2017 and for the six months ended June 30, 2017, the significant accounts are as follows:

(a) Available-for-sale financial assets

Items	December 31, 2017	June 30, 2017
Non-current items:		
Listed stocks	$ 47,734	$ 234,225
Others	31,125	31,125
Subtotal	78,859	265,350
Valuatoin adjustment of available-for-sale financial assets	20,015	(67,660)
Accumulated impairment	(30,000)	(30,000)
Total	$ 68,874	$ 167,690

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

(b) Investments in debt instruments without active markets

Items	December 31, 2017	June 30, 2017
Current items:		
Bonds with repurchase agreement	$ 738,877	$ 747,811

i. For the three months and six months ended June 30, 2017, the Group recognized $2,557 and $3,925 in gain on disposal of financial assets in profit or loss, respectively.

ii. As of June 30, 2017, no investments in debt instruments without active markets were pledged to others.

(c) Other financial assets

	December 31, 2017	June 30, 2017
Time deposits with original maturity of more than three months	$ 6,899,661	$ 9,038,042

E. As of June 30, 2017 and for the six months ended June 30, 2017, the information of credit risk are as follows:

(a) 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. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing 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. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(b) For the six months ended June 30, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) 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:

	December 31, 2017	June 30, 2017
Group 1	$ 885,338	$ 1,088,010
Group 2	1,121,057	1,210,207
	$ 2,006,395	$ 2,298,217

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

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

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2017	June 30, 2017
Up to 30 days	$ 477,941	$ 209,313
31 to 90 days	6,905	10,657
91 to 180 days	3,719	1,688
Over 181 days	4,813	456
	$ 493,378	$ 222,114

(e) For the six months ended June 30, 2017, movements on the Group's provision for impairment of accounts receivable are as follows:

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

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. For significant accounting policies on revenue recognition for the six months ended June 30, 2017, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2017.

B. The revenue recognized by using above accounting policies for the three months and six months ended June 30, 2017 are as follows:

	Three months ended June 30, 2017	Six months ended June 30, 2017
Sales revenue	$ 4,996,479	$ 10,686,247

C. There was no effect of current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

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

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 3.

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: None.

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 June 30, 2018	Three months ended June 30, 2017
Segment revenue	$ 4,411,721	$ 4,996,479
Segment income	$ 723,866	$ 775,610

	Six months ended June 30, 2018	Six months ended June 30, 2017
Segment revenue	$ 9,211,285	$ 10,686,247
Segment income	$ 1,202,658	$ 1,349,657

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm’s length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

Transcend Information, Inc.

Provision of endorsements and guarantees to others

Six months ended June 30, 2018

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 June 30, 2018 (Note 4)	Outstanding endorsement/ guarantee amount at June 30, 2018 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Investment income (loss) recognized by the Company for the six months ended June 30, 2018 （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
0	Transcend Taiwan	Transcend Japan Inc.	2	$ 3,827,930	$ 550,800 (JPY 2,000,000) (In thousands)	$ 550,800 (JPY 2,000,000) (In thousands)	$ -	-	3	$ 7,655,860	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. ($19,139,651*20%=$3,827,930)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of June 30, 2018 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. ($19,139,651*40%=$7,655,860)

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

Transcend Information, Inc.

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

Six months ended June 30, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of June 30, 2018				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	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	3,060,017	$ 66,861	1	$ 66,861	-
	Dramexchange Tech Inc.	-	"	60,816	1,125	1	1,125	-
	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	1,758,000	106,535	-	106,535	-
					$ 174,521			
	Bonds							
	Yuanta Asset Management Limited - bond with repurchase agreement rated as investment-grade bonds by S&P	-	Current financial assets at amortised cost	-	$ 547,590	-	-	-

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

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

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

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

Transcend Information, Inc.

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

Six months ended June 30, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Transcend Taiwan	Building located at Xinhu 3rd Rd., Neihu Dist., Taipei City	2018/4/17	$2,370,000	Settled	Lih Pao Construction Co., Ltd. Pao Juan Development Enterprise Co.,Ltd. Peng Cheng Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Based on the appraisal reports issued by CCIS Real Estate Joint Appraisers Firm and Sinyi Real Estate Appraisers Firm in the amounts of $2,582,235 and $2,507,124, respectively	For future operation	None

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: 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.

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Transcend Information, Inc.

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

Six months ended June 30, 2018

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	$ 688,349	8	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	$ 329,365	13	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	464,015	5	"	"	"	33,185	1	-
"	Transcend Information, Inc.	The Company's subsidiary	"	340,047	4	"	"	"	66,381	3	-
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	"	354,741	4	"	"	"	157,619	6	-
"	Transcend Korea Inc.	The Company's subsidiary	"	248,814	3	"	"	"	15,607	1	-
"	Transcend Information (H.K) Ltd.	Subsidiary of Memhiro	"	117,535	1	"	"	"	65,496	3	
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	320,779	4	"	"	"	25,353	1	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Controlled by the same ultimate parent company	"	108,700	20	30 days after delivery	"	7 to 60 days after delivery to third parties	11,315	11	-
Transcend Taiwan	Taiwan IC Packaging Corporation	Associate accounted for using equity method	(Purchase)	(115,021)	(2)	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	(13,023)	(1)	-

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.

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

Six months ended June 30, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Transcend Taiwan	Transcend Japan Inc.	Subsidiary of the Company	$ 329,365	4.30	$ -	-	$ 106,029	$ -
"	Transtech Trading (shanghai) Co., Ltd.	Subsidiary of Memhiro	157,619	3.59	-	-	50,523	-
Transcend Information (Shanghai), Ltd.	Transcend Taiwan	Parent company	502,449	-	502,449	-	-	-

Transcend Information, Inc.

Significant inter-company transactions during the reporting periods

Six months ended June 30, 2018

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	$ 688,349	There is no significant difference in unit price from those to third parties.	7
"	"	Transcend Information Europe B. V.	"	"	464,015	"	5
"	"	Transcend Information, Inc.	"	"	340,047	"	4
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	354,741	"	4
"	"	Transcend Korea Inc.	"	"	248,814	"	3
"	"	Transcend Information (H.K) Ltd.	"	"	117,535	"	1
"	"	Transcend Information Trading GmbH, Hamburg	"	"	320,779	"	3
"	"	Transcend Japan Inc.	"	Accounts Receivable	329,365	120 days after monthly billings	1
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	157,619	"	1
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	(502,449)	"	(2)
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	108,700	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.

Information on investees

Six months ended June 30, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at June 30, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at June 30, 2018: Number of shares	Shares held as at June 30, 2018: Ownership (%)	Shares held as at June 30, 2018: Book value	Net profit (loss) of the investee for six months ended June 30, 2018	Investment income (loss) recognized by the Company for the six months ended June 30, 2018 （Note 1）	Footnote
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	$ 1,202,418	$ 1,202,418	36,600,000	100	$ 1,846,716	($ 9,227)	($ 791)	Note 2
	Transcend Japan Inc.	Japan	Wholesaler of computer memory modules and peripheral products	89,103	89,103	6,400	100	255,201	31,713	31,713	Note 2
	Transcend Information, Inc.	United States of America	Wholesaler of computer memory modules and peripheral products	38,592	38,592	625,000	100	183,109	12,231	12,231	Note 2
	Transcend Korea Inc.	Korea	Wholesaler of computer memory modules and peripheral products	6,132	6,132	40,000	100	58,176	2,866	2,866	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	51,842,975	12.73	169,508	(64,360)	(5,778)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	1,825,322	(9,491)	(9,491)	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	219,318	2,247	2,256	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesaler of computer memory modules and peripheral products	2,288	2,288	-	100	116,773	20,137	20,137	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	15,925	4,998	4,998	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 (6).

Transcend Information, Inc.

Information on investments in Mainland China

Six months ended June 30, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six months ended June 30, 2018 (Note 2)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2018	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	($ 45,357)	100	($ 45,140)	$ 1,417,294	$ 1,464,028	-
Transtech Trading (Shanghai) Co., Ltd.	Wholesaler, agent, import andexport and retailer of computer memory modules, storage products and computer components	16,310	(2)	16,310	-	-	16,310	8,070	100	8,070	33,973	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	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	$ 11,483,791

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