TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2016 AND 2015

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

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16000044

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

We have reviewed the accompanying consolidated balance sheets of Transcend Information, Inc. and its subsidiaries as of June 30, 2016 and 2015 and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

PricewaterhouseCoopers, Taiwan

August 4, 2016

Taipei, Taiwan

Republic of China

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

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

Assets	Notes	June 30, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%	June 30, 2015 AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	$ 11,964,794	48	$ 11,195,368	46	$ 10,644,707	41
Financial assets at fair value through profit or loss - current	6(2)	-	-	15,768	-	9,131	-
Investment in debt instrument without active market - current	6(3)	1,013,050	4	897,180	4	1,147,290	4
Notes receivable, net		870	-	959	-	339	-
Accounts receivable, net	6(4)	2,635,101	11	3,203,340	13	2,851,994	11
Accounts receivable- related parties, net	7	6,181	-	9,347	-	-	-
Other receivables		147,030	1	129,031	1	264,305	1
Inventories	6(5)	4,950,286	20	4,513,756	19	7,090,049	27
Other current assets		56,952	-	52,486	-	96,091	-
Current Assets		20,774,264	84	20,017,235	83	22,103,906	84
Non-current assets							
Available-for-sale financial assets - non-current	6(6)	191,161	1	184,304	1	192,681	1
Investments accounted for using equity method	6(7)	301,578	1	317,555	1	325,229	1
Property, plant and equipment	6(8), 7 and 8	2,890,358	12	2,995,091	13	3,037,261	12
Investment property, net	6(9)	284,400	1	290,581	1	292,762	1
Deferred tax assets		81,551	-	72,777	-	127,396	-
Other non-current assets	6(10)	171,921	1	185,706	1	188,025	1
Non-current Assets		3,920,969	16	4,046,014	17	4,163,354	16
Total Assets		$ 24,695,233	100	$ 24,063,249	100	$ 26,267,260	100

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

		June 30, 2016		December 31, 2015		June 30, 2015	
Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term borrowings	6(11)	$ 314,300	1	$ 901,425	4	$ 378,600	1
Financial liabilities at fair value	6(2)						
through profit or loss - current		122	-	13	-	21,503	-
Accounts payable		1,650,313	7	1,589,112	7	2,772,863	11
Accounts payable - related parties	7	55,584	-	58,560	-	80,971	-
Other payables	6(15)	3,247,637	13	366,932	2	3,685,342	14
Current tax liabilities		202,296	1	280,861	1	265,934	1
Other current liabilities		23,173	-	36,092	-	36,799	-
Current Liabilities		5,493,425	22	3,232,995	14	7,242,012	27
Non-current liabilities							
Deferred tax liabilities		183,322	1	259,348	1	405,897	2
Other non-current liabilities	6(12)	66,815	-	68,825	-	70,039	-
Non-current Liabilities		250,137	1	328,173	1	475,936	2
Total Liabilities		5,743,562	23	3,561,168	15	7,717,948	29
Equity attributable to owners of parent							
Share capital	6(13)						
Common stock		4,307,617	18	4,307,617	18	4,307,617	17
Capital surplus	6(14)						
Capital surplus		4,799,075	19	4,799,075	20	4,799,075	18
Retained earnings	6(15)						
Legal reserve		3,748,946	15	3,426,756	14	3,426,756	13
Special reserve		21,691	-	-	-	-	-
Unappropriated retained earnings		6,104,089	25	7,990,324	33	6,097,550	23
Other equity interest	6(16)						
Other equity interest		(29,747)	-	(21,691)	-	(81,686)	-
Total Equity		18,951,671	77	20,502,081	85	18,549,312	71
Significant contingent liabilities and unrecognized contract commitments	9						
Total Liabilities and Equity		$ 24,695,233	100	$ 24,063,249	100	$ 26,267,260	100

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

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

		Three months ended June 30				Six months ended June 30			
		2016		2015		2016		2015	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating Revenue	6(17) and 7	$ 5,332,177	100	$ 6,024,924	100	$ 10,980,184	100	$ 12,156,669	100
Operating Costs	6(5) and 7	(4,204,560)	(79)	(4,925,142)	(82)	(8,597,174)	(78)	(9,752,153)	(80)
Gross Profit		1,127,617	21	1,099,782	18	2,383,010	22	2,404,516	20
Operating Expenses	6(20)								
Sales and marketing expenses		(315,852)	(6)	(305,525)	(5)	(609,701)	(6)	(586,410)	(5)
Administrative expenses		(80,123)	(1)	(89,327)	(1)	(164,995)	(1)	(150,890)	(1)
Research and development expenses		(36,523)	(1)	(30,915)	(1)	(75,296)	(1)	(64,862)	(1)
Total operating expenses		(432,498)	(8)	(425,767)	(7)	(849,992)	(8)	(802,162)	(7)
Operating Profit		695,119	13	674,015	11	1,533,018	14	1,602,354	13
Non-operating Income and Expenses									
Other income	6(18)	35,757	1	43,234	1	72,613	1	94,606	1
Other gains and losses	6(19)	113,739	2	(140,572)	(3)	(65,494)	(1)	(178,836)	(2)
Finance costs		(251)	-	(582)	-	(1,529)	-	(2,398)	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	(7,585)	-	(9,137)	-	(15,633)	-	(7,364)	-
Total non-operating income and expenses		141,660	3	(107,057)	(2)	(10,043)	-	(93,992)	(1)
Profit before Income Tax		836,779	16	566,958	9	1,522,975	14	1,508,362	12
Income tax expense	6(21)	(73,008)	(2)	(75,964)	(1)	(135,806)	(1)	(181,517)	(1)
Profit for the Period		$ 763,771	14	$ 490,994	8	$ 1,387,169	13	$ 1,326,845	11
Other Comprehensive Income									
Components of other comprehensive income that will not be reclassified to profit or loss									
Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss		$ -	-	$ -	-	($ 344)	-	$ -	-
Components of other comprehensive income that will be reclassified to profit or loss									
Exchange differences on translation of foreign financial statements	6(16)	(24,991)	-	(48,371)	(1)	(17,968)	-	(115,950)	(1)
Unrealized gain (loss) on available-for-sale financial assets	6(6)	5,855	-	(30,943)	-	6,857	-	(39,958)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(16)(21)	4,249	-	8,223	-	3,055	-	19,711	-
Total Comprehensive Income		$ 748,884	14	$ 419,903	7	$ 1,378,769	13	$ 1,190,648	10
Net Profit attributable to:									
Owners of parent		$ 763,771	14	$ 490,994	8	$ 1,387,169	13	$ 1,326,845	11
Comprehensive Income attributable to:									
Owners of parent		$ 748,884	14	$ 419,903	7	$ 1,378,769	13	$ 1,190,648	10
Earnings Per Share	6(22)								
Basic earnings per share		$	1.77	$	1.14	$	3.22	$	3.08
Diluted earnings per share		$	1.77	$	1.14	$	3.22	$	3.08

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

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

		Equity attributable to owners of parent									
			Capital surplus			Retained earnings			Other equity interest		
	Notes	Common stock	Additional paid-in capital	Donated assets received	Net assets from merger	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on available-for-sale financial assets	Total equity
Six months ended June 30, 2015											
Balance at January 1, 2015		$ 4,307,617	$ 4,759,841	$ 4,106	$ 35,128	$ 3,053,235	$ -	$ 8,504,167	$ 104,927	($ 50,416)	$20,718,605
Appropriation of 2014 earnings	6(15)										
Legal reserve		-	-	-	-	373,521	-	(373,521)	-	-	-
Cash dividends		-	-	-	-	-	-	(3,359,941)	-	-	(3,359,941)
Net income for the period		-	-	-	-	-	-	1,326,845	-	-	1,326,845
Other comprehensive loss for the period	6(6)(16)	-	-	-	-	-	-	-	(96,239)	(39,958)	(136,197)
Balance at June 30, 2015		$ 4,307,617	$ 4,759,841	$ 4,106	$ 35,128	$ 3,426,756	$ -	$ 6,097,550	$ 8,688	($ 90,374)	$18,549,312
Six months ended June 30, 2016											
Balance at January 1, 2016		$ 4,307,617	$ 4,759,841	$ 4,106	$ 35,128	$ 3,426,756	$ -	$ 7,990,324	$ 77,060	($ 98,751)	$20,502,081
Appropriation of 2015 earnings	6(15)										
Legal reserve		-	-	-	-	322,190	-	(322,190)	-	-	-
Special reserve		-	-	-	-	-	21,691	(21,691)	-	-	-
Cash dividends		-	-	-	-	-	-	(2,929,179)	-	-	(2,929,179)
Net income for the period		-	-	-	-	-	-	1,387,169	-	-	1,387,169
Other comprehensive (loss) income for the period	6(6)(16)	-	-	-	-	-	-	(344)	(14,913)	6,857	(8,400)
Balance at June 30, 2016		$ 4,307,617	$ 4,759,841	$ 4,106	$ 35,128	$ 3,748,946	$ 21,691	$ 6,104,089	$ 62,147	($ 91,894)	$18,951,671

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

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

	Notes	Six months ended June 30, 2016	Six months ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,522,975	$ 1,508,362
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets at fair value through profit or loss	6(2)(19)	15,768	44,414
Loss (gain) on disposal of financial assets	6(3)(19)	7,242	(9,563)
Share of loss of associates and joint ventures accounted for using equity method	6(7)	15,633	7,364
Gain on reversal of bad debts	6(4)	(113)	(87)
Net loss on financial liabilities at fair value through profit or loss	6(2)(19)	109	21,503
Depreciation	6(20)	117,186	119,969
Interest income	6(18)	(63,263)	(85,142)
Interest expense		1,529	2,398
Loss on disposal of property, plant and equipment	6(19)	83	241
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		89	(339)
Accounts receivable		568,532	142,382
Accounts receivable - related parties		3,166	-
Other receivables		(6,966)	18,336
Inventories		(436,530)	(725,062)
Other current assets		(4,466)	(51,576)
Changes in operating liabilities			
Notes payable		-	(8)
Accounts payable		61,201	(429,668)
Accounts payable - related parties		(2,976)	6,786
Other payables		(48,474)	(149,651)
Other current liabilities		(12,919)	(23,264)
Other non-current liabilities		(2,010)	15,848
Cash inflow generated from operations		1,735,796	413,243
Interest received		52,230	85,817
Interest paid		(1,529)	(2,398)
Income tax paid		(296,116)	(330,357)
Net cash flows from operating activities		1,490,381	166,305
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment in debt instrument without active markets		1,632,412	600,825
Acquisition of investment in debt instrument without active markets		(1,754,381)	(1,107,214)
Acquisition of property, plant and equipment	6(8)	(18,282)	(30,989)
Proceeds from disposal of property, plant and equipment	6(8)	-	31
Decrease in other non-current assets		13,785	46,213
Net cash flows used in investing activities		(126,466)	(491,134)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(639,225)	(506,400)
Net cash flows used in financing activities		(639,225)	(506,400)
Effect of exchange rate changes on cash and cash equivalents		44,736	(89,408)
Net increase (decrease) in cash and cash equivalents		769,426	(920,637)
Cash and cash equivalents at beginning of period		11,195,368	11,565,344
Cash and cash equivalents at end of period		$ 11,964,794	$ 10,644,707

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were reported to the Board of Directors on August 4, 2016.

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")

None.

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

New standards, interpretations and amendments issued by IASB and included in the IFRSs endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

A. Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure.

B. Annual improvements to IFRSs 2010-2012 cycle

(a) IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgements made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to chief operating decision-maker regularly.

(b) IAS 24, 'Related party disclosures'

The standard is amended to include, as a related party, an entity (or any member of a group of which it is a part) that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

C. Annual improvements to IFRSs 2011-2013 cycle

IAS 40, 'Investment property'

This amendment clarifies that preparers should refer to the guidance in IFRS 3 to determine whether the acquisition of a property is an asset acquisition or a business combination, and refer to the guidance in IAS 40 to distinguish between owner-occupied property and investment property.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017

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

A. IFRS 9, 'Financial instruments'

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

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

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

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

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

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

C. IFRS 15 "Revenue from contracts with customers"

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

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

Step1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

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

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

D. IFRS 16, 'Leases'

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

E. Amendments to IAS 7, ‘Disclosure initiative’

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

F. Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation and basis of consolidation that are set out below, the rest of the principal accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2015. The policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

B. The consolidated financial statements as of and for the six months ended June 30, 2016 should be read together with the consolidated financial statements as of and for the year ended December 31, 2015.

(2) Basis of preparation

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

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

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

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2015.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) June 30, 2016	Ownership (%) December 31, 2015	Ownership (%) June 30, 2015	Description
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	100	-
〃	Transcend Japan Inc. (Transcend Japan)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	-
〃	Transcend Information Inc. (Transcend USA)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	-
〃	Transcend Korea Inc. (Transcend Korea)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	-
Saffire Investment Ltd.	Memhiro Pte. Ltd. (Memhiro)	Investment holding company	100	100	100	-
Memhiro Pte. Ltd.	Transcend Information Europe B.V. (Transcend Europe)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	-
〃	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	-
〃	Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Distribution of computer memory modules, storage products and disks	100	100	100	-
〃	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesaler, agent, import and export and retailer of computer memory modules, storage products and computer components	100	100	100	-
〃	Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong)	Wholesaler and import of computer memory modules and peripheral products	100	100	100	-

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

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

E. Significant restrictions: None.

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

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

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements as of and for the year ended December 31, 2015 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

Except for the following, please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2015 for related information.

(1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand and petty cash	$ 1,179	$ 1,399	$ 1,372
Checking accounts and demand deposits	1,428,836	765,955	1,725,387
Time deposits	10,228,273	10,019,978	8,535,284
Cash equivalents -			
Bonds with repurchase agreement	306,506	408,036	382,664
Total	$ 11,964,794	$ 11,195,368	$ 10,644,707

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

C. As of June 30, 2016, December 31, 2015 and June 30, 2015, the bonds with repurchase agreement recognized as cash equivalents are 30-day highly-liquid investments with annual interest rate of 1.50%.

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

Items	June 30, 2016	December 31, 2015	June 30, 2015
Current item :			
Financial assets held for trading			
Non-hedging derivatives	$ -	$ 15,768	$ 9,131
Financial liabilities held for trading			
Non-hedging derivatives	($ 122)	($ 13)	($ 21,503)

A. The Group recognized net (loss) gain of $1,137, ($35,346), ($22,911) and $85,195 on financial assets/liabilities held for trading for the three months and six months ended June 30, 2016 and 2015, respectively.

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

(Unit: in thousand dollars)

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

(Unit: in thousand dollars)

Derivative financial assets	December 31, 2015 Contract Amount (Notional Principal)		Contract Period
Current items:			
Forward foreign exchange contracts	EUR	800	July 8, 2015 to January 4, 2016
〃	〃	5,800	August 25, 2015 to February 8, 2016
〃	〃	16,000	December 4, 2015 to May 31, 2016
〃	JPY	1,000,000	August 26, 2015 to February 16, 2016

Derivative financial liabilities	Contract Amount (Notional Principal)		Contract Period
Current items:			
Forward foreign exchange contracts	HKD	6,000	September 4, 2015 to February 1, 2016

(Unit: in thousand dollars)

Derivative financial assets	June 30, 2015 Contract Amount (Notional Principal)		Contract Period
Current items:			
Forward foreign exchange contracts	JPY	800,000	March 19, 2015 to September14, 2015
〃	〃	800,000	March 25, 2015 to September 14, 2015

Derivative financial liabilities	Contract Amount (Notional Principal)		Contract Period
Current items:			
Forward foreign exchange contracts	EUR	2,100	January 27, 2015 to July 20, 2015
〃	〃	3,500	February 3, 2015 to July 27, 2015
〃	〃	5,000	March 13, 2015 to September 8, 2015
〃	〃	6,500	March 19, 2015 to September 14, 2015
〃	〃	6,000	April 24, 2015 to October 19, 2015

The Group entered into forward foreign exchange contracts to buy USD (sell EUR, JPY and HKD) to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

(3) Investments in debt instrument without active markets-current

Items	June 30, 2016	December 31, 2015	June 30, 2015
Current items：			
Funds-bonds	$ -	$ 289,263	$ 576,380
Bonds with repurchase agreement	1,013,050	607,917	570,910
	$ 1,013,050	$ 897,180	$ 1,147,290

A. The Group's funds-bonds are from Fubon Bank (China) Co, Ltd., Bank of China and Industrial and Commercial Bank of China which are well-known banks in Mainland China. The Group's investments in debt instrument with repurchase agreement are from Yuanta Asset Management Limited.

B. The Group recognized gain on disposal of financial assets of $4,046, $6,304, $8,612 and $9,563 in profit or loss for the three months and six months ended June 30, 2016 and 2015, respectively.

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

(4) Accounts receivable

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable	$ 2,666,388	$ 3,234,920	$ 2,883,257
Less: Allowance for bad debts	(31,287)	(31,580)	(31,263)
	$ 2,635,101	$ 3,203,340	$ 2,851,994

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 financial assets that were past due but not impaired is as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Up to 30 days	$ 436,773	$ 494,992	$ 427,277
31 to 90 days	19,949	14,396	33,053
91 to 180 days	-	-	-
Over 181 days	821	95	-
	$ 457,543	$ 509,483	$ 460,330

The above ageing analysis was based on past due date.

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

(a) As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's accounts receivable that were impaired amounted to $31,287, $31,580 and $31,263, respectively.

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

	2016	2015
	Individual provision	Individual provision
At January 1	$ 31,580	$ 33,224
Reversal of impairment	(113)	(87)
Write-offs during the period	-	(716)
Net exchange differences	(180)	(1,158)
At June 30	$ 31,287	$ 31,263

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

	June 30, 2016	December 31, 2015	June 30, 2015
Group 1	$ 834,868	$ 1,042,437	$ 1,011,558
Group 2	1,342,690	1,651,420	1,380,106
	$ 2,177,558	$ 2,693,857	$ 2,391,664

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

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

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

(5) Inventories

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

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,248,645	($ 37,532)	$ 2,211,113
Work in process	1,005,839	(7,184)	998,655
Finished goods	1,330,171	(26,183)	1,303,988
Total	$ 4,584,655	($ 70,899)	$ 4,513,756

	June 30, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 4,580,047	($ 56,590)	$ 4,523,457
Work in process	838,161	(7,867)	830,294
Finished goods	1,775,452	(39,154)	1,736,298
Total	$ 7,193,660	($ 103,611)	$ 7,090,049

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

	Three months ended June 30,	
	2016	2015
Cost of goods sold	$ 4,199,232	$ 4,922,864
Loss on decline in market value of inventory	5,328	2,278
	$ 4,204,560	$ 4,925,142

	Six months ended June 30,	
	2016	2015
Cost of goods sold	$ 8,582,191	$ 9,775,525
Loss on (gain on reversal of) decline in market value of inventory	14,983	(23,372)
	$ 8,597,174	$ 9,752,153

The gain on reversal of decline in market value of inventory in the second quarter of 2015 was due to the Group's disposal of slow-moving inventory.

B. No inventories were pledged to others.

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

Items	June 30, 2016	December 31, 2015	June 30, 2015
Non-current items：			
Listed stocks	$ 281,930	$ 281,930	$ 281,930
Others	31,125	31,125	31,125
Subtotal	313,055	313,055	313,055
Valuation adjustments of available-for-sale financial	(91,894)	(98,751)	(90,374)
Accumulated impairment	(30,000)	(30,000)	(30,000)
Total	$ 191,161	$ 184,304	$ 192,681

A. The Group recognized $5,855, ($30,943), $6,857 and ($39,958) in other comprehensive income (loss) for fair value change for the three months and six months ended June 30, 2016 and 2015, respectively.

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

(7) Investments accounted for using equity method

Investee Company	June 30, 2016	December 31, 2015	June 30, 2015
Taiwan IC Packaging Corp.	$ 301,578	$ 317,555	$ 325,229

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

Associate name	Principal place of business	Shareholding ratio June 30, 2016	Shareholding ratio December 31, 2015	Shareholding ratio June 30, 2015	Nature of relationship	Method of measurement
Taiwan IC Packaging Corp.	Taiwan	12.67%	12.88%	12.88%	Note	Equity method

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

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

Balance sheets

	Taiwan IC Packaging Corp. June 30, 2016	Taiwan IC Packaging Corp. December 31, 2015	Taiwan IC Packaging Corp. June 30, 2015
Current assets	$ 1,964,637	$ 2,185,495	$ 2,271,781
Non-current assets	1,770,539	1,721,692	1,663,239
Current liabilities	(330,179)	(376,768)	(367,341)
Non-current liabilities	(39,993)	(52,011)	(54,109)
Total net assets	$ 3,365,004	$ 3,478,408	$ 3,513,570
Share in associate's net assets	$ 426,428	$ 448,027	$ 452,556
Net equity differences	(124,850)	(130,472)	(127,327)
	$ 301,578	$ 317,555	$ 325,229

Statements of comprehensive income

	Taiwan IC Packaging Corp. Three months ended June 30, 2016	Taiwan IC Packaging Corp. Three months ended June 30, 2015
Revenue	$ 441,874	$ 459,101
Loss for the period from continuing operations	($ 58,889)	($ 70,943)
Total comprehensive loss	($ 58,889)	($ 70,943)
Dividends received from associates	$ -	$ -

	Taiwan IC Packaging Corp.	
	Six months ended June 30,	
	2016	2015
Revenue	$ 890,693	$ 986,264
Loss for the period from continuing operations	($ 127,250)	($ 55,862)
Total comprehensive loss	($ 127,250)	($ 55,862)
Dividends received from associates	$ -	$ -

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

	Three months ended June 30,	
Investee Company	2016	2015
Taiwan IC Packaging Corp.	($ 7,585)	($ 9,137)

	Six months ended June 30,	
Investee Company	2016	2015
Taiwan IC Packaging Corp.	($ 15,633)	($ 7,364)

D. The Group's investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was $382,083, $414,225 and $472,290 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.

(8) Property, plant and equipment

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

	Land	Buildings	Machinery	Vehicles	Office Equipment	Others	Total
At January 1, 2015							
Cost	$ 724,203	$ 2,774,759	$ 824,587	$ 9,402	$ 48,271	$ 64,797	$ 4,446,019
Accumulated depreciation	-	(730,255)	(467,879)	(6,120)	(36,300)	(44,491)	(1,285,045)
	$ 724,203	$ 2,044,504	$ 356,708	$ 3,282	$ 11,971	$ 20,306	$ 3,160,974
2015							
Opening net book amount	$ 724,203	$ 2,044,504	$ 356,708	$ 3,282	$ 11,971	$ 20,306	$ 3,160,974
Additions	-	3,046	20,103	-	2,213	5,627	30,989
Disposals	-	-	(18)	-	(182)	(72)	(272)
Depreciation charge	-	(58,046)	(52,841)	(598)	(2,101)	(2,499)	(116,085)
Net exchange differences	(5,133)	(29,096)	(3,297)	(63)	(482)	(274)	(38,345)
Closing net book amount	$ 719,070	$ 1,960,408	$ 320,655	$ 2,621	$ 11,419	$ 23,088	$ 3,037,261
At June 30, 2015							
Cost	$ 719,070	$ 2,732,793	$ 833,261	$ 9,209	$ 44,077	$ 66,813	$ 4,405,223
Accumulated depreciation	-	(772,385)	(512,606)	(6,588)	(32,658)	(43,725)	(1,367,962)
	$ 719,070	$ 1,960,408	$ 320,655	$ 2,621	$ 11,419	$ 23,088	$ 3,037,261

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

(9) Investment property

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

	Land	Buildings	Total
At January 1, 2015			
Cost	$ 137,037	$ 236,633	$ 373,670
Accumulated depreciation and impairment	-	(75,056)	(75,056)
	$ 137,037	$ 161,577	$ 298,614
Six months ended June 30, 2015			
Opening net book amount	$ 137,037	$ 161,577	$ 298,614
Depreciation charge	-	(3,884)	(3,884)
Net exchange differences	-	(1,968)	(1,968)
Closing net book amount	$ 137,037	$ 155,725	$ 292,762
At June 30, 2015			
Cost	$ 137,037	$ 232,540	$ 369,577
Accumulated depreciation and impairment	-	(76,815)	(76,815)
	$ 137,037	$ 155,725	$ 292,762

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

	Three months ended June 30,	
	2016	2015
Rental income from investment property	$ 4,647	$ 4,711
Direct operating expenses arising from investment property that generated rental income during the period	$ 1,734	$ 1,707
Direct operating expenses arising from investment property that did not generate rental income during the period	$ 213	$ 225

	Six months ended June 30,	
	2016	2015
Rental income from investment property	$ 9,350	$ 9,464
Direct operating expenses arising from the investment property that generated rental income during the period	$ 3,495	$ 3,433
Direct operating expenses arising from the investment property that did not generate rental income during the period	$ 426	$ 451

B. The fair value of the investment property held by the Group was $1,597,851, $1,496,157 and $1,628,193 as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(10) Other non-current assets

	June 30, 2016	December 31, 2015	June 30, 2015
Long-term prepaid rents	$ 107,992	$ 112,799	$ 113,672
Guarantee deposits paid	33,165	36,793	37,113
Others	30,764	36,114	37,240
	$ 171,921	$ 185,706	$ 188,025

In May 2005, the Group signed a land-use right contract with the People's Republic of China for the use of land with a term of 50 years. All rentals had been paid on the contract date. The Group recognized rental expenses of $711, $712, $1,437 and $1,436 for the three months and six months ended June 30, 2016 and 2015, respectively.

(11) Short-term borrowings

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

Type of borrowings	December 31, 2015	Interest rate	Collateral
Bank borrowings:			
Secured borrowings	$ 409,050	0.38-0.65%	Transcend Japan's Land and Buildings
Unsecured borrowings	492,375	0.90%	-
	$ 901,425		

Type of borrowings	June 30, 2015	Interest rate	Collateral
Bank borrowings:			
Secured borrowings	$ 378,600	0.38-0.65%	Transcend Japan's Land and Buildings

(12) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pension costs of $235, $275, $469 and $549 for the three months and six months ended June 30, 2016 and 2015, respectively.

(c) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2017 amounts to $2,136.

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

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

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

(d) The pension costs under defined contribution pension plans of the Company for the three months and six months ended June 30, 2016 and 2015 were $12,242, $12,564, $20,595 and $24,538, respectively.

(13) Share capital

As of June 30, 2016, the Company’s authorized capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 25 thousand shares reserved for employee stock options). The paid-in capital was $4,307,617 with a par value of $10 (in dollars) per share, consisting of 430,762 thousand shares of ordinary stock outstanding. All proceeds from shares issued have been collected.

(14) Capital surplus

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

(15) Retained earnings

A. In accordance with the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and to offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The Company shall also set aside special reserve in accordance with the regulations. On the premise that there is no effect on the Company’s normal operations and no violation of regulations, the Company shall reserve certain amount for maintaining stability of dividends. The remainder, if any, is distributable earnings to be appropriated as resolved by stockholders at the stockholders’ meeting.

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

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

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

E. The appropriation of earnings of years 2015 and 2014 had been resolved at the stockholders' meeting on June 14, 2016 and June 12, 2015, respectively. Details are summarized below:

	Years ended December 31,			
	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 322,190		$ 373,521	
Special reserve	21,691		-	
Cash dividends	2,929,179	$ 6.8	3,359,941	$ 7.8
Total	$ 3,273,060		$ 3,733,462	

	Year ended December 31, 2014
Directors' remuneration	$ 6,049
Employees' cash bonus	30,243
	$ 36,292

The Company had unpaid cash dividend recorded as "other payables" in the amount of $2,929,179 and $3,359,941, as of June 30, 2016 and 2015, respectively.

F. Please refer to Note 6(20) for the information relating to employees' compensation (bonuses) and directors' remuneration.

(16) Other equity items

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

	Unrealized gain or loss on available-for-sale financial assets	Exchange differences on translation of foreign financial statements	Total
At January 1, 2015	($ 50,416)	$ 104,927	$ 54,511
Change in unrealized gains or losses for available-for-sale financial assets	(39,958)	-	(39,958)
Currency translation differences	-	(115,950)	(115,950)
Effect from income tax	-	19,711	19,711
At June 30, 2015	($ 90,374)	$ 8,688	($ 81,686)

(17) Operating revenue

	Three months ended June 30,	
	2016	2015
Sales revenue	$ 5,332,177	$ 6,024,924

	Six months ended June 30,	
	2016	2015
Sales revenue	$ 10,980,184	$ 12,156,669

(18) Other income

	Three months ended June 30,	
	2016	2015
Interest income	$ 31,110	$ 38,523
Rental income	4,647	4,711
Total	$ 35,757	$ 43,234

	Six months ended June 30,	
	2016	2015
Interest income	$ 63,263	$ 85,142
Rental income	9,350	9,464
Total	$ 72,613	$ 94,606

(19) Other gains and losses

	Three months ended June 30, 2016	Three months ended June 30, 2015
Net loss on financial assets at fair value through profit or loss	($ 10,242)	($ 12,413)
Net gain (loss) on financial liabilities at fair value through profit or loss	11,379	(22,933)
Gain on disposal of financial assets	4,046	6,304
Gain (loss) on disposal of property, plant and equipment	3	(240)
Net currency exchange gain (loss)	97,900	(120,474)
Others	10,653	9,184
Total	$ 113,739	($ 140,572)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Net (loss) gain on financial assets at fair value through profit or loss	($ 22,802)	$ 108,128
Net loss on financial liabilities at fair value through profit or loss	(109)	(22,933)
Gain on disposal of financial assets	8,612	9,563
Loss on disposal of property, plant and equipment	(83)	(241)
Net currency exchange loss	(78,674)	(287,378)
Others	27,562	14,025
Total	($ 65,494)	($ 178,836)

(20) Expenses by nature

	Three months ended June 30, 2016	Three months ended June 30, 2015
Wages and salaries	$ 370,522	$ 358,511
Labor and health insurance fees	41,164	42,793
Pension costs	12,477	12,839
Other personnel expenses	17,771	19,354
Depreciation on property, plant and equipment (including investment property)	57,784	59,914

	Six months ended June 30,	
	2016	2015
Wages and salaries	$ 741,761	$ 712,738
Labor and health insurance fees	80,345	80,603
Pension costs	21,064	25,087
Other personnel expenses	36,284	35,523
Depreciation on property, plant and equipment (including investment property)	117,186	119,969

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

B. For the three months and six months ended June 30, 2016 and 2015, employees' compensation and directors' remuneration was accrued at $10,020, $5,917, $17,826 and $13,440, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 0.2% of distributable profit of current year as of the end of reporting period.

The difference between employees' compensation and directors' remuneration as resolved by the Board of Directors and the amount recognised in the 2015 financial statements by $494 had been adjusted in the profit or loss of 2016. The employees' compensation and directors' remuneration have yet to be paid.

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

(21) Income tax

A. Income tax expense

(a)Components of income tax expense:

	Three months ended June 30,	
	2016	2015
Current tax:		
Current tax on profits for the period	$ 107,446	$ 113,318
Prior year income tax (overestimated) underestimated	(38,130)	3,171
Total current tax	69,316	116,489
Deferred tax:		
Origination and reversal of temporary differences	3,692	(40,525)
Total deferred tax	3,692	(40,525)
Income tax expense	$ 73,008	$ 75,964

	Six months ended June 30,	
	2016	2015
Current tax:		
Current tax on profits for the period	$ 255,327	$ 270,434
Prior year income tax (overestimated) underestimated	(37,775)	5,930
Total current tax	217,552	276,364
Deferred tax:		
Origination and reversal of temporary differences	(81,746)	(94,847)
Total deferred tax	(81,746)	(94,847)
Income tax expense	$ 135,806	$ 181,517

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

	Three months ended June 30,	
	2016	2015
Exchange differences on translation of foreign financial statements	($ 4,249)	($ 8,223)

	Six months ended June 30,	
	2016	2015
Exchange differences on translation of foreign financial statements	($ 3,055)	($ 19,711)

B. The investment plan of the Company to increase capital to expand the business of "manufacturing of computers, electronic products and optical products, printing and reproduction of recorded media, and computer system designing services" qualified for "The Guidelines for the Calculation of Exempt Income for the Five-year Profit-seeking Enterprise Income Tax Exemption by Manufacturing Industries and their Related Technical Services Industries Increasing New Investment from July 1, 2008 to December 31, 2009", which indicates the Company is entitled to operating income tax exemption for 5 consecutive years (ending December 2016).

C. As of June 30, 2016, the Company's income tax returns through 2013 have been assessed and approved by the National Taxation Bureau of Taipei, Ministry of Finance.

D. Unappropriated retained earnings:

	June 30, 2016	December 31, 2015	June 30, 2015
Earnings generated in and before 1997	$ 121,097	$ 121,097	$ 121,097
Earnings generated in and after 1998	5,982,992	7,869,227	5,976,453
	$ 6,104,089	$ 7,990,324	$ 6,097,550

E. As of June 30, 2016, December 31, 2015 and June 30, 2015, the balance of the imputation tax credit account was $1,160,571, $928,556 and $1,242,431, respectively. The creditable tax rate was 14.75% for 2015 and is estimated to be 14.78% for 2016.

(22) Earnings per share

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

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

	Three months ended June 30, 2015		
	Profit after tax	Weighted-average outstanding common shares (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 490,994	430,762	$ 1.14
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 490,994	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	322	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 490,994	431,084	$ 1.14

	Six months ended June 30, 2015		
	Profit after tax	Weighted-average outstanding common shares (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,326,845	430,762	$ 3.08
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,326,845	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	349	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,326,845	431,111	$ 3.08

(23) Operating leases

A. The Group leases land and buildings to others under operating lease agreements. Rental revenue of $4,647, $4,711, $9,350 and $9,464 were recognized for these leases in profit or loss for the three months and six months ended June 30, 2016 and 2015, respectively. The leases for buildings have terms expiring between 2016 and 2017, and all these lease agreements are not renewable at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than one year	$ 14,270	$ 19,075	$ 18,846
Later than one year but not later than five years	-	5,035	14,436
	$ 14,270	$ 24,110	$ 33,282

B. On April 8, 2009, the Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land. The lease has a term of 10 years from April 10, 2009 to April 9, 2019. The annual rental payment is $35,633 (exclusive of tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by CCIS Real Estate Joint Appraisers Firm. Rent was paid on the contract date and becomes payable on the same date each following year until the end of the lease. For the three months and six months ended June 30, 2016 and 2015, the rental expense was $8,909, $8,909, $17,817 and $17,817, respectively. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than one year	$ 37,415	$ 37,415	$ 37,415
Later than one year but not later than five years	68,594	87,301	106,009
	$ 106,009	$ 124,716	$ 143,424

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Operating revenue:

	Three months ended June 30,	
	2016	2015
Sales		
Associates accounted for using equity method	$ 53	$ -
Other related parties	26,153	-
	$ 26,206	$ -

	Six months ended June 30,	
	2016	2015
Sales		
Associates accounted for using equity method	$ 847	$ -
Other related parties	64,686	-
	$ 65,533	$ -

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

B. Purchases:

	Three months ended June 30, 2016	Three months ended June 30, 2015
Purchases of goods		
Associates accounted for using equity method	$ 74,604	$ 129,295
Other related parties	12,013	-
	$ 86,617	$ 129,295

	Six months ended June 30, 2016	Six months ended June 30, 2015
Purchases of goods		
Associates accounted for using equity method	$ 163,756	$ 24,190
Other related parties	29,037	-
	$ 192,793	$ 24,190

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

C. Receivables from related parties

	June 30, 2016	December 31, 2105	June 30, 2015
Accounts receivable			
Other related parties	$ 6,181	$ 9,347	$ -

The receivables from related parties arise mainly from sales transactions. The credit term to Hitron Tech. Inc. is 30 days after the arrival date of shipment. The receivables are unsecured and bear no interest. There are no provisions for receivables from related parties.

D. Payables to related parties

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts payable			
Associates accounted for using equity method	$ 45,820	$ 58,560	$ 80,971
Other related parties	9,764	-	-
	$ 55,584	$ 58,560	$ 80,971

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) for details.

(2) Key management compensation

	Three months ended June 30,	
	2016	2015
Salaries and other employee benefits	$ 10,080	$ 21,848

	Six months ended June 30,	
	2016	2015
Salaries and other employee benefits	$ 18,178	$ 45,523

8. PLEDGED ASSETS

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

	Book value			
Pledged of assets	June 30, 2016	December 31, 2015	June 30, 2015	Pledge purpose
Property, plant and equipment	$ 179,311	$ 156,561	$ 145,816	Collaterals for general credit limit granted by financial institutions

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of June 30, 2016, except for the provision of endorsements and guarantees mentioned in Note 13(1) B and the lease contract described in Notes 6(23) and 7, there are no other significant commitments.

10. SIGNIFICANT DIASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

There is no significant change in this period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2015 for the related information.

(2) Financial instruments

A. Fair value information of financial instruments

There is no significant change in this period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2015 for the related information.

B. Financial risk management policies

There is no significant change in this period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2015 for the related information.

C. Significant financial risks and degrees of financial risks

There is no significant change except the following information. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2015 for the related information.

Foreign exchange risk

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

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

	December 31, 2015					
	Foreign Currency		Foreign Currency Amount	Exchange Rate		Book Value
Financial assets	USD:NTD	$	379,299	32.8250	$	12,450,490
	JPY:NTD		190,272	0.2727		51,887
	EUR:NTD		7,393	35.8800		265,261
	GBP:NTD		195	48.6700		9,491
Financial liabilities	USD:NTD	$	48,231	32.8250	$	1,583,183
	USD:RMB		2,486	6.5703		81,603

	June 30, 2015					
	Foreign Currency		Foreign Currency Amount	Exchange Rate		Book Value
Financial assets	USD:NTD	$	359,769	30.8600	$	11,102,471
	JPY:NTD		274,826	0.2524		69,366
	EUR:NTD		3,219	34.4600		110,927
	RMB:NTD		19,102	4.9730		94,994
Financial liabilities	USD:NTD	$	77,004	30.8600	$	2,376,343

The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2016 and 2015, amounted to $97,900, ($120,474), ($78,674) and ($287,378), respectively.

Sensitivity analyses relating to foreign exchange rate risks are primarily for financial reporting period-end date of foreign currency monetary item. If the New Taiwan Dollar exchange rate to the U.S. Dollar increases or decreases by 1%, the Group's net income will increase or decrease by $110,968 and $87,261 for the six months ended June 30, 2016 and 2015, respectively.

(3) Fair value information

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

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

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

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2016, December 31, 2015 and June 30, 2015 is as follows:

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

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 183,179	$ -	$ 1,125	$ 184,304
Financial assets at fair value through profit or loss	$ -	$ 15,768	$ -	$ 15,768
Financial liabilities at fair value through profit or loss	$ -	($ 13)	$ -	($ 13)

June 30, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 191,556	$ -	$ 1,125	$ 192,681
Financial assets at fair value through profit or loss	$ -	$ 9,131	$ -	$ 9,131
Financial liabilities at fair value through profit or loss	$ -	($ 21,503)	$ -	($ 21,503)

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

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

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

G. The financial instruments of Level 3 had no changes for the six months ended June 30, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

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

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

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

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

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

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry, the chairman of the Board who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

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

	Three months ended June 30,	
	2016	2015
Segment revenue	$ 5,332,177	$ 6,024,924
Segment income	$ 763,771	$ 490,994

	Six months ended June 30,	
	2016	2015
Segment revenue	$ 10,980,184	$ 12,156,669
Segment income	$ 1,387,169	$ 1,326,845

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Transcend Information, Inc.

Provision of endorsements and guarantees to others

Six months ended June 30, 2016

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2016 (Note 4)	Outstanding endorsement/ guarantee amount at June 30, 2016 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 6)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Transcend Taiwan	Transcend Japan Inc.	2	$ 3,790,334	$ 628,600	$ 628,600	$ 314,300	-	2	$ 7,580,668	Y	-	-	-

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

(a)The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(a)Having business relationship

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

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

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

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

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

Note 3: Not exceeding 20% of the Company's net asset value. ($18,951,671*20%=$3,790,334)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of June 30, 2016 is JPY$2,000,000 thousands.

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

Note 6: Not exceeding 40% of the Company's net asset value. ($18,951,671*40%=$7,580,668)

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

Transcend Information, Inc.

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

Six months ended June 30, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2016 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Transcend Taiwan	Stocks							
	Alcor Micro Corp.	Related parties	Non-current available-for-sale financial assets	6,220,933	$ 123,175	8	$ 123,175	-
	Hitron Tech. Inc.	〃	〃	3,060,017	66,861	1	66,861	-
	Skyviia Corp.	-	〃	259,812	-	2	-	-
	Dramexchange Tech Inc.	-	〃	60,816	1,125	1	1,125	-
					$ 191,161			
	Bonds							
	Yuanta Asset Management Limited - bond with repurchase agreement rated as investment-grade bonds by S&P	-	Investment in debt instrument without active market		$ 1,013,050	-	-	-

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

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

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

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

Transcend Information, Inc.

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

Six months ended June 30, 2016

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Sales (purchases)	Amount	Percentage of total sales (purchases)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	$ 1,005,096	9%	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	$ 457,991	16%	-
〃	Transcend Information Europe B.V.	Subsidiary of Memhiro	〃	889,077	8%	〃	〃	〃	121,566	4%	-
〃	Transcend Information, Inc.	The Company's subsidiary	〃	506,915	5%	〃	〃	〃	203,489	7%	-
〃	Transcend Korea Inc.	Subsidiary of Memhiro	〃	338,936	3%	60 days after monthly billings	〃	〃	42,729	0%	-
〃	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	〃	320,748	3%	120 days after monthly billings	〃	〃	201,552	7%	-
〃	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	〃	205,896	2%	〃	〃	〃	26,046	1%	-
〃	Transcend Information (H.K) Ltd.	Subsidiary of Memhiro	〃	204,368	2%	〃	〃	〃	53,401	2%	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Together with Transcend Information Europe B.V. are controlled by parent company	〃	271,087	28%	30 days after receipt of goods	〃	7 to 60 days after receipt of goods to third parties	10,665	6%	-
Transcend Taiwan	Transcend Shanghai	Subsidiary of Memhiro	(Purchases)	(258,718)	-3%	60 days after receipt of goods	Note 1	7 to 30 days after receipt of goods to third parties	(567,248)	25%	-
〃	Taiwan IC Packaging Corporation, Inc.	Associates accounted for using equity method	〃	(163,756)	-2%	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	(45,820)	2%	-

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

Transcend Information, Inc.

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

Six months ended June 30, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2016	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	$ 457,991	5.62	$ -	-	$ 160,150	$ -
〃	Transcend Information Inc.	Subsidiary of the Company	203,489	5.78	-	-	67,036	-
〃	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	201,552	2.96	-	-	35,230	-
〃	Transcend Information Europe B.V.	Subsidiary of Memhiro	121,566	14.77	-	-	108,695	-
Transcend Shanghai	Transcend Taiwan	Parent company	567,248	0.96	-	-	428,384	-

Transcend Information, Inc.

Significant inter-company transactions during the reporting periods

Six months ended June 30, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Transcend Taiwan	Transcend Japan Inc.	1	Sales	$ 1,005,096	There is no significant difference in unit price from those to third parties.	9%
〃	〃	Transcend Information Europe B. V.	〃	〃	889,077	〃	8%
〃	〃	Transcend Information, Inc.	〃	〃	506,915	〃	5%
〃	〃	Transcend Korea Inc.	〃	〃	338,936	〃	3%
〃	〃	Transtech Trading (Shanghai) Co., Ltd.	〃	〃	320,748	〃	3%
〃	〃	Transcend Information Trading GmbH, Hamburg	〃	〃	205,896	〃	2%
〃	〃	Transcend Information(H.K) Ltd.	〃	〃	204,368	〃	2%
〃	〃	Transcend Information (Shanghai), Ltd.	〃	Purchases	258,718	Processing with supplied materials. No other similar transactions can be used for comparison	2%
〃	〃	Transcend Japan Inc.	〃	Accounts receivable	457,991	120 days after monthly billings	2%
〃	〃	Transcend Information (Shanghai), Ltd.	〃	Accounts payable	567,248	60 days after receipt of goods	2%
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	271,087	There is no significant difference in unit price from those to third parties.	2%

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

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

(a) Parent company is "0".

(b) Subsidiaries were numbered from 1.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(a) Parent company to subsidiary.

(b) Subsidiary to parent company.

(c) Subsidiary to subsidiaries.

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

Transcend Information, Inc.

Information on investees

Six months ended June 30, 2016

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at June 30, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at June 30, 2016: Number of shares	Shares held as at June 30, 2016: Ownership (%)	Shares held as at June 30, 2016: Book value	Net profit (loss) of the investee for the six months ended June 30, 2016	Investment income (loss) recognized by the Company for the six months ended June 30, 2016 (Note 1)	Footnote
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	$ 1,202,418	$ 1,202,418	36,600,000	100	$ 1,843,736	($ 54,964)	($ 32,440)	Note 2
	Transcend Japan Inc.	Japan	Wholesaler and import of computer memory modules and peripheral products	89,103	89,103	6,400	100	220,067	(4,489)	(4,489)	Note 2
	Transcend Information, Inc.	United States of America	Wholesaler and import of computer memory modules and peripheral products	38,592	38,592	625,000	100	110,625	(34,565)	(34,565)	Note 2
	Transcend Korea Inc.	Korea	Wholesaler and import of computer memory modules and peripheral products	6,132	6,132	40,000	100	33,132	(7,007)	(7,007)	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of semi-conductors	354,666	354,666	51,842,975	12.67	301,578	(127,250)	(15,633)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	1,870,250	(55,100)	(55,100)	Note 3
Memhiro Pte Ltd.	Transcend Information Europe B.V.	Netherlands	Wholesaler and import of computer memory modules and peripheral products	1,693	1,693	100	100	188,192	(4,126)	(4,130)	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesaler and import of computer memory modules and peripheral products	2,288	2,288	-	100	56,274	(26,813)	(26,813)	Note 4
	Transcend Information (H.K.) Ltd.	Hong Kong	Wholesaler and import of computer memory modules and peripheral products	7,636	7,636	2,000,000	100	6,006	(2,840)	(2,840)	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).

Transcend Information, Inc.

Information on investments in Mainland China

Six months ended June 30, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2016: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2016: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016	Net income of investee as of June 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six months ended June 30, 2016 (Note 2)	Book value of investments in Mainland China as of June 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2016	Footnote
Transcend Information (Shanghai), Ltd.	Distribution of computer memory modules, storage products and disks	$ 1,134,178	(2)	$ 1,134,178	-	-	$ 1,134,178	$ 21,785	100	$ 21,860	$ 1,584,605	$ 1,464,028	-
Transtech Trading (Shanghai) Co., Ltd.	Wholesaler, agent, import and export and retailer of computer memory modules, storage products and computer components	16,310	(2)	16,310	-	-	16,310	(12,514)	100	(12,514)	11,606	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016	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	-
Total	$ 1,150,488	$ 1,150,488	$ 11,371,002

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

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area (Memhiro Pte Ltd.), which then invested in Mainland China.

(3) Others.

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

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