TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

SEPTEMBER 30, 2013 AND 2012

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR13000075

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

We have reviewed the accompanying consolidated balance sheets of Transcend Information, Inc. and its subsidiaries as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods ended September 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews. As disclosed in Note 4(3)B, we did not review the financial statements of certain subsidiaries, which statements reflect total assets of NT$636,489 thousand and NT$684,112 thousand, both constituting 3 percent of the consolidated total assets, and total liabilities of NT$107,846 thousand and NT$133,666 thousand, constituting 2 percent and 4 percent of the consolidated total liabilities, as of December 31, 2012 and January 1, 2012, respectively. Furthermore, we did not review the financial statements of equity investments accounted for under the equity method. The investment loss from these equity investments amounting to NT$9,228 thousand for the nine-month period ended September 30, 2013, and the information of investee company as disclosed in Note 13 were solely based on the financial statements which were reviewed by other independent accountants. As of September 30, 2013, the equity investment accounted for under the equity method was NT$242,430 thousand.

Except as described in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, “Review of Financial Statements” in the Republic of China. A review includes primarily making inquiries of company personnel and applying analytical procedures to financial data. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 4(3)B, we did not review the financial statements of certain subsidiaries, which statements reflect total assets of NT$4,455,016 thousand, constituting 20 percent of the consolidated total assets, and total liabilities of NT$487,707 thousand, constituting 14 percent of the consolidated total liabilities, as of September 30, 2012, and total comprehensive income of NT$39,285 thousand and NT$83,880 thousand, both constituting 4 percent of the consolidated total comprehensive income, respectively, for the three-month and nine-month periods then ended. These statements were not reviewed by us or other independent accountants, and our conclusion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the financial statements prepared by the subsidiaries.

Based on our reviews and the review reports of the other independent accountants, except for the effect of such adjustments, if any, as might have been determined to be necessary had we reviewed the financial statements of the subsidiaries as stated in the preceding paragraph, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to in the first paragraph in order for them to be in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34, “Interim Financial Reporting” and IFRS 1, “First-time Adoption of International Financial Reporting Standards” as endorsed by the Financial Supervisory Commission.

November 7, 2013
Taipei, Taiwan
Republic of China

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2013, DECEMBER 31, 2012, SEPTEMBER 30, 2012, AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)
(Unaudited)

			September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
	Assets	Notes	Amount	%	Amount	%	Amount	%	Amount	%
	Current assets									
1100	Cash and cash equivalents	6(1)	$ 8,762,026	41	$ 9,872,243	41	$ 8,481,257	38	$ 9,708,263	44
1147	Current bond investment without active market	6(2)	240,669	1	470,064	2	567,366	3	96,140	-
1150	Notes receivable, net		5,193	-	9,987	-	-	-	7,780	-
1170	Accounts receivable, net	6(3)	2,639,914	12	2,418,600	10	2,761,877	12	2,430,418	11
1180	Accounts receivable due from related parties, net	7(1)	43,967	-	162,247	1	119,749	1	108,774	1
1200	Other receivables		150,958	1	278,281	1	231,417	1	331,478	2
130X	Inventory, net	6(4)	5,396,565	25	6,222,330	26	5,312,375	24	4,502,324	20
1470	Other current assets		47,973	-	58,898	-	65,655	-	47,386	-
11XX	**Current Assets**		17,287,265	80	19,492,650	81	17,539,696	79	17,232,563	78
	Non-current assets									
1523	Non-current available-for-sale financial assets	6(5)	221,165	1	417,317	2	520,691	2	457,748	2
1550	Investments accounted for using equity method	6(6)	242,430	1	-	-	-	-	-	-
1600	Property, plant and equipment	6(7) and 8	3,362,203	16	3,473,891	15	3,547,062	16	3,708,190	17
1760	Investment property, net	6(8)	303,657	1	306,272	1	308,154	2	316,818	2
1840	Deferred tax assets	6(21)	76,480	-	84,314	-	76,099	-	76,064	-
1900	Other non-current assets	6(9) and 8	191,496	1	157,966	1	159,882	1	188,862	1
15XX	**Non-current assets**		4,397,431	20	4,439,760	19	4,611,888	21	4,747,682	22
1XXX	**Total assets**		$ 21,684,696	100	$ 23,932,410	100	$ 22,151,584	100	$ 21,980,245	100

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2013, DECEMBER 31, 2012, SEPTEMBER 30, 2012, AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)
(Unaudited)

			September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
	Liabilities and Equity	Notes	Amount	%	Amount	%	Amount	%	Amount	%
	Current liabilities									
2100	Short-term borrowings	6(10)	$ 151,050	-	$ 168,200	1	$ -	-	$ -	-
2150	Notes payable		-	-	3,608	-	6,376	-	167	-
2170	Accounts payable		1,482,277	7	3,323,331	14	2,235,005	10	1,713,204	8
2180	Accounts payable to related parties	7(1)	22,628	-	-	-	-	-	-	-
2200	Other payables		370,955	2	468,202	2	572,321	2	589,310	2
2230	Current tax liabilities	6(21)	153,373	1	248,795	1	154,720	1	427,409	2
2300	Other current liabilities		48,577	-	39,577	-	35,975	-	59,540	-
21XX	**Current Liabilities**		2,228,860	10	4,251,713	18	3,004,397	13	2,789,630	12
	Non-current liabilities									
2570	Deferred tax liabilities	6(21)	373,391	2	326,411	1	300,388	2	304,878	2
2600	Other non-current liabilities	6(11)	55,576	-	59,867	-	77,352	-	83,800	-
25XX	**Non-current liabilities**		428,967	2	386,278	1	377,740	2	388,678	2
2XXX	**Total Liabilities**		2,657,827	12	4,637,991	19	3,382,137	15	3,178,308	14
	Share capital	6(12)								
3110	Ordinary share		4,307,617	20	4,307,617	18	4,307,617	19	4,307,617	20
	Capital surplus	6(13)								
3200	Capital surplus		4,799,075	22	5,014,456	21	5,014,456	23	5,014,456	23
	Retained earnings	6(14)								
3310	Legal reserve		2,733,339	13	2,448,801	10	2,448,801	11	2,162,186	10
3350	Unappropriated retained earnings		7,263,420	33	7,639,812	32	7,007,365	32	7,327,965	33
	Other equity interest	6(16)								
3400	Other equity interest		(76,582)	-	(116,267)	-	(8,792)	-	(10,287)	-
31XX	**Total equity attributable to owners of parent**		19,026,869	88	19,294,419	81	18,769,447	85	18,801,937	86
3XXX	**Total equity**		19,026,869	88	19,294,419	81	18,769,447	85	18,801,937	86
	Commitments and contingent liabilities	9								
	Total liabilities and equity		$ 21,684,696	100	$ 23,932,410	100	$ 22,151,584	100	$ 21,980,245	100

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 7, 2013.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(Unaudited)

			For the three months ended September 30				For the nine months ended September 30			
			2013		2012		2013		2012	
	Items	Notes	Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating Revenue**	6(17) and 7	$ 6,389,192	100	$ 7,166,751	100	$ 19,408,126	100	$ 19,428,611	100
5000	**Operating Costs**	6(4) and 7	(5,309,842)	(83)	(5,693,819)	(79)	(15,646,035)	(81)	(15,675,871)	(80)
5900	**Gross Profit**		1,079,350	17	1,472,932	21	3,762,091	19	3,752,740	20
	Operating Expenses	6(20)								
6100	Sales and marketing expenses		(261,620)	(4)	(258,588)	(4)	(772,884)	(4)	(732,016)	(4)
6200	General and administrative expenses		(94,659)	(1)	(98,666)	(1)	(299,373)	(1)	(282,386)	(1)
6300	Research and development expenses		(35,822)	(1)	(38,679)	(1)	(122,424)	(1)	(105,360)	(1)
6000	**Total operating expenses**		(392,101)	(6)	(395,933)	(6)	(1,194,681)	(6)	(1,119,762)	(6)
6900	**Operating Income**		687,249	11	1,076,999	15	2,567,410	13	2,632,978	14
	Non-operating Income and Expenses									
7010	Other income	6(18)	24,414	1	20,562	-	84,957	1	76,992	-
7020	Other gains and losses	6(19)	17,956	-	27,257	-	233,090	1	(1,920)	-
7000	**Total non-operating income and expenses**		42,370	1	47,819	-	318,047	2	75,072	-
7900	**Income before income tax**		729,619	12	1,124,818	15	2,885,457	15	2,708,050	14
7950	Income tax expense	6(21)	(109,879)	(2)	(150,008)	(2)	(392,740)	(2)	(372,845)	(2)
8200	**Net income**		$ 619,740	10	$ 974,810	13	$ 2,492,717	13	$ 2,335,205	12
	Other comprehensive income									
8310	Foreign exchange translation differences for foreign operations		(30,762)	(1)	(22,626)	-	97,418	-	(98,149)	-
8325	Unrealized gain (loss) on available-for-sale financial assets	6(5)	(20,904)	-	5,018	-	(41,172)	-	82,943	-
8399	Income tax on other comprehensive income	6(21)	5,230	-	3,862	-	(16,561)	-	16,701	-
8500	**Total comprehensive income**		$ 573,304	9	$ 961,064	13	$ 2,532,402	13	$ 2,336,700	12
	Net income attributable to:									
8610	Owners of parent		$ 619,740	10	$ 974,810	14	$ 2,492,717	13	$ 2,335,205	12
	Comprehensive income attributable to:									
8710	Owners of parent		$ 573,304	9	$ 961,064	13	$ 2,532,402	13	$ 2,336,700	12
	Basic earnings per share	6(22)								
9750	**Basic earnings per share**		$ 1.44		$ 2.26		$ 5.79		$ 5.42	
9850	**Diluted earnings per share**		$ 1.44		$ 2.26		$ 5.78		$ 5.41	

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 7, 2013.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)
(Unaudited)

	Equity attributable to owners of the parent								
		Capital Reserves			Retained Earnings		Other equity interest		
	Common Stock	Additional paid-in capital	Capital surplus from donated assets	Capital surplus from merger	Legal reserve	Unappropriated earnings	Foreign exchange translation differences for foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total equity
For the nine-month period ended September 30, 2012									
Balance at January 1, 2012	$ 4,307,617	$ 4,975,222	$ 4,106	$ 35,128	$ 2,162,186	$ 7,327,965	$ -	($ 10,287)	$ 18,801,937
Appropriations of 2011 earnings									
Legal reserve	-	-	-	-	286,615	(286,615)	-	-	-
Cash dividends	-	-	-	-	-	(2,369,190)	-	-	(2,369,190)
Net income for the period	-	-	-	-	-	2,335,205	-	-	2,335,205
Other comprehensive income for the period	-	-	-	-	-	-	(81,448)	82,943	1,495
Balance at September 30, 2012	$ 4,307,617	$ 4,975,222	$ 4,106	$ 35,128	$ 2,448,801	$ 7,007,365	($ 81,448)	$ 72,656	$ 18,769,447
For the nine-month period ended September 30, 2013									
Balance at January 1, 2013	$ 4,307,617	$ 4,975,222	$ 4,106	$ 35,128	$ 2,448,801	$ 7,639,812	($ 95,549)	($ 20,718)	$ 19,294,419
Appropriations of 2012 earnings									
Legal reserve	-	-	-	-	284,538	(284,538)	-	-	-
Cash dividends	-	-	-	-	-	(2,584,571)	-	-	(2,584,571)
Change in capital reserve									
Cash distribution of capital reserve	-	(215,381)	-	-	-	-	-	-	(215,381)
Net income for the period	-	-	-	-	-	2,492,717	-	-	2,492,717
Other comprehensive income for the period	-	-	-	-	-	-	80,857	(41,172)	39,685
Balance at September 30, 2013	$ 4,307,617	$ 4,759,841	$ 4,106	$ 35,128	$ 2,733,339	$ 7,263,420	($ 14,692)	($ 61,890)	$ 19,026,869

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 7, 2013.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30
(Expressed in thousands of New Taiwan dollars)
(Unaudited)

	For the nine-month periods ended September 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit before tax for the period	$ 2,885,457	$ 2,708,050
Adjustments to reconcile income before tax to net cash provided by operating activities:		
Income and expenses having no effect on cash flows		
Net gains on valuation of financial assets at fair value through profit or loss	(29,979)	-
Gain on disposal of financial assets	(110,534)	(22,529)
Share of loss of associates and joint ventures accounted for using equity method	9,228	-
Provision for bad debt expense	15,258	3,914
Loss (gain) on market price decline (recovery) of inventory	(14,195)	23,020
Depreciation expense	178,441	178,840
Amortization expense	2,238	2,220
Interest income	(73,431)	(66,470)
Impairment loss on financial assets	-	20,000
Gains on disposal of property, plant and equipment	(1,441)	(815)
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Net gain on financial assets at fair value through profit	29,979	-
Notes and accounts receivable	(113,498)	(338,568)
Other receivables	128,880	100,728
Inventories	839,960	(833,071)
Other current assets	10,925	(18,269)
Other non-current assets	(36,228)	1,521
Net changes in liabilities relating to operating activities		
Notes and accounts payable	(1,822,034)	528,010
Other payables	(97,247)	(16,989)
Other current liabilities	9,000	(23,565)
Other non-current liabilities	(4,291)	(6,448)
Cash provided by generated from operations	1,806,488	2,239,579
Interest received	71,874	65,803
Income tax paid	(449,909)	(633,358)
Net cash provided by operating activities	1,428,453	1,672,024
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in bond investments without active markets	243,251	(448,697)
Acquisition of property, plant and equipment	(37,711)	(78,096)
Disposal of property, plant and equipment	4,365	38,102
Net cash provided by (used in) investing activities	209,905	(488,691)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends	(2,799,952)	(2,369,190)
Net cash used in financing activities	(2,799,952)	(2,369,190)
Effect of foreign exchange rate changes	51,377	(41,149)
Decrease in cash and cash equivalents	(1,110,217)	(1,227,006)
Cash and cash equivalents at beginning of period	9,872,243	9,708,263
Cash and cash equivalents at end of period	$ 8,762,026	$ 8,481,257

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 7, 2013.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(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 November 7, 2013.

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")

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

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

IFRS 9, 'Financial Instruments: Classification and measurement of financial instruments'

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November, 2009, which will take effect on January 1, 2015 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C. The Group has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised. The Group recognised loss on equity instruments amounting to $41,172 in other comprehensive income for the nine-month period ended September 30, 2013.

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

The following are the assessment of new standards, interpretations and amendments issued by IASB that are effective but not yet endorsed by the FSC and have not been adopted by the Group (application of the new standards, interpretations and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparers received in IFRS 7, ‘ Financial Instruments: Disclosures ’ and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
2010 improvements to IFRSs	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, ‘Financial instruments: Classification and measurement of financial liabilities’	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	January 1, 2015

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters shall apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes — recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11,'Joint arrangements'	When deciding the types of joint arrangements-joint operations and joint ventures, the entity should assess the contract rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
IFRS 12, ‘Disclosure of interests in other entities’	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27,‘Separate Financial Statements’ (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS27 and those requirements are addressed in IFRS 10, ‘Consolidated Financial Statements’.	January 1, 2013
IAS 28,‘Investments in Associates and Joint Ventures’(as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11 , ‘Joint Arrangements’, IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, ‘Fair value measurement’	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, ‘ Employee benefits’ (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognised in other comprehensive income.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)	The amendment clarifies criterion that an entity 'currently has a legally enforceable right to set off the recognised amounts' and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Mandatory effective date and transition disclosures (amendment to IFRS 7 and IFRS 9)	The mandatory effective date has been postponed to January 1, 2015.	January 1, 2015
2009-2011 improvements to IFRSs	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define ' Investment Entities ' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit of loss instead of consolidating them.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, ' Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. These consolidated financial statements are the first third-quarter consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", IAS 34, 'Interim Financial Reporting', and IFRS 1, 'First-time Adoption of International Financial Reporting Standards', as endorsed by the FSC.

B. In the preparation of the balance sheet as of January 1, 2012, the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the "IFRSs") on the Group's financial position, operating results and cash flows.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Liabilities on cash-settled share-based payment arrangements measured at fair value.

(d) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised prior period's service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2013	Ownership (%) December 31, 2012	Description
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	Note 1
〃	Transcend Japan Inc. (Transcend Japan)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
〃	Transcend Information UK Limited (Transcend UK)	Wholesaler of computer memory modules and peripheral products	-	100	Note 1 Note 2
〃	Transcend Information Inc. (Transcend USA)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
〃	Transcend Korea Inc. (Transcend Korea)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
Saffire Investment Ltd.	Memhiro Pte. Ltd. (Memhiro)	Investment holding company	100	100	Note 1
Memhiro Pte. Ltd.	Transcend Information Europe B.V. (Transcend Europe)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
〃	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
〃	Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Manufacturing, processing and sale of computer software and hardware, peripheral equipment and other computer components	100	100	Note 1
〃	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesaler of computer memory modules, peripheral equipment and other computer components	100	100	Note 1
〃	Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong)	Wholesaler of computer memory modules and peripheral products	100	-	-

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2012	Ownership (%) January 1, 2012	Description
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	Note 1
〃	Transcend Japan Inc. (Transcend Japan)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
〃	Transcend Information UK Limited (Transcend UK)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1 Note 2
〃	Transcend Information Inc. (Transcend USA)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
〃	Transcend Korea Inc. (Transcend Korea)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
Saffire Investment Ltd.	Memhiro Pte. Ltd. (Memhiro)	Investment holding company	100	100	Note 1
Memhiro Pte. Ltd.	Transcend Information Europe B.V. (Transcend Europe)	Wholesaler of computer memory modules and peripheral products	100	100	Note1
〃	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesaler of computer memory modules and peripheral products	100	100	Note 1
〃	Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Manufacturing, processing and sale of computer software and hardware, peripheral equipment and other computer components	100	100	Note 1
〃	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesaler of computer memory modules, peripheral equipment and other computer components	100	100	Note 1

Note 1:The financial statements of certain subsidiaries for the nine-month period ended September 30, 2012 were not reviewed by independent accountants.

The financial statements of Transcend USA and Transcend Germany as of and for the year ended December 31, 2012 were reviewed by other independent accountants.

Note 2: Transcend UK is in the process of liquidation for the purpose of reorganization for the Group’s operational requirments. The investment funds were repatriated in September, 2013.

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Receivables

A. Accounts receivable

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, for short-term accounts receivable without bearing interest, as the effect of discount is insignificant, they are measured subsequently at original invoice amount.

B. Bond investments without active market

(a) Bond investments without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

i. Not designated on initial recognition as at fair value through profit or loss;
ii. Not designated on initial recognition as available-for-sale;
iii. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(b) On a regular way purchase or sale basis, bond investments without active market are recognised and derecognised using trade date accounting.

(c) Bond investments without active market are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(8) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(9) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

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

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C.When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A.The contractual rights to receive cash flows from the financial asset expire.

B.The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C.The contractual rights to receive cash flows from the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Investments accounted for under the equity method / associates

A.Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.

B.The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

C.When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D.Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E.When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

A.Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B.Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C.Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	2~55 years
Machinery and equipment	2~10 years
Transportation equipment	3~5 years
Miscellaneous equipment	3~5 years

(14) <u>Investment property</u>

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 8 ~ 55 years.

(15) <u>Operating lease</u>

Payments made under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

(16) <u>Long-term prepaid rents</u>

Long-term prepaid rents include premium paid for land use right of Transcend Shanghai and are amortized over the term of granted period of 50 years using the straight-line method.

(17) <u>Impairment of non-financial assets</u>

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) <u>Borrowings</u>

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) <u>Notes and accounts payable</u>

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(20) Employee benefits

A.Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B.Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.

iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

iv. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C.Employees’ bonus and directors’ and supervisors’ remuneration

Employees’ bonus and directors’ and supervisors’ remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates.

(21) Employee share-based payment

A.For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B.For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognised in profit or loss.

(22) Income tax

A.The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B.The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C.Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D.Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E.Unused investment tax credits arising from expenditures incurred on acquisitions of equipment or technology, research and development are recognised as deferred income tax assets only to the extent that it is probable that future taxable profit will be available against the investment tax credits.

F.The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

The Group manufactures and sells computer software and hardware, peripheral equipment and other computer components. Revenue is measured at the fair value of the consideration received or receivable taking into account of returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments segments, has been identified as the Chairman of the Board who makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Investment property

The Group uses part of the property for its own use and part to earn rentals or for capital appreciation. When the portions cannot be sold separately and cannot be leased separately under finance lease, the property is classified as investment property only if the own-use portion accounts of the property is not material.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of investments accounted for under the equity method

The Group assesses the impairment of an investment accounted for under the equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of expected future cash flows from the investee, and analyzes the reasonableness of related assumptions.

B. Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of September 30, 2013, the Group recognised deferred income tax assets amounting to $76,480.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory comsumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of September 30, 2013, the carrying amount of inventories was $5,396,565.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2013	December 31, 2012
Cash on hand and petty cash	$ 813	$ 814
Checking accounts and demand deposits	3,975,122	3,917,527
Time deposits	4,741,736	5,953,902
Cash equivalents		
-Bond with re-purchase agreement	44,355	-
Total	$ 8,762,026	$ 9,872,243

	September 30, 2012	January 1, 2012
Cash on hand and petty cash	$ 817	$ 1,083
Checking accounts and demand deposits	3,251,008	5,459,103
Time deposits	5,229,432	4,248,077
Total	$ 8,481,257	$ 9,708,263

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. The Group’s maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. Cash and cash equivalents pledged as collateral had been reclassified as ‘other non-current assets’ in the amounts of $2,957, $2,904, $2,930 and $3,028, as of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, respectively. Please refer to Note 8.

C. As of September 30, 2013, the bond with repurchase agreement recognized as cash equivalents is a 30-day highly-liquid investment with annual interest rate of 1.5 %.

(2) Bond investments without active markets-current

Items	September 30, 2013	December 31, 2012
Current items：		
Funds-bonds	$ 196,314	$ 470,064
Bond with repurchase agreement	44,355	-
	$ 240,669	$ 470,064

Items	September 30, 2012	January 1, 2012
Current items：		
Funds-bonds	$ 567,366	$ 96,140

A. The counterparties of the Group’s funds investments, namely Industrial and Commercial Bank of China, Bank of China, and China Construction Bank, are well-known banks in the People’s

Republic of China. The bond with repurchase agreements is sold by Yuanta Asset Management Limited. The maximum exposure to credit risk at balance sheet date is the carrying amount of bond investments without active markets.

B. The Group recognised interest income of $3,780, $7,903, $14,006 and $22,529 in profit or loss for amortised cost for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.

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

(3) Accounts receivable

	September 30, 2013	December 31, 2012
Accounts receivable	$ 2,687,594	$ 2,475,867
Less: Allowance for bad debts	(47,680)	(57,267)
	$ 2,639,914	$ 2,418,600

	September 30, 2012	January 1, 2012
Accounts receivable	$ 2,812,385	$ 2,477,012
Less: Allowance for bad debts	(50,508)	(46,594)
	$ 2,761,877	$ 2,430,418

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

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

	September 30, 2013	December 31, 2012
UP to 30 days	$ 628,387	$ 443,544
31 to 90 days	22,484	11,136
91 to 180 days	2,055	15,550
	$ 652,926	$ 470,230

	September 30, 2012	January 1, 2012
UP to 30 days	$ 644,543	$ 270,902
31 to 90 days	54,267	17,435
91 to 180 days	6,938	942
	$ 705,748	$ 289,279

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

(a) As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the Group's accounts receivable that were impaired amounted to $47,680, $57,267, $50,508 and $46,594, respectively.

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

	2013	2012
	Individual provision	Individual provision
At January 1	$ 57,267	$ 46,594
Provision for impairment	15,258	3,914
Write-offs during the period	(24,845)	-
At September 30	$ 47,680	$ 50,508

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

	September 30, 2013	December 31, 2012
Group 1	$ 769,774	$ 846,026
Group 2	1,217,214	1,102,344
	$ 1,986,988	$ 1,948,370

	September 30, 2012	January 1, 2012
Group 1	$ 889,258	$ 1,004,307
Group 2	1,166,871	1,136,832
	$ 2,056,129	$ 2,141,139

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

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

E. The Group's maximum exposure to credit risk at September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 is the carrying amount of all investments in bonds without active markets.

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

(4) Inventories

	September 30, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,145,329	($ 35,051)	$ 3,110,278
Work in progress	808,419	(8,529)	799,890
Finished goods	1,515,264	(28,867)	1,486,397
Total	$ 5,469,012	($ 72,447)	$ 5,396,565

	December 31, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,532,935	($ 30,935)	$ 3,502,000
Work in progress	898,082	(16,276)	881,806
Finished goods	1,877,955	(39,431)	1,838,524
Total	$ 6,308,972	($ 86,642)	$ 6,222,330

	September 30, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,751,963	($ 40,860)	$ 2,711,103
Work in progress	1,240,068	(13,780)	1,226,288
Finished goods	1,413,611	(38,627)	1,374,984
Total	$ 5,405,642	($ 93,267)	$ 5,312,375

	January 1, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,324,033	($ 37,168)	$ 2,286,865
Work in progress	706,760	(3,706)	703,054
Finished goods	1,541,778	(29,373)	1,512,405
Total	$ 4,572,571	($ 70,247)	$ 4,502,324

A. Expense and loss incurred on inventories for the three-month and nine-month periods ended September 30, 2013 and 2012 were as follows:

	For the three-month periods ended September 30,	
	2013	2012
Cost of inventories sold	$ 5,289,627	$ 5,674,404
Loss for market price decline	20,215	19,415
	$ 5,309,842	$ 5,693,819

	For the nine-month periods ended September 30,	
	2013	2012
Cost of inventories sold	$ 15,660,230	$ 15,652,851
Reversal of inventory write-down	(14,195)	23,020
	$ 15,646,035	$ 15,675,871

For the nine-month period ended September 30, 2013, the Group reversed the inventory write-down due to the price increase of finished goods.

B. No inventory was pledged to others.

(5) Available-for-sale financial assets - noncurrent

Items	September 30, 2013	December 31, 2012
Non-current items：		
Listed stocks	$ 281,930	$ 436,910
Others	1,125	1,125
Subtotal	283,055	438,035
Valuation adjustments of available-for-sale financial assets	(61,890)	(20,718)
Total	$ 221,165	$ 417,317

Items	September 30, 2012	January 1, 2012
Non-current items：		
Listed stocks	$ 436,910	$ 436,910
Others	11,125	31,125
Subtotal	448,035	468,035
Valuation adjustments of available-for-sale financial assets	72,656	(10,287)
Total	$ 520,691	$ 457,748

A. The Group recognised ($20,904), $5,018, ($41,172) and $82,943 in other comprehensive income for fair value change for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.

B. Skyviia Corp., one of the Group's equity investments, experienced an unexpected poor business performance in 2012. As a result the Group recognized an impairment loss of $20,000 during the third quarter of 2012. On November 29, 2012, the stockholders at the extraordinary stockholders' meeting adopted a resolution to dissolve and liquidate Skyviia Corp. The Group assessed full impairment on the investment and recognized impairment loss of $30,000 for the year ended December 31, 2012.

C. Equity investment in Taiwan IC Packaging Corporation was initially recognized as available-for-sale financial assets. On June 17, 2013, as resolved by the Board of Directors and the shareholders' meeting, the Group and Group's Chairman of the Board were elected as a director and the Chairman of the Board of Taiwan IC Packaging Corporation, respectively. Pursuant to the above, the Group gained significance influence on Taiwan IC Packaging Corporation. The Group, in accordance with Paragraph 50(c) of IAS 39, reclassified the investment to investment accounted for under the equity method for the amount of $251,658. Please refer to Note 6(6).

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

(6) Investments accounted for under the equity method

A. Details are as follows:

	September 30, 2013		December 31, 2012	
Investee Company	Percentage of ownership	Book value	Percentage of ownership	Book value
Taiwan IC Packaging Corp.	13.55	$ 242,430	−	$ −

	September 30, 2012		January 1, 2012	
Investee Company	Percentage of ownership	Book value	Percentage of ownership	Book value
Taiwan IC Packaging Corp.	−	$ −	−	$ −

B. Share of loss of investments accounted for under the equity method are as follows:

	For the three-month periods ended September 30,	
Investee Company	2013	2012
Taiwan IC Packaging Corp.	($ 7,975)	$ -

	For the nine-month periods ended September 30,	
Investee Company	2013	2012
Taiwan IC Packaging Corp.	($ 9,228)	$ -

C. The Group's investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was $251,658 as of September 30, 2013.

D. The investment loss for the nine-month period ended September 30, 2013 was recognised based on the financial statements of the investee company which was reviewed by other independent accountants.

E. The investment in Taiwan IC Packaging Corporation was reclassified from the available-for-sale financial assets. Please refer to Note 6(5)C.

(7) Property, plant and equipment

	Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
At January 1, 2013							
Cost	$ 748,603	$ 2,722,444	$ 814,401	$ 17,820	$ 52,365	$ 66,298	$ 4,421,931
Accumulated depreciation and impairment	-	(517,899)	(330,516)	(12,575)	(35,873)	(51,177)	(948,040)
	$ 748,603	$ 2,204,545	$ 483,885	$ 5,245	$ 16,492	$ 15,121	$ 3,473,891
Nine-month periods ended September 30, 2013							
Opening net book amount	$ 748,603	$ 2,204,545	$ 483,885	$ 5,245	$ 16,492	$ 15,121	$ 3,473,891
Additions	-	2,672	23,245	-	3,518	8,736	38,171
Disposals	-	-	(1,824)	(67)	(222)	(811)	(2,924)
Depreciation charge	-	(88,886)	(73,847)	(1,610)	(4,457)	(3,876)	(172,676)
Net exchange differences	(12,230)	28,231	9,091	104	139	406	25,741
Closing net book amount	$ 736,373	$ 2,146,562	$ 440,550	$ 3,672	$ 15,470	$ 19,576	$ 3,362,203
At September 30, 2013							
Cost	$ 736,373	$ 2,760,635	$ 844,793	$ 15,401	$ 53,063	$ 70,931	$ 4,481,196
Accumulated depreciation and impairment	-	(614,073)	(404,243)	(11,729)	(37,593)	(51,355)	(1,118,993)
	$ 736,373	$ 2,146,562	$ 440,550	$ 3,672	$ 15,470	$ 19,576	$ 3,362,203

	Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
At January 1, 2012							
Cost	$ 769,586	$ 2,787,628	$ 851,703	$ 20,322	$ 59,801	$ 68,027	$ 4,557,067
Accumulated depreciation and impairment	-	(462,567)	(286,656)	(14,872)	(38,394)	(46,388)	(848,877)
	$ 769,586	$ 2,325,061	$ 565,047	$ 5,450	$ 21,407	$ 21,639	$ 3,708,190
Nine-month periods ended September 30, 2012							
Opening net book amount	$ 769,586	$ 2,325,061	$ 565,047	$ 5,450	$ 21,407	$ 21,639	$ 3,708,190
Additions	-	41,172	58,316	-	1,916	1,931	103,335
Disposals	-	-	(36,569)	(254)	(22)	(442)	(37,287)
Depreciation charge	-	(89,808)	(70,723)	(1,491)	(4,658)	(6,320)	(173,000)
Net exchange differences	(5,543)	(37,993)	(9,706)	(42)	(421)	(471)	(54,176)
Closing net book amount	$ 764,043	$ 2,238,432	$ 506,365	$ 3,663	$ 18,222	$ 16,337	$ 3,547,062
At September 30, 2012							
Cost	$ 764,043	$ 2,740,954	$ 814,369	$ 17,495	$ 53,613	$ 66,928	$ 4,457,402
Accumulated depreciation and impairment	-	(502,522)	(308,004)	(13,832)	(35,391)	(50,591)	(910,340)
	$ 764,043	$ 2,238,432	$ 506,365	$ 3,663	$ 18,222	$ 16,337	$ 3,547,062

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

(8) Investment property

	Land	Buildings	Total
At January 1, 2013			
Cost	$ 137,037	$ 226,931	$ 363,968
Accumulated depreciation and impairment	-	(57,696)	(57,696)
	$ 137,037	$ 169,235	$ 306,272
Nine-month periods ended September 30, 2013			
Opening net book amount	$ 137,037	$ 169,235	$ 306,272
Depreciation charge	-	(5,765)	(5,765)
Net exchange differences	-	3,150	3,150
Closing net book amount	$ 137,037	$ 166,620	$ 303,657
At September 30, 2013			
Cost	$ 137,037	$ 230,646	$ 367,683
Accumulated depreciation and impairment	-	(64,026)	(64,026)
	$ 137,037	$ 166,620	$ 303,657

	Land	Buildings	Total
At January 1, 2012			
Cost	$ 137,037	$ 232,867	$ 369,904
Accumulated depreciation and impairment	-	(53,086)	(53,086)
	$ 137,037	$ 179,781	$ 316,818
Nine-month periods ended September 30, 2012			
Opening net book amount	$ 137,037	$ 179,781	$ 316,818
Depreciation charge	-	(5,840)	(5,840)
Net exchange differences	-	(2,824)	(2,824)
Closing net book amount	$ 137,037	$ 171,117	$ 308,154
At September 30, 2012			
Cost	$ 137,037	$ 226,931	$ 363,968
Accumulated depreciation and impairment	-	(55,814)	(55,814)
	$ 137,037	$ 171,117	$ 308,154

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

	For the three-month periods ended September 30,	
	2013	2012
Rental revenue from the lease of the investment property	$ 3,946	$ 3,512
Direct operating expenses arising from the investment property that generated rental income in the period	$ 1,725	$ 1,681
Direct operating expenses arising from the investment property that did not generate rental income in the period	$ 211	$ 252

	For the nine-month periods ended September 30,	
	2013	2012
Rental revenue from the lease of the investment property	$ 11,526	$ 10,532
Direct operating expenses arising from the investment property that generated rental income in the period	$ 5,132	$ 5,038
Direct operating expenses arising from the investment property that did not generate rental income in the period	$ 633	$ 802

B. The fair value of the investment property held by the Group was $1,026,243, $830,371, $847,114 and $806,122 as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 respectively, which was based on the transaction prices of similar properties in the same area.

(9) Other non-current assets

	September 30, 2013	December 31, 2012
Long-term prepaid rents	$ 115,319	$ 113,244
Others	76,177	44,722
	$ 191,496	$ 157,966

	September 30, 2012	January 1, 2012
Long-term prepaid rents	$ 113,910	$ 119,562
Others	45,972	69,300
	$ 159,882	$ 188,862

In May, 2005, the Group signed a land-use right contract with the People's Republic of China for the use of land with term of 50 years. All rentals had been paid on the contract date. The Group recognised rental expenses of $698, $673, $2,071 and $2,017 for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.

(10) Short-term borrowings

Type of borrowings	September 30, 2013	Interest rate	Collateral
Bank secured borrowings	$ 151,050	0.91%	Transcend Japan's Land and Buildings

Type of borrowings	December 31, 2012	Interest rate	Collateral
Bank secured borrowings	$ 168,200	0.91%	Transcend Japan's Land and Buildings

The Group had no short-term borrowings as of September 30, 2012 and January 1, 2012.

(11) Pensions

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

(b)The amounts recognised in the balance sheet are determined as follows:

	December 31, 2012	January 1, 2012
Present value of funded obligations	$ 72,645	$ 97,921
Fair value of plan assets	(43,205)	(46,936)
Net liability in the balance sheet	$ 29,440	$ 50,985

(c)The Group recognised pension expenses of $417, $602, $1,252 and $1,805 in the statement of comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.

(d)As of December 31, 2012 and January 1, 2012, cumulative actuarial losses/(gains) recognised in other comprehensive income were $19,317 and $0, respectively.

(e)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and

Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of September 30, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(f)The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	1.50%	1.75%
Future salary increases	2.00%	2.00%
Expected return on plan assets	1.75%	2.00%

Assumptions regarding future mortality experience are set based on 2008 Taiwan Standard Ordinary Experience Mortality Table.

(g)Historical information of experience adjustments was as follows:

	2012
Present value defined benefit obligation	$ 72,645
Fair value of plan assets	(43,205)
Deficit in the plan	$ 29,440
Experience adjustment on plan liabilities	($ 23,199)
Experience adjustment on plan assets	$ 535

(h)Expected contributions to the defined benefit pension plans of the Group within one year from September 30, 2013 amounts to $2,843.

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

(b)The Group's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages, ranging from 12.5% to 22%. Other than the monthly contributions, the Group has no further obligations.

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

(d)The pension costs under defined contribution pension plans of the Group were $10,537, $14,197, $31,219 and $29,287, for the three-month and nine-month periods ended September 30, 2013 and 2012 respectively.

(12) <u>Share capital</u>

As of September 30, 2013, the Company's authorised capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 25 thousand shares reserved for employee stock options), and the paid-in capital was $4,307,617 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(13) <u>Capital reserve</u>

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

(14) <u>Retained earnings</u>

A.In accordance with the Company's Articles of Incorporation, the current year's earnings if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The Company shall also set aside special reserve in accordance with the regulations and reserve certain amount, on the premise that there is no effect on the Company's normal operations and no violation of regulations, for maintaining stability of dividends. When distributing earnings, the Company shall appropriate 0.2% for the directors' and supervisors' remuneration. Bonus distributed to the employees shall account for at least 1% of the total distributable earnings. The remainder to be appropriated shall be resolved by stockholders at the stockholders' meeting, and cash dividends shall account for at least 5% of the total dividends distributed.

B. The Company distributes dividends taking into consideration the Company's economic environment and growth phases, future demands of funds, long-term financial planning, and the cash flows that the stockholders desire. Cash dividends shall account for at least 5% of the total dividend distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. For the three-month and nine-month periods ended September 30, 2013 and 2012, employees' bonus was accrued at \$5,578, \$19,053, \$41,242 and \$60,649, respectively, which was based on a certain percentage prescribed by the Company's Articles of Incorporation of net income after taking into account the legal reserve and other factors (under the Company's Articles of Incorporation, bonus distributed to the employees shall account for at least 1% and 3% of total distributable earning for the years 2013 and 2012, respectively.)

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

F. The appropriation of earnings and distribution of capital reserve of years 2012 and 2011 had been resolved at the stockholders' meeting on June 13, 2013 and June 15, 2012, respectively. Details are summarized below:

	2012		2011	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 284,538		$ 286,615	
Cash dividends	2,584,571	$ 6.0	2,369,190	$ 5.5
Cash distribution from capital reserve	215,381	0.5	-	
	$ 3,084,490		$ 2,655,805	

Note:

	2012		2011	
Directors' and supervisors' remuneration	$	5,166	$	5,733
Employees’ cash bonus		85,361		85,985
	$	90,527	$	91,718

The difference between employees’ bonus and directors’ and supervisors’ remuneration of 2011 as resolved by the stockholders and the amount recognized in the 2011 financial statements, totaling $2,820 and $5,733, respectively, had been adjusted in the statement of comprehensive income of 2012. The appropriation of earnings of year 2012 as resolved by the stockholders was in agreement with those amounts recognized in the 2012 financial statements.

(15) Share-based payment-employee compensation plan

A.As of September 30, 2013 and 2012, the Company’s share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2007.10.15	4,536	6 years	2 years’ service

B.Details of the employee stock options are set forth below：

	For the nine-month periods ended September 30,					
	2013			2012		
	No. of shares (in thousands)		Weighted-average exercise price (in dollars)	No. of shares (in thousands)		Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	$	1,192	$ 107.8	$	2,124	$ 107.8
Options granted		-	-		-	-
Distribution of stock dividends/ adjustments for number of shares granted for one unit of option		-	-		-	-
Options waived		-	-		-	-
Options exercised		-	-		-	-
Options revoked	(	128)	107.8	(	932)	107.8
Options outstanding at end of period		1,064	107.8		1,192	107.8
Options exercisable at end of period		1,064	107.8		1,192	107.8

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		September 30, 2013		December 31, 2012	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2007.10.15	2013.10.15	1,064	$ 107.8	1,192	$ 107.8

		September 30, 2012		January 1, 2012	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2007.10.15	2013.10.15	1,192	$ 107.8	2,124	$ 107.8

D. The fair value of stock options granted on October 15, 2007 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected period	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Employee stock options	2007.10.15	$ 120	$ 120	39.68%	4.375 years	0%	2.61%	$ 43.32

E. The Company has no expense incurred on share-based payment transactions for the nine-month periods ended September 30, 2013 and 2012.

(16) Other equity items

	Available-for-sale investment	Currency translation	Total
At January 1, 2013	($ 20,718)	($ 95,549)	($ 116,267)
Change in unrealized gains or losses for available-for-sale financial assets	(41,172)	-	(41,172)
Currency translation differences:	-	80,857	80,857
At September 30, 2013	($ 61,890)	($ 14,692)	($ 76,582)

	Available-for-sale investment	Currency translation	Total
At January 1, 2012	($ 10,287)	$ -	($ 10,287)
Change in unrealized gains or losses for available-for-sale financial assets	82,943	-	82,943
Currency translation differences:	-	(81,448)	(81,448)
At September 30, 2012	$ 72,656	($ 81,448)	($ 8,792)

(17) Operating revenue

	For the three-month periods ended September 30,	
	2013	2012
Sales revenue	$ 6,389,192	$ 7,166,751

	For the nine-month periods ended September 30,	
	2013	2012
Sales revenue	$ 19,408,126	$ 19,428,611

(18) Other income

	For the three-month periods ended September 30,	
	2013	2012
Interest income	$ 20,468	$ 17,050
Rental revenue	3,946	3,512
Total	$ 24,414	$ 20,562

	For the nine-month periods ended September 30,	
	2013	2012
Interest income	$ 73,431	$ 66,460
Rental revenue	11,526	10,532
Total	$ 84,957	$ 76,992

(19) Other gains and losses

	For the three-month periods ended September 30,	
	2013	2012
Net gain on financial assets at fair value through profit or loss	$ 2,195	$ -
Gain on disposal of financial assets	3,630	7,903
Investment loss recognized under equity method	(7,975)	-
(Loss) gain on disposal of property, plant and equipment	(9)	125
Net currency exchange loss	(11,785)	(784)
Dividends revenue	15,074	24,568
Others	16,826	(4,555)
Total	$ 17,956	$ 27,257

	For the nine-month periods ended September 30,	
	2013	2012
Net gain on financial assets at fair value through profit or loss	$ 29,979	$ -
Gain on disposal of financial assets	110,534	22,529
Investment loss recognized under equity method	(9,228)	-
Gain on disposal of property, plant and equipment	1,441	815
Net currency exchange gain (loss)	47,650	(57,168)
Dividends revenue	15,074	24,568
Others	37,640	7,336
Total	$ 233,090	($ 1,920)

(20) Expenses by nature

	For the three-month periods ended September 30,	
	2013	2012
Wages and salaries	$ 312,288	$ 332,394
Labor and health insurance fees	36,964	33,271
Pension costs	10,954	14,799
Other personnel expenses	14,540	17,744
Depreciation on property, plant and equipment (including investment property)	60,336	59,110

	For the nine-month periods ended September 30,	
	2013	2012
Wages and salaries	$ 992,234	$ 889,594
Labor and health insurance fees	108,237	103,511
Pension costs	32,471	31,092
Other personnel expenses	44,379	51,862
Depreciation on property, plant and equipment (including investment property)	178,441	178,840

(21) Income tax

A.Income tax expense

(a)Components of income tax expense:

	For the three-month periods ended September 30, 2013	2012
Current tax:		
Current tax on profits for the period	$ 107,784	$ 131,457
Adjustments from prior years	8,567	5,810
Current tax	116,351	137,267
Deferred taxes:		
Origination and reversal of temporary differences	(6,472)	12,741
Total deferred tax	(6,472)	12,741
Income tax expense	$ 109,879	$ 150,008

	For the nine-month periods ended September 30, 2013	2012
Current tax:		
Current tax on profits for the period	$ 340,982	$ 354,749
Adjustments from prior years	13,505	5,920
Current tax	354,487	360,669
Deferred taxes:		
Origination and reversal of temporary differences	38,253	12,176
Total deferred tax	38,253	12,176
Income tax expense	$ 392,740	$ 372,845

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

	For the three-month periods ended September 30, 2013	2012
Currency translation differences	($ 5,230)	($ 3,862)

	For the nine-month periods ended September 30, 2013	2012
Currency translation differences	$ 16,561	($ 16,701)

B.Income tax expense and accounting income adjustment:

	For the nine-month periods ended September 30, 2013	2012
Pre-tax profit calculated on tax law income tax	$ 538,811	$ 521,074
Adjustments from prior years	13,505	5,920
Tax-exempt income effects	(146,317)	(144,662)
Income tax effects of investment tax credit	(13,259)	(9,487)
Income tax expense	$ 392,740	$ 372,845

C.The Company's income tax returns through 2011 have been assessed and approved by the National Taxation Bureau of Taipei, Ministry of Finance, except for 2009.

D.Unappropriated retained earnings:

	September 30, 2013	December 31, 2012
Earnings generated in and before 1997	$ 121,097	$ 121,097
Earnings generated in and after 1998	7,142,323	7,518,715
	$ 7,263,420	$ 7,639,812

	September 30, 2012	January 1, 2012
Earnings generated in and before 1997	$ 121,097	$ 121,097
Earnings generated in and after 1998	6,886,268	7,206,868
	$ 7,007,365	$ 7,327,965

E.The balance of the imputation tax credit account and the creditable tax rate are as follows:

	September 30, 2013	December 31, 2012
Imputation tax credit account balance	$ 826,503	$ 1,141,552

	September 30, 2012	January 1, 2012
Imputation tax credit account balance	$ 967,180	$ 1,101,072

	2012 (Actual)	2011 (Actual)
Creditable tax ratio	17.75%	20.93%

Creditable tax ratio = Imputation tax credit account balance / accumulated unappropriated retained earnings.

(22) Earnings per share

	For the three-month period ended September 30, 2013		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 619,740	430,762	$ 1.44
Diluted earnings per share			
Profit attributable to owners of the parent	$ 619,740	430,762	
Dilutive effect of common stock equivalents:			
Employees' bonus	-	836	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 619,740	431,598	$ 1.44

	For the nine-month period ended September 30, 2013		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 2,492,717	430,762	$ 5.79
Diluted earnings per share			
Profit attributable to owners of the parent	$ 2,492,717	430,762	
Dilutive effect of common stock equivalents:			
Employees' bonus	-	836	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 2,492,717	431,598	$ 5.78

	For the three-month period ended September 30, 2012		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 974,810	430,762	$ 2.26
Diluted earnings per share			
Profit attributable to owners of the parent	$ 974,810	430,762	
Dilutive effect of common stock equivalents:			
Employees' bonus	-	822	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 974,810	431,584	$ 2.26

	For the nine-month period ended September 30, 2012		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 2,335,205	430,762	$ 5.42
Diluted earnings per share			
Profit attributable to owners of the parent	$ 2,335,205	430,762	
Dilutive effect of common stock equivalents:			
Employees' bonus	-	822	
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 2,335,205	431,584	$ 5.41

(23) Operating leases

A.The Group leases land and buildings to others under operating lease agreements. Contingent rents of $3,946, $3,512, $11,526 and $10,532 were recognised for these leases in profit or loss for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively. The leases for buildings have terms expiring between 2014 and 2016, 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:

	September 30, 2013	December 31, 2012
No later than one year	$ 11,864	$ 15,625
Later than one year but not more than five years	19,845	27,634
	$ 31,709	$ 43,259

	September 30, 2012	January 1, 2012
No later than one year	$ 15,261	$ 14,589
Later than one year but not more than five years	31,601	43,511
	$ 46,862	$ 58,100

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 is payable prior to the following year on the contract date and on the same month, same day as the contract date of each following year until the end of the lease. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	September 30, 2013	December 31, 2012
No later than one year	$ 37,415	$ 37,415
Later than one year but not more than five years	149,659	149,659
Later than five years	21,825	37,415
	$ 208,899	$ 224,489
Discounted present value of later than five years	$ 20,661	$ 34,937

	September 30, 2012	January 1, 2012
No later than one year	$ 37,415	$ 37,415
Later than one year but not more than five years	149,659	149,659
Later than five years	37,415	74,830
	$ 224,489	$ 261,904
Discounted present value of later than five years	$ 34,937	$ 69,398

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Sales

	For the three-month periods ended September 30,	
	2013	2012
Sales of goods－Entity controlled by the Group's key management	$ 3,502	$ 248,741

	For the nine-month periods ended September 30,	
	2013	2012
Sales of goods－Entity controlled by the Group's key management	$ 256,373	$ 741,587

The sales prices charged to related parties are almost equivalent to those charged to third parties. The credit term to Transcend H.K. and C-Tech Corporation is 120 days and 15 days after monthly billings, respectively. The credit term to third parties is 30 to 60 days after monthly billings.

B. Purchases of goods

	For the three-month periods ended September 30,	
	2013	2012
Purchases of goods－Entity controlled by the Group's key management	$ 40,128	$ -

	For the nine-month periods ended September 30,	
	2013	2012
Purchases of goods－Entity controlled by the Group's key management	$ 109,863	$ -

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

C. Accounts receivable

	September 30, 2013	December 31, 2012
Receivables from related parties－Entity controlled by the main management	$ 43,967	$ 162,247

	September 30, 2012	January 1, 2012
Receivables from related parties－Entity controlled by the main management	$ 119,749	$ 108,774

The receivables from related parties arise mainly from sales transactions. The credit term to

Transcend H.K. and C-Tech Corporation is 120 days and 15 days after monthly billings, respectively. The receivables are unsecured and bear no interest. There are no provisions held against receivables from related parties.

D. Accounts payable

	September 30, 2013	December 31, 2012
Payables to related parties－Entity controlled by the main management	$ 22,628	$ -

	September 30, 2012	January 1, 2012
Payables to related parties－Entity controlled by the main management	$ -	$ -

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

E. Lease contracts

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

(2) Salaries/rewards information of key management

	For the three-month periods ended September 30,	
	2013	2012
Salaries and other short-term employee benefits	$ 22,085	$ 20,832

	For the nine-month periods ended September 30,	
	2013	2012
Salaries and other short-term employee benefits	$ 71,576	$ 70,384

8. PLEDGED ASSETS

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

Nature of assets	Book value September 30, 2013	Book value December 31, 2012	Pledge purpose
Property, plant and equipment	$ 992,859	$ 1,021,236	Long-term and short-term loans
Other non-current assets			
Time deposit	2,957	2,904	Patent deposit
	$ 995,816	$ 1,024,140	

Nature of assets	Book value September 30, 2012	Book value January 1, 2012	Pledge purpose
Property, plant and equipment	$ 1,061,760	$ 1,064,753	Long-term and short-term loans
Other non-current assets			
Time deposit	2,930	3,028	Patent deposit
	$ 1,064,690	$ 1,067,781	

9. COMMITMENTS AND CONTINGENT LIABILITIES

As of September 30, 2013, in addition to the significant commitments and contingent liabilities mentioned in Note 13(1)B and the lease contract described in Note 6(23), the Group had unused letters of credit for purchases of merchandise amounting to $100,000.

10. SIGNIFICANT CATASTROPHE

None.

11. SIGNIFICANT SUBSEQUENT EVENT

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 special consideration for raising loans to reduce the exchange rate exposure, the Group has enough funds to cover its own needs. Debt financing is not desirable and not necessary.

(2) Financial instruments

A.Fair value information of financial instruments

Except for those listed in the table below, the carrying amount of financial instruments which are not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable and other payables) is approximate to their fair value. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

Financial assets

	September 30, 2013	
	Book value	Fair value
Bond investments without active market - financial products-current	$ 240,669	$ 240,669
Available-for-sale financial assets-noncurrent	221,165	221,165
Other financial assets – noncurrent (recorded as other non-current assets)	2,957	2,957

	December 31, 2012	
	Book value	Fair value
Bond investments without active market - financial products-current	$ 470,064	$ 470,064
Available-for-sale financial assets-noncurrent	417,317	417,317
Other financial assets – noncurrent (recorded as other non-current assets)	2,904	2,904

	September 30, 2012	
	Book value	Fair value
Bond investments without active market - financial products-current	$ 567,366	$ 567,366
Available-for-sale financial assets-noncurrent	520,691	520,691
Other financial assets – noncurrent (recorded as other non-current assets)	2,930	2,930

	January 1, 2012	
	Book value	Fair value
Bond investments without active market - financial products-current	$ 96,140	$ 96,140
Available-for-sale financial assets-noncurrent	457,748	457,748
Other financial assets – noncurrent (recorded as other non-current assets)	3,028	3,028

B.Financial risk management policies

(a) The Group’s risk management objective is to identify and analyze all the possible risks (including market risk, credit risk, liquidity risk and cash flow interest rate risk) by examining the impact of the macroeconomic conditions, industrial developments, market competition and the Group’s business development plans so as to maintain the best risk position and adequate liquidity position and centralize the management of all market risks.

(b) For the purpose of managing assets, liabilities, revenue and expenditures effectively and control foreign exchange risk, the Group uses forward foreign exchange contracts as their hedging strategy.

C.Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

	September 30, 2013					
	Foreign Currency		Foreign Currency Amount	Exchange Rate		Book Value (NTD)
Financial assets	USD:NTD	$	85,989	29.5700	$	2,542,695
	RMB:NTD		259,153	4.8330		1,252,486
	USD:RMB		33,286	29.5700		984,267
	JPY:NTD		3,140,938	0.3021		948,877
	EUR:NTD		11,062	39.9200		441,595
Financial liabilities	USD:NTD	$	52,039	29.5700	$	1,538,793

	December 31, 2012					
	Foreign Currency		Foreign Currency Amount	Exchange Rate		Book Value (NTD)
Financial assets	USD:NTD	$	66,780	29.0400	$	1,939,291
	JPY:NTD		2,797,391	0.3364		941,042
	USD:RMB		21,967	29.0400		637,907
	EUR:NTD		15,483	38.4900		595,941
Financial liabilities	USD:NTD	$	108,265	29.0400	$	3,144,016
	USD:RMB		5,105	29.0400		148,249

	September 30, 2012					
	Foreign Currency		Foreign Currency Amount	Exchange Rate		Book Value (NTD)
Financial assets	USD:NTD	$	70,825	29.2950	$	2,074,818
	JPY:NTD		2,902,943	0.3777		1,096,442
	USD:RMB		17,328	29.2950		507,624
	EUR:NTD		13,283	37.8900		503,293
Financial liabilities	USD:NTD	$	71,619	29.2950	$	2,098,079
	USD:RMB		5,204	29.2950		152,451

	January 1, 2012			
	Foreign Currency	Foreign Currency Amount	Exchange Rate	Book Value (NTD)
Financial assets	USD:NTD	$ 41,681	30.2750	$ 1,261,892
	JPY:NTD	2,605,018	0.3906	1,017,520
	USD:RMB	28,777	30.2750	871,211
	EUR:NTD	16,811	39.1800	658,655
Financial liabilities	USD:NTD	$ 65,181	30.2750	$ 1,973,355
	USD:RMB	9,391	30.2750	252,494

iii. Sensitivity analyses relating to foreign exchange rate risks are primarily for financial reporting period end date of foreign currency monetary item. If the New Taiwan dollar exchange rate into the U.S. dollar increases or decreases by 1%, the Group's net income will increase or decrease by $19,882 and $3,319 for the nine-month periods ended September 30, 2013 and 2012, respectively.

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the nine-month periods ended September 30, 2013 and 2012 would have increased/decreased by $2,212 and $5,207, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

i. The Group's principal interest-bearing assets, cash and cash equivalents, are due within twelve months. Therefore, it is assessed that there is no significant cash flow interest rate risk.

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

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. 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 deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties for the nine-month periods ended September 30, 2013 and 2012.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts, time deposits, investments in bonds without active markets - current, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the Group held money market position of $9,002,695, $10,342,307, $9,048,623 and $9,804,403, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group's non-derivative financial liabilities are analysed based on the remaining period at the balance sheet date to the contractual maturity date, and all financial liabilities are due within one year.

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value at September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012:

September 30, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Equity securities	$ 220,040	$ -	$ 1,125	$ 221,165

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Equity securities	$ 416,192	$ -	$ 1,125	$ 417,317

September 30, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Equity securities	$ 509,566	$ -	$ 11,125	$ 520,691

January 1, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Equity securities	$ 426,623	$ -	$ 31,125	$ 457,748

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm‘s length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments classified as available-for-sale financial assets.

C. The fair value of financial instruments not traded in an active market (such as the derivate instruments which traded in GTSM) is base on the cost of investment.

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

E. The financial instruments of Level 3 were recognized impairment loss amounting to $30,000 for the year ended December 31, 2012, and there was no change in 2013.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others during the nine-month period ended September 30, 2013: None.
B. Provision of endorsements and guarantees to others during the nine-month period ended September 30, 2013:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount during the nine-month period ended September 30, 2013 (Note 4)	Outstanding endorsement/guarantee amount at September 30, 2013 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided (Note 6)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Note
		Company name	Relationship with the endorser/guarantor (Note 2)											
0	Transcend Taiwan	Transcend Japan Inc.	b	$ 3,805,374	$ 453,150	$ 453,150	$ 151,051	-	2	$ 7,610,748	Y	-	-	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows
(a)The Company is ‘0’.
(b)The subsidiaries are numbered in order starting from ‘1’.
Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:
(a)Having business relationship.
(b)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(c)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(d)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(e)Mutual guarantee of the trade as required by the construction contract.
(f)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
Note 3: Not exceeding 20% of the Company’s net asset value. ($19,026,869*20%=$3,805,374)
Note 4: The maximum outstanding endorsement/guarantee amount during and as of September 30, 2013 is JPY$1,500,000.
Note 5: The actual amount of endorsement drawn down is JPY$500,000.
Note 6: Not exceeding 40% of the Company’s net asset value. ($19,026,869 *40%=$7,610,748)
Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary.

C. Holding of marketable securities as of September 30, 2013:

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2013 Number of shares or units	Book value	Ownership (%)	Market value	Note
Transcend Taiwan	Stocks							
	Alcor Micro Corp.	-	Available-for-sale financial assets - noncurrent	6,220,933	$ 171,386	8	$ 171,386	-
	Hitron Tech. Inc.	-	〃	3,060,017	48,654	1	48,654	-
	Skyviia Corp.	-	〃	259,812	-	2	-	-
	Dramexchange Tech Inc.	-	〃	60,816	1,125	1	1,125	-
					$ 221,165			
	Bonds							
	Bond with repurchase agreement	-	Bond investments without active markets - current	-	$ 44,355	-	44,355	-
	Stocks							
	Saffire Investment Ltd.	The Company's subsidiary	Investments accounted for under the equity method	36,600,000	$ 3,221,835	100	$ 3,246,055	-
	Transcend Japan Inc.	〃	〃	6,400	129,266	100	129,266	-
	Transcend Information Inc.	〃	〃	625,000	97,485	100	97,485	-
	Taiwan IC Packaging Corp.	Associate	〃	41,000,000	242,430	14	242,430	
	Shares							
	Transcend Korea Inc.	The Company's subsidiary	〃	-	19,172	100	19,172	-
					$ 3,710,188			
Saffire Investment Ltd.	Stocks							
	Memhiro Pte Ltd.	Subsidiary of Saffire	Investments accounted for under the equity method	55,132,000	$ 3,208,011	100	$ 3,208,011	-

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2013 Number of shares or units	Book value	Ownership (%)	Market value	Note
Memhiro Pte Ltd.	Stocks							
	Transcend Information Europe B.V.	Subsidiary of Memhiro	Investments accounted for under the equity method	100	$ 178,074	100	$ 178,077	-
	Transcend Hong Kong	〃		2,000,000	14,016	100	14,016	-
	Shares							
	Transcend Shanghai	〃	〃	-	2,925,880	100	2,926,090	-
	Transcend Information Trading GmbH,Hamburg	〃	〃	-	59,932	100	59,932	-
	Transtech Shanghai	〃	〃	-	8,143	100	8,143	-
					$ 3,186,045			
Transcend Shanghai	Finance products							
	2013 Liduoduo financial planning No.185, Financial products of Shanghai Pudong Development Bank	-	Bond investments without active markets - current	-	$ 147,235	-	-	-
	2013 Liduoduo financial planning No.228, Financial products of Shanghai Pudong Development Bank	-	〃	-	49,079	-	-	-
					$ 196,314			

D.Acquisition or sale of the same security with the accumulated cost exceeding NT$100 million or 20% of the Company’s paid-in capital during the nine-month period ended September 30, 2013: None.
E.Acquisition of real estate exceeding NT$100 million or 20% of paid-in capital during the nine-month period ended September 30, 2013: None.
F.Disposal of real estate exceeding NT$100 million or 20% of paid-in capital during the nine-month period ended September 30, 2013: None.

G.Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of the Company' paid-in capital during the nine-month period ended September 30, 2013:

			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)	Note
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	$ 1,989,497	11	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	$ 824,908	26	-
〃	Transcend Information Europe B.V.	Subsidiary of Memhiro	〃	1,652,773	9	〃	〃	〃	317,396	10	-
〃	Transcend Information, Inc.	The Company's subsidiary	〃	764,779	4	〃	〃	〃	203,165	6	-
〃	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	〃	465,037	2	〃	〃	〃	34,054	1	-
〃	Transcend Korea Inc.	The Company's subsidiary	〃	351,364	2	60 days after monthly billings	〃	〃	28,739	1	-
〃	Transcend (H.K.) Limited	Transcend H.K.'s chairman is the Company's general manager	〃	256,373	1	120 days after monthly billings	〃	〃	43,967	1	-
〃	Transtech Shanghai	Subsidiary of Memhiro	〃	235,590	1	〃	〃	〃	55,444	2	-
〃	Transcend Information (H.K.)	Subsidiary of Memhiro	〃	170,921	1	〃	〃	〃	51,585	2	-
〃	Transcend Shanghai	Subsidiary of Memhiro	〃	116,435	1	〃	〃	〃	-	-	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Together with Transcend Information Europe B.V. are controlled by parent company	〃	533,843	28	30 days after receipt of goods	〃	7 to 60 days after receipt of goods to third parties	35,559	13	-
Transcend Taiwan	Transcend Shanghai	Subsidiary of Memhiro	(Purchases)	(806,878)	6	60 days after receipt of goods	Note 1	7 to 30 days after receipt of goods to third parties	(983,880)	40	-

Note 1:The purchase transactions between Transcend Taiwan and Transcend Shanghai were attributed to processing of supplied materials. No other similar transactions can be used for comparison.
Note 2:The Company's sales to subsidiaries were equivalent to subsidiaries's purchases from the Company; accordingly, the Company did not disclose the information on subsidiaries' purchases from the Company.

H.Receivables from related parties exceeding NT$100 million or 20% of the Company's paid-in capital as of September 30, 2013:

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2013	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Transcend Taiwan	Transcend Japan Inc.	Subsidiary of the Company	$ 824,908	3.41	$ -	-	$ 214,696	$ -
〃	Transcend Information Europe B.V.	Subsidiary of Memhiro	317,396	5.51	-	-	152,637	-
〃	Transcend Information Inc.	Subsidiary of the Company	203,165	4.06	-	-	48,944	-
Transcend Shanghai	Transcend Taiwan	Parent company	983,880	6.05	-	-	822,474	-

I.Derivative financial instruments undertaken during the nine-month period ended September 30, 2013: None.

J.Significant inter-company transactions during the nine-month period ended September 30, 2013:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Transcend Taiwan	Transcend Japan Inc.	a	Sales	$ 1,989,497	There is no significant difference in unit price from those to third parties.	10%
″	″	Transcend Information Europe B. V.	″	″	1,652,773	″	9%
″	″	Transcend Information, Inc.	″	″	764,779	″	4%
″	″	Transcend Information Trading GmbH, Hamburg	″	″	465,037	″	2%
″	″	Transcend Korea Inc.	″	″	351,364	″	2%
″	″	Transcend (H.K.) Limited	″	″	256,373		1%
″	″	Transtech Trading (Shanghai) Co., Ltd.	″	″	235,590	″	1%
″	″	Transcend Information (Shanghai), Ltd.	″	Purchases	806,878	Processing with supplied materials. No other similar transactions can be used for comparison.	4%
″	″	Transcend Japan Inc.	″	Accounts Receivable	824,908	120 days after monthly billings	4%
″	″	Transcend Information Europe B. V.	″	″	317,396	″	1%
″	″	Transcend Information (Shanghai), Ltd.	″	Accounts Payable	983,880	60 days after receipt of goods	5%
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	c	Sales	533,843	There is no significant difference in unit price from those to third parties.	3%

Note 1: Transaction information between parent company and subsidiaries should be noted in the first column, the number is written as below:
(a) Parent company: 0
(b) Subsidiaries were numbered from 1.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(a) Parent company to subsidiary.
(b) Subsidiary to parent company.
(c) Subsidiary to subsidiaries.

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

(2) Information on investees

				Initial investment amount		Shares held as at September 30, 2013					
Investors	Investees	Location	Main business activities	Balance as of September 30, 2013	Balance as of September 30, 2012	No. of Shares (in thousand)	Ownership (%)	Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2013	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2013 (Note 1)	Note
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	$ 1,202,418	$ 1,202,418	36,600,000	100	$ 3,221,835	$ 104,345	$ 101,863	Note 2
	Transcend Japan Inc.	Japan	Wholesaler of computer memory modules and peripheral products	89,103	89,103	6,400	100	129,266	(7,745)	(7,745)	Note 2
	Transcend Information, Inc.	United States of America	Wholesaler of computer memory modules and peripheral products	38,592	38,592	625,000	100	97,485	(7,249)	(7,249)	Note 2
	Transcend Korea Inc.	Korea	Wholesaler of computer memory modules and peripheral products	6,132	6,132	-	100	19,172	(54)	(54)	Note 2
	Transcend Information UK Limited	United Kingdom	Wholesaler of computer memory modules and peripheral products	-	2,883	-	-	-	-	-	Note 6
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	251,658	-	41,000,000	14	242,430	(424,804)	(9,228)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	3,208,011	101,906	101,906	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	178,074	23,121	23,122	Note 4

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

Note 2：Subsidiaries of the Company.

Note 3：Subsidiary of Saffire.

Note 4：Subsidiaries of Memhiro.

Note 5：Please refer to Note 6 (7).

Note 6：Please refer to Note 4 (3)B.

				Initial Investment Amount		Shares held as at September 30, 2013			Net income (loss) of investee	Investment income (loss) recognized by the Company	
Investors	Investees	Location	Main activities	Balance as of September 30, 2013	Balance as of September 30, 2012	No. of Shares (in thousand)	Ownership (%)	Book value	Amount	Amount (Note 1)	Note
Memhiro Pte Ltd.	Transcend Information (Shanghai), Ltd.	Mainland China	Manufacturer and seller of computer memory modules, storage products and disks	$ 1,134,178	$ 1,134,178	-	100	$ 2,925,880	$ 78,731	$ 78,640	Note 2
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesaler of computer memory modules and peripheral products	2,288	2,288	-	100	59,932	(1,418)	(1,418)	Note 2
	Transtech Trading (Shanghai) Co., Ltd.	Mainland China	Manufacturer and seller of computer memory modules, storage products and disks.	16,310	16,310	-	100	8,143	(4,616)	(4,616)	Note 2
	Transcend Information (Hong Kong), Ltd.	Hong kong	Wholesaler of computer memory modules and peripheral products	7,636	-	2,000,000	100	14,016	6,426	6,426	Note 2

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

Note 2：Subsidiaries of Memhiro.

(3) Information on investments in Mainland China

A.Basic information：

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine-month period ended September 30, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2013	Ownership held by the Company (direct and indirect)	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2013 （Note 2）	Book value of investments in Mainland China as of September 30, 2013	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2013	Note
					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	(Note 1)	$1,134,178	-	-	$1,134,178	100	$ 78,640	$ 2,925,880	-	
Transtech Trading (Shanghai) Co., Ltd.	Manufacturer and seller of computer memory modules, storage products and disks. Wholesaler and agent of computer memory modules and Peripheral products. Retailer of computer components	16,310	(Note 1)	16,310	-	-	16,310	100	(4,616)	8,143	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2012	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	11,416,121

Note 1：Indirect investment through another subsidiary in a third country.

Note 2：Investment income recognized for current period is based on financial statements reviewed by the independent accountants of Taiwan parent company.

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

B.Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to Note 13(1)J.

14. SEGMENT INFORMATION

(1) General information

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

(2) Revenue information by category

Not applicable as revenues from external customers are derived primarily from the sale of products.

(3) Revenue information by geographic area

The Group's revenue information by geographic area for the nine-month periods ended September 30, 2013 and 2012 are as follow:

	For the nine-month periods ended September 30,	
	2013	2012
	Revenue	Revenue
Taiwan	$ 2,450,295	$ 1,957,556
Asia	8,668,812	9,997,372
America	1,340,828	1,612,923
Europe	6,150,643	5,302,988
Others	797,548	557,772
Total	$ 19,408,126	$ 19,428,611

(4) Information on major customers

There is no sale to a single customer constituting more than 10% of the Group's consolidated net sales for the nine-month periods ended September 30, 2013 and 2012.

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first third-quarter consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1)The exemptions under IFRS 1 apply to the Group. Please refer to Note 15 in the consolidated financial statements as of and for the three-month period ended March 31, 2013 for relevant information.

(2)Requirement to reconcile from R.O.C GAAP to IFRSs at the time of initial application.

IFRS 1 requires that an entity should prepare reconciliations for equity, comprehensive income and cash flows for the comparative periods. Reconciliations for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A.For the reconciliation for equity on January 1, 2012 and December 31, 2012, please refer to Note 15 in the consolidated financial statements as of and for the three-month period ended March 31, 2013 for relevant information.

B.Reconciliation for equity on September 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 8,481,257	$ -	$ 8,481,257	
Bond investments without active markets - current	567,366	-	567,366	
Notes receivable, net	-	-	-	
Accounts receivable, net	2,761,877	-	2,761,877	
Accounts receivable – related parties, net	119,749	-	119,749	
Other receivables	231,417	-	231,417	
Inventories	5,312,375	-	5,312,375	
Deferred income tax assets	55,654	(55,654)	-	(g)
Other current assets	65,655	-	65,655	
Total current assets	17,595,350	(55,654)	17,539,696	
Non-current assets				
Available-for-sale financial assets – noncurrent	220,062	300,629	520,691	(a)
Financial assets carried at cost - noncurrent	361,055	(361,055)	-	(a)
Property, plant and equipment	3,699,684	(152,622)	3,547,062	(b),(f)
Investment property	-	308,154	308,154	(b)
Intangible assets	113,924	(113,924)	-	(d),(h)
Deferred income tax assets	-	76,099	76,099	(c),(d),(g)
Other non-current assets	201,504	(41,622)	159,882	(b),(f),(h)
Total non-current assets	4,596,229	15,659	4,611,888	
Total assets	$ 22,191,579	($ 39,995)	$ 22,151,584	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Notes payable	$ 6,376	$ -	$ 6,376	
Accounts payable	2,235,005	-	2,235,005	
Other payables	552,152	20,169	572,321	(c)
Current income tax payable	154,612	108	154,720	(d)
Other current liabilities	35,975	-	35,975	
Total current liabilities	2,984,120	20,277	3,004,397	
Non-current liabilities				
Deferred income tax liabilities	300,388	-	300,388	
Other non-current liabilities	47,267	30,085	77,352	(d)
Total non-current liabilities	347,655	30,085	377,740	
Total liabilities	3,331,775	50,362	3,382,137	
Equity attributable to owners of the parent				
Capital				
Common stock	4,307,617	-	4,307,617	
Capital Reserve	5,014,456	-	5,014,456	
Retained earnings				
Legal reserve	2,448,801	-	2,448,801	
Unappropriated retained earnings	6,981,909	25,456	7,007,365	(a),(c),(d),(e),(g)
Other equity	107,021	(115,813)	(8,792)	(a),(c),(d),(e)
Total equity	18,859,804	(90,357)	18,769,447	
Total liabilities and equity	$ 22,191,579	($ 39,995)	$ 22,151,584	

C.For the reconciliation for comprehensive income for the year ended December 31, 2012, please refer to Note 15 in the consolidated financial statements as of and for the three-month period ended March 31, 2013 for relevant information.

D.Reconciliation for comprehensive income for the nine-month period ended September 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating Revenue	$ 19,428,611	$ -	$ 19,428,611	
Operating Costs	(15,675,871)	-	(15,675,871)	
Gross Profit	3,752,740	-	3,752,740	
Operating Expenses				
Sales and marketing expenses	(732,016)	-	(732,016)	
General and administrative expenses	(285,079)	2,693	(282,386)	(c),(d)
Research and development expenses	(105,360)	-	(105,360)	
Operating Income	2,630,285	2,693	2,632,978	
Non-operating Income and Expenses				
Other income	76,992	-	76,992	
Other gains and losses	(66,920)	65,000	(1,920)	(a)
Income before income tax	2,640,357	67,693	2,708,050	
Income tax expense	(372,623)	(222)	(372,845)	(c),(d),(g)
Net income	2,267,734	67,471	2,335,205	
Other comprehensive income				
Foreign exchange translation differences for foreign operations			(98,149)	
Unrealized gain (loss) on available-for-sale financial assets			82,943	
Income tax on other comprehensive income			16,701	
Other comprehensive loss for the period, net of tax			1,495	
Total comprehensive income			$ 2,336,700	
Net income attributable to:				
Owners of the parent	$ 2,267,734	$ 67,471	$ 2,335,205	
Comprehensive income attributable to:				
Owners of the parent			$ 2,336,700	

E.Reconciliation for comprehensive income for the three-month period ended September 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating Revenue	$ 7,166,751	$ -	$ 7,166,751	
Operating Costs	(5,693,819)	-	(5,693,819)	
Gross Profit	1,472,932	-	1,472,932	
Operating Expenses				
Sales and marketing expenses	(258,588)	-	(258,588)	
General and administrative expenses	(106,358)	7,692	(98,666)	(c),(d)
Research and development expenses	(38,679)	-	(38,679)	
Operating Income	1,069,307	7,692	1,076,999	
Non-operating Income and Expenses				
Other income	20,562	-	20,562	
Other gains and losses	(17,743)	45,000	27,257	(a)
Income before income tax	1,072,126	52,692	1,124,818	
Income tax expense	(140,364)	(9,644)	(150,008)	(c),(d),(g)
Net income	931,762	43,048	974,810	
Other comprehensive income				
Foreign exchange translation differences for foreign operations			(22,626)	
Unrealized gain (loss) on available-for-sale financial assets			5,018	
Income tax on other comprehensive income			3,862	
Other comprehensive loss for the period, net of tax			(13,746)	
Total comprehensive income			$ 961,064	
Net income attributable to:				
Owners of the parent	$ 931,762	$ 43,048	$ 974,810	
Comprehensive income attributable to:				
Owners of the parent			$ 961,064	

Reasons for reconciliation are outlined below:

(a) Financial assets: equity instruments

In accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” before amendment on July 7, 2011, unlisted stocks and emerging stocks held by the Group were measured at cost and recognized as “Financial assets measured at cost". However, in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability in the range of reasonable fair value estimates is insignificant for that instrument, or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value) should be measured at fair value. Therefore, in accordance with the amendment of "Rules Governing the Preparation of Financial statements by Securities Issuers", dated December 22, 2011, the Group designated "Financial assets carried at cost-noncurrent" to "Available-for-sale financial assets" at the date of transition to IFRSs.

As of September 30, 2012, the Group decreased "Financial assets carried at cost-noncurrent" by $361,055, increased "Available-for-sale financial assets" by $300,629 and decreased retained earnings by $176,020, increased non-operating revenue and expenses by $65,000 and increased other adjustments to stockholders' equity (presented as other equity) by $50,594 for the difference between fair value and book value at the date of transition to IFRSs.

(b) Investment property

In accordance with R.O.C. GAAP, the Group's property that is leased to others is presented in the "Property, Plant and Equipment" account. In accordance with IAS 40, "Investment Property", property that meets the definition of investment property is classified and accounted for as "Investment property".

As of September 30, 2012, the Group increased "Investment property" by $308,154, decreased "Property, plant and equipment" by $147,662 and decreased "Rental assets - net" (presented as "other non-current assets") by $160,492, respectively.

(c) Employee benefits

R.O.C. GAAP does not specify the rules on the cost recognition for accumulated unused compensated absences. The Group recognizes such costs as expenses upon actual payment. However, IAS 19, "Employee Benefits", requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.

Therefore, the Group decreased retained earnings by $27,745, increased accrued expenses (presented as "other payables") by $20,169, increased cumulative translation differences (presented as "other equity") by $94, decreased salary expenses (presented as "general expenses") by $1,847, decreased deferred income tax assets by $667 and decreased income tax expense by $4,968, respectively, as of September 30, 2012.

(d) Pensions

i. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, 'Employee Benefits', requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.

ii. In accordance with the Group's accounting policies, unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Group as the first-time adopter of IFRSs, so the Group has no unrecognized transitional liabilities.

iii. In accordance with R.O.C. GAAP, the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognized on the balance sheet ("minimum pension liability"). However, IAS 19, 'Employee Benefits', has no regulation regarding the minimum pension liability.

iv. In accordance with R.O.C. GAAP, actuarial pension gain or loss of the Group is recognized in net pension cost of current period using the "corridor" method. However, in accordance with IAS 19, "Employee Benefits", the Group elects to recognize immediately actuarial pension gain or loss in other comprehensive income.

v. As of September 30, 2012, the Group increased accrued pension liabilities (presented as "other non-current liabilities") by $30,085, decreased deferred pension cost (presented as "intangible assets") by $14, decreased retained earnings by $37,279, decreased unrecognized pension cost (presented as "other equity") by $6,334, increased income tax expense by $144, decreased operating expenses (presented as "general expenses") by $846, decreased deferred income tax assets by $36 and increased current income tax payable by $108, respectively.

(e) Cumulative translation adjustment

The Group elected to recognize cumulative translation adjustment as zero at the date of transition to IFRSs. Therefore, the Group decreased the cumulative translation adjustment (presented as "other equity") by $172,835 and increased retained earnings by $172,835 at the date of transition to IFRSs.

On December 31, 2012 and September 30, 2012, the reconciliations are the same as those at the date of transition to IFRSs.

(f) Property, plant and equipment

Prepayment for acquisition of property, plant and equipment is presented in "Property, plant and equipment" in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers". However, such prepayment should be presented in "Other non-current assets" based on its nature under IFRSs.

As of September 30, 2012, the Group decreased property, plant and equipment by $4,960 and increased other non-current assets by $4,960, respectively.

(g) Deferred income tax

Regarding tax rates that shall apply to the deferred income tax assets or liabilities associated with unrealized gains or losses arising from transactions between parent company and subsidiaries by buyer tax rate or seller tax rate, the current accounting standards in R.O.C. do not specify the rules for this issue; while, the Group adopts seller tax rate for computation. However, under IAS 12, ‘Income Taxes’, temporary differences in the consolidated financial statements are determined by comparing the carrying amounts of assets and liabilities in those statements and applicable taxation basis. The Company’s taxation basis is determined by reference to the Group entities’ income tax returns. Accordingly, buyer tax rate shall apply to the deferred tax assets or liabilities in the consolidated financial statements. In accordance with R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, ‘Presentation of Financial Statements’, an entity should not classify a deferred tax asset or liability as current. Deferred income tax assets and liabilities cannot be offset as they do not meet the criteria of offsetting assets and liabilities under IAS 12, ‘Income Taxes’. Thus, the Group reclassified deferred income tax assets and liabilities at the date of transition to IFRSs.

As of September 30, 2012, the Group increased deferred income tax assets - non-current by $55,654, decreased deferred income tax assets - current by $55,654, increased deferred income tax assets - non-current by $21,148, increased income tax expense by $5,046 and increased retained earnings by $26,194, respectively.

(h) Long-term rental prepayment

R.O.C. GAAP specifies that royalties paid on acquisition of land-use rights shall be presented as “Other intangible assets”. However, IAS 17, “Leases”, specifies that royalties on land-use rights, which meets the definition of long-term operating lease, shall be presented as “Long-term rental prepayment”.

As of September 30, 2012, the Group decreased intangible assets by $113,909 and increased long-term rental prepayment (presented as “other non-current assets”) by $113,909, respectively.

F.Major adjustments for the consolidated statement of cash flows for the three-month and nine-month periods ended September 30, 2012:

(a)Under R.O.C. GAAP, payment of interest and receipt of interest and dividend are all included in cash flows from operating activities. However, under IFRSs, payment of interest and receipt of interest and dividend are classified as cash flows from financing activities and from investing activities, respectively, when they are the cost for acquisitions of financial resources or the return on investments.

(b)Under R.O.C. GAAP, payment of dividend is included in cash flows from financing activities. However, under IFRSs, when payment of dividend is to help users of financial statements to assess the ability of an entity to pay dividend by using operating cash flows, it is classified as cash flows from operating activities.

(c)The transition of R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.

(d)The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group's cash flows reported.

G.The accounting policies and selection of exemptions applied in these interim consolidated financial statements may be different from those applied in the first year-end IFRSs consolidated financial statements due to the issuance of related regulations by regulatory authorities, changes in economic environment, or changes in the evaluation of the impact of application of accounting policies and exemptions by the Group.