

**TRANSCEND INFORMATION, INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR20000027

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, 2020 and 2019, 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 the “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\$2,215,257 thousand and NT\$2,425,584 thousand, constituting 10% and 11% of the consolidated total assets, and total liabilities of NT\$148,754 thousand and NT\$142,078 thousand, constituting 4% and 8% of the consolidated total liabilities, as at March 31, 2020 and 2019, respectively, and total comprehensive income of NT\$26,051 thousand and NT\$11,348 thousand, constituting 6% and 3% of the consolidated total comprehensive income for the three months then ended, respectively.



資誠

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, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the “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

Chen, Chin-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan

May 7, 2020

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

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Assets	Notes	March 31, 2020		December 31, 2019		March 31, 2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	\$ 793,494	4	\$ 1,233,407	6	\$ 1,470,646	7
Financial assets at fair value through profit or loss - current	6(2)	1,805,725	8	2,581,509	12	625,328	3
Current financial assets at amortised cost, net	6(3)	9,149,256	41	7,910,482	37	10,204,124	46
Notes receivable, net	6(4)	-	-	3,054	-	775	-
Accounts receivable, net	6(4)	1,532,832	7	1,478,531	7	1,928,032	9
Accounts receivable due from related parties, net	7	595	-	8	-	-	-
Other receivables		114,074	1	124,077	1	99,616	-
Inventories, net	6(5)	2,526,991	11	2,062,659	10	2,092,250	9
Other current assets		17,121	-	17,973	-	14,685	-
Total Current Assets		<u>15,940,088</u>	<u>72</u>	<u>15,411,700</u>	<u>73</u>	<u>16,435,456</u>	<u>74</u>
Non-current assets							
Non-current financial assets at fair value through profit or loss	6(2)	500,000	2	-	-	-	-
Non-current financial assets at fair value through other comprehensive income	6(6)	108,011	1	114,164	1	171,266	1
Non-current financial assets at amortised cost	6(3)	149,143	1	148,527	1	-	-
Investments accounted for using equity method	6(7)	95,941	-	97,434	-	100,791	-
Property, plant and equipment, net	6(8) and 8	2,396,248	11	2,438,154	12	2,582,715	12
Right-of-use assets	6(9) and 7	225,339	1	241,050	1	162,043	1
Investment property, net	6(11)	2,620,040	12	2,610,292	12	2,622,057	12
Deferred tax assets		50,535	-	75,859	-	85,506	-
Other non-current assets	6(12)	47,039	-	63,610	-	66,950	-
Total Non-current Assets		<u>6,192,296</u>	<u>28</u>	<u>5,789,090</u>	<u>27</u>	<u>5,791,328</u>	<u>26</u>
Total Assets		<u>\$ 22,132,384</u>	<u>100</u>	<u>\$ 21,200,790</u>	<u>100</u>	<u>\$ 22,226,784</u>	<u>100</u>

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan Dollars)

(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2020		December 31, 2019		March 31, 2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Accounts payable		\$ 1,445,447	7	\$ 1,005,350	5	\$ 1,060,432	5
Accounts payable - related parties	7	35,624	-	52,828	-	26,622	-
Other payables	6(16)	2,183,320	10	267,116	1	238,375	1
Other payables - related parties		-	-	-	-	127	-
Current tax liabilities		158,498	1	83,705	1	204,841	1
Current lease liabilities	7	53,179	-	53,945	-	17,163	-
Other current liabilities		55,128	-	38,635	-	13,570	-
Total Current Liabilities		<u>3,931,196</u>	<u>18</u>	<u>1,501,579</u>	<u>7</u>	<u>1,561,130</u>	<u>7</u>
Non-current liabilities							
Deferred tax liabilities		160,077	1	155,482	1	182,983	1
Non-current lease liabilities	7	80,055	-	83,697	-	49,577	-
Other non-current liabilities		53,633	-	53,184	-	54,654	-
Total Non-current Liabilities		<u>293,765</u>	<u>1</u>	<u>292,363</u>	<u>1</u>	<u>287,214</u>	<u>1</u>
Total Liabilities		<u>4,224,961</u>	<u>19</u>	<u>1,793,942</u>	<u>8</u>	<u>1,848,344</u>	<u>8</u>
Equity attributable to owners of parent							
Share capital 6(14)							
Common stock		4,290,617	20	4,307,617	21	4,307,617	20
Capital surplus 6(15)							
Capital surplus		3,945,276	18	4,346,854	20	4,605,233	21
Retained earnings 6(16)							
Legal reserve		4,510,981	20	4,510,981	21	4,302,782	19
Special reserve		61,572	-	61,572	-	47,247	-
Unappropriated retained earnings		5,248,188	24	6,427,300	30	7,147,143	32
Other equity interest 6(17)							
Other equity interest		(149,211)	(1)	(130,902)	-	(31,582)	-
Treasury shares 6(14)							
		-	-	(116,574)	-	-	-
Total Equity		<u>17,907,423</u>	<u>81</u>	<u>19,406,848</u>	<u>92</u>	<u>20,378,440</u>	<u>92</u>
Significant contingent liabilities and unrecognized contract commitments 9							
Total Liabilities and Equity		<u>\$ 22,132,384</u>	<u>100</u>	<u>\$ 21,200,790</u>	<u>100</u>	<u>\$ 22,226,784</u>	<u>100</u>

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 for earnings per share)
(UNAUDITED)

Three months ended March 31

Items	Notes	2020		2019	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(18) and 7	\$ 3,220,410	100	\$ 3,679,919	100
Operating Costs	6(5)(21) and 7	(2,397,044)	(74)	(2,977,469)	(81)
Gross Profit		<u>823,366</u>	<u>26</u>	<u>702,450</u>	<u>19</u>
Operating Expenses	6(21)				
Sales and marketing expenses		(210,061)	(7)	(213,415)	(6)
Administrative expenses		(154,782)	(5)	(83,036)	(2)
Research and development expenses		(41,066)	(1)	(41,194)	(1)
Reversal of impairment loss determined in accordance with IFRS 9	6(4)	<u>51</u>	<u>-</u>	<u>75</u>	<u>-</u>
Total operating expenses		<u>(405,858)</u>	<u>(13)</u>	<u>(337,570)</u>	<u>(9)</u>
Operating Profit		<u>417,508</u>	<u>13</u>	<u>364,880</u>	<u>10</u>
Non-operating Income and Expenses					
Other income	6(19)	33,723	1	68,014	2
Other gains and losses	6(20)	124,427	4	31,035	1
Net gain from derecognizing financial assets measured at amortised cost	6(3)	5,799	-	4,111	-
Finance costs	6(9)	(517)	-	(291)	-
Share of loss of associates and joint ventures accounted for using the equity method	6(7)	<u>(1,082)</u>	<u>-</u>	<u>(5,010)</u>	<u>-</u>
Total non-operating income and expenses		<u>162,350</u>	<u>5</u>	<u>97,859</u>	<u>3</u>
Profit before Income Tax		<u>579,858</u>	<u>18</u>	<u>462,739</u>	<u>13</u>
Income tax expense	6(22)	(115,738)	(4)	(95,070)	(3)
Profit for the Period		<u>\$ 464,120</u>	<u>14</u>	<u>\$ 367,669</u>	<u>10</u>
Other Comprehensive Income (Loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
Unrealized (loss) gain on financial assets at fair value through other comprehensive income	6(6)(17)	(\$ 6,153)	-	\$ 8,111	-
Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method		(411)	-	479	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements	6(17)	(15,195)	-	27,349	1
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(17)(22)	<u>3,039</u>	<u>-</u>	<u>(5,470)</u>	<u>-</u>
Other Comprehensive (Loss) Income for the Period		<u>(\$ 18,720)</u>	<u>-</u>	<u>\$ 30,469</u>	<u>1</u>
Total Comprehensive Income		<u>\$ 445,400</u>	<u>14</u>	<u>\$ 398,138</u>	<u>11</u>
Net profit attributable to:					
Owners of parent		<u>\$ 464,120</u>	<u>14</u>	<u>\$ 367,669</u>	<u>10</u>
Comprehensive income attributable to:					
Owners of parent		<u>\$ 445,400</u>	<u>14</u>	<u>\$ 398,138</u>	<u>11</u>
Earnings Per Share (in dollars)	6(23)				
Basic earnings per share		<u>\$ 1.08</u>	<u>1.08</u>	<u>\$ 0.85</u>	<u>0.85</u>
Diluted earnings per share		<u>\$ 1.08</u>	<u>1.08</u>	<u>\$ 0.85</u>	<u>0.85</u>

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)

	Notes	Equity attributable to owners of the parent										
		Capital Surplus			Retained Earnings				Other Equity Interest			Total equity
		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	Treasury shares	
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		<u>\$ 4,307,617</u>	<u>\$ 4,565,999</u>	<u>\$ 4,106</u>	<u>\$ 35,128</u>	<u>\$ 4,302,782</u>	<u>\$ 47,247</u>	<u>\$ 7,147,143</u>	<u>(\$ 55,286)</u>	<u>\$ 23,704</u>	<u>\$ -</u>	<u>\$ 20,378,440</u>
Three months ended March 31, 2020												
Balance at January 1, 2020		\$ 4,307,617	\$ 4,307,541	\$ 4,185	\$ 35,128	\$ 4,510,981	\$ 61,572	\$ 6,427,300	(\$ 138,461)	\$ 7,559	(\$ 116,574)	\$ 19,406,848
Net income for the period		-	-	-	-	-	-	464,120	-	-	-	464,120
Other comprehensive loss	6(6)(17)	-	-	-	-	-	-	(411)	(12,156)	(6,153)	-	(18,720)
Total comprehensive income (loss)		-	-	-	-	-	-	463,709	(12,156)	(6,153)	-	445,400
Appropriation and distribution of 2019 earnings												
Cash dividends (Note)	6(16)	-	-	-	-	-	-	(1,544,622)	-	-	-	(1,544,622)
Cash payment from capital surplus (Note)	6(16)	-	(386,156)	-	-	-	-	-	-	-	-	(386,156)
Purchase of treasury stock	6(14)	-	-	-	-	-	-	-	-	-	(14,047)	(14,047)
Cancellation of treasury stock		(17,000)	(15,422)	-	-	-	-	(98,199)	-	-	130,621	-
Balance at March 31, 2020		<u>\$ 4,290,617</u>	<u>\$ 3,905,963</u>	<u>\$ 4,185</u>	<u>\$ 35,128</u>	<u>\$ 4,510,981</u>	<u>\$ 61,572</u>	<u>\$ 5,248,188</u>	<u>(\$ 150,617)</u>	<u>\$ 1,406</u>	<u>\$ -</u>	<u>\$ 17,907,423</u>

Note: The appropriation for cash dividends and cash payment from capital surplus have been resolved by the Board of Directors during its meeting on March 5, 2020, but have not yet been reported to the shareholders.

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	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 579,858	\$ 462,739
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(20)	(3,346)	(1,437)
Share of loss of associates and joint ventures accounted for using the equity method	6(7)		
Gain on reversal of expected credit loss	6(4)	(51)	(75)
Loss on disposal of property, plant and equipment	6(20)	38	-
Depreciation	6(21)	66,255	67,427
Interest income	6(19)	(24,225)	(57,024)
Interest expense	6(9)	517	278
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		779,185	(532,283)
Notes receivable		3,054	98
Accounts receivable		(54,276)	219,574
Accounts receivable - related parties		(587)	-
Other receivables		2,001	(9,068)
Inventories		(464,332)	1,091,938
Other current assets		852	7,528
Changes in operating liabilities			
Accounts payable		440,097	(126,868)
Accounts payable - related parties		(17,204)	(13,252)
Other payables		(14,574)	(26,757)
Other payables - related parties		-	30
Other current liabilities		39,817	(9,806)
Other non-current liabilities		449	(638)
Cash inflow generated from operations		1,334,610	1,077,414
Interest received		32,227	53,771
Income tax paid		(7,986)	(21,060)
Net cash flows from operating activities		<u>1,358,851</u>	<u>1,110,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets at fair value through profit or loss		(500,000)	-
Proceeds from disposal of financial assets at amortised cost		1,065,097	1,727,237
Acquisition of financial assets at amortised cost		(2,297,574)	(2,785,804)
Acquisition of property, plant and equipment	6(8)	(11,366)	(19,831)
Acquisition of investment property		(852)	-
Decrease in other non-current financial assets		4,154	6,627
Net cash flows used in investing activities		<u>(1,740,541)</u>	<u>(1,071,771)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(4,426)	(4,251)
Purchase of treasury stock		(37,371)	-
Net cash flows used in financing activities		<u>(41,797)</u>	<u>(4,251)</u>
Effect of exchange rate changes		(16,426)	6,806
Net (decrease) increase in cash and cash equivalents		(439,913)	40,909
Cash and cash equivalents at beginning of period		1,233,407	1,429,737
Cash and cash equivalents at end of period		<u>\$ 793,494</u>	<u>\$ 1,470,646</u>

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

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(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 sales 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 7, 2020.

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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020

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

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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, 2019, 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, 2019.

(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, 2019.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
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, 2020 and 2019 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.

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, 2019 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and petty cash	\$ 795	\$ 699	\$ 554
Checking accounts and demand deposits	<u>792,699</u>	<u>1,232,708</u>	<u>1,470,092</u>
	<u>\$ 793,494</u>	<u>\$ 1,233,407</u>	<u>\$ 1,470,646</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 1,799,435	\$ 2,499,764	\$ 530,000
Financial products	-	73,061	93,891
Valuation adjustments	<u>6,290</u>	<u>8,684</u>	<u>1,437</u>
	<u>\$ 1,805,725</u>	<u>\$ 2,581,509</u>	<u>\$ 625,328</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>

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,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 3,227	\$ 88
Financial products	119	1,349
	<u>\$ 3,346</u>	<u>\$ 1,437</u>

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) Financial assets at amortised cost

Items	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Time deposits with original maturity of more than three months	\$ 8,392,508	\$ 6,843,336	\$ 9,728,344
Bonds with repurchase agreement	756,748	1,067,146	475,780
	<u>\$ 9,149,256</u>	<u>\$ 7,910,482</u>	<u>\$ 10,204,124</u>
Non-current items:			
Foreign currency bonds	<u>\$ 149,143</u>	<u>\$ 148,527</u>	<u>\$ -</u>

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

	Three months ended March 31,	
	2020	2019
Interest income	\$ 23,051	\$ 56,143
Gain on disposal	5,799	4,111
	<u>\$ 28,850</u>	<u>\$ 60,254</u>

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

C. 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, 2020, December 31, 2019 and March 31, 2019, 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.

D. The Group transacts time deposits with reputable domestic and foreign banks, and the counterparties of the debt instrument investments are Yuanta Asset Management Limited, Yuanta Securities Co., Ltd., International Bills Finance Corporation, Standard Chartered Bank, and BNP Paribas. The Group's counterparties have good credit quality, and the impairment loss is assessed using a 12-month expected credit loss approach.

(4) Notes and accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ -	\$ 3,054	\$ 775
Accounts receivable	\$ 1,538,278	\$ 1,484,002	\$ 1,952,608
Less: Loss allowance	(5,446)	(5,471)	(24,576)
	<u>\$ 1,532,832</u>	<u>\$ 1,478,531</u>	<u>\$ 1,928,032</u>

A. As of March 31, 2020, December 31, 2019 and March 31, 2019, the estimated sales discounts and allowances were \$68,745, \$101,785 and \$98,661, 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:

	<u>March 31, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,300,471	\$ -
Up to 30 days	203,501	-
31 to 90 days	14,085	-
91 to 180 days	268	-
Over 180 days	19,953	-
	<u>\$ 1,538,278</u>	<u>\$ -</u>
	<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,181,994	\$ 3,054
Up to 30 days	271,457	-
31 to 90 days	8,521	-
91 to 180 days	490	-
Over 180 days	21,540	-
	<u>\$ 1,484,002</u>	<u>\$ 3,054</u>
	<u>March 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
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	-
	<u>\$ 1,952,608</u>	<u>\$ 775</u>

The above ageing analysis was based on past due date.

- C. The Group has credit insurance that covers accounts receivable from major customers. Should bad debts occur, the Group will receive 90% of the losses resulting from non-payment.
- D. As of March 31, 2020, December 31, 2019 and March 31, 2019, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2019, the balance of notes receivable and accounts receivable from contracts with customers amounted to \$2,173,055.
- E. As at March 31, 2020, December 31, 2019 and March 31, 2019, 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 \$0, \$3,054 and \$775, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$1,532,832, \$1,478,531 and \$1,928,032, respectively.
- F. 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.
- G. 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, 2020, December 31, 2019 and March 31, 2019, the Group has no written-off financial assets that are still under recourse procedures.
- H. The Group used historical and timely information to assess the loss rate of accounts receivable. On March 31, 2020, December 31, 2019 and March 31, 2019, the provision matrix is as follows:

	Not past due	1-180 days past due	Over 180 days past due	Total
<u>March 31, 2020</u>				
Expected loss rate	0.011%~0.9%	0.06%~60%	25%~100%	
Total book value	\$ 1,300,471	\$ 217,854	\$ 19,953	\$ 1,538,278
<u>December 31, 2019</u>				
Expected loss rate	0.011%~0.9%	0.06%~59%	25%~100%	
Total book value	\$ 1,181,994	\$ 280,468	\$ 21,540	\$ 1,484,002
<u>March 31, 2019</u>				
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

- I. The balance of allowance for loss and movements are as follows:

	2020	
	Accounts receivable	Notes receivable
At January 1	\$ 5,471	\$ -
Reversal of impairment	(51)	-
Effect of exchange rate changes	26	-
At March 31	<u>\$ 5,446</u>	<u>\$ -</u>

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

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

(5) Inventories

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,697,709	(\$ 28,113)	\$ 1,669,596
Work in progress	462,911	(663)	462,248
Finished goods	397,485	(2,338)	395,147
	<u>\$ 2,558,105</u>	<u>(\$ 31,114)</u>	<u>\$ 2,526,991</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,301,090	(\$ 25,263)	\$ 1,275,827
Work in progress	335,478	(471)	335,007
Finished goods	454,874	(3,049)	451,825
	<u>\$ 2,091,442</u>	<u>(\$ 28,783)</u>	<u>\$ 2,062,659</u>

	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
	<u>\$ 2,150,505</u>	<u>(\$ 58,255)</u>	<u>\$ 2,092,250</u>

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

	Three months ended March 31,	
	2020	2019
Cost of goods sold	\$ 2,394,713	\$ 3,015,468
Revenue from disposal of scraps	-	(16,363)
Loss on (gain on reversal of) decline in market value of inventory	2,331	(21,636)
	<u>\$ 2,397,044</u>	<u>\$ 2,977,469</u>

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, 2020	December 31, 2019	March 31, 2019
Non-current items:			
Equity instruments			
Listed stocks	\$ 105,480	\$ 105,480	\$ 146,437
Others	1,125	1,125	1,125
	106,605	106,605	147,562
Valuation adjustments	1,406	7,559	23,704
	<u>\$ 108,011</u>	<u>\$ 114,164</u>	<u>\$ 171,266</u>

- 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 \$108,011, \$114,164 and \$171,266 as at March 31, 2020, December 31, 2019 and March 31 2019, 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. 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,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive (loss) income	(\$ 6,153)	\$ 8,111

- C. 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, 2020	December 31, 2019	March 31, 2019
Taiwan IC Packaging Corp.	\$ 95,941	\$ 97,434	\$ 100,791

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

Associate name	Principal place of business	Shareholding ratio			Nature of relationship	Method of measurement
		March 31, 2020	December 31, 2019	March 31, 2019		
Taiwan IC Packaging Corp.	Taiwan	12.74%	12.74%	12.74%	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

	<u>Taiwan IC Packaging Corp.</u>		
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current assets	\$ 879,728	\$ 902,115	\$ 950,191
Non-current assets	1,181,104	1,187,726	1,132,609
Current liabilities	(220,374)	(237,849)	(217,789)
Non-current liabilities	(87,018)	(88,566)	(90,203)
Total net assets	<u>\$ 1,753,440</u>	<u>\$ 1,763,426</u>	<u>\$ 1,774,808</u>
Share in associate's net assets	\$ 223,414	\$ 224,686	\$ 226,136
Net equity differences	(127,473)	(127,252)	(125,345)
	<u>\$ 95,941</u>	<u>\$ 97,434</u>	<u>\$ 100,791</u>

Statement of comprehensive income

	<u>Taiwan IC Packaging Corp.</u>	
	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ 273,914	\$ 249,507
Loss for the period from continuing operations	(\$ 9,986)	(\$ 39,278)
Total comprehensive loss	<u>(\$ 9,986)</u>	<u>(\$ 39,278)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

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

<u>Investee Company</u>	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Taiwan IC Packaging Corp.	<u>(\$ 1,082)</u>	<u>(\$ 5,010)</u>

D. The Group's investment in Taiwan IC Packaging Corporation has quoted market price. The fair value of Taiwan IC Packaging Corporation was \$140,663, \$187,366 and \$169,771 as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

(8) Property, plant and equipment

	2020						
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>							
Cost	\$ 727,072	\$ 2,582,168	\$ 479,560	\$ 25,696	\$ 30,700	\$ 58,042	\$ 3,903,238
Accumulated depreciation	-	(1,144,423)	(245,826)	(8,675)	(23,730)	(42,430)	(1,465,084)
	<u>\$ 727,072</u>	<u>\$ 1,437,745</u>	<u>\$ 233,734</u>	<u>\$ 17,021</u>	<u>\$ 6,970</u>	<u>\$ 15,612</u>	<u>\$ 2,438,154</u>
Opening net book amount as at January 1	\$ 727,072	\$ 1,437,745	\$ 233,734	\$ 17,021	\$ 6,970	\$ 15,612	\$ 2,438,154
Additions (including transfers)	-	5,070	2,215	-	158	3,923	11,366
Disposals	-	-	(38)	-	-	-	(38)
Depreciation charge	-	(26,485)	(19,093)	(1,021)	(630)	(1,874)	(49,103)
Net exchange differences	<u>1,233</u>	<u>(5,248)</u>	<u>(11)</u>	<u>(31)</u>	<u>(47)</u>	<u>(27)</u>	<u>(4,131)</u>
Closing net book amount as at							
March 31	<u>\$ 728,305</u>	<u>\$ 1,411,082</u>	<u>\$ 216,807</u>	<u>\$ 15,969</u>	<u>\$ 6,451</u>	<u>\$ 17,634</u>	<u>\$ 2,396,248</u>
<u>At March 31</u>							
Cost	\$ 728,305	\$ 2,575,183	\$ 476,487	\$ 25,656	\$ 30,425	\$ 56,370	\$ 3,892,426
Accumulated depreciation	-	(1,164,101)	(259,680)	(9,687)	(23,974)	(38,736)	(1,496,178)
	<u>\$ 728,305</u>	<u>\$ 1,411,082</u>	<u>\$ 216,807</u>	<u>\$ 15,969</u>	<u>\$ 6,451</u>	<u>\$ 17,634</u>	<u>\$ 2,396,248</u>

	2019						
	Land	Buildings and structures	Machinery	Vehicles	Office equipment	Others	Total
<u>At January 1</u>							
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)
	<u>\$ 728,476</u>	<u>\$ 1,559,536</u>	<u>\$ 264,494</u>	<u>\$ 18,774</u>	<u>\$ 8,827</u>	<u>\$ 19,386</u>	<u>\$ 2,599,493</u>
Opening net book amount as at January 1	\$ 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 as at March 31	<u>\$ 728,593</u>	<u>\$ 1,548,838</u>	<u>\$ 260,331</u>	<u>\$ 17,784</u>	<u>\$ 8,098</u>	<u>\$ 19,071</u>	<u>\$ 2,582,715</u>
<u>At March 31</u>							
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)
	<u>\$ 728,593</u>	<u>\$ 1,548,838</u>	<u>\$ 260,331</u>	<u>\$ 17,784</u>	<u>\$ 8,098</u>	<u>\$ 19,071</u>	<u>\$ 2,582,715</u>

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

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 amounts of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 165,103	\$ 175,858	\$ 94,878
Buildings	58,842	63,145	64,282
Transportation equipment (business vehicles)	1,394	2,047	2,883
	<u>\$ 225,339</u>	<u>\$ 241,050</u>	<u>\$ 162,043</u>

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 9,774	\$ 9,562
Buildings	4,187	4,311
Transportation equipment (business vehicles)	223	264
	<u>\$ 14,184</u>	<u>\$ 14,137</u>

C. For the three months ended March 31, 2020 and 2019, the additions to right-of-use assets were \$313 and \$0, respectively.

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

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 517	\$ 278
Expense on short-term lease contracts	2,351	959
Expense on leases of low-value assets	383	395

E. For the three months ended March 31, 2020 and 2019, the Group's total cash outflow for leases were \$7,160 and \$5,605, respectively.

(10) Leasing arrangements-lessor

- A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 1 to 3 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, 2020 and 2019, the Group recognized rent income in the amount of \$9,498 and \$10,990, respectively, 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:

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>
2020	\$ 29,338	2020	\$ 36,348	2019	\$ 35,134
2021	24,228	2021	21,828	2020	41,431
2022	2,400	2022	-	2021	21,828
	<u>\$ 55,966</u>		<u>\$ 58,176</u>		<u>\$ 98,393</u>

(11) Investment property

	<u>2020</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1</u>			
Cost	\$ 2,268,726	\$ 446,392	\$ 2,715,118
Accumulated depreciation	-	(104,826)	(104,826)
	<u>\$ 2,268,726</u>	<u>\$ 341,566</u>	<u>\$ 2,610,292</u>
Opening net book amount as at January 1	\$ 2,268,726	\$ 341,566	\$ 2,610,292
Additions	-	13,268	13,268
Depreciation charge	-	(2,968)	(2,968)
Net exchange differences	-	(552)	(552)
Closing net book amount as at March 31	<u>\$ 2,268,726</u>	<u>\$ 351,314</u>	<u>\$ 2,620,040</u>
<u>At March 31</u>			
Cost	\$ 2,268,726	\$ 457,887	\$ 2,726,613
Accumulated depreciation	-	(106,573)	(106,573)
	<u>\$ 2,268,726</u>	<u>\$ 351,314</u>	<u>\$ 2,620,040</u>

	2019		
	Land	Buildings and structures	Total
<u>At January 1</u>			
Cost	\$ 2,268,726	\$ 452,380	\$ 2,721,106
Accumulated depreciation	-	(97,527)	(97,527)
	<u>\$ 2,268,726</u>	<u>\$ 354,853</u>	<u>\$ 2,623,579</u>
Opening net book amount as at January 1	\$ 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 as at March 31	<u>\$ 2,268,726</u>	<u>\$ 353,331</u>	<u>\$ 2,622,057</u>
<u>At March 31</u>			
Cost	\$ 2,268,726	\$ 452,735	\$ 2,721,461
Accumulated depreciation	-	(99,404)	(99,404)
	<u>\$ 2,268,726</u>	<u>\$ 353,331</u>	<u>\$ 2,622,057</u>

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

	Three months ended March 31,	
	2020	2019
Rental income from investment property	<u>\$ 9,498</u>	<u>\$ 10,990</u>
Direct operating expenses arising from investment property that generated rental income	<u>\$ 2,786</u>	<u>\$ 2,648</u>
Direct operating expenses arising from investment property that did not generate rental income	<u>\$ 182</u>	<u>\$ 213</u>

B. The fair value of the investment property held by the Group was \$5,105,214, \$5,107,125 and \$4,653,956 as of March 31, 2020, December 31, 2019 and March 31, 2019, 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, 2020	December 31, 2019	March 31, 2019
Guarantee deposits paid	\$ 31,925	\$ 31,543	\$ 30,204
Prepayments for business facilities	255	16,926	25,490
Others	14,859	15,141	11,256
	<u>\$ 47,039</u>	<u>\$ 63,610</u>	<u>\$ 66,950</u>

(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 \$148 and \$173 for the three months ended March 31, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 amount to \$1,415.

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 a 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, 2020 and 2019 were \$10,628 and \$10,868, respectively.

(14) Share capital

A. As of March 31, 2020, 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 \$4,290,617 with par value of \$10 per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares (shares in thousands) outstanding are as follows:

	<u>2020</u>	<u>2019</u>
At January 1	429,248	430,762
Purchase of treasury shares	(186)	-
At March 31	<u>429,062</u>	<u>430,762</u>

B. Treasury shares

(a) To enhance the Company's credit rating and stockholders' equity, on November 7, 2019, the Board of Directors resolved to repurchase and retire 3 million ordinary shares. The repurchase period is from November 8, 2019 to January 7, 2020, and the price ranged between \$49 and \$97 in dollars per share. The details are as follows:

<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Numbers of shares (in thousands)</u>	<u>Carrying amount</u>
The Company	Enhance the Company's credit rating and stockholders' equity	1,700	\$ 130,621

On March 5, 2020, the Board of Directors during its meeting resolved to retire treasury shares for capital reduction with the effective date set on March 31, 2020. The registration was completed on April 15, 2020.

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, 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. The Board of Directors is authorized by the shareholders to resolve the appropriation of cash dividends and cash payment from capital surplus by a resolution adopted by a majority vote at its meeting attended by two-thirds of the total number of directors, which will then be reported to the shareholders.
- 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 dividends 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, 2019 have been proposed by the Board of Directors on March 5, 2020 and the cash appropriation of earnings and cash payment from capital surplus for the year ended December 31, 2018 have been resolved at the shareholders' meeting on June 12, 2019. Details are summarized below:

	<u>Year ended December 31, 2019</u>		<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 172,897		\$ 208,199	
Special reserve	69,330		14,325	
Cash dividends	<u>1,544,622</u>	\$ 3.60	<u>1,895,351</u>	\$ 4.40
	<u>\$ 1,786,849</u>		<u>\$ 2,117,875</u>	
		<u>Cash payment per share (in dollars)</u>		<u>Cash payment per share (in dollars)</u>
Cash payment from capital surplus	<u>\$ 386,156</u>	\$ 0.90	<u>\$ 258,458</u>	\$ 0.60

Actual distribution of retained earnings for 2018 was in agreement with the amounts resolved at the stockholders' meeting. The appropriation for cash dividends from 2019 earnings and cash payment from capital surplus have been resolved by the Board of Directors during its meeting on March 5, 2020, but have not yet been reported to the shareholders. Related liabilities were shown as other payables. The appropriations for legal reserve and special reserve from 2019 earnings have yet to be resolved at the shareholders' meeting.

(17) Other equity items

	2020		
	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
At January 1	\$ 7,559	(\$ 138,461)	(\$ 130,902)
Revaluation - gross	(6,153)	-	(6,153)
Currency translation differences	-	(15,195)	(15,195)
Effect from income tax	-	3,039	3,039
At March 31	<u>\$ 1,406</u>	<u>(\$ 150,617)</u>	<u>(\$ 149,211)</u>

	2019		
	Unrealized gain or loss on valuation	Exchange differences on translation of foreign financial statements	Total
At January 1	\$ 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	<u>\$ 23,704</u>	<u>(\$ 55,286)</u>	<u>(\$ 31,582)</u>

(18) Operating revenue

	Three months ended March 31,	
	2020	2019
Sales revenue	<u>\$ 3,220,410</u>	<u>\$ 3,679,919</u>

A. Disaggregation of revenue from contracts with customers

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

Three months ended March 31, 2020	Electronic products					Total
	Taiwan	Asia	America	Europe	Others	
Revenue from external customer contracts	\$ 839,567	\$ 1,053,100	\$ 307,203	\$ 782,213	\$ 238,327	\$ 3,220,410

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

B. Contract assets and liabilities

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

(19) Other income

	Three months ended March 31,	
	2020	2019
Interest income	\$ 24,225	\$ 57,024
Rental income	9,498	10,990
	<u>\$ 33,723</u>	<u>\$ 68,014</u>

(20) Other gains and losses

	Three months ended March 31,	
	2020	2019
Loss on disposal of property, plant and equipment	(\$ 38)	\$ -
Net gain on financial assets at fair value through profit or loss	3,346	1,437
Net currency exchange gain	39,914	28,818
Royalty refund	78,251	-
Others	2,954	780
	<u>\$ 124,427</u>	<u>\$ 31,035</u>

(21) Expenses by nature

	Three months ended March 31,	
	2020	2019
Wages and salaries	\$ 338,037	\$ 313,183
Labor and health insurance fees	29,246	32,342
Pension costs	10,776	11,041
Other personnel expenses	14,233	14,889
Depreciation on property, plant and equipment (including investment property and right-of-use assets)	66,255	67,427

- 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, 2020 and 2019, employees' compensation was accrued at \$6,036 and \$4,840, respectively; while directors' remuneration was accrued at \$845 and \$678, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 0.2% of distributable profit of current period for the three months ended March 31, 2020. The difference between employees' compensation and directors' remuneration as resolved by the Board of Directors and the amounts recognized in the 2019 financial statements by \$714 and \$206, respectively, will be adjusted in profit or loss for 2020. The employees' compensation and directors' and supervisors' remuneration for 2019 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,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 82,404	\$ 92,312
Prior year income tax underestimation	375	81
Total current tax	<u>82,779</u>	<u>92,393</u>
Deferred tax:		
Origination and reversal of temporary differences	32,959	2,677
Total deferred tax	<u>32,959</u>	<u>2,677</u>
Income tax expense	<u>\$ 115,738</u>	<u>\$ 95,070</u>

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

	Three months ended March 31,	
	2020	2019
Exchange differences on translation of foreign financial statements	(\$ 3,039)	\$ 5,470

- B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(24) Supplemental cash flow information

Financing activities with no cash flow effects:

	Three months ended March 31, 2020
Cash dividends	\$ 1,544,622
Cash payment from capital surplus	386,156
Less: Shown as other payables	(1,930,778)
Financing cash flows	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Taiwan IC Packaging Corporation	Associate accounted for using equity method
Won Chin Investment Inc. (Won Chin)	Major stockholder
Cheng Chuan Technology Development Inc. (Cheng Chuan)	Major stockholder (Note)

Note: Cheng Chuan is no longer a related party of the Group since March 5, 2020.

(2) Significant transactions and balances with related parties

A. Operating revenue

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods		
Associates accounted for using the equity method	<u>\$ 631</u>	<u>\$ -</u>

The sales prices charged to related parties are approximate to those charged to third parties. The credit term to Taiwan IC Packaging Corporation is 30 days after receipt of goods. The credit term to third parties is 30 to 60 days after monthly billings.

B. Purchases

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods		
Associates accounted for using equity method	<u>\$ 57,633</u>	<u>\$ 52,012</u>

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.

C. Receivables from related parties:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable:			
Associates accounted for using equity method	<u>\$ 595</u>	<u>\$ 8</u>	<u>\$ -</u>

The receivables from related parties arise mainly from sale transactions. The credit term to Taiwan IC Packaging Corporation is 30 days after receipt of goods. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Payables to related parties

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable			
Associates accounted for using equity method	<u>\$ 35,624</u>	<u>\$ 52,828</u>	<u>\$ 26,622</u>

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

E. Leasing arrangements - lessee

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 with a lease term of 3 years from June 12, 2019 to June 11, 2022. The annual rental payment is \$37,058 (excluding tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by Sinyi Real Estate 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. As of March 31, 2020, December 31, 2019 and March 31, 2019, the balance of related right-of-use assets and lease liabilities amounted to \$79,364, \$88,521, and \$0 as well as \$73,257, \$73,050 and \$0, respectively.

(3) Key management compensation

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other employee benefits	<u>\$ 8,630</u>	<u>\$ 6,330</u>

8. PLEDGED ASSETS

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

	<u>Book value</u>			
<u>Pledged assets</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	<u>Pledge purpose</u>
Property, plant and equipment	<u>\$ 151,523</u>	<u>\$ 150,499</u>	<u>\$ 153,257</u>	Collateral for general credit limit granted by financial institutions

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of March 31, 2020, except for the provision of endorsements and guarantees mentioned in Note 13(1) B and the lease contract described in Note 6(9), there are no other significant commitments.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,305,725	\$ 2,581,509	\$ 625,328
Financial assets at fair value through other comprehensive income	108,011	114,164	171,266
Financial assets at amortised cost			
Cash and cash equivalents	793,494	1,233,407	1,470,646
Financial assets at amortised cost	9,298,399	8,059,009	10,204,124
Notes receivable	-	3,054	775
Accounts receivable (including related parties)	1,533,427	1,478,539	1,928,032
Other receivables	114,074	124,077	99,616
Refundable deposits	31,925	31,543	30,204
	<u>\$ 14,185,055</u>	<u>\$ 13,625,302</u>	<u>\$ 14,529,991</u>

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Accounts payable (including related parties)	\$ 1,481,071	\$ 1,058,178	\$ 1,087,054
Other payables	2,183,320	267,116	238,375
	<u>\$ 3,664,391</u>	<u>\$ 1,325,294</u>	<u>\$ 1,325,429</u>
Lease liabilities	<u>\$ 133,234</u>	<u>\$ 137,642</u>	<u>\$ 66,740</u>

B. Financial risk management policies

There was no significant change during this period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2019 for 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, 2019 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:

	<u>March 31, 2020</u>			
	<u>Foreign Currency</u>	<u>Foreign Currency Amount</u>	<u>Exchange rate</u>	<u>Book value</u>
Financial assets	USD : NTD	\$ 115,294	30.23	\$ 3,485,338
	JPY : NTD	520,802	0.2788	145,200
	EUR : NTD	1,901	33.24	63,189
	GBP : NTD	289	37.25	10,765
	USD : EUR	5,689	0.9094	171,978
	USD : HKD	682	7.7553	20,617
	USD : JPY	560	108.4290	16,929
	GBP : EUR	1,143	1.1206	42,577
Financial liabilities	USD : NTD	\$ 43,374	30.23	\$ 1,311,196

December 31, 2019

	Foreign Currency	Foreign Currency		
		Amount	Exchange rate	
Financial assets	USD : NTD	\$ 129,528	29.98	\$ 3,883,249
	JPY : NTD	1,051,209	0.2760	290,134
	EUR : NTD	4,963	33.59	166,707
	GBP : NTD	1,045	39.36	41,131
	HKD : NTD	6,000	3.849	23,094
	USD : EUR	4,319	0.8925	129,484
	USD : HKD	971	7.7890	29,111
	USD : JPY	759	108.6232	22,755
Financial liabilities	USD : NTD	\$ 27,029	29.98	\$ 810,329

March 31, 2019

	Foreign Currency	Foreign Currency		
		Amount	Exchange rate	
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

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, 2020 and 2019 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 \$21,741 and \$77,834 for the three months ended March 31, 2020 and 2019, 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 180 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 on 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, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,305,725	\$ -	\$ -	\$ 2,305,725
Financial assets at fair value through other comprehensive income				
Equity securities	<u>106,886</u>	<u>-</u>	<u>1,125</u>	<u>108,011</u>
	<u>\$ 2,412,611</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 2,413,736</u>
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,505,073	\$ -	\$ -	\$ 2,505,073
Financial products	-	-	76,436	76,436
Financial assets at fair value through other comprehensive income				
Equity securities	<u>113,039</u>	<u>-</u>	<u>1,125</u>	<u>114,164</u>
	<u>\$ 2,618,112</u>	<u>\$ -</u>	<u>\$ 77,561</u>	<u>\$ 2,695,673</u>

March 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
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	<u>170,141</u>	<u>-</u>	<u>1,125</u>	<u>171,266</u>
	<u>\$ 700,229</u>	<u>\$ -</u>	<u>\$ 96,365</u>	<u>\$ 796,594</u>

- 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. For the three months ended March 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- G. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- H. The financial products purchased for the three months ended March 31, 2020 and 2019 were categorised to Level 3.
- I. 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.
- J. 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 related 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.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

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,	
	2020	2019
Segment revenue	\$ 3,220,410	\$ 3,679,919
Segment income	\$ 464,120	\$ 367,669

(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. and Subsidiaries
Provision of endorsements and guarantees to others
Three months ended March 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	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, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2020 (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 subsidiary (Note 8)	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Transcend Taiwan	Transcend Japan Inc.	2	\$ 3,581,485	\$ 557,600 (JPY \$2,000,000) (In thousands)	\$ 557,600 (JPY \$2,000,000) (In thousands)	\$ -	-	3	\$ 7,162,969	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. (\$17,907,423*20%=\$3,581,485)

Note 4: The maximum outstanding endorsement/guarantee amount during and as of March 31, 2020 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. (\$17,907,423*40%=\$7,162,969)

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

Transcend Information, Inc. and Subsidiaries

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

Three months ended March 31, 2020

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, 2020				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Transcend Taiwan	Stocks							
	Dramexchange Tech Inc.	-	Non-current financial assets at fair value through other comprehensive income	60,816	\$ 1,125	1	\$ 1,125	-
	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	"	1,758,000	<u>106,886</u>	-	106,886	-
					<u>\$ 108,011</u>			
	Beneficiary certificates							
	Taishin 1699 Money Market Fund	-	Current financial assets at fair value through profit or loss	132,746,602	<u>\$ 1,805,725</u>	-	\$ 1,805,725	-
	Yuanta Taiwan High-yield Leading Company Fund B	-	Non-current financial assets at fair value through profit or loss	50,000,000	<u>\$ 500,000</u>	-	\$ 500,000	-
	Bonds							
	Yuanta Asset Management Limited	-	Current financial assets at amortised cost	-	\$ 121,918	-	\$ -	-
	Yuanta Securities Co., Ltd.	-	"	-	211,610	-	-	-
	International Bills Finance Corporation	-	"	-	<u>423,220</u>	-	-	-
					<u>\$ 756,748</u>			
	Standard Chartered Bank	-	Non-current financial assets at amortised cost	-	\$ 73,969	-	\$ -	-
	BNP Paribas	-	"	-	<u>75,174</u>	-	-	-
					<u>\$ 149,143</u>			

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. and Subsidiaries

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, 2020

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, 2020		Addition (Note 3)		Number of shares	Disposal (Note 3)			Balance as at March 31, 2020	
					Number of shares	Amount	Number of shares	Amount		Number of shares	Selling price	Book value	Gain on disposal	Number of shares
Transcend Taiwan	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	184,410,796	\$ 2,499,764	-	\$ -	51,664,194	\$ 702,313	\$ 700,329	\$ 1,984	132,746,602	\$ 1,799,435
	Capital Money Market Fund	"	-	-	-	-	18,516,004	300,000	18,516,004	300,261	300,000	261	-	-
	Yuanta Taiwan High-yield Leading Company Fund B	Non-current financial assets at fair value through profit or loss	-	-	-	-	50,000,000	500,000	-	-	-	-	50,000,000	500,000

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. and Subsidiaries

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, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote
			Sales (purchases)	Amount	Percentage of total sales (purchases)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Transcend Taiwan	Transcend Japan Inc.	The Company's subsidiary	Sales	\$ 182,354	6	120 days after monthly billings	No significant difference	30 to 60 days after monthly billings to third parties	\$ 143,125	10	-
"	Transcend Information Europe B.V.	Subsidiary of Memhiro	"	149,764	5	"	"	"	33,637	2	-
"	Transcend Information, Inc.	The Company's subsidiary	"	151,364	5	"	"	"	44,239	3	-
"	Transtech Trading (Shanghai) Co., Ltd.	Subsidiary of Memhiro	"	132,897	4	"	"	"	78,690	6	-
"	Transcend Information Trading GmbH, Hamburg	Subsidiary of Memhiro	"	132,637	4	"	"	"	8,203	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. and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Three months ended March 31, 2020

Table 5

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2020	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	\$ 143,125	4.24	\$ -	- \$	77,605	\$ -
Transcend Information (Shanghai), Ltd.	Transcend Taiwan	Ultimate parent company	399,835	-	399,835	-	-	-

Transcend Information, Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Three months ended March 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Transcend Taiwan	Transcend Japan Inc.	1	Sales	\$ 182,354	There is no significant difference in unit price from those to third parties.	6
"	"	Transcend Information Europe B. V.	"	"	149,764	"	5
"	"	Transcend Information, Inc.	"	"	151,364	"	5
"	"	Transcend Korea Inc.	"	"	82,176	"	3
"	"	Transtech Trading (Shanghai) Co., Ltd.	"	"	132,897	"	4
"	"	Transcend Information (H.K) Ltd.	"	"	56,717	"	2
"	"	Transcend Information Trading GmbH, Hamburg	"	"	132,637	"	4
"	"	Transcend Information (Shanghai), Ltd.	"	Accounts Payable	(399,835)	"	(2)
1	Transcend Information Europe B. V.	Transcend Information Trading GmbH, Hamburg	3	Sales	40,513	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. and Subsidiaries

Information on investees

Three months ended March 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2020			Net profit (loss) of the investee for the three months ended March 31, 2020	Investment income (loss) recognized by the Company for the three months ended March 31, 2020 (Note 1)	Footnote
				Balance as at March 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
				Transcend Taiwan	Saffire Investment Ltd.	B.V.I.	Investments holding company	\$ 1,202,418			
	Transcend Japan Inc.	Japan	Wholesale of computer memory modules and peripheral products	89,103	89,103	6,400	100	255,016	(1,879)	(1,879)	Note 2
	Transcend Information, Inc.	United States of America	Wholesale of computer memory modules and peripheral products	38,592	38,592	625,000	100	184,872	(6,890)	(6,890)	Note 2
	Transcend Korea Inc.	Korea	Wholesale of computer memory modules and peripheral products	6,132	6,132	40,000	100	61,744	3,437	3,437	Note 2
	Taiwan IC Packaging Corp.	Taiwan	Packaging of Semi-conductors	354,666	354,666	21,928,036	12.74	95,941	(9,986)	(1,082)	Note 5
Saffire Investment Ltd.	Memhiro Pte Ltd.	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100	1,646,277	43,353	43,353	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	219,152	(2,929)	(2,926)	Note 4
	Transcend Information Trading GmbH, Hamburg	Germany	Wholesale of computer memory modules and peripheral products	2,288	2,288	-	100	178,216	64,242	64,242	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	21,763	(689)	(689)	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. and Subsidiaries
Information on investments in Mainland China
Three months ended March 31, 2020

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, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net income (loss) of investee for the three months ended March 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2020 (Note 2)	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
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	(\$ 18,228)	100	(\$ 18,228)	\$ 1,172,760	\$ 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	826	100	826	32,134	-	-
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>										
Transcend Information (Shanghai), Ltd.	\$ 1,134,178	\$ 1,134,178	\$ -										
Transtech Trading (Shanghai) Co., Ltd.	16,310	16,310	-										
	<u>\$ 1,150,488</u>	<u>\$ 1,150,488</u>	<u>\$ 10,744,454</u>										

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.

Transcend Information, Inc. and Subsidiaries
Major shareholders information
March 31, 2020

Table 9

Name of major shareholders	Shares	
	Number of shares held	Shareholding ratio (Note)
Won Chin Investment Inc.	74,783,600	17.43
Wan An Technology Inc.	33,480,854	7.80
Cheng Chuan Technology Development Inc.	32,971,701	7.68
Wan Min Investment Inc.	29,711,397	6.92
Wan Chuan Investment Inc.	29,505,896	6.88
Yuanta/P-shares Taiwan Dividend Plus ETF	25,093,519	5.85

Note: Calculation is based on number of shares held and number of shares outstanding.