TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2015 AND 2014

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

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR15000292

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

We have audited the accompanying consolidated balance sheets of Transcend Information, Inc. and its subsidiaries as of December 31, 2015 and 2014 and the related consolidated statements of comprehensive income, of changes in equity, and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transcend Information, Inc. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparations of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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We have also audited the parent company only financial statements of Transcend Information, Inc. (not presented herein) as of and for the years ended December 31, 2015 and 2014, and have expressed an unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 10, 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.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	$ 11,195,368	46	$ 11,565,344	44
Current financial assets at fair value through profit or loss	6(2)	15,768	-	53,545	-
Current bond investments without active market	6(3)	897,180	4	637,025	3
Notes receivable, net		959	-	-	-
Accounts receivable, net	6(4)	3,203,340	13	2,993,131	11
Accounts receivable- related parties, net	7	9,347	-	-	-
Other receivables		129,031	1	283,316	1
Inventories, net	6(5)	4,513,756	19	6,364,987	24
Other current assets		52,486	-	44,515	-
Current Assets		20,017,235	83	21,941,863	83
Non-current assets					
Available-for-sale financial assets-non-current	6(6)	184,304	1	232,639	1
Investments accounted for using equity method	6(7)	317,555	1	332,593	1
Property, plant and equipment, net	6(8), 7 and 8	2,995,091	13	3,160,974	12
Investment property, net	6(9)	290,581	1	298,614	1
Deferred tax assets	6(21)	72,777	-	92,319	1
Other non-current assets	6(10)	185,706	1	234,238	1
Non-current Assets		4,046,014	17	4,351,377	17
Total Assets		$ 24,063,249	100	$ 26,293,240	100

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
Current liabilities					
Short-term borrowings	6(11)	$ 901,425	4	$ 903,300	4
Financial liabilities at fair value through profit or loss - current	6(2)	13	-	-	-
Notes payable		-	-	8	-
Accounts payable		1,589,112	7	3,202,531	12
Accounts payable - related parties	7	58,560	-	74,185	-
Other payables		366,932	2	475,052	2
Current tax liabilities		280,861	1	319,927	1
Other current liabilities		36,092	-	60,063	-
Current Liabilities		3,232,995	14	5,035,066	19
Non-current liabilities					
Deferred tax liabilities	6(21)	259,348	1	485,378	2
Other non-current liabilities	6(12)	68,825	-	54,191	-
Non-current Liabilities		328,173	1	539,569	2
Total Liabilities		3,561,168	15	5,574,635	21
Share capital	6(13)				
Common stock		4,307,617	18	4,307,617	16
Capital surplus	6(14)				
Capital surplus		4,799,075	20	4,799,075	18
Retained earnings	6(15)				
Legal reserve		3,426,756	14	3,053,235	12
Unappropriated retained earnings		7,990,324	33	8,504,167	32
Other equity interest	6(16)				
Other equity interest		(21,691)	-	54,511	1
Total equity attributable to owners of parent		20,502,081	85	20,718,605	79
Total Equity		20,502,081	85	20,718,605	79
Significant contingent liabilities and unrecognized contract commitments	7 and 9				
Significant subsequent event	11				
Total Liabilities and Equity		$ 24,063,249	100	$ 26,293,240	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)

		Year ended December 31			
		2015		2014 (adjusted)	
Items	Notes	AMOUNT	%	AMOUNT	%
Operating Revenue	6(17) and 7	$ 24,913,287	100	$ 27,219,495	100
Operating Costs	6(5) and 7	(20,211,736)	(81)	(21,678,630)	(80)
Gross Profit		4,701,551	19	5,540,865	20
Operating Expenses	6(20)				
Sales and marketing expenses		(1,096,006)	(4)	(1,180,034)	(4)
General and administrative expenses		(419,887)	(2)	(439,532)	(1)
Research and development expenses		(134,062)	(1)	(174,011)	(1)
Total operating expenses		(1,649,955)	(7)	(1,793,577)	(6)
Operating Profit		3,051,596	12	3,747,288	14
Non-operating Income and Expenses					
Other income	6(18)	162,637	1	193,524	1
Other gains and losses	6(19)	517,669	2	460,021	1
Finance costs		(3,636)	-	(8,209)	-
Share of (loss) gain of associates and joint ventures accounted for under equity method	6(7)	(15,038)	-	8,330	-
Total non-operating income and expenses		661,632	3	653,666	2
Profit before Income Tax		3,713,228	15	4,400,954	16
Income tax expense	6(21)	(491,326)	(2)	(665,749)	(2)
Profit for the Year		$ 3,221,902	13	$ 3,735,205	14
Other Comprehensive Income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Losses on remeasurements of defined benefit plans	6(12)	($ 2,283)	-	($ 86)	-
Components of other comprehensive income that will be reclassified to profit or loss					
Cumulative translation differences for foreign operations	6(16)	(33,575)	-	92,968	-
Unrealized loss on available-for-sale financial assets	6(6)	(48,335)	-	(31,783)	-
Income tax on other comprehensive income	6(16)(21)	5,708	-	(15,805)	-
Total Comprehensive Income		$ 3,143,417	13	$ 3,780,499	14
Net Profit attributable to:					
Owners of parent		$ 3,221,902	13	$ 3,735,205	14
Comprehensive Income attributable to:					
Owners of parent		$ 3,143,417	13	$ 3,780,499	14
Earnings Per Share	6(22)				
Basic earnings per share		$	7.48	$	8.67
Diluted earnings per share		$	7.47	$	8.66

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)

		Equity attributable to owners of the parent								
			Capital Reserves			Retained Earnings		Other equity interest		
	Notes	Common stock	Additional paid-in capital	Capital surplus, donated assets received	Capital surplus, net assets from merger	Legal reserve	Unappropriated retained earnings	Currency translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended December 31, 2014										
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
Appropriation of 2013 earnings										
Legal reserve	6(15)	-	-	-	-	319,896	(319,896)	-	-	-
Cash dividends		-	-	-	-	-	(2,886,103)	-	-	(2,886,103)
Net income for the year		-	-	-	-	-	3,735,205	-	-	3,735,205
Other comprehensive income (loss) for the year	6(6)(16)	-	-	-	-	-	(86)	77,163	(31,783)	45,294
Balance at December 31, 2014		$ 4,307,617	$ 4,759,841	$ 4,106	$ 35,128	$ 3,053,235	$ 8,504,167	$ 104,927	($ 50,416)	$ 20,718,605
Year ended December 31, 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
Appropriations of 2014 earnings	6(15)									
Legal reserve		-	-	-	-	373,521	(373,521)	-	-	-
Cash dividends		-	-	-	-	-	(3,359,941)	-	-	(3,359,941)
Net income for the year		-	-	-	-	-	3,221,902	-	-	3,221,902
Other comprehensive loss for the year	6(6)(16)	-	-	-	-	-	(2,283)	(27,867)	(48,335)	(78,485)
Balance at December 31, 2015		$ 4,307,617	$ 4,759,841	$ 4,106	$ 35,128	$ 3,426,756	$ 7,990,324	$ 77,060	($ 98,751)	$ 20,502,081

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)

	Notes	Year ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		$ 3,713,228	$ 4,400,954
Adjustments to reconcile profit before tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(19)	37,778	(53,545)
Gain on disposal of financial assets	6(3)(19)	(4,888)	(13,023)
Share of loss (gain) of associates and joint ventures accounted for using equity method	6(7)	15,038	(8,330)
Provision for bad debt expense	6(4)	2,549	13,200
Net loss on financial liabilities at fair value through profit or loss	6(2)(19)	13	-
Depreciation	6(20)	243,897	236,547
Interest income	6(18)	(143,861)	(176,359)
Interest expense		3,636	8,209
Dividend income	6(19)	(11,016)	(13,781)
Loss on disposal of property, plant and equipment	6(19)	960	1,800
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		(959)	4,158
Accounts receivable		(213,426)	(274,609)
Accounts receivable - related parties		(9,347)	-
Other receivables		118,240	(23,247)
Inventories		1,851,231	(1,289,048)
Other current assets		(7,971)	(8,204)
Net changes in liabilities relating to operating activities			
Notes payable		(8)	(1,207)
Accounts payable		(1,613,419)	532,947
Accounts payable - related parties		(15,625)	28,384
Other payables		(108,120)	81,242
Other current liabilities		(23,971)	10,050
Other non-current liabilities		12,351	4,756
Cash generated from operations		3,846,310	3,460,894
Cash dividends received		11,016	13,781
Interest received		179,906	170,818
Interest paid		(3,636)	(8,209)
Income tax paid		(731,172)	(525,162)
Net cash provided by operating activities		3,302,424	3,112,122
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of bond investments without active markets		1,463,601	364,425
Acquisition of bond investments without active markets		(1,722,585)	(862,978)
Acquisition of property, plant and equipment (including investment property)	6(8)	(87,083)	(23,399)
Proceeds from disposal of property, plant and equipment	6(8)	381	9,939
Increase in investments accounted for using equity method		-	(103,008)
Decrease (increase) in other non-current assets		48,532	(70,658)
Net cash used in investing activities		(297,154)	(685,679)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(14,025)	343,560
Payment of cash dividends	6(15)	(3,359,941)	(2,886,103)
Net cash used in financing activities		(3,373,966)	(2,542,543)
Effect of foreign exchange rate changes		(1,280)	41,939
Decrease in cash and cash equivalents		(369,976)	(74,161)
Cash and cash equivalents at beginning of year		11,565,344	11,639,505
Cash and cash equivalents at end of year		$ 11,195,368	$ 11,565,344

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 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”)

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

A. IAS 1, ‘Presentation of financial statements’

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

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

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Based on the Group’s assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group has disclosed additional information about its interests in consolidated entities and unconsolidated entities accordingly.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	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
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

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

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

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

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

(7) Receivables

A. Accounts receivable

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

B. Bond investments without active market

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

i. Not designated on initial recognition as at fair value through profit or loss;

ii. Not designated on initial recognition as available-for-sale;

iii. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

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

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

A. Derivatives are also categorized as financial assets /liabilities held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets /liabilities at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. Financial assets / liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets / liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets / liabilities are recognized in profit or loss.

(9) Inventories

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

(10) Available-for-sale financial assets

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

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

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

(11) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(a) Bond investments without active market

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

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

(12) <u>Derecognition of financial assets</u>

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

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

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

C. The contractual rights to receive cash flows of the financial asset have been transferred;

however, the Group has not retained control of the financial asset.

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

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

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

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

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

F. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(14) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

(15) Investment property

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

(16) Operating lease

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

(17) Long-term prepaid rents

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

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' and directors' remuneration

Employees' remuneration and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Income tax

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

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

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

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

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(23) Share capital

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

(24) Dividends

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

(25) Revenue recognition

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

(26) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

Investment property

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

(2) Critical accounting estimates and assumptions

A. Impairment assessment of investments accounted for using equity method

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

B. Evaluation of inventories

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

As of December 31, 2015, the carrying amount of inventories was $4,513,756.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand and petty cash	$ 1,399	$ 1,523
Checking accounts and demand deposits	765,955	2,245,438
Time deposits	10,019,978	8,925,923
Cash equivalents -		
Bond with repurchase agreement	408,036	392,460
Total	$ 11,195,368	$ 11,565,344

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. As of December 31, 2015 and 2014, the Group had no cash and cash equivalents pledged to others.

C. As of December 31, 2015 and 2014, the bond with repurchase agreement recognized as cash equivalents is 30-day highly-liquid investments with annual interest rate of 1.50%.

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

Items	December 31, 2015	December 31, 2014
Current item :		
Financial assets held for trading		
Non-hedging derivatives	$ 15,768	$ 53,545
Financial liabilities held for trading		
Non-hedging derivatives	($ 13)	$ -

A. The Group recognized net gain of $121,316 and $104,559 on financial assets/liabilities held for trading for the years ended December 31, 2015 and 2014, respectively.

B. The non-hedging derivative financial assets/liabilities transactions and contract information are as follows:

(Unit: in thousand dollars)

	December 31, 2015		
Derivative financial assets	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)

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

The Group entered into forward foreign exchange contracts to buy USD (sell EUR, 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) Current bond investments without active markets

Items	December 31, 2015	December 31, 2014
Current items：		
Funds-bonds	$ 289,263	$ 51,500
Bond with repurchase agreement	607,917	585,525
	$ 897,180	$ 637,025

A. The Group’s fund-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 bonds with repurchase agreement are from Yuanta Asset Management Limited.

B. The Group recognized gain on disposal of financial assets of $23,763 and $13,023 in profit or loss for the years ended December 31, 2015 and 2014, respectively.

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

(4) Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	$ 3,234,920	$ 3,026,355
Less: Allowance for bad debts	(31,580)	(33,224)
	$ 3,203,340	$ 2,993,131

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:

	December 31, 2015	December 31, 2014
Up to 30 days	$ 494,992	$ 620,543
31 to 90 days	14,396	19,446
91 to 180 days	-	1,037
Over 181 days	95	-
	$ 509,483	$ 641,026

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 December 31, 2015 and 2014, the Group’s accounts receivable that were impaired amounted to $31,580 and $33,224, respectively.

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

	2015	2014
	Individual provision	Individual provision
At January 1	$ 33,224	$ 47,322
Provision for impairment	2,549	13,200
Write-offs during the year	(4,861)	(27,577)
Net exchange differences	668	279
At December 31	$ 31,580	$ 33,224

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:

	December 31, 2015	December 31, 2014
Group 1	$ 1,042,437	$ 905,678
Group 2	1,651,420	1,446,427
	$ 2,693,857	$ 2,352,105

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

	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

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

A. The cost of inventories recognized as expense:

	Years ended December 31, 2015	Years ended December 31, 2014
Cost of inventories sold	$ 20,267,820	$ 21,628,621
(Gain on reversal of) loss on inventory write-down	(56,084)	50,009
	$ 20,211,736	$ 21,678,630

The reversal of inventory write-down for the year ended December 31, 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	December 31, 2015	December 31, 2014
Non-current items：		
Listed stocks	$ 281,930	$ 281,930
Others	31,125	31,125
Subtotal	313,055	313,055
Valuation adjustments of available-for-sale financial assets	(98,751)	(50,416)
Accumulated impairment	(30,000)	(30,000)
Total	$ 184,304	$ 232,639

A. The Group recognized $48,335 and $31,783 in other comprehensive loss for fair value change for the years ended December 31, 2015 and 2014, respectively.

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

(7) Investments accounted for using equity method

Investee Company	December 31, 2015	December 31, 2014
Taiwan IC Packaging Corp.	$ 317,555	$ 332,593

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

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

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

Balance sheets

	Taiwan IC Packaging Corp.	
	December 31, 2015	December 31, 2014
Current assets	$ 2,185,495	$ 2,553,825
Non-current assets	1,721,692	1,481,686
Current liabilities	(376,768)	(397,229)
Non-current liabilities	(52,011)	(75,239)
Total net assets	$ 3,478,408	$ 3,563,043
Share in associate's net assets	$ 448,027	$ 458,929
Net equity differences	(130,472)	(126,336)
	$ 317,555	$ 332,593

Statements of comprehensive income

	Taiwan IC Packaging Corp.	
	Year ended December 31, 2015	Year ended December 31, 2014
Revenue	$ 1,840,628	$ 2,218,278
(Loss) income for the period from continuing operations	($ 109,560)	$ 61,742
Total comprehensive (loss) income	($ 112,234)	$ 54,968
Dividends received from associates	$ -	$ -

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

	Years ended December 31,	
Investee Company	2015	2014
Taiwan IC Packaging Corp.	($ 15,038)	$ 8,330

D. The Group’s investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was $414,225 and $521,022 as of December 31, 2015 and 2014, respectively.

(8) Property, plant and equipment

	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 (including transfers)	-	27,829	44,435	-	6,753	6,716	85,733
Disposals	-	(650)	(1)	(148)	(332)	(210)	(1,341)
Depreciation charge	-	(117,922)	(107,656)	(1,196)	(4,237)	(5,034)	(236,045)
Net exchange differences	3,928	(15,272)	(2,518)	2	(174)	(196)	(14,230)
Closing net book amount	$ 728,131	$ 1,938,489	$ 290,968	$ 1,940	$ 13,981	$ 21,582	$ 2,995,091
At December 31, 2015							
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

	Land	Buildings	Machinery	Vehicles	Office Equipment	Others	Total
At January 1, 2014							
Cost	$ 729,847	$ 2,780,284	$ 863,765	$ 12,411	$ 53,981	$ 71,969	$ 4,512,257
Accumulated depreciation	-	(648,599)	(431,096)	(9,238)	(39,088)	(53,361)	(1,181,382)
	$ 729,847	$ 2,131,685	$ 432,669	$ 3,173	$ 14,893	$ 18,608	$ 3,330,875
2014							
Opening net book amount	$ 729,847	$ 2,131,685	$ 432,669	$ 3,173	$ 14,893	$ 18,608	$ 3,330,875
Additions (including transfers)	-	2,705	28,736	1,624	2,241	8,113	43,419
Disposals	-	-	(8,875)	(190)	(908)	(1,766)	(11,739)
Depreciation charge	-	(117,237)	(100,845)	(1,435)	(4,131)	(5,061)	(228,709)
Net exchange differences	(5,644)	27,351	5,023	110	(124)	412	27,128
Closing net book amount	$ 724,203	$ 2,044,504	$ 356,708	$ 3,282	$ 11,971	$ 20,306	$ 3,160,974
At December 31, 2014							
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

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, 2015			
Cost	$ 137,037	$ 236,633	$ 373,670
Accumulated depreciation and impairment	-	(75,056)	(75,056)
	$ 137,037	$ 161,577	$ 298,614
2015			
Opening net book amount	$ 137,037	$ 161,577	$ 298,614
Additions	-	1,350	1,350
Depreciation charge	-	(7,852)	(7,852)
Net exchange differences	-	(1,531)	(1,531)
Closing net book amount	$ 137,037	$ 153,544	$ 290,581
At December 31, 2015			
Cost	$ 137,037	$ 233,860	$ 370,897
Accumulated depreciation and impairment	-	(80,316)	(80,316)
	$ 137,037	$ 153,544	$ 290,581

	Land	Buildings	Total
At January 1, 2014			
Cost	$ 137,037	$ 232,509	$ 369,546
Accumulated depreciation and impairment	-	(66,314)	(66,314)
	$ 137,037	$ 166,195	$ 303,232
2014			
Opening net book amount	$ 137,037	$ 166,195	$ 303,232
Additions	-	345	345
Depreciation charge	-	(7,838)	(7,838)
Net exchange differences	-	2,875	2,875
Closing net book amount	$ 137,037	$ 161,577	$ 298,614
At December 31, 2014			
Cost	$ 137,037	$ 236,633	$ 373,670
Accumulated depreciation and impairment	-	(75,056)	(75,056)
	$ 137,037	$ 161,577	$ 298,614

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

	Years ended December 31, 2015	2014
Rental income from investment property	$ 18,776	$ 17,165
Direct operating expenses arising from investment property that generated rental income in the year	$ 6,956	$ 6,940
Direct operating expenses arising from investment property that did not generate rental income in the year	$ 896	$ 898

B. The fair value of the investment property held by the Group was $1,496,157 and $1,829,038 as of December 31, 2015 and 2014, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(10) Other non-current assets

	December 31, 2015	December 31, 2014
Long-term prepaid rents	$ 112,799	$ 117,884
Guarantee deposits paid	36,793	67,592
Others	36,114	48,762
	$ 185,706	$ 234,238

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 $2,895 and $2,819 for the years ended December 31, 2015 and 2014, respectively.

(11) Short-term borrowings

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

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

(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) The amounts recognized in the balance sheets are as follows:

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$ 42,426	$ 50,576
Fair value of plan assets	(25,435)	(27,307)
Net defined benefit liability	$ 16,991	$ 23,269

(c) Movements of net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 50,576	($ 27,307)	$ 23,269
Current service cost	649	-	649
Interest (expense) income	1,008	(560)	448
Past service cost	(1,796)	-	(1,796)
	$ 50,437	($ 27,867)	$ 22,570
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(199)	(199)
Change in demographic assumptions	360	-	360
Change in financial assumptions	3,809	-	3,809
Experience adjustments	(1,687)	-	(1,687)
	2,482	(199)	2,283
Pension fund contribution	-	(2,199)	(2,199)
Pension paid	(10,493)	4,830	(5,663)
Balance at December 31	$ 42,426	($ 25,435)	$ 16,991

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	$ 55,354	($ 31,206)	$ 24,148
Current service cost	857	-	857
Interest (expense) income	1,104	(641)	463
Past service cost	408	-	408
	$ 57,723	($ 31,847)	$ 25,876
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(133)	(133)
Change in demographic assumptions	505	-	505
Experience adjustments	(286)	-	(286)
	219	(133)	86
Pension fund contribution	-	(2,693)	(2,693)
Pension paid	(7,366)	7,366	-
Balance at December 31	$ 50,576	($ 27,307)	$ 23,269

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2015	2014
Discount rate	1.50%	2.00%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 1,666)	$ 1,752	$ 1,739	($ 1,662)
December 31, 2014				
Effect on present value of defined benefit obligation	($ 1,874)	$ 1,968	$ 1,963	($ 1,878)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 amounts to $1,484.

(g) As of December 31, 2015, the weighted average duration of the retirement plan is 16 years.

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 China 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 Company for the years ended December 31, 2015 and 2014 were $51,459 and $45,243, respectively.

(13) Share capital

As of December 31, 2015, the Company’s authorized capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 25 thousand shares reserved for employee stock options). The paid-in capital was $4,307,617 with a par value of $10 (in dollars) per share, 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 and 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. For information relating to employees' remuneration (bonuses) and directors' remuneration, please refer to Note 6(20).

F. (a) The appropriation of earnings of years 2014 and 2013 had been resolved at the stockholders' meeting on June 12, 2015 and June 12, 2014, respectively. Details are summarized below:

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

	Years ended December 31,	
	2014	2013
Directors' remuneration	$ 6,049	$ 5,192
Employees' cash bonus	30,243	25,962
	$ 36,292	$ 31,154

The above appropriation of earnings of years 2014 and 2013 as resolved by the shareholders was in agreement with those amounts recognized in the 2014 and 2013 financial statements.

(b) The appropriation of earnings for the year of 2015 was proposed by the Board of Directors on March 10, 2016. Details are summarized below:

	Year ended December 31, 2015	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 322,190	
Special reserve	21,691	
Cash dividends	2,929,179	$ 6.8
Total	$ 3,273,060	

The above appropriation of earnings of 2015 and legal reserve has yet to be resolved by the shareholders as of the report date.

(16) Other equity items

	Unrealized gain or loss on available-for-sale financial assets	Cumulative translation differences for foreign operations	Total
At January 1, 2015	($ 50,416)	$ 104,927	$ 54,511
Change in unrealized gains or losses for available-for-sale financial assets	(48,335)	-	(48,335)
Cumulative translation differences for foreign operations	-	(33,575)	(33,575)
Effect from income tax	-	5,708	5,708
At December 31, 2015	($ 98,751)	$ 77,060	($ 21,691)

	Unrealized gain or loss on available-for-sale financial assets	Cumulative translation differences for foreign operations	Total
At January 1, 2014	($ 18,633)	$ 27,764	$ 9,131
Change in unrealized gains or losses for available-for-sale financial assets	(31,783)	-	(31,783)
Cumulative translation differences for foreign operations	-	92,968	92,968
Effect from income tax	-	(15,805)	(15,805)
At December 31, 2014	($ 50,416)	$ 104,927	$ 54,511

(17) Operating revenue

	Years ended December 31, 2015	Years ended December 31, 2014
Sales revenue	$ 24,913,287	$ 27,219,495

(18) Other income

	Years ended December 31, 2015	Years ended December 31, 2014
Interest income	$ 143,861	$ 176,359
Rental income	18,776	17,165
Total	$ 162,637	$ 193,524

(19) Other gains and losses

	Years ended December 31, 2015	Years ended December 31, 2014
Net gain on financial assets at fair value through profit or loss	$ 122,759	$ 104,559
Net loss on financial liabilities at fair value through profit or loss	(1,443)	-
Gain on disposal of financial assets	23,763	13,023
Loss on disposal of property, plant and equipment	(960)	(1,800)
Net currency exchange gain	326,013	304,389
Dividend income	11,016	13,781
Others	36,521	26,069
Total	$ 517,669	$ 460,021

(20) Expenses by nature

	Years ended December 31,	
	2015	2014
Wages and salaries	$ 1,445,730	$ 1,561,989
Labor and health insurance fees	157,657	177,181
Pension costs	50,760	46,972
Other personnel expenses	74,097	62,362
Depreciation on property, plant and equipment (including investment property)	243,897	236,547

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute at least 1% of the total distributable earnings as the employees' bonus and at most 0.2% as the directors' remuneration. However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on March 10, 2016. According to the amended articles, a ratio of profit of the current year distributable, 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. The amended articles will be resolved in the shareholders' meeting in 2016.

B. The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 0.2% of distributable profit of current year for the year ended December 31, 2015. For the year ended December 31, 2015, employees' compensation and directors' remuneration were accrued at $34,909 and $6,329, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration resolved by the Board of Directors were $35,704 and $5,040, respectively, and the employees' compensation will be distributed in the form of cash. The difference between the amount accrued in the 2015 financial statements and the amount as resolved by the Board of Directors will be adjusted in the profit or loss of 2016.

The expenses recognised for the year of 2014 were accrued based on the net income of 2014 and the percentage of 1% and 0.2% for employees and directors/supervisors, respectively, taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. For the year ended December 31, 2014, employees' bonus and directors' remuneration were accrued at $33,620. The aforementioned amounts were recognised in salary expenses. The actual amount of employees' bonus and directors' remuneration as resolved by the shareholders amounted to $36,292. The difference between the amount accrued in the 2014 financial statements and the amount as resolved by the shareholders had been adjusted in the profit or loss of 2015.

Information about the appropriation of employees' remuneration (bonus) and directors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders at the stockholders' 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:

	Years ended December 31, 2015	2014
Current tax:		
Current tax on profits for the period	$ 679,008	$ 572,765
Tax on undistributed surplus earnings	166	-
Prior year income tax underestimated	12,932	32,357
Total current tax	692,106	605,122
Deferred tax:		
Origination and reversal of temporary differences	(200,780)	60,627
Total deferred tax	(200,780)	60,627
Income tax expense	$ 491,326	$ 665,749

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

	Years ended December 31, 2015	2014
Cumulative translation differences for foreign operations	($ 5,708)	$ 15,805

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2015	2014
Tax calculated based on profit before tax and statutory tax rate	$ 635,569	$ 770,780
Effects from items disallowed by tax regulation	(157,341)	(156,067)
Tax on undistributed earnings	166	-
Prior year income tax underestimation	12,932	32,357
Effect from alternative minimum tax	-	18,679
Income tax expense	$ 491,326	$ 665,749

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	Year ended December 31, 2015			
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax assets				
Over provision of allowance for doubtful accounts	$ 12,440	($ 9,697)	$ -	$ 2,743
Amount of pension recognized over amount contributed	7,498	(1,455)	-	6,043
Unused compensated absences	6,695	(5,281)	-	1,414
Unrealized sales discounts and allowances	17,644	17,190	-	34,834
Unrealized gross margin	17,858	(8,088)	-	9,770
Unrealized loss on market price decline and obsolete and slow-moving inventory	21,637	(9,532)	-	12,105
Others	8,547	(2,679)	-	5,868
Total	$ 92,319	($ 19,542)	$ -	$ 72,777

	Year ended December 31, 2015			
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax liabilities				
Unrealized exchange gain	($ 45,522)	$ 21,247	$ -	($ 24,275)
Valuation gain on financial assets	(4,153)	1,475	-	(2,678)
Unrealized gain on disposal of financial assets	(16,435)	-	-	(16,435)
Cumulative translation differences for foreign operations	(56,869)	-	5,708	(51,161)
Net gain on investments accounted for using equity method	(362,056)	197,581	-	(164,475)
Others	(343)	19	-	(324)
Total	($ 485,378)	$ 220,322	$ 5,708	($ 259,348)

	Year ended December 31, 2014			
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax assets				
Over provision of allowance for doubtful accounts	$ 9,400	$ 3,040	$ -	$ 12,440
Amount of pension recognized over amount contributed	7,738	(240)	-	7,498
Unused compensated absences	4,082	2,613	-	6,695
Unrealized sales discounts and allowances	13,549	4,095	-	17,644
Unrealized gross margin	23,929	(6,071)	-	17,858
Unrealized loss on market price decline and obsolete and slow-moving inventory	13,133	8,504	-	21,637
Others	7,084	1,463	-	8,547
Total	$ 78,915	$ 13,404	$ -	$ 92,319

	Year ended December 31, 2014			
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax liabilities				
Unrealized exchange gain	(1,340)	(44,182)	-	(45,522)
Valuation gain on financial assets	-	(4,153)	-	(4,153)
Unrealized gain on disposal of financial assets	(16,435)	-	-	(16,435)
Cumulative translation differences for foreign operations	(41,064)	-	(15,805)	(56,869)
Net gain on investments accounted for using equity method	(336,331)	(25,725)	-	(362,056)
Others	(372)	29	-	(343)
Total	($ 395,542)	($ 74,031)	($ 15,805)	($ 485,378)

D. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2015	December 31, 2014
Deductible temporary differences	$ 73,173	$ 73,173

E. 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).

F. As of December 31, 2015, the Company's income tax returns through 2013 have been assessed and approved by the National Taxation Bureau of Taipei, Ministry of Finance.

G. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and before 1997	$ 121,097	$ 121,097
Earnings generated in and after 1998	7,869,227	8,383,070
	$ 7,990,324	$ 8,504,167

H. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was $928,556 and $971,495, respectively. The creditable tax rate was 14.82% for 2014 and is estimated to be 15.22% for 2015.

(22) Earnings per share

	Year ended December 31, 2015		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of parent	$ 3,221,902	430,762	$ 7.48
Diluted earnings per share			
Profit attributable to owners of parent	$ 3,221,902	430,762	
Dilutive potential ordinary shares :			
Employees' remuneration	-	522	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,221,902	431,284	$ 7.47

	Year ended December 31, 2014		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of parent	$ 3,735,205	430,762	$ 8.67
Diluted earnings per share			
Profit attributable to owners of parent	$ 3,735,205	430,762	
Dilutive potential ordinary shares :			
Employees' bonus	-	445	
Profit attributable to owners of parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,735,205	431,207	$ 8.66

(23) Operating leases

A. The Group leases land and buildings to others under operating lease agreements. Rental revenue of $18,776 and $17,165 were recognized for these leases in profit or loss for the years ended December 31, 2015 and 2014, respectively. The leases for buildings have terms expiring between 2016 and 2017, and all these lease agreements are not renewable at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
Not later than one year	$ 19,075	$ 19,085
Later than one year but not later than five years	5,035	24,218
	$ 24,110	$ 43,303

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

	December 31, 2015	December 31, 2014
Not later than one year	$ 37,415	$ 37,415
Later than one year but not later than five years	87,301	124,716
	$ 124,716	$ 162,131

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Operating revenue:

	Years ended December 31,	
	2015	2014
Sales		
Other related parties	$ 53,640	$ -

The sales prices charged to related parties are almost equivalent to those charged to third parties. The credit term to Hitron Tech. Inc. is 30 days after the arrival date of shipment. The credit term to third parties is 30 to 60 days after monthly billings.

B. Purchases:

	Years ended December 31,	
	2015	2014
Purchase of goods		
Investments accounted for using equity method	$ 415,868	$ 368,841

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

	December 31, 2015	December 31, 2014
Receivables from other related parties	$ 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. Accounts payable

	December 31, 2015	December 31, 2014
Payables to related parties－		
Investments accounted for using equity method	$ 58,560	$ 74,185

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:

For the year ended December 31, 2015, property, plant and equipment that was purchased from Taiwan IC Packaging Corporation, the investment accounted for using equity method, amounted to $117. For the year ended December 31, 2014, the Group sold property, plant and equipment to Taiwan IC Packaging Corporation, at book value of $10,497. In addition to the above disposal transactions, the Group made purchases of property, plant, and equipment on behalf of Taiwan IC Packaging Corporation in the amount of $3,874 in the year of 2014. As of December 31, 2014, all receivables were collected.

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(23) for details.

(2) Compensation of key management

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	$ 80,248	$ 97,163

8. PLEDGED ASSETS

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

	Book value		
Nature of assets	December 31, 2015	December 31, 2014	Pledge purpose
Property, plant and equipment	$ 156,561	$ 957,822	Long-term and short-term loans

9. COMMITMENTS AND CONTINGENT LIABILITIES

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

10. SIGNIFICANT CATASTROPHE

None.

11. SIGNIFICANT SUBSEQUENT EVENT

Please refer to Note 6(15) F.(b).

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's own funds are currently sufficient, daily operations can create stable cash inflows, and there are no significant capital expenditure plans in the near future. Except for obtaining loans to reduce the exchange rate exposure, the Group has sufficient funds to cover its own needs. Debt financing is not desirable and not necessary.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amount of financial instruments which are not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, current bond investment without active market and other financial assets (presented as "other non-current asset")) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

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

(b) For the purpose of managing assets, liabilities, revenue and expenditures effectively and control foreign exchange risk, the Group uses forward foreign exchange contracts and options as their hedging strategy. The Company hedges by using its net position of assets and liabilities and estimated future cash flow to reduce the market price risk arising from variations in exchange rates.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

	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

	December 31, 2014					
	Foreign Currency	Foreign Currency Amount		Exchange Rate	Book Value	
Financial assets	USD:NTD	$	331,867	31.6500	$	10,503,591
	JPY:NTD		1,090,586	0.2646		288,569
	EUR:NTD		16,468	38.4700		633,524
	RMB:NTD		353,396	5.0920		1,799,492
	USD:RMB		51,329	6.2156		1,624,554
Financial liabilities	USD:NTD	$	138,173	31.6500	$	4,373,175

The total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2015 and 2014, amounted to $326,013 and $304,389, 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 $108,673 and $77,550 for the years ended December 31, 2015 and 2014, respectively.

Price risk

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

ii. The Group's investments in equity securities comprise domestically listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, total equity for the years ended December 31, 2015 and 2014 would have increased/decreased by $1,843 and $2,326, respectively, as a result of gains/losses on equity securities classified as available-for-sale financial assets.

Interest rate risk

i. The Group's principal interest-bearing assets are cash and cash equivalents, current bond investment without active markets and short-term borrowings. Cash and cash equivalents are due within twelve months. Current bond investment without active market and short-term borrowings are maintained at fixed rates. Therefore, it is assessed that there is no significant cash flow interest rate risk.

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

(b) Credit risk

i. Credit risk refers to the risk of financial loss of the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties for the years ended December 31, 2015 and 2014.

(c) Liquidity risk

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

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, current bond investment without active market, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2015 and 2014, the Group held money market position of $12,092,548 and $12,202,369, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

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

(3) <u>Fair value information</u>

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 certain equity instruments is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly 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 December 31, 2015 and 2014 is as follows:

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)

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 231,514	$ -	$ 1,125	$ 232,639
Financial assets at fair value through profit or loss	$ -	$ 53,545	$ -	$ 53,545

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

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

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 years ended December 31, 2015 and 2014.

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 $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, 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:

	Years ended December 31,	
	2015	2014
Segment revenue	$ 24,913,287	$ 27,219,495
Segment income	$ 3,221,902	$ 3,735,205

(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.

(4) Information on products and services

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

(5) Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	Years ended and as of December 31,			
	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 4,792,190	$ 1,983,462	$ 4,751,076	$ 2,102,410
Asia	10,947,656	1,367,605	10,143,998	1,496,542
America	2,446,343	90,952	2,545,259	61,867
Europe	5,583,226	29,359	8,520,270	33,007
Others	1,143,872	-	1,258,892	-
Total	$ 24,913,287	$ 3,471,378	$ 27,219,495	$ 3,693,826

(6) Major customer information

Major customer information for the years ended December 31, 2015 and 2014 is as follows:

	Years ended December 31,	
	2015	2014
	Revenue	Revenue
Customer A	$ 3,019,485	$ 2,916,348

Transcend Information, Inc.

Provision of endorsements and guarantees to others

Year ended December 31, 2015

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 December 31, 2015 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2015 (Note 4)	Actual amount drawn down (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 6)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Transcend Taiwan	Transcend Japan Inc.	2	$ 4,100,416	$ 545,400	$ 545,400	$ 409,050	-	2	$ 8,200,832	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. ($20,502,081*20%=$4,100,416)

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

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

Note 6: Not exceeding 40% of the Company’s net asset value. ($20,502,081*40%=$8,200,832)

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)

Year ended December 31, 2015

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 December 31, 2015 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Transcend Taiwan	Stocks							
	Alcor Micro Corp.	-	Non-current available-for-sale financial assets	6,220,933	$ 134,372	8	$ 134,372	-
	Hitron Tech. Inc.	Related parties	〃	3,060,017	48,807	1	48,807	-
	Skyviia Corp.	-	〃	259,812	-	2	-	-
	Dramexchange Tech Inc.	-	〃	60,816	1,125	1	1,125	-
					$ 184,304			
	Bonds							
	Yuanta Asset Management Limited - bond with repurchase agreement rated as investment-grade bonds by S&P	-	Current bond investment without active market		$ 607,917	-	-	-
Transcend Shanghai	Finance products							
	Structured deposits financial products of Industrial and Commercial Bank of China	-	Current bond investment without active market		$ 203,100	-	-	-
	Structured deposits financial products of Bank of China	-	〃		86,163	-	-	-
					$ 289,263			

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

Year ended December 31, 2015

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	$ 2,081,662	9	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	$ 257,305	9	-
〃	Transcend Information Europe B.V.	Subsidiary of Memhiro	〃	1,976,607	8	〃	〃	〃	119,132	4	-
〃	Transcend Information, Inc.	The Company's subsidiary	〃	975,385	4	〃	〃	〃	147,360	5	-
〃	Transcend Korea Inc.	The Company's subsidiary	〃	807,258	3	60 days after monthly billings	〃	〃	36,470	1	-
〃	Transtech Shanghai	Subsidiary of Memhiro	〃	783,994	3	120 days after monthly billings	〃	〃	231,985	8	-
〃	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	〃	683,530	3	〃	〃	〃	29,265	1	-
〃	Transcend Information (H.K) Ltd.	Subsidiary of Memhiro	〃	558,733	2	〃	〃	〃	83,153	3	-
〃	Transcend Shanghai	Subsidiary of Memhiro	〃	201,191	1				-	-	
Transcend Information Europe B.V.	Transcend Information Trading GmbH, Hamburg	Together with Transcend Information Europe B.V. are controlled by parent company	〃	578,227	26	30 days after receipt of goods	〃	7 to 60 days after receipt of goods to third parties	29,026	17	-
Transcend Shanghai	Transtech Shanghai	Together with Transcend Information Europe B.V. are controlled by parent company	〃	200,619	5	60 days after monthly billings		30 to 60 days after monthly billings to third parties	65,069	15	
Transcend Taiwan	Transcend Shanghai	Subsidiary of Memhiro	(Purchases)	(609,589)	(3)	60 days after receipt of goods	Note 1	7 to 30 days after receipt of goods to third parties	(507,903)	25	-
〃	Taiwan IC Packaging Corp.	Associate accounted for using the equity method	〃	(415,868)	(2)	30 days after monthly billings	No significant difference	30 to 45 days after monthly billings to third parties	(58,560)	3	-

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

Note 2: The Company's sales to subsidiaries were equivalent to subsidiaries' 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

Year ended December 31, 2015

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2015	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Transcend Taiwan	Transcend Information Europe B.V.	Subsidiary of Memhiro	$ 119,132	15.68	$ -	-	$ 119,132	$ -
〃	Transcend Japan Inc.	Subsidiary of the Company	257,305	16.75	-	-	257,305	-
〃	Transcend Information Inc.	Subsidiary of the Company	147,360	10.95	-	-	130,019	-
〃	Transtech Shanghai	Subsidiary of Memhiro	231,985	9.34	-	-	80,720	-
Transcend Shanghai	Transcend Taiwan	Parent company	507,903	1.15	-	-	507,903	-

Transcend Information, Inc.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2015

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	$ 2,081,662	There is no significant difference in unit price from those to third parties.	8%
〃	〃	Transcend Information Europe B. V.	〃	〃	1,976,607	〃	8%
〃	〃	Transcend Information, Inc.	〃	〃	975,385	〃	4%
〃	〃	Transcend Korea Inc.	〃	〃	807,258	〃	3%
〃	〃	Transtech Trading (Shanghai) Co., Ltd.	〃	〃	783,994	〃	3%
〃	〃	Transcend Information Trading GmbH, Hamburg	〃	〃	683,530	〃	3%
〃	〃	Transcend Information (H.K) Ltd.	〃	〃	558,733	〃	2%
〃	〃	Transcend Information (Shanghai), Ltd.	〃	〃	201,191	〃	1%
1	Transcend Information (Shanghai), Ltd.	Transtech Trading (Shanghai) Co., Ltd.	3	〃	200,619	〃	1%
0	Transcend Taiwan	Transcend Information (Shanghai), Ltd.	1	Purchases	609,589	Processing with supplied materials. No other similar transactions can be used for comparison	2%
〃	〃	Transcend Japan Inc.	〃	Accounts receivable	257,305	120 days after monthly billings	1%
〃	〃	Transtech Trading (Shanghai) Co., Ltd.	〃	〃	231,985	〃	1%
〃	〃	Transcend Information (Shanghai), Ltd.	〃	Accounts payable	507,903	60 days after receipt of goods	2%
2	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	578,227	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 year to consolidated total operating revenues for income statement accounts.

Transcend Information, Inc.

Information on investees

Year ended December 31, 2015

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2015	Initial investment amount: Balance as at December 31, 2014	Shares held as at December 31, 2015: Number of shares	Shares held as at December 31, 2015: Ownership (%)	Shares held as at December 31, 2015: Book value	Net profit (loss) of the investee for the year ended December 31, 2015	Investment income (loss) recognized by the Company for the year ended December 31, 2015 (Note 1)	Footnote
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	$ 1,202,418	$ 1,202,418	36,600,000	100	$ 2,224,023	($ 16,588)	($ 29,106)	Note 2
	Transcend Japan Inc.	Japan	Wholesaler of computer memory modules and peripheral products	89,103	89,103	6,400	100	193,580	18,802	18,802	Note 2
	Transcend Information, Inc.	United States of America	Wholesaler of computer memory modules and peripheral products	38,592	38,592	625,000	100	154,680	14,105	14,105	Note 2
	Transcend Korea Inc.	Korea	Wholesaler of computer memory modules and peripheral products	6,132	6,132	40,000	100	39,059	8,822	8,822	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	51,842,975	12.88	317,555	(109,560)	(15,038)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	2,276,265	(16,679)	(16,679)	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	192,199	21,305	21,312	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesaler of computer memory modules and peripheral products	2,288	2,288	-	100	82,575	16,973	16,973	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	8,964	309	309	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

Year ended December 31, 2015

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, 2015	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2015 (Note 2)	Book value of investments in Mainland China as of December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Transcend Information (Shanghai), Ltd.	Manufacturer and seller of computer memory modules, storage products and disks	$ 1,134,178	(2)	$ 1,134,178	-	-	$ 1,134,178	$ 71,492	100	$ 71,579	$ 1,944,138	$ 1,159,827	-
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	10,002	100	10,002	24,434	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Transcend Information (Shanghai), Ltd.	$ 1,134,178	$ 1,134,178	$ -
Transtech Trading (Shanghai) Co., Ltd.	16,310	16,310	-
	$ 1,150,488	$ 1,150,488	$ 12,301,249

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 audited and attested by R.O.C. parent company's CPA.

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