

**TRANSCEND INFORMATION, INC. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
JUNE 30, 2014 AND 2013**

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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

PWCR14000031

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 June 30, 2014 and 2013 and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2014 and 2013, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods ended June 30, 2014 and 2013. 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 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\$1,253 thousand for both the three-month and six-month periods ended June 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 June 30, 2013, the equity investment accounted for under the equity method was NT\$250,405 thousand.

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.

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.

August 7, 2014  
Taipei, Taiwan  
Republic of China

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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, 2014 and 2013 are reviewed, not audited)

Assets	Notes	June 30, 2014		December 31, 2013		June 30, 2013		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 11,599,585	44	\$ 11,639,505	48	\$ 10,097,113	41
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	-	-	1,064	-
1147	Current bond investments without active market	6(3)	657,856	3	123,698	1	494,808	2
1150	Notes receivable, net		1,000	-	4,158	-	6,563	-
1170	Accounts receivable, net	6(4)	2,917,994	11	2,732,001	11	2,844,646	12
1180	Accounts receivable due from related parties, net	7	-	-	-	-	68,171	-
1200	Other receivables		287,725	1	254,528	1	176,088	1
1210	Other receivables - related parties	7	10,235	-	-	-	-	-
130X	Inventories, net	6(5)	6,260,636	24	5,075,939	21	6,524,528	26
1470	Other current assets		50,995	-	36,311	-	79,942	-
11XX	<b>Current Assets</b>		<u>21,786,026</u>	<u>83</u>	<u>19,866,140</u>	<u>82</u>	<u>20,292,923</u>	<u>82</u>
<b>Non-current assets</b>								
1523	Available-for-sale financial assets-non-current	6(6)	301,821	1	264,422	1	242,069	1
1550	Investments accounted for using equity method	6(7)	221,717	1	221,255	1	250,405	1
1600	Property, plant and equipment	6(8), 7 and 8	3,208,703	12	3,330,875	14	3,429,212	14
1760	Investment property, net	6(9)	297,858	1	303,232	1	306,571	1
1840	Deferred tax assets		95,195	1	78,915	-	79,031	-
1900	Other non-current assets	6(10) and 8	225,262	1	183,691	1	166,651	1
15XX	<b>Non-current Assets</b>		<u>4,350,556</u>	<u>17</u>	<u>4,382,390</u>	<u>18</u>	<u>4,473,939</u>	<u>18</u>
1XXX	<b>Total Assets</b>		<u>\$ 26,136,582</u>	<u>100</u>	<u>\$ 24,248,530</u>	<u>100</u>	<u>\$ 24,766,862</u>	<u>100</u>

(Continued)

**TRANSCEND INFORMATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of June 30, 2014 and 2013 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2014		December 31, 2013		June 30, 2013		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2100	Short-term borrowings	6(11)	\$ 681,815	3	\$ 579,040	2	\$ 151,800	-
2120	Financial liabilities at fair value	6(2)						
	through profit or loss - current		6,240	-	-	-	-	-
2150	Notes payable		4	-	1,215	-	3,780	-
2170	Accounts payable		2,721,654	10	2,669,584	11	2,243,697	9
2180	Accounts payable to related	7						
	parties		68,057	-	45,801	-	24,136	-
2200	Other payables	6(15)	3,246,798	13	393,810	2	3,181,241	13
2230	Current tax liabilities		275,072	1	239,967	1	227,469	1
2300	Other current liabilities		34,442	-	50,013	-	37,555	-
21XX	<b>Current Liabilities</b>		<u>7,034,082</u>	<u>27</u>	<u>3,979,430</u>	<u>16</u>	<u>5,869,678</u>	<u>23</u>
<b>Non-current liabilities</b>								
2570	Deferred tax liabilities		378,535	2	395,542	2	387,644	2
2600	Other non-current liabilities		57,120	-	49,349	-	55,975	-
25XX	<b>Non-current Liabilities</b>		<u>435,655</u>	<u>2</u>	<u>444,891</u>	<u>2</u>	<u>443,619</u>	<u>2</u>
2XXX	<b>Total Liabilities</b>		<u>7,469,737</u>	<u>29</u>	<u>4,424,321</u>	<u>18</u>	<u>6,313,297</u>	<u>25</u>
<b>Share capital</b>								
		6(13)						
3110	Common stock		4,307,617	16	4,307,617	18	4,307,617	18
<b>Capital surplus</b>								
		6(14)						
3200	Capital surplus		4,799,075	18	4,799,075	20	4,799,075	19
<b>Retained earnings</b>								
		6(15)						
3310	Legal reserve		3,053,235	12	2,733,339	11	2,733,339	11
3350	Unappropriated retained							
	earnings		6,509,834	25	7,975,047	33	6,643,680	27
<b>Other equity interest</b>								
		6(17)						
3400	Other equity interest		( 2,916)	-	9,131	-	( 30,146)	-
31XX	<b>Total equity attributable to</b>							
	<b>owners of parent</b>		<u>18,666,845</u>	<u>71</u>	<u>19,824,209</u>	<u>82</u>	<u>18,453,565</u>	<u>75</u>
3XXX	<b>Total Equity</b>		<u>18,666,845</u>	<u>71</u>	<u>19,824,209</u>	<u>82</u>	<u>18,453,565</u>	<u>75</u>
<b>Commitments and contingent liabilities</b>								
		9						
	<b>Total Liabilities and Equity</b>		<u>\$ 26,136,582</u>	<u>100</u>	<u>\$ 24,248,530</u>	<u>100</u>	<u>\$ 24,766,862</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated August 7, 2014.

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

Items	Notes	Three months ended June 30				Six months ended June 30			
		2014		2013		2014		2013	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 <b>Operating Revenue</b>	6(18) and 7	\$ 6,656,660	100	\$ 5,967,805	100	\$ 13,451,271	100	\$ 13,018,934	100
5000 <b>Operating Costs</b>	6(5) and 7	( 5,209,111)	( 78)	( 4,589,080)	( 77)	( 10,676,963)	( 79)	( 10,336,193)	( 80)
5900 <b>Gross Profit</b>		<u>1,447,549</u>	<u>22</u>	<u>1,378,725</u>	<u>23</u>	<u>2,774,308</u>	<u>21</u>	<u>2,682,741</u>	<u>20</u>
<b>Operating Expenses</b>	6(21)								
6100 Sales and marketing expenses		( 294,961)	( 4)	( 266,261)	( 4)	( 576,816)	( 4)	( 511,264)	( 4)
6200 General and administrative expenses		( 103,124)	( 2)	( 110,191)	( 2)	( 194,236)	( 2)	( 204,714)	( 1)
6300 Research and development expenses		( 42,384)	( 1)	( 43,784)	( 1)	( 88,322)	( 1)	( 86,602)	( 1)
6000 <b>Total operating expenses</b>		<u>( 440,469)</u>	<u>( 7)</u>	<u>( 420,236)</u>	<u>( 7)</u>	<u>( 859,374)</u>	<u>( 7)</u>	<u>( 802,580)</u>	<u>( 6)</u>
6900 <b>Operating Profit</b>		<u>1,007,080</u>	<u>15</u>	<u>958,489</u>	<u>16</u>	<u>1,914,934</u>	<u>14</u>	<u>1,880,161</u>	<u>14</u>
<b>Non-operating Income and Expenses</b>									
7010 Other income	6(19)	57,918	1	34,576	-	100,583	1	60,543	-
7020 Other gains and losses	6(20)	( 73,164)	( 1)	162,114	3	1,375	-	216,452	2
7050 Finance costs		( 4,080)	-	( 60)	-	( 6,746)	-	( 65)	-
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	<u>625</u>	<u>-</u>	<u>( 1,253)</u>	<u>-</u>	<u>462</u>	<u>-</u>	<u>( 1,253)</u>	<u>-</u>
7000 <b>Total non-operating income and expenses</b>		<u>( 18,701)</u>	<u>-</u>	<u>195,377</u>	<u>3</u>	<u>95,674</u>	<u>1</u>	<u>275,677</u>	<u>2</u>
7900 <b>Profit before Income Tax</b>		<u>988,379</u>	<u>15</u>	<u>1,153,866</u>	<u>19</u>	<u>2,010,608</u>	<u>15</u>	<u>2,155,838</u>	<u>16</u>
7950 Income tax expense	6(22)	( 148,404)	( 2)	( 150,534)	( 2)	( 269,822)	( 2)	( 282,861)	( 2)
8200 <b>Profit for the period</b>		<u>\$ 839,975</u>	<u>13</u>	<u>\$ 1,003,332</u>	<u>17</u>	<u>\$ 1,740,786</u>	<u>13</u>	<u>\$ 1,872,977</u>	<u>14</u>
<b>Other Comprehensive Income</b>									
8310 Foreign exchange translation differences for foreign operations	6(17)	( \$ 75,508)	( 1)	\$ 50,900	1	( \$ 59,574)	-	\$ 128,180	1
8325 Unrealized gain (loss) on available-for-sale financial assets	6(6)	2,197	-	( 149,230)	( 3)	37,399	-	( 20,268)	-
8399 Income tax on other comprehensive income	6(17)(22)	12,837	-	( 8,653)	-	10,128	-	( 21,791)	-
8300 <b>Other comprehensive income for period</b>		<u>( \$ 60,474)</u>	<u>( 1)</u>	<u>( \$ 106,983)</u>	<u>( 2)</u>	<u>( \$ 12,047)</u>	<u>-</u>	<u>\$ 86,121</u>	<u>1</u>
8500 <b>Total comprehensive income</b>		<u>\$ 779,501</u>	<u>12</u>	<u>\$ 896,349</u>	<u>15</u>	<u>\$ 1,728,739</u>	<u>13</u>	<u>\$ 1,959,098</u>	<u>15</u>
<b>Net Profit attributable to:</b>									
8610 Owners of parent		<u>\$ 839,975</u>	<u>13</u>	<u>\$ 1,003,332</u>	<u>17</u>	<u>\$ 1,740,786</u>	<u>13</u>	<u>\$ 1,872,977</u>	<u>14</u>
<b>Comprehensive Income attributable to:</b>									
8710 Owners of parent		<u>\$ 779,501</u>	<u>12</u>	<u>\$ 896,349</u>	<u>15</u>	<u>\$ 1,728,739</u>	<u>13</u>	<u>\$ 1,959,098</u>	<u>15</u>
<b>Earnings Per Share</b>	6(23)								
9750 <b>Basic earnings per share</b>		<u>\$ 1.95</u>		<u>\$ 2.33</u>		<u>\$ 4.04</u>		<u>\$ 4.35</u>	
9850 <b>Diluted earnings per share</b>		<u>\$ 1.95</u>		<u>\$ 2.32</u>		<u>\$ 4.04</u>		<u>\$ 4.34</u>	

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated August 7, 2014.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013  
(Expressed in thousands of New Taiwan Dollars)  
(Unaudited)

	Equity attributable to owners of the parent									
	Notes	Capital Reserves			Retained Earnings		Other equity interest		Total equity	
		Common stock	Additional paid-in capital	Donated assets received	Premium from merger	Legal reserve	Unappropriated retained earnings	Currency translation differences of foreign operations		Unrealized gain or loss on available-for-sale financial assets
<u>For the six-month period ended June 30, 2013</u>										
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	6(15)									
Legal reserve		-	-	-	-	284,538	( 284,538 )	-	-	-
Cash dividends		-	( 215,381 )	-	-	-	( 2,584,571 )	-	-	( 2,799,952 )
Net income for the period		-	-	-	-	-	1,872,977	-	-	1,872,977
Other comprehensive income for the period	6(17)	-	-	-	-	-	-	106,389	( 20,268 )	86,121
Balance at June 30, 2013		<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 2,733,339</u>	<u>\$ 6,643,680</u>	<u>\$ 10,840</u>	<u>(\$ 40,986 )</u>	<u>\$ 18,453,565</u>
<u>For the six-month period ended June 30, 2014</u>										
Balance at January 1, 2014		\$ 4,307,617	\$ 4,759,841	\$ 4,106	\$ 35,128	\$ 2,733,339	\$ 7,975,047	\$ 27,764	(\$ 18,633 )	\$ 19,824,209
Appropriations of 2013 earnings	6(15)									
Legal reserve		-	-	-	-	319,896	( 319,896 )	-	-	-
Cash dividends		-	-	-	-	-	( 2,886,103 )	-	-	( 2,886,103 )
Net income for the period		-	-	-	-	-	1,740,786	-	-	1,740,786
Other comprehensive income for the period	6(17)	-	-	-	-	-	-	( 49,446 )	37,399	( 12,047 )
Balance at June 30, 2014		<u>\$ 4,307,617</u>	<u>\$ 4,759,841</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 3,053,235</u>	<u>\$ 6,509,834</u>	<u>(\$ 21,682 )</u>	<u>\$ 18,766</u>	<u>\$ 18,666,845</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated August 7, 2014.

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

	Notes	For the six-month periods ended June 30,	
		2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated profit before tax for the period		\$ 2,010,608	\$ 2,155,838
Adjustments to reconcile profit before tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Net gains on financial assets at fair value through profit or loss	6(2)(20)	-	( 27,784 )
Gain on disposal of financial assets	6(3)(20)	( 5,799 )	( 106,904 )
Share of gain (loss) of associates and joint ventures accounted for using equity method	6(7)	( 462 )	1,253
Provision for bad debt expense	6(4)	-	3,070
Loss (gain) on market price decline (recovery) of inventory	6(5)	2,821	( 34,410 )
Net loss on financial liabilities at fair value through profit or loss	6(2)(20)	6,632	-
Depreciation expense	6(21)	117,999	118,105
Interest income	6(19)	( 92,869 )	( 52,963 )
Gains on disposal of property, plant and equipment	6(20)	( 813 )	( 1,450 )
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 or loss		-	26,719
Notes and accounts receivable		( 182,835 )	( 331,616 )
Other receivables		( 11,538 )	99,341
Other receivables - related parties		( 10,235 )	-
Inventories		( 1,187,518 )	( 267,788 )
Other current assets		( 14,684 )	( 21,044 )
Increase in other non-current assets		( 41,571 )	( 8,685 )
Net changes in liabilities relating to operating activities			
Net gain on financial liabilities at fair value through profit or loss		( 392 )	-
Notes and accounts payable		73,115	( 1,055,326 )
Other payables		( 28,077 )	( 86,913 )
Other current liabilities		( 15,571 )	( 2,022 )
Other non-current liabilities		7,771	( 3,892 )
Cash generated from operations		626,582	403,529
Interest received		71,210	55,815
Interest paid		( 5,038 )	-
Income tax paid		( 257,876 )	( 259,462 )
Net cash provided by operating activities		434,878	199,882
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) decrease in bond investments without active markets		( 534,857 )	8,485
Acquisition of property, plant and equipment	6(8)	( 65,766 )	( 31,714 )
Proceeds from disposal of property, plant and equipment	6(8)	56,519	4,225
Net cash used in investing activities		( 544,104 )	( 19,004 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings		98,555	-
Net cash provided by financing activities		98,555	-
Effect of foreign exchange rate changes		( 29,249 )	43,992
(Decrease) increase in cash and cash equivalents		( 39,920 )	224,870
Cash and cash equivalents at beginning of period		11,639,505	9,872,243
Cash and cash equivalents at end of period		\$ 11,599,585	\$ 10,097,113

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated August 7, 2014.



TRANSCEND INFORMATION, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)  
(Unaudited)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 7, 2014.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures – Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures – Offsetting financial assets and financial liabilities	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009 – 2011	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

A. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be

reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

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

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. And, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

For the above items, the Group is assessing their impact on the consolidated financial statements and will disclose the affected amounts accordingly.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, ‘Financial instruments’	January 1, 2018
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRIC 14, ‘Regulatory deferral accounts’	January 1, 2016
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2017
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
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

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except for the compliance statement, basis of preparation 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, 2013. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, ‘Interim Financial Reporting’ as endorsed by the FSC.
- B. The consolidated financial statements as of and for the six-month period ended June 30, 2014 should be read together with those as of and for the year ended December 31, 2013.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Available-for-sale financial assets measured at fair value.
  - (b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

Basis for preparation of these consolidated financial statements is the same as that for preparation of the consolidated financial statements as of and for the year ended December 31, 2013.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			June 30, 2014	December 31, 2013	June 30, 2013	
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	100	-
"	Transcend Japan Inc. (Transcend Japan)	Wholesaler of computer memory modules and peripheral products	100	100	100	-
"	Transcend Information UK Limited (Transcend UK)	Wholesaler of computer memory modules and peripheral products	-	-	100	Note 2
"	Transcend Information Inc. (Transcend USA)	Wholesaler of computer memory modules and peripheral products	100	100	100	Note 1
"	Transcend Korea Inc. (Transcend Korea)	Wholesaler of computer memory modules and peripheral products	100	100	100	-
Saffire Investment Ltd.	Memhiro Pte. Ltd. (Memhiro)	Investment holding company	100	100	100	-
Memhiro Pte. Ltd.	Transcend Information Europe B.V. (Transcend Europe)	Wholesaler of computer memory modules and peripheral products	100	100	100	-
"	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesaler of computer memory modules and peripheral products	100	100	100	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	100	-
"	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesaler of computer memory modules, peripheral equipment and other computer components	100	100	100	-
"	Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong)	Wholesaler of computer memory modules and peripheral products	100	100	100	-

Note 1: The financial statements of Transcend USA and Transcend Germany as of and for the year ended December 31, 2013 were audited by other independent accountants.

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

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company:  
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, 2013 for the related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Cash on hand and petty cash	\$ 1,031	\$ 736	\$ 854
Checking accounts and demand deposits	4,575,962	5,608,593	4,113,192
Time deposits	6,858,334	5,985,468	5,983,067
Cash equivalents - Bond with repurchase agreement	<u>164,258</u>	<u>44,708</u>	<u>-</u>
Total	<u>\$ 11,599,585</u>	<u>\$ 11,639,505</u>	<u>\$ 10,097,113</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. 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 \$2,987, \$2,981 and \$3,000, as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively. Please refer to Note 8.

C. As of June 30, 2014 and December 31, 2013, the bond with repurchase agreement recognized as cash equivalents is 30-day highly-liquid investments with annual interest rate of 1.50%.

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

<u>Items</u>	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Current item :			
Financial assets at fair value through profit or loss			
Non-hedging derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,064</u>
Financial liabilities fair value through profit or loss			
Non-hedging derivatives	<u>(\$ 6,240)</u>	<u>\$ -</u>	<u>\$ -</u>

A. The Group recognised net gain (loss) of (\$6,632), \$2,548, (\$6,632), \$27,784 on financial assets / liabilities held for trading for the three-month and six-month periods ended June 30, 2014 and 2013, respectively.

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

June 30, 2014		
<u>Derivative Instruments</u>	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		June 13, 2014
Forward foreign exchange contracts	<u>EUR</u> <u>22,000</u>	to December 1, 2014
June 30, 2013		
<u>Derivative Instruments</u>	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Current items:		April 23, 2013
Forward foreign exchange contracts	<u>JPY</u> <u>900,000</u>	to September 9, 2013

The Group entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(3) Current bond investments without active markets

<u>Items</u>	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Current items :			
Funds-bonds	\$      48,610	\$      49,185	\$      494,808
Bond with repurchase agreement	<u>609,246</u>	<u>74,513</u>	<u>-</u>
	<u>\$      657,856</u>	<u>\$      123,698</u>	<u>\$      494,808</u>

A. The counterparties of the Group's funds investments, namely Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Shanghai Pudong Development 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 gain on disposal of financial assets of \$3,367, \$5,289, \$5,799 and \$10,226 in profit or loss for the three-month and six-month periods ended June 30, 2014 and 2013, respectively.

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

(4) Accounts receivable

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Accounts receivable	\$      2,964,277	\$      2,779,323	\$      2,880,138
Less: Allowance for bad debts	(      46,283)	(      47,322)	(      35,492)
	<u>\$      2,917,994</u>	<u>\$      2,732,001</u>	<u>\$      2,844,646</u>

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

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

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Up to 30 days	\$ 589,116	\$ 656,958	\$ 517,575
31 to 90 days	25,010	20,339	76,870
91 to 180 days	1,899	1,775	43,854
	<u>\$ 616,025</u>	<u>\$ 679,072</u>	<u>\$ 638,299</u>

The above ageing analysis was based on past due date.

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

(a)As of June 30, 2014, December 31, 2013, and June 30, 2013, the Group's accounts receivable that were impaired amounted to \$46,283 , \$47,322 and \$35,492, respectively.

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

	<u>2014</u>	<u>2013</u>
	<u>Individual provision</u>	<u>Individual provision</u>
At January 1	\$ 47,322	\$ 57,267
Provision for impairment	-	3,070
Write-offs during the period	-	( 24,845)
Net exchange differences	( 1,039)	-
At June 30	<u>\$ 46,283</u>	<u>\$ 35,492</u>

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:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Group 1	\$ 691,464	\$ 682,540	\$ 879,467
Group 2	1,610,505	1,370,389	1,326,880
	<u>\$ 2,301,969</u>	<u>\$ 2,052,929</u>	<u>\$ 2,206,347</u>

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

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

E.The Group's maximum exposure to credit risk as of June 30, 2014, December 31, 2013 and June 30, 2013 was the carrying amount of every class of receivables less 90% of insurance claims.

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



(5) Inventories

June 30, 2014			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,457,742	(\$ 48,804)	\$ 3,408,938
Work in progress	1,397,223	( 10,472)	1,386,751
Finished goods	1,485,466	( 20,519)	1,464,947
Total	<u>\$ 6,340,431</u>	<u>(\$ 79,795)</u>	<u>\$ 6,260,636</u>

December 31, 2013			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,581,990	(\$ 24,610)	\$ 2,557,380
Work in progress	1,057,654	( 7,210)	1,050,444
Finished goods	1,513,269	( 45,154)	1,468,115
Total	<u>\$ 5,152,913</u>	<u>(\$ 76,974)</u>	<u>\$ 5,075,939</u>

June 30, 2013			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,326,693	(\$ 30,308)	\$ 3,296,385
Work in progress	1,064,582	( 5,325)	1,059,257
Finished goods	2,185,485	( 16,599)	2,168,886
Total	<u>\$ 6,576,760</u>	<u>(\$ 52,232)</u>	<u>\$ 6,524,528</u>

A. Expense and loss incurred on inventories for the three-month and six-month periods ended June 30, 2014 and 2013 were as follows:

	For the three-month periods June 30,	
	2014	2013
Cost of inventories sold	\$ 5,226,142	\$ 4,593,701
Reversal of inventory write-down	( 17,031)	( 4,621)
	<u>\$ 5,209,111</u>	<u>\$ 4,589,080</u>

	For the six-month periods ended June 30,	
	2014	2013
Cost of inventories sold	\$ 10,674,142	\$ 10,370,603
Loss on (reversal of) inventory write-down	2,821	( 34,410)
	<u>\$ 10,676,963</u>	<u>\$ 10,336,193</u>

The reversal of inventory write-down for the six-month periods ended June 30, 2014 and 2013 was caused by the price recovery of certain finished goods affecting the allowance of valuation loss on certain raw materials, work-in-process goods and finished goods.

B.No inventories were pledged to others.

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

Items	June 30, 2014	December 31, 2013	June 30, 2013
Non-current items :			
Listed stocks	\$ 281,930	\$ 281,930	\$ 281,930
Others	<u>31,125</u>	<u>31,125</u>	<u>31,125</u>
Subtotal	313,055	313,055	313,055
Valuation adjustments of available-for-sale financial assets	18,766 (	18,633) (	40,986)
Accumulated impairment	( <u>30,000</u> )	( <u>30,000</u> )	( <u>30,000</u> )
Total	<u>\$ 301,821</u>	<u>\$ 264,422</u>	<u>\$ 242,069</u>

A. The Group recognised \$2,197, (\$149,230), \$37,399 and (\$20,268) in other comprehensive income (loss) for fair value change for the three-month and six-month periods ended June 30, 2014 and 2013, respectively.

B. 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 IAS and IFRS, reclassified the investment to investment accounted for using equity method for the amount of \$251,658. Please refer to Note 6(7).

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

(7) Investments accounted for using equity method

A.Details are as follows:

Investee Company	June 30, 2014		December 31, 2013	
	Percentage of ownership		Percentage of ownership	
	Book value	Book value	Book value	Book value
Taiwan IC Packaging Corp.	13.55	<u>\$ 221,717</u>	13.55	<u>\$ 221,255</u>
Investee Company	June 30, 2013			
	Percentage of ownership		Book value	
Taiwan IC Packaging Corp.	13.55		<u>\$ 250,405</u>	

B. Associates – Entity controlled by the Group’s key management

The financial information of the Company’s principal associates is summarized below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>	<u>% interest held</u>
June 30, 2014					
Taiwan IC Packaging Corp.	<u>\$ 2,978,533</u>	<u>\$ 435,866</u>	<u>\$ 1,041,036</u>	<u>(\$ 4,543)</u>	<u>13.55%</u>
December 31, 2013					
Taiwan IC Packaging Corp.	<u>\$ 3,051,768</u>	<u>\$ 504,558</u>	<u>\$ 2,249,714</u>	<u>(\$ 405,554)</u>	<u>13.55%</u>
June 30, 2013					
Taiwan IC Packaging Corp.	<u>\$ 3,386,254</u>	<u>\$ 563,629</u>	<u>\$ 1,163,767</u>	<u>(\$ 119,896)</u>	<u>13.55%</u>

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

<u>Investee Company</u>	<u>For the three-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Taiwan IC Packaging Corp.	<u>\$ 625</u>	<u>(\$ 1,253)</u>

  

<u>Investee Company</u>	<u>For the six-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Taiwan IC Packaging Corp.	<u>\$ 462</u>	<u>(\$ 1,253)</u>

D. The Group’s investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was \$459,200, \$291,100 and \$251,289 as of June 30, 2014, December 31, 2013 and June 30, 2014, respectively.

E. The investment loss for the three-month and six-month periods ended June 30, 2013 was recognised based on the financial statements of the investee company which was reviewed by other independent accountants.

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

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Others</u>	<u>Total</u>
At January 1, 2014							
Cost	\$ 729,847	\$ 2,780,284	\$ 863,765	\$ 12,411	\$ 53,981	\$ 71,969	\$ 4,512,257
Accumulated depreciation	<u>-</u>	<u>( 648,599)</u>	<u>( 431,096)</u>	<u>( 9,238)</u>	<u>( 39,088)</u>	<u>( 53,361)</u>	<u>( 1,181,382)</u>
	<u>\$ 729,847</u>	<u>\$ 2,131,685</u>	<u>\$ 432,669</u>	<u>\$ 3,173</u>	<u>\$ 14,893</u>	<u>\$ 18,608</u>	<u>\$ 3,330,875</u>
<u>2014</u>							
Opening net book amount	\$ 729,847	\$ 2,131,685	\$ 432,669	\$ 3,173	\$ 14,893	\$ 18,608	\$ 3,330,875
Additions	-	804	58,389	1,618	1,085	3,525	65,421
Disposals	-	-	( 55,482)	( 189)	( 10)	( 25)	( 55,706)
Depreciation charge	-	( 59,264)	( 49,453)	( 707)	( 1,888)	( 2,782)	( 114,094)
Net exchange differences	<u>3,995</u>	<u>( 17,762)</u>	<u>( 3,612)</u>	<u>( 55)</u>	<u>( 43)</u>	<u>( 316)</u>	<u>( 17,793)</u>
Closing net book amount	<u>\$ 733,842</u>	<u>\$ 2,055,463</u>	<u>\$ 382,511</u>	<u>\$ 3,840</u>	<u>\$ 14,037</u>	<u>\$ 19,010</u>	<u>\$ 3,208,703</u>
At June 30, 2014							
Cost	\$ 733,842	\$ 2,718,084	\$ 788,805	\$ 8,956	\$ 55,147	\$ 73,347	\$ 4,378,181
Accumulated depreciation	<u>-</u>	<u>( 662,621)</u>	<u>( 406,294)</u>	<u>( 5,116)</u>	<u>( 41,110)</u>	<u>( 54,337)</u>	<u>( 1,169,478)</u>
	<u>\$ 733,842</u>	<u>\$ 2,055,463</u>	<u>\$ 382,511</u>	<u>\$ 3,840</u>	<u>\$ 14,037</u>	<u>\$ 19,010</u>	<u>\$ 3,208,703</u>

	Land	Buildings	Machinery	Vehicles	Office Equipment	Others	Total
At January 1, 2013							
Cost	\$ 748,603	\$ 2,722,444	\$ 814,401	\$ 17,820	\$ 52,365	\$ 66,298	\$ 4,421,931
Accumulated depreciation	-	( 517,899)	( 330,516)	( 12,575)	( 35,873)	( 51,177)	( 948,040)
	<u>\$ 748,603</u>	<u>\$ 2,204,545</u>	<u>\$ 483,885</u>	<u>\$ 5,245</u>	<u>\$ 16,492</u>	<u>\$ 15,121</u>	<u>\$ 3,473,891</u>
<u>2013</u>							
Opening net book amount	\$ 748,603	\$ 2,204,545	\$ 483,885	\$ 5,245	\$ 16,492	\$ 15,121	\$ 3,473,891
Additions	-	1,307	19,197	-	2,477	8,733	31,714
Disposals	-	-	( 1,793)	( 67)	( 219)	( 698)	( 2,777)
Depreciation charge	-	( 58,944)	( 48,846)	( 1,141)	( 2,812)	( 2,533)	( 114,276)
Net exchange differences	( 11,333)	39,257	11,805	135	117	679	40,660
Closing net book amount	<u>\$ 737,270</u>	<u>\$ 2,186,165</u>	<u>\$ 464,248</u>	<u>\$ 4,172</u>	<u>\$ 16,055</u>	<u>\$ 21,302</u>	<u>\$ 3,429,212</u>
At June 30, 2013							
Cost	\$ 737,270	\$ 2,774,183	\$ 849,455	\$ 16,987	\$ 52,569	\$ 71,987	\$ 4,502,451
Accumulated depreciation	-	( 588,018)	( 385,207)	( 12,815)	( 36,514)	( 50,685)	( 1,073,239)
	<u>\$ 737,270</u>	<u>\$ 2,186,165</u>	<u>\$ 464,248</u>	<u>\$ 4,172</u>	<u>\$ 16,055</u>	<u>\$ 21,302</u>	<u>\$ 3,429,212</u>

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

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2014			
Cost	\$ 137,037	\$ 232,509	\$ 369,546
Accumulated depreciation and impairment	<u>-</u>	<u>( 66,314)</u>	<u>( 66,314)</u>
	<u>\$ 137,037</u>	<u>\$ 166,195</u>	<u>\$ 303,232</u>

2014

Opening net book amount	\$ 137,037	\$ 166,195	\$ 303,232
Additions	-	345	345
Depreciation charge	-	( 3,905)	( 3,905)
Net exchange differences	<u>-</u>	<u>( 1,814)</u>	<u>( 1,814)</u>
Closing net book amount	<u>\$ 137,037</u>	<u>\$ 160,821</u>	<u>\$ 297,858</u>

At June 30, 2014

Cost	\$ 137,037	\$ 230,548	\$ 367,585
Accumulated depreciation and impairment	<u>-</u>	<u>( 69,727)</u>	<u>( 69,727)</u>
	<u>\$ 137,037</u>	<u>\$ 160,821</u>	<u>\$ 297,858</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2013			
Cost	\$ 137,037	\$ 226,931	\$ 363,968
Accumulated depreciation and impairment	<u>-</u>	<u>( 57,696)</u>	<u>( 57,696)</u>
	<u>\$ 137,037</u>	<u>\$ 169,235</u>	<u>\$ 306,272</u>

2013

Opening net book amount	\$ 137,037	\$ 169,235	\$ 306,272
Depreciation charge	-	( 3,829)	( 3,829)
Net exchange differences	<u>-</u>	<u>4,128</u>	<u>4,128</u>
Closing net book amount	<u>\$ 137,037</u>	<u>\$ 169,534</u>	<u>\$ 306,571</u>

At June 30, 2013

Cost	\$ 137,037	\$ 231,842	\$ 368,879
Accumulated depreciation and impairment	<u>-</u>	<u>( 62,308)</u>	<u>( 62,308)</u>
	<u>\$ 137,037</u>	<u>\$ 169,534</u>	<u>\$ 306,571</u>

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

	<u>For the three-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Rental income from investment property	<u>\$ 3,633</u>	<u>\$ 3,933</u>
Direct operating expenses arising from investment property that generated rental income in the period	<u>\$ 1,492</u>	<u>\$ 1,240</u>
Direct operating expenses arising from investment property that did not generate rental income in the period	<u>\$ 236</u>	<u>\$ 211</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Rental income from investment property	<u>\$ 7,714</u>	<u>\$ 7,580</u>
Direct operating expenses arising from investment property that generated rental income in the period	<u>\$ 3,458</u>	<u>\$ 3,407</u>
Direct operating expenses arising from investment property that did not generate rental income in the period	<u>\$ 447</u>	<u>\$ 422</u>

B. The fair value of the investment property held by the Group was \$1,186,410, \$1,027,201 and \$1,038,174 as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(10) Other non-current assets

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Long-term prepaid rents	\$ 112,757	\$ 116,669	\$ 117,337
Guarantee deposits paid	65,333	34,581	33,920
Others	47,172	32,441	15,394
	<u>\$ 225,262</u>	<u>\$ 183,691</u>	<u>\$ 166,651</u>

In May, 2005, the Group signed a land-use right contract with the People's Republic of China for the use of land with a term of 50 years. All rentals had been paid on the contract date. The Group recognised rental expenses of \$682, \$695, \$1,393 and \$1,373 for the three-month and six-month periods ended June 30, 2014 and 2013, respectively.

(11) Short-term borrowings

Type of borrowings	June 30, 2014	Interest rate	Collateral
Bank secured borrowings	\$ 294,600	0.64~0.65%	Transcend Japan's Land and Buildings
Bank unsecured borrowings	387,215	0.99~2.78%	-
	<u>\$ 681,815</u>		
Type of borrowings	December 31, 2013	Interest rate	Collateral
Bank secured borrowings	\$ 283,900	0.65%	Transcend Japan's Land and Buildings
Bank unsecured borrowings	295,140	2.46%	-
	<u>\$ 579,040</u>		
Type of borrowings	June 30, 2013	Interest rate	Collateral
Bank secured borrowings	<u>\$ 151,800</u>	0.91%	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.
- (b)For the aforementioned pension plan, the Group recognised pension costs of \$350, \$418, \$700 and \$835 for the three-month and six-month periods ended June 30, 2014 and 2013, respectively.
- (c)Expected contributions to the defined benefit pension plans of the Group within one year from June 30, 2014 amounts to \$2,804.
- B.(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b)The Group's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages, ranging from 12.5% to 22%. Other than the monthly contributions, the Group has no further obligations.



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

(d) The pension costs under defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2014 and 2013 were \$11,328, \$10,582, \$21,942 and \$20,682, respectively.

(13) Share capital

As of June 30, 2014, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 25 thousand shares reserved for employee stock options). The paid-in capital was \$4,307,617 with a par value of \$10 (in dollars) per share, and consisting of 430,762 thousand shares of ordinary stock outstanding. All proceeds from shares issued have been collected.

(14) Capital surplus

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

(15) Retained earnings

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

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

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

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

in the distributable earnings.

E. For the three-month and six-month periods ended June 30, 2014 and 2013, employees' bonus was accrued at \$7,560, \$9,030, \$15,667 and \$35,664, respectively, which was based on a certain percentage prescribed by the Company's Articles of Incorporation of net profit after taking into account the legal reserve and other factors (under the Company's Articles of Incorporation, bonus distributed to the employees shall account for at least 1% of total distributable earnings the six-month periods ended June 30, 2014 and 2013, respectively.)

The difference between the actual appropriations of employees' bonus for the year ended December 31, 2012 and the amount recognized in the 2012 financial statements was \$6,650, and the difference had been adjusted in the comprehensive income for the year ended December 31, 2013. The actual appropriation of directors' and supervisors' remuneration was in agreement with the amount approved at the shareholders' meeting.

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 2013 and 2012 had been resolved at the stockholders' meeting on June 12, 2014 and June 13, 2013, respectively. Details are summarized below:

	2013		2012	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 319,896		\$ 284,538	
Cash dividends	2,886,103	\$ 6.7	2,584,571	\$ 6.0
Cash distribution from capital reserve	-	-	215,381	0.5
Total	<u>\$ 3,205,999</u>		<u>\$ 3,084,490</u>	

	2013	2012
Directors' and supervisors' remuneration	\$ 5,192	\$ 5,166
Employees' cash bonus	25,962	85,361
	<u>\$ 31,154</u>	<u>\$ 90,527</u>

- (a) The above appropriation of 2013 and 2012 earnings as resolved by the shareholders was in agreement with those amounts recognized in the 2013 and 2012 financial statements.
- (b) The Company had unpaid cash dividends (including cash distribution from capital reserve) recorded as "other payables" in the amounts of \$2,886,103 and \$2,799,952, as of June 30, 2014 and 2013, respectively.

(16) Share-based payment-employee compensation plan

A.The Company's share-based payment transactions were set forth below:

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

B.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:

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

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

		<u>June 30, 2013</u>	
<u>Issue date approved</u>	<u>Expiry date</u>	<u>No. of shares (in thousands)</u>	<u>Exercise price (in dollars)</u>
2007.10.15	2013.10.15	1,064	\$ 107.8

D.Detail of the employee stock options are set forth below:

	<u>For the six-month periods ended June 30,</u>			
	<u>2014</u>		<u>2013</u>	
	<u>No. of shares (in thousands)</u>	<u>Weighted- average exercise price (in dollars)</u>	<u>No. of shares (in thousands)</u>	<u>Weighted- average exercise price (in dollars)</u>
Options outstanding at beginning of period	\$ -	\$ -	\$ 1,192	\$ 107.8
Options expired	-	-	( 128)	107.8
Options outstanding at end of period	-	-	<u>1,064</u>	107.8
Options exercisable at end of period	-	-	<u>1,064</u>	107.8

E.The Company has no expense incurred on share-based payment transactions for the six-month periods ended June 30, 2014 and 2013.

(17) Other equity items

	Unrealised gain or loss on available-for- sale financial assets	Foreign exchange translation differences for foreign operations	Total
At January 1, 2014	(\$ 18,633)	\$ 27,764	\$ 9,131
Change in unrealized gains or losses for available-for-sale financial assets	37,399	-	37,399
Foreign exchange translation differences for foreign operations	-	( 59,574)	( 59,574)
Effect from income tax	-	10,128	10,128
At June 30, 2014	<u>\$ 18,766</u>	<u>(\$ 21,682)</u>	<u>(\$ 2,916)</u>

	Unrealised gain or loss on available-for- sale financial assets	Foreign exchange translation differences for foreign operations	Total
At January 1, 2013	(\$ 20,718)	(\$ 95,549)	(\$ 116,267)
Change in unrealized gains or losses for available-for-sale financial assets	( 20,268)	-	( 20,268)
Foreign exchange translation differences for foreign operations	-	128,180	128,180
Effect from income tax	-	( 21,791)	( 21,791)
At June 30, 2013	<u>(\$ 40,986)</u>	<u>\$ 10,840</u>	<u>(\$ 30,146)</u>

(18) Operating revenue

	For the three-month periods ended June 30,	
	2014	2013
Sales revenue	<u>\$ 6,656,660</u>	<u>\$ 5,967,805</u>
	For the six-month periods ended June 30,	
	2014	2013
Sales revenue	<u>\$ 13,451,271</u>	<u>\$ 13,018,934</u>

(19) Other income

	<u>For the three-month period ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Interest income	\$ 54,285	\$ 30,643
Rental revenue	3,633	3,933
Total	<u>\$ 57,918</u>	<u>\$ 34,576</u>

  

	<u>For the six-month period ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Interest income	\$ 92,869	\$ 52,963
Rental revenue	7,714	7,580
Total	<u>\$ 100,583</u>	<u>\$ 60,543</u>

(20) Other gains and losses

	<u>For the three-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Net gain on financial assets at fair value through profit or loss	\$ -	\$ 2,548
Net loss on financial liabilities at fair value through profit or loss	( 6,632)	-
Gain on disposal of financial assets	3,367	101,968
Loss on disposal of property, plant and equipment	( 42)	( 520)
Net currency exchange (loss) gain	( 82,153)	41,109
Others	12,296	17,009
Total	<u>(\$ 73,164)</u>	<u>\$ 162,114</u>

  

	<u>For the six-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Net gain on financial assets at fair value through profit or loss	\$ -	\$ 27,784
Net loss on financial liabilities at fair value through profit or loss	( 6,632)	-
Gain on disposal of financial assets	5,799	106,904
Gain on disposal of property, plant and equipment	813	1,450
Net currency exchange (loss) gain	( 12,893)	59,435
Others	14,288	20,879
Total	<u>\$ 1,375</u>	<u>\$ 216,452</u>

(21) Expenses by nature

	<u>For the three-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Wages and salaries	\$ 379,598	\$ 336,669
Labor and health insurance fees	36,098	37,081
Pension costs	11,678	11,000
Other personnel expenses	15,313	14,616
Depreciation on property, plant and equipment (including investment property)	58,257	59,112

  

	<u>For the six-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Wages and salaries	\$ 775,354	\$ 679,946
Labor and health insurance fees	76,090	71,273
Pension costs	22,642	21,517
Other personnel expenses	30,827	29,839
Depreciation on property, plant and equipment (including investment property)	117,999	118,105

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Current tax:		
Current tax on profits for the period	\$ 136,486	\$ 117,878
Prior year income tax underestimated	16,667	-
Total current tax	<u>153,153</u>	<u>117,878</u>
Deferred tax:		
Origination and reversal of temporary differences	( 4,749)	32,656
Total deferred tax	<u>( 4,749)</u>	<u>32,656</u>
Income tax expense	<u>\$ 148,404</u>	<u>\$ 150,534</u>

	For the six-month periods ended June 30,	
	2014	2013
Current tax:		
Current tax on profits for the period	\$ 275,898	\$ 233,198
Prior year income tax underestimated	17,083	4,938
Total current tax	<u>292,981</u>	<u>238,136</u>
Deferred tax:		
Origination and reversal of temporary differences	( 23,159)	44,725
Total deferred tax	<u>( 23,159)</u>	<u>44,725</u>
Income tax expense	<u>\$ 269,822</u>	<u>\$ 282,861</u>

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

	For the three-month periods ended June 30,	
	2014	2013
Foreign exchange translation differences for foreign operations	(\$ 12,837)	\$ 8,653
	<u>(\$ 12,837)</u>	<u>\$ 8,653</u>
	For the six-month periods ended June 30,	
	2014	2013
Foreign exchange translation differences for foreign operations	(\$ 10,128)	\$ 21,791
	<u>(\$ 10,128)</u>	<u>\$ 21,791</u>

B. As of June 30, 2014, 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 the 2009 income tax return.

C. Unappropriated retained earnings:

	June 30, 2014	December 31, 2013	June 30, 2013
Earnings generated in and before 1997	\$ 121,097	\$ 121,097	\$ 121,097
Earnings generated in and after 1998	6,388,737	7,853,950	6,522,583
	<u>\$ 6,509,834</u>	<u>\$ 7,975,047</u>	<u>\$ 6,643,680</u>

D. As of June 30, 2014, December 31, 2013 and June 30, 2013, the balance of the imputation tax credit account was \$1,244,845, \$1,028,831 and \$1,334,314, respectively. The creditable tax rate was 17.75% for 2012 and is estimated to be 15.85% for 2013.

(23) Earnings per share

	For the three-month period ended June 30, 2014		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	<u>\$ 839,975</u>	<u>430,762</u>	<u>\$ 1.95</u>
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 839,975	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	<u>-</u>	<u>299</u>	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 839,975</u>	<u>431,061</u>	<u>\$ 1.95</u>
	For the six-month period ended June 30, 2014		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	<u>\$ 1,740,786</u>	<u>430,762</u>	<u>\$ 4.04</u>
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 1,740,786	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	<u>-</u>	<u>320</u>	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,740,786</u>	<u>431,082</u>	<u>\$ 4.04</u>



For the three-month period ended June 30, 2013			
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	\$ 1,003,332	430,762	\$ 2.33
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 1,003,332	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	-	1,159	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,003,332	431,921	\$ 2.32

For the six-month period ended June 30, 2013			
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of parent	\$ 1,872,977	430,762	\$ 4.35
<u>Diluted earnings per share</u>			
Profit attributable to owners of parent	\$ 1,872,977	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	-	1,159	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,872,977	431,921	\$ 4.34

(24) Operating leases

A. The Group leases land and buildings to others under operating lease agreements. Rental revenue of \$3,633, \$3,933, \$7,714 and \$7,580 were recognised for these leases in profit or loss for the three-month and six-month periods ended June 30, 2014 and 2013, 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:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Not later than one year	\$ 18,519	\$ 10,059	\$ 13,747
Later than one year but not later than five years	<u>32,628</u>	<u>17,640</u>	<u>22,050</u>
	<u>\$ 51,147</u>	<u>\$ 27,699</u>	<u>\$ 35,797</u>

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

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Not later than one year	\$ 37,415	\$ 37,415	\$ 37,415
Later than one year but not later than five years	143,423	149,659	149,659
Later than five years	<u>-</u>	<u>12,472</u>	<u>31,179</u>
	<u>\$ 180,838</u>	<u>\$ 199,546</u>	<u>\$ 218,253</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Significant transactions and balances with related parties

#### A. Sales

	<u>For the three-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Sales of goods – Entity controlled by the Group's key management	<u>\$ -</u>	<u>\$ 62,565</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Sales of goods – Entity controlled by the Group's key management	<u>\$ -</u>	<u>\$ 252,871</u>

The sales prices charged to related parties are almost equivalent to those charged to third parties. The credit term to Transcend H.K. is 120 days. The credit term to third parties is 30 to 60 days after monthly billings.

## B. Purchases of goods

	For the three-month periods ended June 30,	
	2014	2013
Purchases of goods – Entity controlled by the Group's key management	\$ 87,769	\$ 53,938
	For the six-month periods ended June 30,	
	2014	2013
Purchases of goods – Entity controlled by the Group's key management	\$ 144,978	\$ 69,735

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

	June 30, 2014	December 31, 2013	June 30, 2013
Receivables from related parties – Entity controlled by the key management	\$ -	\$ -	\$ 68,171

The receivables from related parties arise mainly from sales transactions. The credit term to Transcend H.K. is 120 days. The receivables are unsecured and bear no interest. There are no provisions held against receivables from related parties.

## D. Accounts payable

	June 30, 2014	December 31, 2013	June 30, 2013
Payables to related parties – Entity controlled by the key management	\$ 68,057	\$ 45,801	\$ 24,136

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. Property transactions

Disposal of property, plant and equipment:

	Six-month period ended June 30, 2014		
	Disposal proceeds	Gain (loss) on disposal	Other receivables
Entity controlled by the key management	\$ 10,235	\$ -	\$ 10,235

The Group had no property transactions for the six-month period ended June 30, 2013.

F. 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(24).

(2) Compensation of key management

	<u>For the three-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Salaries and other short-term employee benefits	\$ 28,349	\$ 29,367

  

	<u>For the six-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Salaries and other short-term employee benefits	\$ 52,321	\$ 49,491

8. PLEDGED ASSETS

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

<u>Nature of assets</u>	<u>Book value</u>			<u>Pledge purpose</u>
	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>	
Property, plant and equipment	\$ 980,530	\$ 979,500	\$ 996,395	Long-term and short-term loans
Other non-current assets				
Time deposit	2,987	2,981	3,000	Patent deposit
	<u>\$ 983,517</u>	<u>\$ 982,481</u>	<u>\$ 999,395</u>	

9. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2014, in addition to the significant commitments and contingent liabilities mentioned in Note 13(1)B and the lease contract described in Note 6(24), the Group had unused letters of credit for purchases of merchandise inventory amounting to \$50,000.

10. SIGNIFICANT CATASTROPHE

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Capital risk management

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2013 for the related information.

(2) Financial instruments

A. Fair value information of financial instruments

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2013 for the related information.

B. Financial risk management policies

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2013 for the related information.

C. Significant financial risks and degrees of financial risks

There is no significant change except for the following information. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2013 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, 2014				
Foreign Currency				
	Foreign Currency	Amount	Exchange Rate	Book Value
<u>Financial assets</u>	USD:NTD	\$ 143,218	29.8650	\$ 4,277,206
	RMB:NTD	622,646	4.8110	2,995,550
	JPY:NTD	2,563,327	0.2946	755,156
	EUR:NTD	11,034	40.7800	449,967
<u>Financial liabilities</u>	USD:NTD	\$ 128,877	29.8650	\$ 3,848,912
	RMB:NTD	60,000	4.8110	288,660
December 31, 2013				
Foreign Currency				
	Foreign Currency	Amount	Exchange Rate	Book Value
<u>Financial assets</u>	USD:NTD	\$ 100,687	29.8050	\$ 3,000,976
	RMB:NTD	459,499	4.9190	2,260,276
	USD:RMB	43,645	6.0592	264,454
	JPY:NTD	2,512,345	0.2839	713,255
	EUR:NTD	12,084	41.0900	496,532
<u>Financial liabilities</u>	USD:NTD	\$ 119,640	29.8050	\$ 3,565,870
	RMB:NTD	60,000	4.9190	295,140
June 30, 2013				
Foreign Currency				
	Foreign Currency	Amount	Exchange Rate	Book Value
<u>Financial assets</u>	USD:NTD	\$ 78,276	30.0000	\$ 2,348,280
	JPY:NTD	2,837,022	0.3036	861,320
	EUR:NTD	11,228	39.1500	439,576
	RMB:NTD	28,304	4.8880	138,350
<u>Financial liabilities</u>	USD:NTD	\$ 52,373	30.0000	\$ 1,571,190
	RMB:NTD	134,510	4.8880	657,485

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 \$ 4,283 and \$7,771 for the six-month periods ended June 30, 2014 and 2013, respectively.

(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 June 30, 2014, December 31, 2013 and June 30, 2013:

<u>June 30, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Non-current available-for-sale financial assets	\$ 300,696	\$ -	\$ 1,125	\$ 301,821
Financial liabilities:				
Current financial liabilities at fair value through profit or loss	\$ -	(\$ 6,240)	\$ -	(\$ 6,240)
<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Non-current available-for-sale financial assets	\$ 263,297	\$ -	\$ 1,125	\$ 264,422
<u>June 30, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Non-current available-for-sale financial assets	\$ 240,944	\$ -	\$ 1,125	\$ 242,069
Current financial assets at fair value through profit or loss	-	1,064	-	1,064
	\$ 240,944	\$ 1,064	\$ 1,125	\$ 243,133

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 derivative instruments which are traded in GTSM) is based on the cost of the 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.Forward foreign exchange contracts resulting fair value estimates are included in level 2.

### 13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount as of June 30, 2014 (Note 4)	Outstanding endorsement/guarantee amount as of June 30, 2014 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided (Note 6)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor (Note 2)											
0	Transcend Taiwan	Transcend Japan Inc.	2	\$ 3,733,369	\$ 441,900	\$ 441,900	\$ 294,600	-	2	\$ 7,466,738	Y	N	N	-

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. (\$18,666,845\*20%=\$3,733,369)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of June 30, 2014 is JPY\$1,500,000.

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

Note 6: Not exceeding 40% of the Company's net asset value. (\$18,666,845\*40%=\$7,466,738)

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 June 30, 2014 (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares or units	As of June 30, 2014		
					Book value (Note 3)	Ownership (%)	Fair value
Transcend Taiwan	Stocks						
	Alcor Micro Corp.	-	Non-current available-for-sale financial assets	6,220,933	\$ 238,884	8	\$ 238,884
	Hitron Tech. Inc.	-	"	3,060,017	61,812	1	61,812
	Skyviia Corp.	-	"	259,812	-	2	-
	Dramexchange Tech Inc.	-	"	60,816	1,125	1	1,125
					<u>\$ 301,821</u>		
	Bonds						
	Bond with repurchase agreement	-	Current bond investment without active market	-	<u>\$ 609,246</u>	-	-
Transcend Shanghai	Finance products						
	2013 Liduoduo financial planning No.433, Financial products of Shanghai pudong Development Bank	-	Current bond investment without active market	-	<u>\$ 48,610</u>	-	-

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

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

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

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

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

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

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

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Notes/accounts receivable (payable)				Footnote
			Sales (purchases)	Amount	Percentage of total sales (purchases)	Credit term	Differences in transaction terms compared to third party transactions	Balance	Percentage of total notes/accounts receivable (payable)		
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	\$ 1,593,225	12	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	\$ 680,499	21	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	1,384,098	11	"	"	"	307,217	10	-
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	446,783	3	"	"	"	56,486	2	-
"	Transcend Korea Inc.	The Company's subsidiary	"	379,935	3	60 days after monthly billings	"	"	54,836	2	-
"	Transcend Information, Inc.	The Company's subsidiary	"	376,967	3	120 days after monthly billings	"	"	146,172	5	-
"	Transcend Information (H.K.) Ltd.	Subsidiary of Memhiro	"	285,704	2	"	"	"	79,432	2	-
"	Transtech Shanghai	Subsidiary of Memhiro	"	223,964	2	"	"	"	106,706	3	-
"	Transcend Shanghai	Subsidiary of Memhiro	"	133,463	1	"	"	"	-	-	-
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Together with Transcend Information Europe B.V. are controlled by parent company	"	360,820	24	30 days after receipt of goods	"	7 to 60 days after receipt of goods to third parties	24,388	10	-
Transcend Shanghai	Transtech Shanghai	Together with Transcend Shanghai are controlled by parent company	"	133,936	5	60 days after receipt of goods	"	30 to 60 days after monthly billings to third parties	100,542	1	-
Transcend Taiwan	Transcend Shanghai	Subsidiary of Memhiro	(Purchases)	( 398,933)	3	60 days after receipt of goods	Note 1	7 to 30 days after receipt of goods to third parties	( 1,365,852)	34	-
"	Taiwan IC Packaging Corp.	Entity controlled by the key management	"	( 144,978)	1	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	( 68,057)	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's purchases from the Company; accordingly, the Company did not disclose the information on subsidiaries' purchases from the Company.

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

Creditor	Counterparty	Relationship with the counterparty	Balance at June 30, 2014	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Transcend Taiwan	Transcend Japan Inc.	Subsidiary of the Company	\$ 680,499	4.76	\$ -	-	\$ 246,028	\$ -
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	307,217	8.62	-	-	171,556	-
"	Transcend Information Inc.	Subsidiary of the Company	146,172	4.22	-	-	43,303	-
"	Transtech Shanghai	Subsidiary of Memhiro	106,706	4.89	-	-	17,998	-
Transcend Shanghai	Transcend Taiwan	Parent company	1,365,852	4.75	-	-	472,649	-

I. Derivative financial instruments undertaken during the six-month period ended June 30, 2014: Please refer to Note 6(2).

J. Significant inter-company transactions during the six-month period ended June 30, 2014:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Transcend Taiwan	Transcend Japan Inc.	1	Sales	\$ 1,593,225	There is no significant difference in unit price from those to third parties. " " " " " " " " " " " " Processing with supplied materials. No other similar transactions can be used for comparison. 120 days after monthly billings " " 60 days after receipt of goods	12%
"	"	Transcend Information Europe B. V.	"	"	1,384,098		10%
"	"	Transcend Information Trading GmbH, Hamburg	"	"	446,783		3%
"	"	Transcend Korea Inc.	"	"	379,935		3%
"	"	Transcend Information, Inc.	"	"	376,967		3%
"	"	Transcend Information (H.K.) Ltd	"	"	285,704		2%
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	223,964		2%
"	"	Transcend Information (Shanghai), Ltd.	"	Purchases	398,933		3%
"	"	Transcend Japan Inc.	"	Accounts Receivable	680,499		3%
"	"	Transcend Information Europe B. V.	"	"	307,217		1%
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	1,365,852		5%
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	360,820		3%

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

- (a) Parent company: 0
- (b) Subsidiaries were numbered from 1.

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

- (a) Parent company to subsidiary.
- (b) Subsidiary to parent company.
- (c) Subsidiary to subsidiaries.

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

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

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at June 30, 2014				Investment income(loss)		Footnote
				Balance at June 30, 2014	Balance at December 31, 2013	No. of Shares (in units)	Ownership (%)	Book value	Net profit (loss) of the investee for the six- month period ended June 30, 2014	Investment income(loss) recognised by the Company for the six- month period ended June 30, 2014 (Note 1)		
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	\$ 1,202,418	\$ 1,202,418	36,600,000	100	\$ 3,261,024	\$ 25,437	\$ 20,425	Note 2	
	Transcend Japan Inc.	Japan	Wholesaler of computer memory modules and peripheral products	89,103	89,103	6,400	100	136,437	( 31,045)	( 31,045)	Note 2	
	Transcend Information, Inc.	United States of America	Wholesaler of computer memory modules and peripheral products	38,592	38,592	625,000	100	89,900	( 29,307)	( 29,307)	Note 2	
	Transcend Korea Inc.	Korea	Wholesaler of computer memory modules and peripheral products	6,132	6,132	40,000	100	34,474	7,292	7,292	Note 2	
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi- conductors	251,658	251,658	41,000,000	13.55	221,717	( 4,543)	462	Note 5	
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	3,254,292	25,471	25,471	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	164,287	( 13,689)	( 13,685)	Note 4	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at June 30, 2014		Book value	Net profit (loss) of the investee for the six-month period ended June 30, 2014	Investment income(loss) recognised by the Company for the six-month period ended June 30, 2014 (Note 1)	Footnote
				Balance at June 30, 2014	Balance at December 31, 2013	No. of Shares (in units)	Ownership (%)				
Memhiro Pte Ltd.	Transcend Information Trading GmbH, Hamburg	Germany	Wholesaler of computer memory modules and peripheral products	2,288	2,288	-	100	67,909	( 4,378)	( 4,378)	Note 4
	Transcend Information (H.K.) Ltd.	Hong Kong	Wholesaler of computer memory modules and peripheral products	7,636	7,636	2,000,000	100	6,453	( 1,793)	( 1,793)	Note 4

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

Note 2 : Subsidiaries of the Company.

Note 3 : Subsidiary of Saffire.

Note 4 : Subsidiaries of Memhiro.

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

(3) Information on investments in Mainland China

A. Basic information :

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the six-month period ended June 30, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2014	Net income of investee as of June 30, 2014	Ownership held by the Company (direct and indirect)	Investment income (loss) recognized by the Company for the six-month period ended June 30, 2014 (Note 2)	Book value of investments in Mainland China as of June 30, 2014	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Transcend Information (Shanghai), Ltd.	Manufacturer and seller of computer memory modules, storage products and disks	\$ 1,134,178	(2)	\$ 1,134,178	-	-	\$ 1,134,178	\$ 50,217	100	\$ 49,858	\$ 2,984,421	-	-
Transtech Trading (Shanghai) Co., Ltd.	Manufacturer and seller of computer memory modules, storage products and disks. Wholesaler and agent of computer memory modules and peripheral products. Retailer of computer components.	16,310	(2)	16,310	-	-	16,310	( 4,468)	100	( 4,468)	9,086	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2014	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	11,200,107

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

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

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

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

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

#### 14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	For the three-month periods ended June 30,	
	2014	2013
Segment revenue	<u>\$ 6,656,660</u>	<u>\$ 5,967,805</u>
Segment income	<u>\$ 839,975</u>	<u>\$ 1,003,332</u>

  

	For the six-month periods ended June 30,	
	2014	2013
Segment revenue	<u>\$ 13,451,271</u>	<u>\$ 13,018,934</u>
Segment income	<u>\$ 1,740,786</u>	<u>\$ 1,872,977</u>

(3) Reconciliation for segment income (loss)

None.