TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2019 AND 2018

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

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000515

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Transcend Information Inc. and subsidiaries (the "Group") as at March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT$2,425,584 thousand and NT$2,705,974 thousand, constituting 11% and 12% of the consolidated total assets, and total liabilities of NT$142,078 thousand and NT$86,468 thousand, constituting 8% and 3% of the consolidated total liabilities, as at March 31, 2019 and 2018, respectively, and total comprehensive income of NT$11,348 thousand and NT$38,599 thousand, constituting 3% and 8% of the consolidated total comprehensive income for the three months then ended, respectively.

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Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Lin, Chun-Yao

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

May 9, 2019

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

Assets	Notes	March 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	March 31, 2018 AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	$ 1,470,646	7	$ 1,429,737	7	$ 4,322,855	18
Financial assets at fair value through profit or loss - current	6(2)	625,328	3	89,457	-	-	-
Current financial assets at amortised cost, net	6(3)	10,204,124	46	9,145,557	42	7,209,817	31
Notes receivable, net	6(4)	775	-	872	-	263	-
Accounts receivable, net	6(4)	1,928,032	9	2,147,556	10	2,666,147	11
Other receivables		99,616	-	87,295	-	123,536	1
Inventories, net	6(5)	2,092,250	9	3,184,188	15	5,429,890	23
Other current assets		14,685	-	31,121	-	121,507	1
Total Current Assets		16,435,456	74	16,115,783	74	19,874,015	85
Non-current assets							
Non-current financial assets at fair value through other comprehensive income	6(6)	171,266	1	163,155	1	67,833	-
Investments accounted for using equity method	6(7)	100,791	-	105,322	-	171,669	1
Property, plant and equipment, net	6(8) and 8	2,582,715	12	2,599,493	12	2,761,771	12
Right-of-use assets	6(9)	162,043	1	-	-	-	-
Investment property, net	6(11)	2,622,057	12	2,623,579	12	268,763	1
Deferred tax assets		85,506	-	90,301	-	177,672	1
Other non-current assets	6(12)	66,950	-	166,879	1	160,858	-
Total Non-current Assets		5,791,328	26	5,748,729	26	3,608,566	15
Total Assets		$ 22,226,784	100	$ 21,864,512	100	$ 23,482,581	100

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan Dollars)
(The consolidated balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

		March 31, 2019		December 31, 2018		March 31, 2018	
Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Accounts payable		$ 1,060,432	5	$ 1,187,300	6	$ 1,301,398	6
Accounts payable - related parties	7	26,622	-	39,874	-	57,558	-
Other payables		238,375	1	265,132	1	306,656	1
Other payables - related parties		127	-	97	-	1,052	-
Current tax liabilities		204,841	1	133,508	1	546,373	3
Current lease liabilities		17,163	-	-	-	-	-
Other current liabilities		13,570	-	23,376	-	22,612	-
Total Current Liabilities		1,561,130	7	1,649,287	8	2,235,649	10
Non-current liabilities							
Deferred tax liabilities		182,983	1	179,631	1	193,507	1
Non-current lease liabilities		49,577	-	-	-	-	-
Other non-current liabilities		54,654	-	55,292	-	48,680	-
Total Non-current Liabilities		287,214	1	234,923	1	242,187	1
Total Liabilities		1,848,344	8	1,884,210	9	2,477,836	11
Equity attributable to owners of parent							
Share capital	6(14)						
Common stock		4,307,617	20	4,307,617	20	4,307,617	18
Capital surplus	6(15)						
Capital surplus		4,605,233	21	4,605,233	21	4,691,385	20
Retained earnings	6(16)						
Legal reserve		4,302,782	19	4,302,782	20	4,037,210	17
Special reserve		47,247	-	47,247	-	145,689	1
Unappropriated retained earnings		7,147,143	32	6,778,995	31	7,872,972	33
Other equity interest	6(17)						
Other equity interest		(31,582)	-	(61,572)	(1)	(50,128)	-
Total Equity		20,378,440	92	19,980,302	91	21,004,745	89
Significant contingent liabilities and unrecognized contract commitments	9						
Total Liabilities and Equity		$ 22,226,784	100	$ 21,864,512	100	$ 23,482,581	100

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

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

		Three months ended March 31			
		2019		2018	
Items	Notes	AMOUNT	%	AMOUNT	%
Operating Revenue	6(18)	$ 3,679,919	100	$ 4,799,564	100
Operating Costs	6(5)(21) and 7	(2,977,469)	(81)	(3,732,456)	(77)
Gross Profit		702,450	19	1,067,108	23
Operating Expenses	6(21)				
Sales and marketing expenses		(213,415)	(6)	(234,795)	(5)
Administrative expenses		(83,036)	(2)	(91,510)	(2)
Research and development expenses		(41,194)	(1)	(46,493)	(1)
Reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	6(4)	75	-	(229)	-
Total operating expenses		(337,570)	(9)	(373,027)	(8)
Operating Profit		364,880	10	694,081	15
Non-operating Income and Expenses					
Other income	6(10)(19)	68,014	2	38,876	1
Other gains and losses	6(20)	31,035	1	(122,553)	(3)
Net gain from derecognizing financial assets measured at amortised cost	6(3)	4,111	-	3,994	-
Finance costs		(291)	-	-	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	(5,010)	-	(3,617)	-
Total non-operating income and expenses		97,859	3	(83,300)	(2)
Profit before Income Tax		462,739	13	610,781	13
Income tax expense	6(22)	(95,070)	(3)	(131,989)	(3)
Profit for the Period		$ 367,669	10	$ 478,792	10
Other Comprehensive Income (Loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
Unrealized gain on financial assets at fair value through other comprehensive income	6(6)(17)	$ 8,111	-	$ 940	-
Share of other comprehensive income of associates and joint ventures accounted for under equity method		479	-	2,164	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements	6(17)	27,349	1	30,693	1
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(17)(22)	(5,470)	-	(6,139)	-
Other comprehensive income for the period		$ 30,469	1	$ 27,658	1
Total Comprehensive Income		$ 398,138	11	$ 506,450	11
Net profit attributable to:					
Owners of parent		$ 367,669	10	$ 478,792	10
Comprehensive income attributable to:					
Owners of parent		$ 398,138	11	$ 506,450	11
Earnings Per Share	6(23)				
Basic earnings per share		$	0.85	$	1.11
Diluted earnings per share		$	0.85	$	1.11

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

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

		Equity attributable to owners of the parent										
			Capital Reserves			Retained Earnings			Other Equity Interest			
	Notes	Common stock	Additional paid-in capital	Donated assets received	Net assets from merger	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
Three months ended March 31, 2018												
Balance at January 1, 2018		$ 4,307,617	$ 4,652,151	$ 4,106	$ 35,128	$ 4,037,210	$ 145,689	$ 7,363,641	($ 67,262)	$ -	$ 20,015	$ 20,498,295
Effects of retrospective application and retrospective restatement		-	-	-	-	-	-	30,000	-	(9,985)	(20,015)	-
Balance after restatement at January 1, 2018		4,307,617	4,652,151	4,106	35,128	4,037,210	145,689	7,393,641	(67,262)	(9,985)	-	20,498,295
Net income for the period		-	-	-	-	-	-	478,792	-	-	-	478,792
Other comprehensive income	6(6)(17)	-	-	-	-	-	-	2,164	24,554	940	-	27,658
Total comprehensive income		-	-	-	-	-	-	480,956	24,554	940	-	506,450
Net loss on disposal of financial assets at fair value through other comprehensive income	6(6)(17)	-	-	-	-	-	-	(1,625)	-	1,625	-	-
Balance at March 31, 2018		$ 4,307,617	$ 4,652,151	$ 4,106	$ 35,128	$ 4,037,210	$ 145,689	$ 7,872,972	($ 42,708)	($ 7,420)	$ -	$ 21,004,745
Three months ended March 31, 2019												
Balance at January 1, 2019		$ 4,307,617	$ 4,565,999	$ 4,106	$ 35,128	$ 4,302,782	$ 47,247	$ 6,778,995	($ 77,165)	$ 15,593	$ -	$ 19,980,302
Net income for the period		-	-	-	-	-	-	367,669	-	-	-	367,669
Other comprehensive income	6(6)(17)	-	-	-	-	-	-	479	21,879	8,111	-	30,469
Total comprehensive income		-	-	-	-	-	-	368,148	21,879	8,111	-	398,138
Balance at March 31, 2019		$ 4,307,617	$ 4,565,999	$ 4,106	$ 35,128	$ 4,302,782	$ 47,247	$ 7,147,143	($ 55,286)	$ 23,704	$ -	$ 20,378,440

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

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

	Notes	Three months ended March 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 462,739	$ 610,781
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)	(1,437)	-
Share of loss of associates and joint ventures accounted for using equity method	6(7)	5,010	3,617
Expected credit loss/(Gain on reversal of bad debts)	6(4)	(75)	229
Gain on disposal of property, plant and equipment	6(20)	-	(117)
Depreciation	6(21)	67,427	53,137
Interest income	6(19)	(57,024)	(34,128)
Interest expense	6(9)	278	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		(532,283)	-
Notes receivable		98	5,599
Accounts receivable		219,574	(166,255)
Other receivables		(9,068)	-
Other receivables - related parties		-	(10,403)
Inventories		1,091,938	(188,740)
Other current assets		7,528	(77,297)
Changes in operating liabilities			
Accounts payable		(126,868)	63,846
Accounts payable - related parties		(13,252)	20,104
Other payables		(26,757)	(40,963)
Other payables - related parties		30	819
Other current liabilities		(9,806)	(8,802)
Other non-current liabilities		(638)	1,574
Cash inflow generated from operations		1,077,414	233,001
Interest received		53,771	35,341
Income tax paid		(21,060)	(12,774)
Net cash flows from operating activities		1,110,125	255,568
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(2,785,804)	(1,303,912)
Proceeds from disposal of financial assets at amortised cost		1,727,237	1,732,634
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	-	1,980
Acquisition of property, plant and equipment	6(8)	(19,831)	(100,150)
Proceeds from disposal of property, plant and equipment	6(8)	-	249
Decrease in other non-current financial assets		6,627	67,495
Net cash flows (used in) from investing activities		(1,071,771)	398,296
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities	6(9)	(4,251)	-
Net cash flows used in financing activities		(4,251)	-
Effect of exchange rate changes		6,806	23,077
Net increase in cash and cash equivalents		40,909	676,941
Cash and cash equivalents at beginning of period		1,429,737	3,645,914
Cash and cash equivalents at end of period		$ 1,470,646	$ 4,322,855

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018
(Expressed in thousands of New Taiwan Dollars,
except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 9, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

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

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' and 'lease liability' by \$173,938 and \$71,728, respectively, and decreased prepaid rents shown as other current assets and long-term prepaid rents shown as other non-current assets by \$8,908 and 93,302, respectively, with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$959 was recognized in the first quarter of 2019.

(d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate ranging from 0.75% to 2.5%.

E. The Group recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The amount of aforementioned present values is the same as the amount of lease liabilities recognized on January 1, 2019.

(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 IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(2) Basis of preparation

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

(a) Financial assets at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2018.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of Investor	Name of Subsidiary	Main Business Activities	March 31, 2019	December 31, 2018	March 31, 2017	Description
Transcend Taiwan	Saffire Investment Ltd. (Saffire)	Investment holding company	100	100	100	
〃	Transcend Japan Inc. (Transcend Japan)	Wholesale and import of computer memory modules and peripheral products	100	100	100	Note
〃	Transcend Information Inc. (Transcend USA)	Wholesale and import of computer memory modules and peripheral products	100	100	100	〃
〃	Transcend Korea Inc. (Transcend Korea)	Wholesale and import of computer memory modules and peripheral products	100	100	100	〃
Saffire Investment Ltd.	Memhiro Pte. Ltd. (Memhiro)	Investment holding company	100	100	100	
Memhiro Pte. Ltd.	Transcend Information Europe B.V. (Transcend Europe)	Wholesale and import of computer memory modules and peripheral products	100	100	100	Note
〃	Transcend Information Trading GmbH, Hamburg (Transcend Germany)	Wholesale and import of computer memory modules and peripheral products	100	100	100	〃
〃	Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Manufacture and sales of computer memory modules, storage products and disks	100	100	100	〃
〃	Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	Wholesale, agent, import and export and retail of computer memory modules, storage products and computer components	100	100	100	〃
〃	Transcend Information (Hong Kong), Ltd. (Transcend Hong Kong)	Wholesale and import of computer memory modules and peripheral products	100	100	100	〃

Note: The financial statements of insignificant subsidiary as of and for the three months ended March 31, 2019 and 2018 were not reviewed by the independent accountants.

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

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

E. Significant restrictions: None.

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

(4) Leasing arrangements (lessee) －right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(5) Operating leases

Effective 2018

Rent income (expense) made under an operating lease are recognized in profit or loss on a straight-line basis over the lease term.

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

There was no significant change during this period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand and petty cash	$ 554	$ 606	$ 804
Checking accounts and demand deposits	1,470,092	1,429,131	4,322,051
	$ 1,470,646	$ 1,429,737	$ 4,322,855

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

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

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

Items	March 31, 2019	December 31, 2018	March 31, 2018
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	$ 530,000	$ -	$ -
Financial products	93,891	89,457	-
Valuation adjustments	1,437	-	-
	$ 625,328	$ 89,457	$ -

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$ 88	$ -
Financial products	1,349	-
	$ 1,437	$ -

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

C. The Group associates with Fubon Bank (China) and Industrial and Commercial Bank of China which have high credit quality for the financial products. The valuation of impairment is based on the 12-month expected credit losses model.

(3) Current financial assets at amortised cost

Items	March 31, 2019	December 31, 2018	March 31, 2018
Current items:			
Time deposits with original maturity of more than three months	$ 9,728,344	$ 8,588,506	$ 6,483,408
Bonds with repurchase agreement	475,780	557,051	726,409
	$ 10,204,124	$ 9,145,557	$ 7,209,817

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest income	$ 56,143	$ 33,661
Gain on disposal	4,111	3,994
	$ 60,254	$ 37,655

B. For the three months ended March 31, 2019 and 2018, the Group sold bonds with repurchase agreement which resulted to a gain on disposal in the amount of $4,111 and $3,994, respectively.

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

D. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of debt instruments on March 31, 2019, December 31, 2018 and March 31, 2018, and considered guarantee for repurchase agreement held by the Group to estimate expected credit loss. The Group does not expect material credit loss after assessment.

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

(4) Notes and accounts receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	$ 775	$ 872	$ 263
Accounts receivable	1,952,608	$ 2,172,183	$ 2,689,957
Less: Loss allowance	(24,576)	(24,627)	(23,810)
	$ 1,928,032	$ 2,147,556	$ 2,666,147

A. As of March 31, 2019, December 31, 2018 and March 31, 2018, the estimated sales discounts and allowances was $98,661, $110,768 and $124,636, respectively. Since the sales discounts and allowances met the requirements of financial liabilities and financial assets offset, the net amounts were shown under accounts receivable.

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

	March 31, 2019	
	Accounts receivable	Notes receivable
Not past due	$ 1,645,647	$ 775
Up to 30 days	231,088	-
31 to 90 days	27,405	-
91 to 180 days	7,240	-
Over 180 days	41,228	-
	$ 1,952,608	$ 775

	December 31, 2018	
	Accounts receivable	Notes receivable
Not past due	$ 1,602,866	$ 872
Up to 30 days	467,260	-
31 to 90 days	52,456	-
91 to 180 days	12,246	-
Over 180 days	37,355	-
	$ 2,172,183	$ 872

	March 31, 2018	
	Accounts receivable	Notes receivable
Not past due	$ 2,399,890	$ 263
Up to 30 days	245,124	-
31 to 90 days	12,196	-
91 to 180 days	1,951	-
Over 180 days	30,796	-
	$ 2,689,957	$ 263

The above ageing analysis was based on past due date.

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

D. As at March 31, 2019, December 31, 2018 and March 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were $775, $872 and $263, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $1,928,032, $2,147,556 and $2,666,147, respectively.

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

F. The Group wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On March 31, 2019, December 31, 2018 and March 31, 2018, the Group has no written-off financial assets that are still under recourse procedures.

G. The Group used historical and timely information to assess the loss rate of accounts receivable. On March 31, 2019, December 31, 2018 and March 31, 2018, the provision matrix is as follows:

	Not past due	1-180 days past due	Over 180 days past due	Total
March 31, 2019				
Expected loss rate	0.006%~0.3%	0.03%~60%	60%~100%	
Total book value	$ 1,645,647	$ 265,733	$ 41,228	$ 1,952,608

	Not past due	1-180 days past due	Over 180 days past due	Total
December 31, 2018				
Expected loss rate	0.006%~0.3%	0.03%~60%	80%~100%	
Total book value	$ 1,602,866	$ 531,962	$ 37,355	$ 2,172,183

	Not past due	1-180 days past due	Over 180 days past due	Total
March 31, 2018				
Expected loss rate	0.003%~0.6%	0.02%~65%	75%~100%	
Total book value	$ 2,399,890	$ 259,271	$ 30,796	$ 2,689,957

H. The balance of allowance for loss and movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable and notes receivable are as follows:

	2019	
	Accounts receivable	Notes receivable
At January 1	$ 24,627	$ -
Reversal of impairment	(75)	-
Effect of exchange rate changes	24	-
At March 31	$ 24,576	$ -

	2018	
	Accounts receivable	Notes receivable
At January 1_IAS 39	$ 23,929	$ -
Adjustments under new standards	-	-
At January 1_IFRS 9	23,929	-
Provision for impairment	229	-
Effect of exchange rate changes	(348)	-
At March 31	$ 23,810	$ -

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

(5) Inventories

	March 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,247,242	($ 39,057)	$ 1,208,185
Work in progress	383,486	(3,992)	379,494
Finished goods	519,777	(15,206)	504,571
	$ 2,150,505	($ 58,255)	$ 2,092,250

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,878,238	($ 58,028)	$ 1,820,210
Work in progress	422,786	(3,565)	419,221
Finished goods	963,055	(18,298)	944,757
	$ 3,264,079	($ 79,891)	$ 3,184,188

	March 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,598,158	($ 27,192)	$ 3,570,966
Work in progress	667,972	(1,467)	666,505
Finished goods	1,201,285	(8,866)	1,192,419
	$ 5,467,415	($ 37,525)	$ 5,429,890

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

	Three months ended March 31,	
	2019	2018
Cost of goods sold	$ 3,015,468	$ 3,729,377
Revenue from disposal of scraps	(16,363)	-
(Gain on reversal of) loss on decline in market value of inventory	(21,636)	3,079
	$ 2,977,469	$ 3,732,456

The gain on reversal of decline in market value of inventory for the three months ended March 31, 2019 was due to the Group's disposal of slow-moving inventory.

B. No inventories were pledged to others.

(6) Non-current financial assets at fair value through other comprehensive income

Items	March 31, 2019	December 31, 2018	March 31, 2018
Non-current items:			
Equity instruments			
Listed stocks	$ 146,437	$ 146,437	$ 44,128
Others	1,125	1,125	31,125
	147,562	147,562	75,253
Valuation adjustments	23,704	15,593	(7,420)
	$ 171,266	$ 163,155	$ 67,833

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $171,266, $163,155 and $67,833 as at March 31, 2019, December 31, 2018 and March 31, 2018, respectively. In addition, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was the aforementioned fair values.

B. For the three months ended March 31, 2019 and 2018, the Group disposed equity investments whose fair value was $0 and $1,980, respectively, and accumulated loss on disposal was transferred into retained earnings in the amount of $0 and $1,625, respectively.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	$ 8,111	$ 940
Cumulative losses reclassified to retained earnings due to derecognition	$ -	($ 1,625)

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

(7) Investments accounted for using equity method

Investee Company	March 31, 2019	December 31, 2018	March 31, 2018
Taiwan IC Packaging Corp.	$ 100,791	$ 105,322	$ 171,669

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

Associate name	Principal place of business	Shareholding ratio March 31, 2019	Shareholding ratio December 31, 2018	Shareholding ratio March 31, 2018	Nature of relationship	Method of measurement
Taiwan IC Packaging Corp.	Taiwan	12.74%	12.74%	12.73%	Note	Equity method

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

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

Balance sheet

	Taiwan IC Packaging Corp.		
	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	$ 950,191	$ 1,002,572	$ 1,086,168
Non-current assets	1,132,609	1,056,569	1,541,405
Current liabilities	(217,789)	(240,706)	(292,352)
Non-current liabilities	(90,203)	(4,349)	(4,557)
Total net assets	$ 1,774,808	$ 1,814,086	$ 2,330,664
Share in associate's net assets	$ 226,136	$ 231,141	$ 296,636
Net equity differences	(125,345)	(125,819)	(124,967)
	$ 100,791	$ 105,322	$ 171,669

Statement of comprehensive income

	Taiwan IC Packaging Corp.	
	Three months ended March 31,	
	2019	2018
Revenue	$ 249,507	$ 345,509
Loss for the period from continuing operations	($ 39,278)	($ 48,144)
Total comprehensive loss	($ 39,278)	($ 48,144)
Dividends received from associates	$ -	$ -

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

	Three months ended March 31,	
Investee Company	2019	2018
Taiwan IC Packaging Corp.	($ 5,010)	($ 3,617)

D. The Group’s investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was $169,771, $214,723 and $309,865 as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery	Vehicles	Office equipment	Others	Total
At January 1, 2019							
Cost	$ 728,476	$ 2,625,296	$ 472,258	$ 23,992	$ 32,908	$ 60,874	$ 3,943,804
Accumulated depreciation	-	(1,065,760)	(207,764)	(5,218)	(24,081)	(41,488)	(1,344,311)
	$ 728,476	$ 1,559,536	$ 264,494	$ 18,774	$ 8,827	$ 19,386	$ 2,599,493
2019							
Opening net book amount	$ 728,476	$ 1,559,536	$ 264,494	$ 18,774	$ 8,827	$ 19,386	$ 2,599,493
Additions (including transfers)	-	2,087	16,065	-	-	1,679	19,831
Depreciation charge	-	(27,160)	(19,474)	(981)	(753)	(2,061)	(50,429)
Net exchange differences	117	14,375	(754)	(9)	24	67	13,820
Closing net book amount	$ 728,593	$ 1,548,838	$ 260,331	$ 17,784	$ 8,098	$ 19,071	$ 2,582,715
At March 31, 2019							
Cost	$ 728,593	$ 2,653,880	$ 485,318	$ 23,989	$ 33,021	$ 63,062	$ 3,987,863
Accumulated depreciation	-	(1,105,042)	(224,987)	(6,205)	(24,923)	(43,991)	(1,405,148)
	$ 728,593	$ 1,548,838	$ 260,331	$ 17,784	$ 8,098	$ 19,071	$ 2,582,715

	Land	Buildings and structures	Machinery	Vehicles	Office equipment	Others	Total
At January 1, 2018							
Cost	$ 722,543	$ 2,611,665	$ 629,436	$ 11,780	$ 39,427	$ 77,178	$ 4,092,029
Accumulated depreciation	-	(969,017)	(333,006)	(4,843)	(28,789)	(49,451)	(1,385,106)
	$ 722,543	$ 1,642,648	$ 296,430	$ 6,937	$ 10,638	$ 27,727	$ 2,706,923
2018							
Opening net book amount	$ 722,543	$ 1,642,648	$ 296,430	$ 6,937	$ 10,638	$ 27,727	$ 2,706,923
Additions (including transfers)	-	29,238	58,322	11,738	714	138	100,150
Disposals	-	-	-	(132)	-	-	(132)
Depreciation charge	-	(27,269)	(20,465)	(646)	(757)	(2,218)	(51,355)
Net exchange differences	3,059	13,328	(9,832)	(17)	73	(426)	6,185
Closing net book amount	$ 725,602	$ 1,657,945	$ 324,455	$ 17,880	$ 10,668	$ 25,221	$ 2,761,771
At March 31, 2018							
Cost	$ 725,602	$ 2,663,603	$ 612,957	$ 22,200	$ 40,452	$ 72,792	$ 4,137,606
Accumulated depreciation	-	(1,005,658)	(288,502)	(4,320)	(29,784)	(47,571)	(1,375,835)
	$ 725,602	$ 1,657,945	$ 324,455	$ 17,880	$ 10,668	$ 25,221	$ 2,761,771

A. The relevant assets of the Group recognized as property, plant and equipment are all for self-use.

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

(9) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land, buildings, and business vehicles. Rental contracts are typically made for periods of 1 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	March 31, 2019		Three months ended March 31, 2019	
	Carrying amount		Depreciation charge	
Land	$	94,878	$	9,562
Buildings		64,282		4,311
Transportation equipment (business vehicles)		2,883		264
	$	162,043	$	14,137

C. For the three months ended March 31, 2019, there was no additions to right-of-use assets.

D. Information on profit or loss in relation to lease contracts is as follows:

	Three months ended March 31, 2019	
Items affecting profit or loss		
Interest expense on lease liabilities	$	278
Expense on short-term lease contracts		959
Expense on leases of low-value assets		395

E. For the three months ended March 31, 2019, the Group's total cash outflow for leases was $5,605.

(10) Leasing arrangements – lessor

Effective 2019

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 1 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.

B. For the three months ended March 31, 2019, the Group recognized rent income in the amount of $10,990 based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	March 31, 2019
2019	$ 35,134
2020	41,431
2021	21,828
	$ 98,393

(11) Investment property

	Land	Buildings and structures	Total
At January 1, 2019			
Cost	$ 2,268,726	$ 452,380	$ 2,721,106
Accumulated depreciation	-	(97,527)	(97,527)
	$ 2,268,726	$ 354,853	$ 2,623,579
2019			
Opening net book amount	$ 2,268,726	$ 354,853	$ 2,623,579
Depreciation charge	-	(2,861)	(2,861)
Net exchange differences	-	1,339	1,339
Closing net book amount	$ 2,268,726	$ 353,331	$ 2,622,057
At March 31, 2019			
Cost	$ 2,268,726	$ 452,735	$ 2,721,461
Accumulated depreciation	-	(99,404)	(99,404)
	$ 2,268,726	$ 353,331	$ 2,622,057

	Land	Buildings and structures	Total
At January 1, 2018			
Cost	$ 137,037	$ 221,037	$ 358,074
Accumulated depreciation	-	(88,612)	(88,612)
	$ 137,037	$ 132,425	$ 269,462
2018			
Opening net book amount	$ 137,037	$ 132,425	$ 269,462
Depreciation charge	-	(1,782)	(1,782)
Net exchange differences	-	1,083	1,083
Closing net book amount	$ 137,037	$ 131,726	$ 268,763
At March 31, 2018			
Cost	$ 137,037	$ 222,785	$ 359,822
Accumulated depreciation	-	(91,059)	(91,059)
	$ 137,037	$ 131,726	$ 268,763

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Rental income from investment property	$ 10,990	$ 4,748
Direct operating expenses arising from investment property that generated rental income	$ 2,648	$ 1,569
Direct operating expenses arising from investment property that did not generate rental income	$ 213	$ 213

B. The fair value of the investment property held by the Group was $4,653,956, $4,650,075 and $1,706,328 as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively, which was based on the transaction prices of similar properties in the same area.

C. No investment property was pledged to others.

(12) Other non-current assets

	March 31, 2019	December 31, 2018	March 31, 2018
Long-term prepaid rents	$ -	$ 93,302	$ 99,574
Guarantee deposits paid	30,204	30,297	30,321
Prepayments for business facilities	25,490	31,202	16,236
Others	11,256	12,078	14,727
	$ 66,950	$ 166,879	$ 160,858

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 and the amounts had been recognized as long-term prepaid rents. The Group recognized rental expenses of $660 for the three months ended March 31, 2018. Since the Group applied IFRS 16 on January 1, 2019, the long-term prepaid rents were reclassified to right-of-use assets.

(13) Pensions

A. Defined benefit plan

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

(b) For the aforementioned pension plan, the Group recognized pension costs of $173 and $166 for the three months ended March 31, 2019 and 2018, respectively.

(c) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amount to $1,443.

B. Defined contribution plans

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

(b) Transcend Shanghai, Transtech Shanghai and Transcend Hong Kong have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages, ranging from 12.5% to 20%. Other than the monthly contributions, the Group has no further obligations.

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

(d) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2019 and 2018 were $10,868 and $11,271, respectively.

(14) Share capital

As of March 31, 2019, the Company's authorized capital was $5,000,000, consisting of 500 million shares of ordinary stock (including 25 million shares reserved for employee stock options), and the paid-in capital was $4,307,617. The number of outstanding shares for the three months ended March 31, 2019 and 2018 was both 430,762 thousand shares with par value of $10 per share at the beginning and the end of the year.

(15) Capital surplus

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

(16) Retained earnings

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

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

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

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

E. The cash appropriation of earnings and cash payment from capital surplus for the year ended December 31, 2018 has been proposed by the Board of Directors on March 7, 2019 and the appropriation of earnings and cash payment from capital surplus for the year ended December 31, 2017 has been resolved at the shareholders' meeting on June 14, 2018. Details are summarized below:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 208,200		$ 265,572	
Special reserve	14,324		-	
Cash dividends	1,895,351	$ 4.40	2,498,418	$ 5.80
	$ 2,117,875		$ 2,763,990	

	Amount	Cash payment per share (in dollars)	Amount	Cash payment per share (in dollars)
Cash payment from capital surplus	$ 258,458	$ 0.60	$ 86,152	$ 0.20

Actual distribution of retained earnings of 2017 is in agreement with the amounts resolved at stockholders' meeting. The above appropriation of earnings of 2018 and legal reserve has yet to be resolved at the shareholders' meeting of 2018. These consolidated financial statements do not reflect the dividends payable.

F. Please refer to Note 6(21) for the information relating to employees' compensation and directors' remuneration.

(17) Other equity items

	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
At January 1, 2019	$ 15,593	($ 77,165)	($ 61,572)
Revaluation – gross	8,111	-	8,111
Currency translation differences	-	27,349	27,349
Effect from income tax	-	(5,470)	(5,470)
At March 31, 2019	$ 23,704	($ 55,286)	($ 31,582)

	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
At January 1, 2018	($ 9,985)	($ 67,262)	($ 77,247)
Revaluation - gross	940	-	940
Revaluation transferred to retained earnings - gross	1,625	-	1,625
Currency translation differences	-	30,693	30,693
Effect from income tax	-	(6,139)	(6,139)
At March 31, 2018	($ 7,420)	($ 42,708)	($ 50,128)

(18) Operating revenue

	Three months ended March 31, 2019	Three months ended March 31, 2018
Sales revenue	$ 3,679,919	$ 4,799,564

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods all at a point in time in the following geographical regions:

Three months ended March 31, 2019	Electronic products: Taiwan	Asia	America	Europe	Others	Total
Revenue from external customer contracts	$ 806,032	$ 1,267,429	$ 306,775	$ 1,010,885	$ 288,798	$ 3,679,919

Three months ended March 31, 2018	Electronic products: Taiwan	Asia	America	Europe	Others	Total
Revenue from external customer contracts	$ 1,148,269	$ 1,735,819	$ 401,166	$ 1,246,369	$ 267,941	$ 4,799,564

B. Contract assets and liabilities

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

(19) Other income

	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest income	$ 57,024	$ 34,128
Rental income	10,990	4,748
	$ 68,014	$ 38,876

(20) Other gains and losses

	Three months ended March 31, 2019	Three months ended March 31, 2018
Gain on disposal of property, plant and equipment	$ -	$ 117
Net gain on financial assets at fair value through profit or loss	1,437	-
Net currency exchange gain (loss)	28,818	(125,730)
Others	780	3,060
	$ 31,035	($ 122,553)

(21) Expenses by nature

	Three months ended March 31,	
	2019	2018
Wages and salaries	$ 313,183	$ 338,274
Labor and health insurance fees	32,342	32,517
Pension costs	11,041	11,437
Other personnel expenses	14,889	15,996
Depreciation on property, plant and equipment (including investment property and right-of-use assets)	67,427	53,137

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

B. For the three months ended March 31, 2019 and 2018, employees' compensation was accrued at $4,840 and $6,392, respectively; while directors' remuneration was accrued at $678 and $895, respectively. The aforementioned amounts were recognized in salary expenses.

For the three months ended March 31, 2019, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 1% and 0.2% of distributable profit of current year as of the end of reporting period.

The difference between employees' compensation and directors' remuneration as resolved by the Board of Directors and the amounts recognized in the 2018 financial statements by $948 and $524 will be adjusted in profit or loss for 2019. The employees' compensation and directors' and supervisors' remuneration have yet to be paid.

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

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2019	2018
Current tax:		
Current tax on profits for the period	$ 92,312	$ 147,165
Prior year income tax underestimation (overestimation)	81	(364)
Total current tax	92,393	146,801
Deferred tax:		
Origination and reversal of temporary differences	2,677	(19,831)
Impact of change in tax rate	-	5,019
Total deferred tax	2,677	(14,812)
Income tax expense	$ 95,070	$ 131,989

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

	Three months ended March 31,	
	2019	2018
Exchange differences on translation of foreign financial statements	$ 5,470	$ 2,327
Impact of change in tax rate	-	3,812
	$ 5,470	$ 6,139

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority except for tax return of 2015.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(23) Earnings per share

	Three months ended March 31, 2019		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 367,669	430,762	$ 0.85
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 367,669	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	449	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 367,669	431,211	$ 0.85

	Three months ended March 31, 2018		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 478,792	430,762	$ 1.11
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 478,792	430,762	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	459	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 478,792	431,221	$ 1.11

(24) Operating leases

Effective 2018

A. The Group leases land, houses and buildings, which are partially recognized as investment property, to others under non-cancellable operating lease agreements. Rental revenue of $4,748 was recognized for these leases in profit or loss for the three months ended March 31, 2018. The leases for buildings have terms expiring between 2020 and 2021, and all these lease agreements are not renewable at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2018	March 31, 2018
Not later than one year	$ 43,468	$ 19,499
Later than one year but not later than five years	59,863	38,140
	$ 103,331	$ 57,639

B. On April 8, 2009, the Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land. The lease has a term of 10 years from April 10, 2009 to April 9, 2019. The annual rental payment is $35,633 (exclusive of tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by CCIS Real Estate Joint Appraisers Firm. Rent was paid on the contract date and becomes payable on the same date each following year until the end of the lease. For the three ended March 31, 2018, the rental expense were $8,908. The future aggregate minimum lease commitments under non-cancellable operating leases are as follows:

	December 31, 2018	March 31, 2018
Not later than one year	$ -	$ 37,415
Later than one year but not later than five years	-	3,118
	$ -	$ 40,533

C. The leases of offices and corporate vehicles have lease terms between 1 ~ 11 years. The rent expense for the three months ended March 31, 2018 amounted to $3,600. The future aggregate minimum lease commitments under non-cancellable operating leases are as follows:

	December 31, 2018	March 31, 2018
Not later than one year	$ 17,210	$ 12,535
Later than one year but not later than five years	47,776	30,007
Later than five years	11,092	11,303
	$ 76,078	$ 53,845

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Taiwan IC Packaging Corporation	Associate accounted for using equity method
Won Chin	Major stockholder
Cheng Chuan	Major stockholder

(2) Significant transactions and balances with related parties

A. Purchases

	Three months ended March 31,	
	2019	2018
Purchases of goods		
Associates accounted for using equity method	$ 52,012	$ 77,011

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

B. Payables to related parties

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts payable			
Associates accounted for using equity method	$ 26,622	$ 39,874	$ 57,558

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.

C. Leasing arrangements－lessee

(a) 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 Notes 6(9) and 6(24) B. for details.

(b) In accordance with IFRS 16, on January 1, 2019, the Group increased 'right-of-use asset' and decreased other current assets - prepaid rents both by $8,908. As of March 31, 2019, there is no relevant 'right-of-use asset' left.

(3) Key management compensation

	Three months ended March 31,	
	2019	2018
Salaries and other employee benefits	$ 6,330	$ 6,839

8. PLEDGED ASSETS

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

	Book value			
Pledged assets	March 31, 2019	December 31, 2018	March 31, 2018	Pledge purpose
Property, plant and equipment	$ 153,257	$ 153,703	$ 152,808	Collaterals for general credit limit granted by financial institutions

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of March 31, 2019, except for the provision of endorsements and guarantees mentioned in Note 13(1) B and the lease contract described in Notes 6(24) and 7, there are no other significant commitments.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Financial instruments by category

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets			
Financial assets mandatorily measured at fair value through profit or loss	$ 625,328	$ 89,457	$ -
Financial assets at fair value through other comprehensive income	171,266	163,155	67,833
Financial assets at amortised cost			
Cash and cash equivalents	1,470,646	1,429,737	4,322,855
Financial assets at amortised cost	10,204,124	9,145,557	7,209,817
Notes receivable	775	872	263
Accounts receivable	1,928,032	2,147,556	2,666,147
Other receivables	99,616	87,295	123,536
Refundable deposits	30,204	30,297	30,321
	$ 14,529,991	$ 13,093,926	$ 14,420,772

	March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities			
Financial liabilities at amortised cost			
Accounts payable	$ 1,087,054	$ 1,227,174	$ 1,358,956
Other payables	238,502	265,229	307,708
Lease liabilities	66,740	-	-
	$ 1,392,296	$ 1,492,403	$ 1,666,664

B. Financial risk management policies

There is no significant change in this period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018 for the related information.

C. Significant financial risks and degrees of financial risks

There is no significant change except for the following information. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018 for the related information.

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

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

	March 31, 2019			
	Foreign Currency	Foreign Currency Amount	Exchange rate	Book value
Financial assets	USD：NTD	$ 281,647	30.8200	$ 8,680,361
	EUR：NTD	13,683	34.6100	473,569
	JPY：NTD	1,654,886	0.2783	460,555
	GBP：NTD	981	40.1100	39,348
	USD：EUR	4,024	0.8905	124,020
	GBP：EUR	709	1.1589	28,438
	USD：JPY	902	110.7438	27,800
Financial liabilities	USD：NTD	$ 29,104	30.8200	$ 896,985

	December 31, 2018			
	Foreign Currency	Foreign Currency Amount	Exchange rate	Book value
Financial assets	USD：NTD	$ 284,287	30.7200	$ 8,733,297
	JPY：NTD	1,196,063	0.2782	332,745
	EUR：NTD	8,627	35.2000	303,670
	USD：EUR	4,263	0.8727	130,959
	USD：HKD	1,650	7.8347	50,688
	USD：JPY	1,363	110.4242	41,871
	GBP：EUR	520	1.1045	20,218
Financial liabilities	USD：NTD	$ 30,346	30.7200	$ 932,229

	March 31, 2018			
	Foreign Currency	Foreign Currency Amount	Exchange rate	Book value
Financial assets	USD：NTD	$ 289,457	29.1100	$ 8,426,093
	EUR：NTD	14,109	35.8700	506,090
	JPY：NTD	1,309,530	0.2739	358,680
	GBP：NTD	868	40.7900	35,406
	HKD：NTD	5,500	3.7080	20,394
	USD：EUR	4,052	0.8115	117,954
	USD：JPY	2,511	106.2797	73,095
	USD：HKD	1,230	7.8506	35,805
	GBP：EUR	837	1.1372	34,141
Financial liabilities	USD：NTD	$ 40,089	29.1100	$ 1,166,991

The information on total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2019 and 2018 is provided in Note 6(20).

Sensitivity analysis relating to foreign exchange rate risks is primarily for financial reporting period-end date of foreign currency monetary item. If the New Taiwan Dollar exchange rate to the U.S. Dollar increases or decreases by 1%, the Group's net income will decrease or increase by $77,834 and $72,591 for the three months ended March 31, 2019 and 2018, respectively.

Cash flow and fair value interest rate risk

i. The Group's principal interest-bearing assets are cash and cash equivalents and financial assets at amortised cost. Cash and cash equivalents are due within twelve months. Financial assets at amortised cost are maintained at fixed rates. Therefore, it is assessed that there is no significant cash flow interest rate risk.

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

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

v. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

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

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. For details of credit risk in relation to accounts receivable and notes receivable, please refer to Note 6(4).

viii. For details of credit risk in relation to debt instrument investments measured at amortised cost, please refer to Note 6(3).

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, accounts payable and other payables are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

March 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 530,088	$ -	$ -	$ 530,088
Financial products	-	-	95,240	95,240
Financial assets at fair value through other comprehensive income				
Equity securities	170,141	-	1,125	171,266
	$ 700,229	$ -	$ 96,365	$ 796,594

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Financial products	$ -	$ -	$ 89,457	$ 89,457
Financial assets at fair value through other comprehensive income				
Equity securities	162,030	-	1,125	163,155
	$ 162,030	$ -	$ 90,582	$ 252,612

March 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 66,708	$ -	$ 1,125	$ 67,833

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

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 products purchased for the three months ended March 31, 2019 were categorised to Level 3. There were no changes in the financial instruments under Level 3 for the three months ended March 31, 2018.

H. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and frequently review the fair value.

I. The qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement is as follows: financial products are income investments, and the judgements of their valuation technique and significant unobservable inputs are based on the cash flow of individual contract.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital: Please refer to table 3.

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 4.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Three months ended March 31,	
	2019	2018
Segment revenue	$ 3,679,919	$ 4,799,564
Segment income	$ 367,669	$ 478,792

(3) Reconciliation for segment income (loss)

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

Transcend Information, Inc.

Provision of endorsements and guarantees to others

Three months ended March 31, 2019

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 March 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	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 7)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	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	$ 4,075,688	$ 565,600 (JPY 2,000,000) (In thousands)	$ 556,600 (JPY 2,000,000) (In thousands)	$ -	-	3	$ 8,151,376	Y	-	-	-

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

(a) The Company is ‘0’.

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

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

(a) Having business relationship

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

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

(d) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(e) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(f) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(g) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Not exceeding 20% of the Company's net asset value. ($20,378,440*20%=$4,075,688)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of March 31, 2019 is JPY$2,000,000 (In thousands).

Note 5: The amount was approved by the Board of Directors.

Note 6: The actual amount of endorsement drawn down is $0.

Note 7: Not exceeding 40% of the Company's net asset value. ($20,378,440*40%=$8,151,376)

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

Transcend Information, Inc.

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

Three months ended March 31, 2019

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 March 31, 2019 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Transcend Taiwan	Stocks							
	Hitron Tech. Inc.	-	Non-current financial assets at fair value through other comprehensive income	2,762,188	$ 59,387	1	$ 59,387	-
	Dramexchange Tech Inc.	-	"	60,816	1,125	1	1,125	-
	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	1,758,000	110,754	-	110,754	-
					$ 171,266			
	Beneficiary certificates							
	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	-	$ 530,088	-	530,088	-
	Bonds							
	Yuanta Asset Management Limited - bond with repurchase agreement rated as investment-grade bonds by S&P	-	Current financial assets at amortised cost	-	$ 475,780	-	475,780	-
Transcend Information (Shanghai), Ltd.	Financial products							
	Financial products of Fubon Bank (China)	-	Financial assets at fair value through profit or loss	-	$ 92,948	-	92,948	-
	Financial products of Industrial and Commercial Bank of China		〃	-	2,292	-	2,292	-
					$ 95,240			

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.
Note 2: Leave the column blank if the issuer of marketable securities is non-related party.
Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.
Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Transcend Information, Inc.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Three months ended March 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)		Disposal (Note 3)				Balance as at March 31, 2019	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Transcend Taiwan	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	$ -	39,189,163	$ 530,000	-	$ -	$ -	$ -	39,189,163	$ 530,000

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.
Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

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

Three months ended March 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Sales (purchases)	Amount	Percentage of total sales (purchases)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	$ 266,862	8	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third	$ 248,086	15	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	195,677	6	"	"	"	18,873	1	-
"	Transcend Information, Inc.	The Company's subsidiary	"	109,437	3	"	"	"	-	-	-
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	"	172,385	5	"	"	"	107,231	6	-
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	154,017	4	"	"	"	23,871	1	-

Note 1:The Company’s sales to subsidiaries were equivalent to subsidiaries' purchases from the Company; accordingly, the Company did not disclose the information on subsidiaries’ purchases from the Company.

Transcend Information, Inc.

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

Three months ended March 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Transcend Taiwan	Transcend Japan Inc.	Subsidiary of the Company	$ 248,086	3.94	$ -	-	$ 89,891	$ -
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	107,231	5.12	-	-	54,960	-
Transcend Information (Shanghai), Ltd.	Transcend Taiwan	Ultimate parent company	430,375	-	430,375	-	-	-

Transcend Information, Inc.

Significant inter-company transactions during the reporting period

Three months ended March 31, 2019

Table 6

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	$ 266,862	There is no significant difference in unit price from those to third parties.	7
"	"	Transcend Information Europe B. V.	"	"	195,677	"	5
"	"	Transcend Information, Inc.	"	"	109,437	"	3
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	172,385	"	5
"	"	Transcend Korea Inc.	"	"	99,555	"	3
"	"	Transcend Information (H.K) Ltd.	"	"	57,687	"	2
"	"	Transcend Information Trading GmbH, Hamburg	"	"	154,017	"	4
"	"	Transcend Japan Inc.	"	Accounts Receivable	248,086	120 days after monthly billings	1
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	(430,375)	"	(2)
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	47,803	There is no significant difference in unit price from those to third parties.	1

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

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

(a) Parent company is "0".

(b) Subsidiaries were numbered from 1.

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

(a) Parent company to subsidiary.

(b) Subsidiary to parent company.

(c) Subsidiary to subsidiaries.

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

Transcend Information, Inc.

Information on investees

Three months ended March 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at March 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at March 31, 2019: Number of shares	Shares held as at March 31, 2019: Ownership (%)	Shares held as at March 31, 2019: Book value	Net profit (loss) of the investee for the three months ended March 31, 2019	Investment income (loss) recognized by the Company for the three months ended March 31, 2019（Note 1）	Footnote
Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	$ 1,202,418	$ 1,202,418	36,600,000	100	$ 1,800,749	($ 10,867)	($ 10,867)	Note 2
	Transcend Japan Inc.	Japan	Wholesale of computer memory modules and peripheral products	89,103	89,103	6,400	100	257,512	12,213	12,213	Note 2
	Transcend Information, Inc.	United States of America	Wholesale of computer memory modules and peripheral products	38,592	38,592	625,000	100	176,025	(12,969)	(12,969)	Note 2
	Transcend Korea Inc.	Korea	Wholesale of computer memory modules and peripheral products	6,132	6,132	40,000	100	60,062	1,092	1,092	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	51,842,975	12.74	100,791	(39,278)	(5,010)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	1,766,766	(11,091)	(11,091)	Note 3
Memhiro Pte Ltd.	Transcend Information Europe B.V.	Netherlands	Wholesale of computer memory modules and peripheral products	1,693	1,693	100	100	227,314	6,709	6,720	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesale of computer memory modules and peripheral products	2,288	2,288	-	100	98,624	(10,819)	(10,819)	Note 4
	Transcend Information (H.K.) Ltd.	Hong Kong	Wholesale of computer memory modules and peripheral products	7,636	7,636	2,000,000	100	13,398	(3,273)	(3,273)	Note 4

Note 1: The Company does not directly recognize the investment income (loss) except for the subsidiaries directly held.
Note 2: Subsidiary of the Company.
Note 3: Subsidiary of Saffire.
Note 4: Subsidiary of Memhiro.
Note 5: Please refer to Note 6 (7).

Transcend Information, Inc.

Information on investments in Mainland China

Three months ended March 31, 2019

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2019 — Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2019 — Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019	Net income (loss) of investee for the three months ended of March 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2019 (Note 2)	Book value of investments in Mainland China as of March 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2019	Footnote
Transcend Information (Shanghai), Ltd.	Manufacture and sales of computer memory modules, storage products and disks	$ 1,134,178	(2)	$ 1,134,178	-	-	$ 1,134,178	($ 15,638)	100	($ 15,638)	$ 1,359,170	$ 1,464,028	-
Transtech Trading (Shanghai) Co., Ltd.	Wholesale, agent, import and export and retail of computer memory modules, storage products and computer components	16,310	(2)	16,310	-	-	16,310	11,770	100	11,770	45,820	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019	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	$ 12,227,064

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

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

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

(3) Others.

Note 2: The recognition basis of gain and loss on investment was the financial statements which were not reviewed by independent accountant.

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