



Stock Code : 4966

# **Parade Technologies, Ltd. 2015 Annual Report**

**The annual report is available at <http://mops.twse.com.tw>**

**Parade Technologies, Ltd.**

**Printed on May 2, 2016**

**Notice to Readers:**

The reader is advised that 2015 Annual Report has been prepared originally in Chinese. The English version is directly translated from Chinese version.

## I. Spokesperson and deputy spokesperson

Spokesperson's name: Ji Zhao  
Tel: 408-329-5540

Title: Chairman & CEO  
Email: [ir@paradetech.com](mailto:ir@paradetech.com)

Deputy spokesperson  
Name: Yo-Ming Chang  
Tel: 886-2-2627-9109

Title: Sr. Internal Audit Manager  
Email: [ir@paradetech.com](mailto:ir@paradetech.com)

## II. Company Information

### 1. Head office

Name: Parade Technologies, Ltd. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 408-329-5540  
Address: P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands

### 2. Headquarter and US Subsidiary

Name: Parade Technologies, Inc. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 408-329-5540  
Address: 2858 De La Cruz Blvd., Santa Clara, CA 95050, USA

### 3. Korea Subsidiary

Name: Parade Technologies Korea, Ltd. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 82-31-714-7990  
Address: Sungok Blvd 5F, 262, Hwangsaek-ro, Sunae-Dong, Bundang-gu, Seongnam-si, Gyeonggi-do, 13595, Korea

### 4. Nanjing Subsidiary

Name: Parade Technologies, Ltd. (Nanjing) Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-25-8687-0090  
Address: 2F, B Building, No. 36 Tulip Road, Yu Hua Tai District, Nanjing, 210012 China

### 5. Shanghai Subsidiary

Name: Parade Technologies, Inc. (Shanghai) Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-21-5169-6318  
Address: 16F, 24F & 25F Xinyuan Technology Square, 418 Gui Ping Road, Shanghai 200233, China

### 6. Hong Kong Branch Office

Name: Parade Technologies, Ltd.  
Hong Kong Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 852-2763-9776  
Address: Unit 1905, 19/F., Futura Plaza, 111-113 How Ming Street, Kwun Tong, Kowloon, Hong Kong

### 7. Taiwan Branch Office

Name: Parade Technologies, Ltd.  
Taiwan Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 886-2-2627-9109  
Address: 9F., No. 71, Zhouzi St., Neihu Dist., Taipei City 114, Taiwan

### 8. Japan Branch Office

Name: Parade Technologies, Ltd.  
Japan Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 81-44-712-0507  
Address: 3F, No. 300, River Stone Dai-3 Building, 2-11-8, Mizonokuchi, Takatsu-ku, Kawasaki-shi, Kanagawa, 213-0001 Japan

### 9. Ireland Branch Office

Name: Parade Technologies (Ireland Branch Office), Ltd. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 353-021-4358568  
Address: Bldg. 1000, Unit 1302, City Gate, Mahon, T12W7CV, Cork

### 10. Washington Branch Office

Name: Parade Technologies, Inc.  
Washington Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 425-954-8168  
Address: 2700 162nd St., SW Bldg. D, Suite 301, Lynnwood, WA 98087

### 11. Beijing Branch Office

Name: Parade Technologies, Inc. (Shanghai)  
Beijing Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-10-8286-2766  
Address: Units 1110, Block C, South Tower, 2 Academy Road (S.), Raycom Info Center, Hai Dian District, Beijing, China

### 12. Shenzhen Branch Office

Name: Parade Technologies, Inc. (Shanghai)  
Shenzhen Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-755-2640-8835  
Address: Room 801, Building 3, Tower 2, Dachong Business Center, the crossing of Shen Nan Avenue and Tong Gu Road, Nanshan District, Shenzhen, China

### III. Litigation and non-litigated agent

Name: Yo-Ming Chang  
Tel: 886-2-2627-9109

Title: Sr. Internal Audit Manager  
Email: [ir@paradetech.com](mailto:ir@paradetech.com)

### IV. Directors

Title	Name	Title	Name	Nation
Chairman	Ji Zhao	Independent Director	Dennis Lynn Segers	USA
Vice Chairman	Ming Qu	Independent Director	Jen-Lin (Norman) Shen	R.O.C.
Director	Jackie Yang	Independent Director	Charlie Xiaoli Huang	USA
Director	Hao Chen			
Director	Darren Huang			
Director	Cyrus			
	Ying-Chun Tsui			

Note: Please refer to page 24-25 for education and qualification of Directors and Independent Directors.

### V. Stock Transfer Agent

Name: Transfer Agency Department of CTBC Bank Co., Ltd  
Address: 5F. No. 83, Chungching S. Road, Section 1,  
Taipei, Taiwan R.O.C.

Website: <https://ecorp.ctbcbank.com/cts/index.jsp>  
Tel: 886-2-6636-5566

### VI. Auditors

Auditors: Hsiao-Tzu Chou, Chung-Hsi Lai  
Firm: PricewaterhouseCoopers, Taiwan  
Address: 27F, International Trade Building,  
333 Keelung Road, Section 1,  
Taipei, Taiwan 110 R.O.C.

Website: <http://www.pwc.com.tw>  
Tel: 886-2-2729-6666

### VII. Name of overseas securities dealers and methods to inquire into overseas securities

Name: Luxembourg Stock Exchange

Website: <http://www.bourse.lu>

### VIII. Company website: <http://www.paradetech.com>

# Table of Contents

<b>I.</b>	<b>Letter to Shareholders .....</b>	<b>1</b>
<b>II.</b>	<b>Company Profile.....</b>	<b>4</b>
	2.1 Date of Incorporation .....	4
	2.2 Company Information .....	4
	2.3 Company Overview .....	4
	2.4 Company History.....	5
	2.5 Risk Factors .....	7
<b>III.</b>	<b>Corporate Governance .....</b>	<b>22</b>
	3.1 Company Organization.....	22
	3.2 Directors and Supervisors.....	24
	3.3 Management Team .....	29
	3.4 Corporate Governance.....	34
	3.5 Status of Personnel Responsible for Preparing Financial Reports .....	55
	3.6 Information Regarding Independent Auditors.....	55
	3.7 The Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated companies of such accounting firm, the name and position of the person, and the period during which the position was held. ....	56
	3.8 Changes in shareholding of directors, supervisors, officers and major shareholders holding more than 10% shares for the most recent year to the date of the annual report printed.....	57
	3.9 Information on the relationship between the Company's top 10 shareholders and their spouse or relatives within two degrees of consanguinity. ....	58
	3.10 Total shareholding of long-term investments held by the Company and directors, supervisors, officers and affiliates .....	58
<b>IV.</b>	<b>Capital and Shares .....</b>	<b>62</b>
	4.1 Capital and Shares .....	62
	4.2 Status of issue and private placement of "corporate bonds" (including overseas corporate bonds) .....	69
	4.3 Status of issue and private placement of "preferred shares" .....	69
	4.4 Status of participation in the issue and private placement of "overseas depositary receipts" .....	70
	4.5 Status of issue and private placement of employee stock warrants and employee restricted stock awards .....	71
	4.6 Status of mergers and acquisitions .....	79
	4.7 Status of issuing of new shares in connection with any acquisition of shares of another company .....	79
	4.8 Status of implementation of fund utilization plan .....	79
<b>V.</b>	<b>Operational Highlights.....</b>	<b>80</b>
	5.1 Business Activities .....	80
	5.2 Market, Production and Sales Overviews.....	90

5.3	Employees .....	100
5.4	Information on Environmental Protection Expenditures .....	100
5.5	Labor Relations .....	100
5.6	Corporate Social Responsibility .....	102
5.7	Important Contracts .....	104
5.8	Other Matters Requiring Supplemental Information Disclosure .....	104
<b>VI.</b>	<b>Financial Information .....</b>	<b>105</b>
6.1	Five-Year Financial Summary .....	105
6.2	Five-Year Financial Analysis .....	110
6.3	Most Recent Year's Audit Committee's Report .....	114
6.4	Most Recent Year's Consolidated Financial Statements .....	114
6.5	Most Recent Year's the parent company only financial statements .....	114
6.6	Up to the most recent two-year and the date of publication, if there are any financial difficulties among the Company and its affiliates, impacts on the Company's financial conditions shall be indicated .....	114
<b>VII.</b>	<b>Review of Financial Status, Operating Results and Risk Management .....</b>	<b>164</b>
7.1	Financial Status .....	164
7.2	Operating Results .....	165
7.3	Cash Flows .....	166
7.4	The impact of any material capital expenditures over the most recent fiscal year upon the Company's financial and operating condition .....	166
7.5	The Company's policy for the most recent fiscal year on investments in other companies, the main causes for profit/losses resulting therefrom, plans for improvement, and investment plans for the coming year .....	166
7.6	Risk Management .....	167
7.7	Other Significant Events .....	173
<b>VIII.</b>	<b>Special Disclosures .....</b>	<b>174</b>
8.1	Summary of Affiliated Companies .....	174
8.2	Most recent fiscal year and up to the date of annual report printed, issuance of private placement of securities .....	175
8.3	Most recent fiscal year and up to the date of annual report printed, acquisition or disposal of the Company's shares by its affiliates .....	176
8.4	Explanation for material difference from the provisions for the protection of shareholders' rights .....	176
8.5	Other Necessary Supplements .....	183
8.6	Up to the most recent fiscal year and the publication date, occurrence of Securities and Exchange Law, Article 36, paragraph 3, subparagraph 2, that any significant impact on shareholders' equity or securities price matters .....	184

## **I. Letter to Shareholders**

Dear Shareholders,

Year 2015 was a substantial growth year for Parade. We achieved record revenue of US\$225.93 million, or NT\$7.2 billion in 2015, which represented an increase of 10.00% year-over-year growth as compared to 2014. Leveraging our leading technology and superior product design capability, combined with our close collaboration with Tier-1 OEM customers and chip set vendors, Parade has successfully sustained our leadership position in the markets we serve.

During the past year, Parade made a significant strategic investment by acquiring the TrueTouch® Mobile touchscreen business from Cypress Semiconductor. This strategic acquisition enables Parade to market TrueTouch solutions to our customers. More importantly, the acquisition will allow Parade to integrate the touch screen controller technology with company's proprietary display driver technology to offer unique and highly integrated solutions to the rapidly growing smartphone, tablet, and notebook markets.

Along with the TrueTouch design team and sales and marketing infrastructure, the acquisition brought more than 150 patents, including pending applications, into the Parade IP portfolio, and secured IP licenses for additional 150 patents. Parade's newly expanded IP portfolio will drive the development of innovative integrated devices that will reduce unit cost and simplify design cycles, time-to-market, and supply chain management for customers in the mobile display market. The company estimates that Parade's total serviceable market reaches \$5.5 billion as a result of this strategic acquisition.

In 2015, Parade continues to strengthen the leading positions in high-speed market segment. The USB Type-C Connector with DP Alt Mode—first introduced in 2014—achieved broad market acceptance in 2015. The company continued to position itself for growth through aggressive new product introductions. Parade expanded its portfolio of devices addressing high-speed market in 2015 with the introduction of data switches (PS8740), redrivers (PS8742), and integrated switch-redriver-power controllers (PS 8750 & PS 8751) for the 'USB Type-C' market.

Parade leveraged its market leading position and extensive industry knowledge in embedded DisplayPort area to introduce two TCON devices (DP691 and DP693) for eDP version 1.4b, the latest update to the eDP standard. Working closely with Tier-1 OEM customers, Parade also developed customized eDP solutions to solve unique technical challenges faced by leading global brands for advanced display solutions, such as AMOLED displays. Parade continues to commit resources to support the development of DisplayPort standards through the company's participation in VESA (Video Electronics Standards Association), with Parade personnel serving as key contributors on VESA technical committees.

Parade's LCD driver based on Scalable Intra Panel Interface (SIPI) for use within LCD display panels—first introduced in 2014—achieved mass-market production in 2015. In addition, SIPI driver technologies and products continue winning the adoptions in the marketplace where LCD display panels demand high-speed bandwidth. For the high-speed converter area, Parade introduced new DP-to-HDMI 2.0a video protocol converters (PS175 & PS176). Finally, exploiting its acquisition of TrueTouch, Parade announced two touch screen controller families in 2015, one targeted at tablet applications (TT41X), and one targeted at smartphones (TT42X).

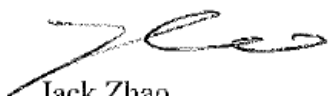
Parade's consolidated net income in 2015, including the acquisition related expense of Cypress' TrueTouch business was US\$36.03 million (NT\$1.14 billion), a decrease of 10.95% from US\$40.47 million (NT\$1.23 billion) in year 2014. Earnings per diluted share in 2015 were US\$0.47 (NT\$15.00), a decrease of 11.32% from US\$0.53 (NT\$16.15) in 2014. Gross profit margin was 40.35% as compared to 41.28% in 2014, while operating profit margin was 16.87% down from 21.25% of the prior year.

Parade believes our employees and intellectual property are the most important assets of the company. We are committed to recruiting and investing in the highest quality research & development (R&D) staff, in order to expand our technology capabilities and portfolios. As of December 31, 2015, Parade has a total of 393 employees, up 100 from 2014. Out of 393 employees, 245 were engaged in research, development and related engineering. We hold 112 granted patents and 146 patent applications pending by year-end of 2015.

Looking forward, we believe we will continue to benefit from the increasing demand for bandwidth to support innovative displays, higher speed data transmission, and lower power consumption. Our newly expanded IP portfolio enables Parade to expand our strategic focus to combine touch screen and display technologies, satisfying the increasing consumer and industrial market demand for advanced integrated solutions. With our leading position in eDP TCON

technologies and broad adoption by global tier-1 customers, we believe Parade is well positioned to generate outstanding results for our shareholders.

We appreciate the solid support from all of our shareholders!

A handwritten signature in black ink, appearing to read 'J. Zhao', with a stylized, flowing script.

Jack Zhao  
Chairman and CEO  
April 27, 2016

## **II. Company Profile**

### **2.1 Date of Incorporation**

Parade Technologies, Ltd. ("Parade", "the Company") was incorporated in the Cayman Islands in November 2005. The Company is a leading designer, developer and supplier of high performance integrated circuits, or ICs, specializing in a variety of display, touch controller and high-speed interface standards used in computers, consumer electronics and display panels.

### **2.2 Company Information**

Parade Technologies, Inc., the US subsidiary, was established in Santa Clara, California, the heart of Silicon Valley in December 2005, serving as our headquarter and assisting the Company's R&D and administration. Due to the increasingly importance and tremendous growth potential of China market, in 2006 Parade started a research center in Shanghai and established a branch office in Hong Kong as our main sales location. Given the advantages in vertical disintegration in Taiwan's well-developed IC industry, the Taiwan branch office was established in 2007, responsible for the Company's production development and customer services. In July 2011, the Korea subsidiary was established as a sales and customer support center. In May 2012, Parade also set up a R&D center in Nanjing. In August 2015, Parade had completed its acquisition of Cypress's TrueTouch Mobile business, and set up branch offices in Japan, Ireland, Washington, Beijing and Shenzhen. For more details of the Company's organization chart please refers to section 8.1 "Summary of Affiliated Companies".

### **2.3 Company Overview**

Parade is a fabless provider of high performance mixed-signal ICs targeting a broad range of high-speed interface standards, display and touch solutions. Our product portfolio is broad and includes timing controllers (T-CON), converters, repeaters, MUX, DeMUX, level shifters, touch controllers and other related solutions. Applications for our products include desktops, notebooks, monitors, tablets, smartphones and other consumer electronics and display panels. With increasing demand for massive data transmission for today's electronic devices, coupled with the gradual maturity of video technologies such as 3D, high resolution and high refresh rate, we believe the high-speed interface which enables simultaneous data and video transmission will become the market mainstream.

Parade's management team has many years of industry experience and has hence developed a strong grasp on the direction of next generation display, touch and high-speed interface standards. Taking advantage of engineering talents and operational efficiency from the United States, China and Taiwan, the Company aims to minimize the response time to the newest customer specification, perform instant Spec-In and Design-in, and provide comprehensive design solutions as well as customer support platform for our customers.

## 2.4 Company History

Year	Key Events
FY 2005	Parade Technologies, Ltd. incorporated in November 2005
	Established the US subsidiary, Parade Technologies, Inc. (Abbreviate to ‘Parade (US)’)
FY 2006	Reinvested in Parade Technologies, Inc. (Shanghai) (Abbreviate to ‘Parade (SH)’)
	through Parade (US)
	Established Parade Technologies, Ltd., Hong Kong Branch Office (Abbreviate to ‘Parade (HK)’)
	3-to-1 HDMI switch products for TV applications
FY 2007	DisplayPort 1.1 Transmitter Technology
	Established Parade Technologies, Ltd., Taiwan Branch Office (‘Parade (TW)’)
	DisplayPort 1.1 Receiver Technology
	Direct Drive Monitor TCON with 2-lane DisplayPort Receiver
	HDMI repeater for TV applications
	2 <sup>nd</sup> generation HDMI switch with integrated shadow EDID for each port
FY 2008	HDMI level shifter for PC applications
	DisplayPort Repeater for PC applications
	DisplayPort/HDMI multiplexer & de-multiplexer for PC applications
	4-lane DP TCON for All-In-One PC to support 2560x1600 30-bit color panel
FY 2009	1-lane eDP TCON for low power Notebook panels
	eDP 1.1 TCON products for Notebook applications
	DisplayPort to HDMI/DVI format converter
	eSATA/SATA-II Repeater
FY 2010	DisplayPort/ HDMI mux/ demux for switching graphics
	eDP 1.2 TCON products for Notebook applications
	QuickPort™ HDMI switch; SATA-III Repeater; eDP to LVDS format converter
	3D display technology
	SATA III 6Gb/s repeater
FY 2011	DP 1.2 (5.4Gbit/s) and FAUX
	USB 3.0 repeater
	3Gb/s HDMI jitter cleaning repeater
	DP 1.2 (5.4Gbit/s) repeater and De-multiplexer
	eDP 1.2 TCON supports high resolution display
	eDP 1.3 TCON supports 3D and/or PSR with data compression technology
	Establishment of Parade Technologies Korea, Ltd. (Abbreviate to ‘Parade (Korea)’)
	Initial Public Offering (IPO) on Taiwan GreTai Securities Market (GTSM) on September 13, 2011, and the Stock Code is 4966.

Year	Key Events
FY 2012	Standard Plus eDP TCON
	Low power 3Gb/s HDMI jitter cleaning repeater
	DP 1.2 (5.4Gbit/s) receiver and transmitter
	Low power eDP 1.2 TCON supports high resolution display
	Low power eDP 1.3 TCON supports PSR with data compression technology
	Very low power HDMI repeater
	MHL 2.0 transmitter
	Source Driver with Scalable Intra Panel Interface (SIPI)
	Establishment of Nanjing subsidiary, Parade Technologies, Ltd. (Nanjing) (Abbreviate to 'Parade (NJ)')
FY 2013	Low Power DisplayPort to VGA converters
	Standard Plus Ultra Low Power eDP TCON
	Source Driver with integrated-Stream Protocol (iSP) interface
	Low Power, Small Package USB 3.0 Repeater/Redriver
FY 2014	2 <sup>nd</sup> generation of eDP 1.3 TCON devices to continue to lead technology
	MIPI DSI receiver
	2 <sup>nd</sup> generation HDMI jitter cleaning
	Maturing Source Driver technologies with a series product offering in both SIPI and iSP protocols
	MIPI based single chip smartphone display devices
	MIPI to eDP converter
	High resolution eDP TCON to support 4K x 2K panel
FY 2015	USB Type-C with DisplayPort Alt Mode active switch with redriving (Source & Sink Applications)
	DisplayPort 1.2 to HDMI 2.0 converter supporting 60Hz 4K x 2K resolution display
	3rd Generation eDP PSR TCON supports full frame or partial frame update
	Completed acquisition of Cypress's TrueTouch Mobile Business in August 2015
	Established Parade Technologies, Ltd. Japan Branch Office ('Parade (JP)')
	Established Parade Technologies, (Ireland Branch Office) Ltd. ('Parade (IR)')
	Established Parade Technologies, Inc., Washington Branch Office ('Parade (WA)')
	Established Parade Technologies, Inc. (Shanghai) Beijing Branch Office ('Parade (BJ)')
	Established Parade Technologies, Inc. (Shanghai) Shenzhen Branch Office ('Parade (SZ)')
	TrueTocuh Integrated chips targeting smartphone and tablets
FY2016	eDP timing controllers (Tcons) for AMOLED panels support eDP 1.4b and resolutions up to 3200 x 1800

## 2.5 Risk Factors

Foreign issuing companies are required to provide information on the countries where the Company was incorporated and where the Company and subsidiaries mainly operate. The information should discuss the domestic economy, changes in political environment, foreign exchange control, taxation, relevant decree, and the risks and response measures associated with the recognition of civil judgment from our court of law; and other risk factors please refer to 7.6 Risk Management.

### (1) Country of registration: The Cayman Islands

#### I. Changes in economic and political environment

The Cayman Islands is located 268 kilometers northwest of Jamaica and 640 kilometers south of Miami in the Caribbean Seas. The Cayman Islands is a British Overseas Territory with George Town as the capital. The Cayman Islands is politically stable with English as the official language. The islands' main source of income arises from its financial service industry and tourism industry. Due to the country's tax exemptions, it is currently one of the primary financial centers in the world.

Companies registered in the Cayman Islands may be categorized as "Ordinary Company", "Ordinary Non-Resident Company", "Exempted Company", "Exempted Limited Duration Company", "Segregated Portfolio Company", "Foreign Company" and "Special Economic Zone Company". Among these companies, only exempted companies are permitted to re-domiciliation from the original place of registration, therefore, most foreign companies are exempted companies. In addition, exempted companies are not permitted to operate locally, and are mainly exercised by corporations and individuals for financial purposes. Over the years, the government of the Cayman Islands has been actively promoting its reputation in offshore financial operations with the signing of the Mutual Legal Assistance Treaty with United States and Great Britain in 1990. This treaty was aimed at preventing international crime organizations from dealing illegally through the country's financial system.

Summarizing the above, Parade Technologies, Ltd. is registered as an exempted company in the Cayman Islands, with no operations locally. The Cayman Islands has experienced long periods of political stability, and as one of the primary financial centers in the world, changes in the economic or political environment will not have major influence on the overall operation of the Company.

#### II. Foreign exchange control, taxation and related Act

The Cayman Islands has no foreign exchange restrictions. Apart from license fees, all exempted companies are free of any tax obligations. In terms of laws and regulations, exempted companies of the Cayman Islands are under the following regulations:

- (A) No business operations of exempted companies are permitted within Cayman Islands.
- (B) No exempted companies are permitted to offer shares or bonds to citizens of the Cayman Islands. Exempted companies are also not permitted to acquire ownership of land on Cayman Islands.
- (C) The Companies Law of the Cayman Islands does not require companies to hold Annual General Meetings (AGM). Companies should refer to the article of association with issues regarding the holding of AGM and board of directors meetings. On the 17th of May 2011, special resolutions were reached at the shareholders meeting, agreeing on holding the AGM within 6 months after close of each fiscal year. The Company's Article of Incorporation also states that the time and location of the AGM will be decided at the board of directors meeting. Unless otherwise specified by law, the annual general meeting will be held in the Republic of China (ROC).
- (D) In order to issue new shares, resolution needs to be reached at the board of directors meeting or shareholders meeting. The article of association limits the amount of newly issued shares to within the authorized capital amount. The issuance of new shares shall be approved by the majority of the directors present at a meeting attended by 2/3 or more of the total directors.
- (E) Exempted companies are not required to provide stock ledger for public viewing, or submit shareholder details to Cayman Islands' Registry of Companies. The Company's article of association states that the board of directors will provide stock ledgers at the Company registry (if applicable) and the office of stock transfer agent in the Republic of China, or any locations within or outside the Cayman Islands that is deemed necessary. The share ledger will contain shareholder details, the amount of shares held by each shareholder, and any other details required by the law.
- (F) Exempted companies may apply to the government of Cayman Islands for a certificate of tax exemption. For the initial application of this document, the validation period is 20 years, and application for renewal can be made before the expiration date.
- (G) Exempted companies may apply to withdraw registration and relocate company registration to another country.
- (H) Exempted companies may register as 'Exempted Limited Duration Company'. Exempted limited duration company requires at least 2 shareholders, and the maximum validation period is 30 years.
- (I) Concerning the rights of minority shareholders, there exist differences between the laws of the Cayman Islands and that of Republic of China or other judicial areas. The Company has made alterations to the article of association in order to protect the rights of investors in Taiwan. The alterations were made in accordance with ROC Securities and Exchange Act, Company Act, requisitions from competent authorities

to the extent permitted by laws and regulations of the Cayman Islands.

- (J) Unless permission is granted, the Company name may not contain the following titles: 'Bank', 'Trust', 'Mutual Fund', 'Insurance', 'Royal', 'Imperial', 'Empire', 'Assurance', 'Building Society', or 'Reinsurance'. The registration document must be written in English.
- (K) Cayman registered company shall pay annual fees and file tax return on a timely basis for maintaining the standing.
- (L) Cayman registered company shall be subject to the laws and regulations of the United Union.

Summarizing the above, due to open foreign exchange policy adopted by the Cayman Islands, there is no related control restrictions, and should not have major influence on the capital allocation of the Company. The Company has obtained a tax exemption certificate from the government of Cayman Islands. According to Tax Concession Law (1999 Revision), the tax exemption period is 20 years from the issue date of the certificate, and laws binding the taxation on profits, income, gains, and appreciations will not be applicable to the Company. Any related disbursement in accordance with Tax Concession Law may also be ignored (document of proof needs to be verified). In terms of laws and regulations, The Company will follow the rules set out in the Company's article of association and the Company Law of Cayman Islands. Concerning the rights of minority shareholders, there exist differences between the laws of Cayman Islands and that of the ROC or other judicial areas. The Company has made alterations to the article of association in order to protect the rights of investors in Taiwan. The alterations were made in accordance with ROC Securities and Exchange Act, Company Act, and all within the limits set forth by laws and regulations of the Cayman Islands. Although alterations to the Company article of association have been made, the degree of shareholder rights protection might still be different when compared to that of companies in the ROC. Please refer to section 8.4 of the annual report for details regarding the exercise of shareholder rights. The section only provides a summary of the laws and regulations applicable to the exempted company. If investors would like to more understand the impact to the operation of the Company and the impact to the investors under the detailed rules and restrictions provided by the Cayman laws and regulations and common laws, we suggest the investors should consult the professional advisors.

### III. Recognition and enforcement of the final civil judgment obtained in the ROC courts

Although there is no judicial precedent with respect to the recognition and enforcement of the final civil judgment obtained in the ROC courts, a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law in principal, without any re-examination of the merits of the underlying

dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that such judgment:

- (A) is given by a foreign court of competent jurisdiction;
- (B) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;
- (C) is final;
- (D) is not in respect of taxes, a fine or a penalty; and
- (E) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

Given the above, under the Cayman laws and regulations, if the final civil judgment obtained in the ROC courts meets the foregoing requirements, such judgment will be recognized and enforced by the Cayman courts; otherwise, it will not be recognized and enforced by the Cayman courts. Therefore, we could not exclude the risk that the final civil judgment from the court of the ROC will not be recognized and enforced in the courts of the Cayman Islands.

## (2) United States

### I. Changes in economic and political environment

In 2013, after several stimulus and the market became positive, the economy in United States had moderately recovered, the Housing Start increased, the unemployment rate fell below 7%, the domestic expenditure increased, all indicated the economy grew. Based on the forecast of IMF, most of the regional economy had experienced economic recovery driving by moderate increase of business activities, and the 2013 economic growth rate shall have increased by 1.9% in comparison to prior year, according to United States Department of Commerce.

The Federal Reserve confirmed cessation of buying bonds in October 29, 2014 after injection of its \$4.5 trillions bond-buying programme, halting a radical monetary policy introduced nearly six years ago to steer the US economy through the financial crisis.

After Federal Reserve ends QE, it directly impacts the supply of American dollars to decrease and bond yield rate to rise. This also bids up the U.S. dollar value. Rising U.S. dollars assets will attract international capital into American again, but it may reduce the internationally competitive of products export due to the interest rate rising or the U.S. dollars appreciation rapidly. Hence, the Fed has adopted “super cheap money policy” by changing foreign currency with other developed countries to secure the interest rate of U.S. dollars continually in a low level. In short, QE policy has reached the goals on increasing job opportunity and economic growth. The 2014 economic growth rate has increased by 2.4% in comparison to the prior year.

The U.S. economic environment was dynamic in 2015. In the first quarter of 2015, economic growth was restrained by factors including tepid foreign demand and harsh winter weather, reducing business investment in oil drilling, and labor dispute of West Coast port, etc as a result of only 0.6% GDP growth rate. In the second quarter, GDP growth rate reached to 3.7% due to Industries increased investment and on inventory. This also contributed a 2.2% average GDP growth in the first half of 2015. In the third quarter, a improved job market boosted consumer spending confidence and resulted in raising expenditures. The increase in consumer spending was partially offset by declines in export and private inventory investment, resulting in a 1.5% GDP growth rate. In the fourth quarter, the U.S. retail sales fell in December as unseasonably warm weather undercut purchases of winter apparel and export slowdown was affected by the strong U.S. dollar. In general, the economy only had a 0.7% growth rate. The Federal Reserve Committee announced that there has been considerable improvement in labor market in 2015, and it is reasonably confident that inflation will rise, over the medium term to its 2% objective. Given the economic outcomes, the Committee decided the to raise short-term interest rates by 0.25%-0.5% points after its meeting in December 16, 2015. Overall, the labour market remained resilient and consumer spending became the major momentum for economic growth of 2015. For the year, the U.S. economy grew 2.4% in 2015 as the same in 2014.

Based on the forecast of FED, the 2016 economic growth rate in United States shall be around 1.9%~2.5%. IMF also estimates the 2016 economic growth rate in United States shall be reached to 2.6%.

The Company specializes in the production of IC for digital image display products, touch, and product applications that are found in Notebooks and LCD monitors. Our main customers assemble the products in Asia and distribute them around the world. The United States is the world's leading market for consumers' products, so the demand for consumer products will rebound with the recovery of the US economy, providing an optimistic outlook on the business development of the group.

## II. Foreign exchange control, taxation and related Act

The US financial system has become a mature and complete financial body after long periods of evolving. Its currency market is the most developed currency market in the world, providing the most convenient platform for international financial transactions. The buying and selling of foreign currency in the United States is no longer restricted by foreign exchange controls, and the group's US operation has not encountered risks resulted from foreign exchange controls. With concerns to risks related to law and tax regulations, the group's US operation has not encountered any changes to the Company financials as a result of changes in law or tax regulations, but future changes in related laws or tax policies might have adverse effects on the Company financials. If investors would like to more understand the impact to the operation of the

Company and the impact to the investors under the detailed rules and restrictions provided by the US laws and regulations and common laws, we suggest investors should consult the professional advisors.

### III. Recognition and enforcement of the final civil judgment obtained in the ROC courts

The recognition and enforcement of the foreign judgment in California is mainly governed by the ‘Uniform Foreign-Country Money Judgments Recognition Act, Cal. Code Civ. Proc. §1713-1724’ of California (the “Act”). The Act only applies to the foreign judgments which are applied to be recognized and enforced by the California courts since January 1, 2008.

(A) In general, the foreign judgments recognized by California court shall be the judgments with respect to the payment liability or not. Such foreign judgment must be final, conclusive and enforceable without any of the following events:

- (a) It is a judgment for tax;
- (b) The judgment was related to fine, amercement, or other similar penalties;
- (c) It is a judgment regarding divorce, duties for raising, alimony or the relationship of other kinship; and
- (d) ,provided however that, the judgments regarding divorce, duties for raising, alimony or the relationship of other kinship shall not exclude the occasion that such judgments are recognized by the California courts in accordance with the Section 1723 of the Act.

(B) An action to recognize a judgment from the ROC shall be commenced within the earlier of the time during which the judgment is effective in the ROC or 10 years from the date that the judgment became effective in the ROC (Unless ROC law regulates a shorter effective period). The court of California shall not recognize a foreign-country judgment if any of the following applies:

- (a) The judgment was rendered under a judicial system that does not provide impartial tribunals or procedures compatible with the requirements of due process of law.
- (b) The foreign court did not have personal jurisdiction over the defendant, or jurisdiction over the subject matter.

In addition, the court of California is not required to recognize a foreign-country judgment if any of the following applies:

- (A) The defendant in the proceeding in the foreign court did not receive notice of the proceeding in sufficient time to enable the defendant to defend;
- (B) The judgment was obtained by fraud and the losing party was not granted the adequate time to prepare the defense;
- (C) The judgment, the cause of action or the remedies claimed was against the public policy of the state of California or the US;

- (D) The judgment conflicts with another final and conclusive judgment;
- (E) The proceeding in the foreign court was contrary to an agreement between the parties under which the dispute in question was to be determined;
- (F) The foreign court was a seriously inconvenient forum for the trial of the action (serious forum non conveniens);
- (G) The judgment was rendered in circumstances that raise substantial doubt about the integrity of the rendering court with respect to the judgment;
- (H) The specific proceeding in the foreign court leading to the judgment was not compatible with the requirements of due process of law; or
- (I) The judgment includes compensation for defamation; unless California court holds that the protections for freedom of speech and freedom of press provided by the foreign courts are not lower than that provided under the California and U.S. Constitution.

Summarizing the above, according to laws of the United States, if the conclusive civil judgment from the court of ROC meets the above provisions, it should be recognized and enforced by the court of California, otherwise there still exist the risk that the civil judgment from the court of ROC might not be recognized and enforced by the court of California.

### (3) China

#### I. Changes in economic and political environment

In 2013, the overall economy in China was affected by decrease of investments in infrastructure, and slow down of bank financing which increased financial costs, however, the 7.7% annual economic growth rate was still higher compare with the 7.5% of international market.

China confronted a downturn in real estate market and a decrease in fixed asset investments in 2014, yet China provided various loan measures to companies to ease their loan problems and shifted from an export-oriented economy towards a domestic-oriented economy, hoping to increase the scales of the public consumption and the service sector to become the driving engines of the economy. The economic growth rate was 7.4% in 2014, which still shows a relatively stable development trend.

In 2015, China's overcapacity of steel and cement industry, oversupply of housing in low-income cities, putted a reduction of investment in manufacturing and real estate. However, the adoption of a loosen fiscal and monetary policy, and increasing in personal income, facilitated a growth in consumer spending and neutralized adverse impact in slowdown of industrial production and investment. The overall economy in China's GDP was the fourth straight quarter reduction in 2015, but the 6.9% annual economic growth rate was still close to the 6.8% and 7.1% expectation of International Monetary

Fund (IMF) and World Bank.

Parade Technologies, Inc. (SH) , Parade Technologies, Ltd. (NJ), and Parade other China subsidiaries are the research and development centers with no production or sale operations, therefore, changes in China's political environment will have relatively low impact to the Company. According to International Monetary Fund (IMF) and World Bank, 2016 economic growth rate in China is expected to be 6.5% and 6.7%, respectively. This shall be favorable to the market demand of electronic devices, and which positive to our business.

## II. Foreign exchange control, taxation and related Act

In China, the exchange of Renminbi (RMB) for foreign currency is still restricted. The main regulations for foreign exchange control of China are "Regulations on the Foreign Exchange System of the People's Republic of China" and "Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions". According to relevant regulations, foreign currency is prohibited for circulation and shall not be quoted for pricing or settlement in the territory of the People's Republic of China (PRC). All foreign exchange receipts of domestic entities shall be repatriated, and according to regulations, sold to the designated foreign exchange banks or upon approval, deposited into a foreign exchange account. In addition, valid documents and commercial bills must be provided in order to engage in the sale and purchase of foreign currency with designated foreign exchange banks. Foreign funded enterprises obtaining permission to exchange RMB for foreign currency under the current account (includes the distribution of dividends to foreign investors) must provide documents related to the transaction. For RMB exchange under the capital account such as offshore direct investment or the offering or trading of securities and financial derivatives, registration at the Administration of Exchange Control is required. Laws and regulations also require permission to be obtained from competent authority or apply for a filing; procedures to obtain permission or filing should be done before the foreign currency registration. For foreign currency exchange under the capital account such as obtaining loans or withdrawing investment from China, permission from relevant foreign exchange controlling bodies should be obtained, and registration at the Administration of Exchange Control is also required.

On the 1<sup>st</sup> of January 2008, the Chinese government initiated the "Labor Contract Law" and "The Implementing Notes of China's Labor Contract Law", effective from the 18<sup>th</sup> of September 2008. The new law aims to protect the legitimate rights and interests of the workers and improve the labor system by specifying the rights and obligations of both parties to the labor contract. The following relates to relevant employment regulations, and will increase costs for corporations when employment or the labor contract is illegally terminated:

- (A) The economic compensation shall be paid to workers according to the number of years he has worked for the employer by the rate of one month's salary for each full year he worked.
- (B) During the probation period, the salary of a worker shall not be lower than the minimum salary for the same position of the same employer or lower than 80 percent of the wage as stipulated in the labor contract, nor may it be lower than the minimum wage of the locality where the entity is situated.
- (C) If the worker has worked for an uninterrupted term of ten years for the employer, or entered into two consecutive labor contracts with fixed period with the employer, the employer shall enter into the indefinite labor contract with such worker unless such worker would like to enter into a labor contract with a fixed period again.
- (D) If an employer fails to enter into a indefinite labor contract with a worker pursuant to the relevant laws and regulations, the employer shall pay the worker double amount of his monthly salary since the time that they shall enter into the indefinite labor contract according to laws and regulations.
- (E) If an employer fails to enter into a labor contract in written form with a worker since the date of one month after the onboard date (but prior to the date of 1<sup>st</sup> anniversary of the onboard date), the employer shall pay the worker double amount of his monthly salary.
- (F) If an employer employs someone who has not duly terminated employment or the labor contract with the previous employer, the employer and such worker shall be jointly and severally laible to compensate the losses incurred by such previous employer therefrom.

On the 16<sup>th</sup> of March 2007, Mainland China passed a new enterprise taxation law, the “Law of the People's Republic of China on Income Tax of Enterprises with Foreign Investment and Foreign Enterprises”, applying a tax rate of 25% to all taxable income of foreign enterprises and also putting an end to 20 years of preferential tax treatment for foreign enterprises. The new law became effective from the 1<sup>st</sup> of January 2008. The new taxation law increased restrictions on preferential tax treatments and focused the policy on benefiting certain industries. The main tax incentives includes tax exemption for the first 2 years and 50% tax reduction in the following three, low tax rate preferential, 50% reduction in tax for exporting enterprises, reinvestment tax refund, and tax exemption on share dividend. Besides the tax rate preferential (from 15% to 25%) and tax reduction preferential (exempt for the first 2 years 50% reduction in the following 3 years) for a transitional period of 5 years, other tax preferential has been withdrew in 2008. The new tax law abolished the tax preferential for foreign investors and the tax exemptions on distributable profits. When companies in the Mainland distribute earnings to foreign investors, a dividend tax rate of 10% (institutional investors) and 20% (individual investors) will be deducted.

Parade's business is not categorized to labor-intensive industry. In China, Parade's employees mainly are R&D persons. The retaining of employees has complied with related regulations. Therefore, the proceeds of labor contract law of People's Republic of China will not have any impact for the Company. In addition, the Finance Department and Administration Department of Parade usually close monitoring the changing of related regulations and Political and Economic situation of People's Republic of China. Parade also will consult with lawyer and CPA timely to reduce the possibility of risk.

In regulations aspect, the PRC subsidiaries of Parade should follow the China Company Act and other related regulations. In this section, we only summarize the recent changes of regulations related to foreign exchange, taxation and labor law. If investors would more understand the impact for the Parade's operation and individual investors regard to the China's regulations, we suggest the investors should consult the professional advisors.

### III. Recognition and enforcement of the final civil judgment obtained in the ROC courts

In accordance with "Provisions of the Supreme Court on Recognition and Enforcement of the Civil Judgments of Courts of the Taiwan Region" (the "Provisions") as announced on June 29, 2015 and effectively from July 1, 2015, a party to the civil judgment of a court of the Taiwan Region may, in accordance with the Provisions, apply to the people's court for recognition and enforcement of the civil judgment of the relevant court of the Taiwan Region as an applicant. For the purpose for the Provisions, the term of "civil judgment of courts of the Taiwan Region" shall include the effective civil judgments, rulings, settlement transcripts, mediation transcripts, and payment orders issued by courts of the Taiwan Region, among others. A case involving an application for recognition of the civil judgment of a court of the Taiwan Region shall be accepted by the intermediate people's court or a special people's court at the place where the applicant is domiciled or habitually resides, the respondent is domiciled or habitually resides, or the relevant property is located. According to the Provisions, the civil judgment of courts of the Taiwan Region will not be recognized in any of the following events:

- (A) the civil judgment is not final;
- (B) the civil judgment has been made in the lack of presence of legal subpoena to the defendant, or under the circumstance that the defendant is incapable in legal acts and without a proper agent to represent such defendant in such case;
- (C) the civil case falls under the total jurisdiction of the people's court;
- (D) the parties in the civil action have entered into arbitration agreement previously and the parties make no waiver for the arbitration jurisdiction;
- (E) the case has had a ruling from the people's court or an arbitration award from the PRC arbitration tribunal;

- (F) the case has had a ruling from the court of the Hong Kong Special Administrative Region, the Macao Special Administrative Region or other foreign countries and such ruling has been recognized by the people's court;
- (G) the case has had an arbitration award from the arbitration tribunal of the Taiwan Region, the Hong Kong Special Administrative Region, the Macao Special Administrative Region or other foreign countries and such arbitration award has been recognized by the people's court.

The people court shall not recognize the civil judgment in case the recognition of such judgment will be in violation with the one-China principle or will impede the social public interest.

The civil judgment of courts of the Taiwan Region recognized by the people's court will have the equivalent effect to the effective judgment rendered by the people's court.

#### (4) Hong Kong

##### I. Changes in economic and political environment

The Hong Kong Special Administrative Region is located in the heart of the East-Asian region. On 1<sup>st</sup> of July 1997, due to changes in the country's constitution, Hong Kong became "The Hong Kong Special Administrative Region of the People's Republic of China". The People's Republic of China enacted "The Basic Law" to establish Hong Kong as a special administrative region, and follows the principles of "one country, two system" by maintaining the capitalist system that was embedded before sovereign rights were transferred. At the same time, The Basic law also regulates the methods of managing the Special Administrative Region in the next 50 years by promising not to apply the socialist system and policies to Hong Kong. According to The Basic Law, Hong Kong is authorized to exercise high degree of autonomy and enjoy executive, legislative, and independent judicial power and even that of final adjudication. The executive authority and legislature of the Hong Kong Special Administrative Region shall be composed of permanent residents of Hong Kong, while maintaining its status as a free port, independent taxation territory, and a global financial center.

On the economy, the government of Hong Kong is firmly committed to principles of "market leads, government facilitates" and "small government, big market". The government policy is aimed at maintaining and developing a complete law structure, regulatory system, basic infrastructure, and administrative system; this provides a fair and competitive environment to people involved in the market and allowing enterprises to fully demonstrate enterprise spirit under a free, fair, and competitive environment. The Hong Kong government is also active in promoting its economic growth and using the fast-developing Mainland as its hinterland to become an international center for commerce, trade, and finance. Hong Kong has a low interference policy on the free

market with numerous characteristics such as having a tax-free port with no trade barriers, very few economic interventions from the government, extremely low inflation, very few barriers on capital liquidity and foreign investments, very few restrictions on the financial and banking industry, very few interventions on salary and pricing, strong concepts on property rights, maintain control regulations at low levels, and very few abnormal market activities. According to the Index of Economic Freedom, in year of 2015, Hong Kong was honored as the most free economy entity for consecutive 21 years. In 2013, due to improvements in employment rate and income, the expenditure from private section arose by 4.2%, the overall exportation of commodities increased moderately, but the exportation of services increased by 5.8% and became the key driver to push the economy growth, as result the economic growth rate in Hong Kong had increased by 2.9% compared with prior year. Compared with the stronger economic growth rate in 2013, Hong Kong economic growth rate was 2.3% in 2014, and that was because its cargo export slowed due to slower economic growths in major developing countries and the public consumption increased by a small margin. In 2015, the external environment remained austere. Exports of goods and services fell 1.7% and 0.6%. In addition, dragged by the visible decline in tourist arrivals, retail sales declined 3.7%. However, due to labor market's continuous improvement, growth in private consumption expenditure accelerated to 4.8%. Overall, economic growth rate still was reached to 2.4%.

For 2016 outlook, the external environment remains challenging and the major impetus to overall economic growth will continue to depend on domestic demand. Hong Kong economic growth rate is expected to be 1~2% in 2016.

## II. Foreign exchange control, taxation and related Act

The Hong Kong economy is based on business freedom, free trade, and open policies. The Hong Kong government has no trade restrictions or foreign exchange controls.

In terms of taxation, Hong Kong has a low tax rate with relatively simple tax regulations. Direct taxation only consists of the taxation on income, salary, and corporate profits. Hong Kong does not levy capital gains tax, sales tax, tax on share dividends, or estate duty. Taxes are only levied on income derived from or within Hong Kong, and the current tax rate on profit is 16.5%. Income derived from territories outside of Hong Kong will not be levied. Hong Kong is a free port with no customs tax on imported goods with exceptions on liquor, tobacco, hydrocarbon oils, and methyl alcohol. There is no taxation on the exporting of goods from Hong Kong.

After evaluating the tax laws of Hong Kong, we have not observed any influence on the Company's financials as result of changes to relevant laws or tax regulations. In the future, besides collecting information on the changes in relevant tax laws and policies of Hong Kong that may affect the Company's business and financials, we will

also seek professional opinions and take relevant precautions in order to reduce tax related risks.

In regulations aspect, as Parade has a branch office at Hong Kong and should follow the Hong Kong Company Act and other related regulations. In this section, we only summarize the recent changes of regulations related to foreign exchange and taxation. If investors would more understand the impact for the Parade's operation and individual investors regard to the Hong Kong's regulations, we suggest the investors should consult the professional advisors.

### III. Recognition and enforcement of the final civil judgment obtained in the ROC courts

There is no mutual agreement between Hong Kong and Taiwan on the recognition of civil judgment from each country. There has not been a clear decision from the court of Hong Kong on issues related to the recognition and execution of civil judgment from the court of Taiwan. The court of Hong Kong may recognize orders from the court of Taiwan when the following conditions are met:

- (A) The right with regarding the order is a purely private right
- (B) Recognition of the court order is in line with public justice, law and order, and common sense.
- (C) Recognition of relevant orders does not violate public policies of Hong Kong or with animosity towards the legal sovereign of the People's Republic of China.

(The above list is not exhaustive.)

In addition, when considering the recognition of civil judgment, the court of Hong Kong will adopt international principles under the common law and the procedural examination, which includes but is not restricted to:

- (A) Whether the court has judicial jurisdiction on the case
- (B) Whether the respondent has received a notice to respond and given enough time to prepare.
- (C) Whether the judgment is effective and can be enforced.
- (D) Whether recognizing the judgment will cause harm to the court or the public order in that area.

Summarizing the above, currently the court of Hong Kong is only recognizing civil judgments from the court of Taiwan when certain conditions are met. If the conclusive civil judgment from the court of Taiwan meets the conditions mentioned previously, the judgment would be recognized and enforced by the court of Hong Kong, otherwise, we must not rule out the risks that the civil judgment from the court of Taiwan might not be recognized and enforced by the court of Hong Kong.

## (5) Taiwan

### I. Changes in economic and political environment

Taiwan is a democratic country that has thrived in the area of political power and civil liberty, and was also ranked highly on the political freedom index by the Freedom House. Not only is Taiwan politically free and stable, it also stood out in the ratings of “Government Effectiveness” and “Regulatory Quality”. According to an evaluation by the World Bank on 212 countries or regions in the world, Taiwan was ranked in the top 20%. In addition, the Taiwan banking system has abundant liquid capital, surplus in current account, large foreign currency reserve, and low in foreign and average debt, therefore, the economic body of Taiwan is sound and possesses long-term investment value when compared to other emerging countries in the world. According to The Global Competitiveness Report issued by WEF in September 2015, Taiwan ranked 15th place among 140 countries. Based on the Evaluation Report on Investment-Environment Risk released by BERI in 2015, Taiwan ranked 5th.

However, in 2015, due to Global commodity demand subdued, China’s supply chain procurement locally, and global crude oil price falling, resulted in Taiwan export drop for the 11th straight month. In general, Taiwan government has adopted several strategies to stimulate domestic economic growth, but it seems difficult to see a significant improvement for a short period of time under a long-term dependence on export. In spite of 3C new products continually inducted to Taiwan market to stimulate some domestic growth, the buying power was still insufficient. As export deteriorated at a faster rate than import, overall economic growth was only 1.7%. According to Institute of Economic, Academia Sinica, for 2016 outlook, slump in crude oil price, lower cost of international raw material and stronger US dollar will boost a downside risk in emerging market of developing countries and give an uncertainty of Taiwan economic recovery. In addition, China red supply chain also bring a high uncertainty to Taiwan export recovery. Overall, Taiwan economic growth rate is expected to be 1.27%.

### II. Foreign exchange control, taxation and related Act

Due to Taiwan’s small economic body, since establishment, the Taiwan foreign exchange market has always adopted the “floating exchange rate system”. The central bank has taken a dynamic stance regulating foreign exchange, and the government will only intervene in situations where stability of the economic and financial environment is adversely affected. These situations include excess volatility and disorderly changes in the foreign exchange rate, emerging of abnormal factors (such as significant movement in short term capital), or seasonal factors causing excessive volatility to the foreign exchange rate. Otherwise, the exchange rate of the New Taiwan Dollar for United States Dollar is largely determined by the demand and supply of the market. Taiwan no longer

has foreign exchange controls except for finance related foreign exchange remittances, and they are as follows:

- (A) Inward and outward remittances related to foreign trade in goods, services, or any capital transactions (includes direct investments and portfolio investments) approved by competent authority are completely liberalized.
- (B) Citizens over the age of 20 or foreign persons or companies that has obtained residence permit, are permitted annual remittances not exceeding USD 5 million and USD 50 million dollars respectively.
- (C) A single remittance not exceeding USD 100,000 by a non-resident may proceed directly to an authorized bank.

In terms of taxation, Taiwan follows “the Rule of Law” and “Doctrine of Taxation by Law”, and these laws regulate the collection of taxes in Taiwan. Taxes are collected by different tax collecting bodies and are namely national taxes (includes personal income tax, corporate income tax, business tax, securities transaction tax, estate and gift tax, and commodity and customs tax) and local taxes (such as land value tax, land value increment tax, building tax, deed tax, and stamp tax). In recent years, Taiwan has initiated its tax reform based on “low tax, simple policy”, and since 2010, the tax rate on operating profits has been reduced to 17%, matching Hong Kong as countries with the lowest tax rate in Asia.

The Company has a Taiwan branch and shall comply with the ROC Company Act and other applicable ROC laws and regulations. This section only provides a summary of the laws and regulations with respect to the foreign exchange and taxation. If investors would like to more understand the impact to the operation of the Company and the impact to the investors under the detailed rules and restrictions provided by the ROC laws and regulations, we suggest the investors should consult the professional advisors.

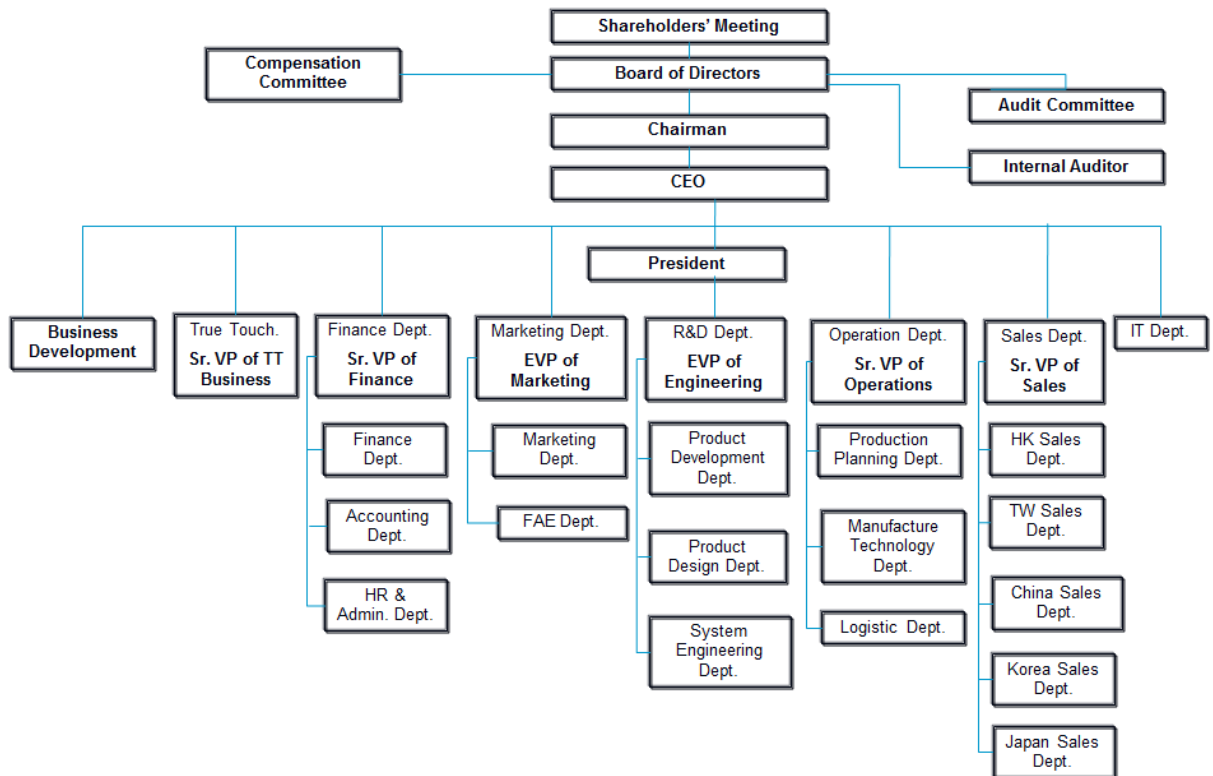
### III. Recognition and enforcement of the final civil judgment obtained in the ROC courts

The Company’s main operation is located in Taiwan; therefore, the evaluation on the recognition of civil judgment from our court of law is not applicable.

### III. Corporate Governance

#### 3.1 Company Organization

##### 3.1.1 Organizational Structure



##### 3.1.2 Main Corporate Functions

Department	Functions
Chairman	In accordance with resolutions from the Board of Directors, determine company operating principles, policies, goals, and operating plans. Present the operating plan to the board of directors, and produce operating outcomes and financials reports at each stage of the plan.
Vice Chairman	Assist Chairman in implementing business strategies, policies and targets
Chief Executive Officer	Responsible for planning, execution, and coordination of company sales operations. Manage the production and R&D functions, and command and monitor the execution of related department matters in order to achieve the operating goals of the Company.

Department	Functions
President	Manage product research, design, development, quality and reliability. Responsible for advanced technology development, intellectual property and patent rights.
Internal Audit	Examine and evaluate the internal control system, operation, and flaws in the management regulation, and adequately provide improvement suggestions and reviews in order to maintain effective implementation of management regulations and also to assist the Board of Directors on the auditing of company internal regulations and the executions.
Business Development	Plan and promote business development strategies, collect information available on market and understand the industry trend for development of new products, businesses and technologies.
True Touch	Responsible for planning, execution, and coordination of true touch business operations. Manage the marketing functions, command and monitor the execution of related department matters in order to achieve the Company goals of operations.
Finance	Functions related to the Company's finance, accounting, equity, treasury and asset management, personnel, establishment of policy and procedures, and to provide the optimal strategy for company management.
Marketing	Plan and promote marketing strategies, and collect information on the market and its trend in order to develop new products and technologies.
Operations	Responsible for tracking the progress on chips manufacturing and testing by semiconductor foundries and assembly and test foundries, and manage other outsourcing matters.
Research and Development	Responsible for product development design, circuit layout, and verification. Also responsible for the integration, examination, application, and management of patent cases.
Sales	Responsible for product sales, customer services, and market development.
IT	Responsible for information systems, software maintenance, ERP system planning, information technology support and maintenance.

## 3.2 Directors and Supervisors

### 3.2.1 Board of Directors

4/23/2016; Unit: Shares; %

Title	Nationality or Location Registered	Name	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	USA	Ji Zhao	11/15/2005	06/19/2013	3 years	2,734,499 (note 1)	5.21%	3,356,028 (note 2)	4.41%	0	0.00%	0	0.00%	EE PhD of University of California Irvine VP of Engineering at Cerdelinx Technologies President of Parade (US)	CEO of the Company CEO & Chairman of Parade (US) Chairman of Parade (SH) Chairman of Parade (NJ)	None	None	None
Vice Chairman	USA	Ming Qu	11/15/2005	06/19/2013	3 years	2,826,499	5.38%	3,320,333	4.36%	0	0.00%	0	0.00%	EE PhD of Texas A&M University CTO at Cerdelinx Technologies	President of the Company President & Executive Vice President of Engineering of Parade (US) Director of Parade (SH) Director & President of Parade (NJ)	None	None	None
Director	R.O.C.	Jackie Yang	12/29/2005	06/19/2013	3 years	122,250	0.23%	171,155	0.22%	0	0.00%	0	0.00%	MBA of University of Missouri-Columbia Senior Vice President at UMC Capital	GM of Translink Capital Director of Parade (SH) Director of Montage Tech. Group Director of Aicent, Inc. Director of Sandforce Inc.	None	None	None
Director	P.R.O.C.	Hao Chen	12/15/2010	06/19/2013	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor degree of Huazhong University of Science and Technology General Manager of Legend Advanced System Ltd. East China	Director of Legend Capital Director of Parade (SH)	None	None	None
Director	R.O.C.	Darren Huang	08/08/2007	06/19/2013	3 years	155,000	0.30%	239,007	0.31%	0	0.00%	0	0.00%	MBA of University of Michigan, Ann Arbor Bachelor degree of National Chiao Tung University of Science and Technology	Director of Amulaire Thermal Tech. Chairman of Global Compound Semi. Director of Lepro Seva Chairman of Tcera Corporation	None	None	None

Title	Nationality or Location Registered	Name	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	USA	Cyrus Ying-Chun Tsui	07/24/2007	06/19/2013	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	BSEE of University of Southern California Chairman & CEO of Lattice Semiconductor	None	None	None	None
Independent Director	USA	Dennis Lynn Segers	01/03/2007	06/19/2013	3 years	90,000	0.17%	126,004	0.17%	0	0.00%	0	0.00%	BSEE of Texas A&M University CEO of Tabula, Inc. CEO of Matrix Semiconductor Senior VP of Xilinx, Inc.	Chairman of the Board of Xilinx, Inc.	None	None	None
Independent Director	R.O.C.	Jen-Lin (Norman) Shen	10/20/2010	06/19/2013	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Economics at National Chung Hsin University CFO of Motech Industries, Inc. Director, CFO & SVP of Systex Corporation	Independent Director of Parpro Corporation Independent Director of Coland Holdings Limited.	None	None	None
Independent Director	USA	Charlie Xiaoli Huang	10/20/2010	06/19/2013	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD of Carnegie Mellon University Executive Vice President and General Manager of System & Verification Group of Cadence Design Systems, Inc. CEO of CadMOS Design Technology	General Manager of OpenPOWER China, of IBM	None	None	None

Note 1: When elected, 1,069,230 of shares held are included in trust account.

Note 2: 1,262,972 of shares currently held are included in trust account.

#### Directors' shares in trust account:

Title	Name	Trustee	Shares in Trust	% of outstanding shares
Chairman	Ji Zhao	The ZG Grantor Retain Annuity Trust	1,262,972	1.66%

3.2.2 Major shareholders of the institutional shareholders: None.

3.2.3 Major shareholders of the major shareholders that are juridical persons: None.

3.2.4 Professional qualifications and independence analysis of Directors and Supervisors:

Criteria  Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independent Criteria (Note)										Concurrently Serving as an Independent Director at Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of The Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of The Company	1	2	3	4	5	6	7	8	9	10	
Ji Zhao			V				V	V	V	V	V	V	V	0
Ming Qu			V				V	V	V	V	V	V	V	0
Jackie Yang			V	V		V	V	V	V	V	V	V	V	0
Hao Chen			V	V		V	V		V	V	V	V	V	0
Darren Huang			V	V	V	V	V		V	V	V	V	V	0
Cyrus Ying-Chun Tsui			V	V	V		V	V	V	V	V	V	V	0
Dennis Lynn Segers			V	V	V	V	V	V	V	V	V	V	V	0
Jen-Lin (Norman) Shen			V	V	V	V	V	V	V	V	V	V	V	2
Charlie Xiaoli Huang			V	V	V	V	V	V	V	V	V	V	V	0

Note: Please tick the appropriate corresponding boxes if Directors and Supervisors have been met any of the following criteria during the two years term of office and prior to being elected. :

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings;
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company;
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;
- (9) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.5 Remuneration of Directors (including the Independent Directors)

4/27/2016; Unit: NTD in Thousands; %

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of Net Income		Relevant remuneration received by Directors who are also employees												Total Compensation (A+B+C+D+E+F+ G) as A % of Net Income		Compen sation Paid to Director s from Noncons olidated Affiliate s
		Base Compensation (A)		Severance Pay and Pension (B)		Directors’ Remuneration (C) (Note 1)		Allowances (D)				Compensation, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees’ Bonuses (G) (Note 1)				Employee Stock Option (H)		Employee Restricted Stock Units(I)				
		The Company	Compa nies in the Consol idated Financi al Report	The Company	Compa nies in the Consol idated Financi al Report	The Company	Companie s in the Consolida ted Financial Report	The Company	Companie s in the Consolida ted Financial Report	The Company	Companie s in the Consolida ted Financial Report	The Company	Companie s in the Consolida ted Financial Report	The Company	Companie s in the Consolida ted Financi al Report	The Company		Companies in the Consolidated Financial Report		The Company	Companie s in the Consolida ted Financial Report	The Company	Companie s in the Consolida ted Financi al Report	The Company	Companie s in the Consolida ted Financial Report	
Chairman	Ji Zhao	0	0	0	0	21,403	21,403	2,119	2,119	1.99%	1.99%	0	97,695	0	0	2,970	0	2,970	0	0	Note 2	0	0	2.32%	10.85%	None
Vice Chairman	Ming Qu																									
Director	Jackie Yang																									
Director	Hao Chen																									
Director	Darren Huang																									
Director	Cyrus Ying-Chu n Tsui																									
Independent Director	Dennis Lynn Segers																									
Independent Director	Jen-Lin (Norman) Shen																									
Independent Director	Charlie Xiaoli Huang																									

Note 1: On April 27, 2016, the Board of Directors resolved to report the allocation of 2015 employees' cash bonuses and the Directors' remuneration to 2016 Annual General Meeting on June 21, 2016.

Note 2: Total shares of Employee Share Option Certificate Obtained by Executives please see page 74.

Compensation Table

Compensation Paid to Directors	Name of Directors			
	Total Compensation (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Under NT\$ 2,000,000	Ji Zhao Ming Qu	Ji Zhao Ming Qu	Ji Zhao Ming Qu	-
NT\$2,000,000 ( includes ) ~NT\$5,000,000 ( not included )	Jackie Yang Hao Chen Darren Huang Cyrus Ying-Chun Tsui Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang	Jackie Yang Hao Chen Darren Huang Cyrus Ying-Chun Tsui Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang	Jackie Yang Hao Chen Darren Huang Cyrus Ying-Chun Tsui Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang	Jackie Yang Hao Chen Darren Huang Cyrus Ying-Chun Tsui Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang
NT\$5,000,000 ( includes ) ~NT\$10,000,000 ( not included )	-	-	-	-
NT\$10,000,000 ( includes ) ~NT\$15,000,000 ( not included )	-	-	-	-
NT\$15,000,000 ( includes ) ~NT\$30,000,000 ( not included )	-	-	-	-
NT\$30,000,000 ( includes ) ~NT\$50,000,000 ( not included )	-	-	-	-
NT\$50,000,000 ( includes ) ~NT\$100,000,000 ( not included )	-	-	-	Ji Zhao Ming Qu
Over NT\$ 100,000,000	-	-	-	-
Total	9	9	9	9

Note 1: Total remuneration paid to the directors and the names of the directors are disclosed on above compensation table.

Note 2: Total remuneration paid to the directors and the names of the directors on the companies in the consolidated financial report are disclosed on above compensation table.

3.2.6 Compensation to Supervisors: The Company has no supervisors, thus not applicable.

### 3.3 Management Team

#### 3.3.1 President, Vice President, Directors and Supervisors of the Company and its affiliates (Note 1)

4/27/2015; Unit: Shares; %

Title	Nationality or Location Registered	Name	Date Elected	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Employee Share Option Certificate Obtained by Executives
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chief Executive Officer	USA	Ji Zhao	11/15/2005	3,356,028 (Note 2)	4.41%	0	0.00%	0	0.00%	EE PhD of University of California Irvine VP of Engineering at Cerdelinx Technologies President of Parade (US)	CEO of the Company CEO & Chairman of Parade (US) Chairman of Parade (SH) Chairman of Parade (NJ)	None	None	None	Note 3
President	USA	Ming Qu	11/15/2005	3,320,333	4.36%	0	0.00%	0	0.00%	EE PhD of Texas A&M University CTO at Cerdelinx Technologies	President of the Company President & Executive Vice President of Engineering of Parade (US) Director of Parade (SH) Director & President of Parade (NJ)	None	None	None	Note 3
Sr. Vice President of Finance	USA	Judy Wang	02/22/2007	210,812	0.28%	0	0.00%	0	0.00%	MBA of San Jose State University of California California CPA Senior Director of Opnext Inc.	Sr. Vice President of Finance of Parade (US)	None	None	None	Note 3
Executive Vice President of Marketing	USA	Jingwu Jimmy Chiu	11/21/2005	1,291,128	1.70%	0	0.00%	0	0.00%	MS of Texas A&M University AVP of XGI and Trident Microsystems	Executive Vice President of Marketing of Parade (US)	None	None	None	Note 3

Title	Nationality or Location Registered	Name	Date Elected	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Employee Share Option Certificate Obtained by Executives
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Executive Vice President of Product Development	USA	Ding Lu	12/12/2005	1,288,631	1.69%	0	0.00%	0	0.00%	EE PhD of Colorado State University Engineering Director at XGI and Trident Microsystems	Supervisor of Parade (SH) Supervisor of Parade (NJ) Executive Vice President of Product Development of Parade (US)	None	None	None	Note 3
Sr. Vice President of Worldwide Sales	USA	Stephen M. Donovan	05/23/2011	0	0.00%	0	0.00%	0	0.00%	BSEE of John Moores University, Liverpool, UK. VP of Sales at SiliconBlue Vice President of World Wide Sales at Lattice Semiconductor Director of Sales for AMD	None	None	None	None	Note 3
Sr. Vice President of TrueTouch Business	USA	Joseph D. Montalbo	08/31/2015	0	0.00%	0	0.00%	0	0.00%	BEEE of the Cooper Union in New York VP of TrueTouch Business Unit at Cypress Semiconductor VP & GM of LV MOSFETs and Power MCM's at Fairchild Semiconductor SVP at Synaptics CEO of Pixim Inc.	None	None	None	None	Note 3
Sr. Vice President of Operations	USA	Randy D. Baker	02/08/2016	0	0.00%	0	0.00%	0	0.00%	Executive MBA of Stanford General Manager of Lattice Semiconductor	None	None	None	None	Note 3
Vice President of Operation & General Manager of Parade (TW)	R.O.C.	KP Yang	03/01/2010	33,926	0.04%	0	0.00%	0	0.00%	MSEE of University of Michigan, Ann Arbor Director of UMC Taiwan	General Manager of Parade (TW)	None	None	None	Note 3

Note 1: The above table includes key managers of the Company and its affiliates.

Note 2: 1,262,972 of shares held are included in trust account.

Note 3: Total shares of Employee Share Option Certificate Obtained by Executives please see page 74.

### 3.3.2 Compensation of President and Vice Presidents

#### (1) Compensation of the President and Vice Presidents (Note 1)

4/27/2016; Unit: NTD in Thousands; %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowances (C)		Employees' Bonuses (D) (Note 2)				Total Compensation (A+B+C+D) as a % of Net Income		Exercisable Employee Stock Options		Employee Restricted Stock Units(I)		Compensati on Paid to President and Vice Presidents From Non-consoli dated Affiliates
		The Company	Compani es in the Consolida ted financial report	The Company	Compani es in the Consolida ted financial report	The Company	Compani es in the Consolida ted financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company	Compani es in the Consolida ted financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)							
Chief Executive Officer	Ji Zhao	0	196,709	0	0	0	19,326	8,539	0	8,539	0	0.75%	19.62%	0	Note 3	0	Note 4	None
President	Ming Qu																	
Sr. Vice President of Finance	Judy Wang																	
Executive Vice President of Marketing	Jingwu Jimmy Chiu																	
Executive Vice President of Product Development	Ding Lu																	
Sr. Vice President of Worldwide Sales	Stephen M. Donovan																	
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo																	
Sr. Vice President of Operations	Randy D. Baker																	
Vice President of Operation & General Manager of Parade (TW)	KP Yang																	

Note 1: The above table includes President and Vice Presidents' compensation of the Company and its affiliates.

Note 2: On April 27, 2016, the Board of Directors resolved to report the allocation of 2015 employees' cash bonuses to 2016 Annual General Meeting on June 21, 2016.

Note 3: Total shares of Employee Share Option Certificate Obtained by Executives please see page 74.

Note 4: Total shares of Employee Restricted Stock Units Obtained please see page 78.

Compensation Table

Remuneration Paid to the President and Vice President	Name of President and Vice President	
	The Company	Companies in the consolidated financial report
Under NT\$ 2,000,000	Ji Zhao Ming Qu Jingwu Jimmy Chiu Ding Lu Judy Wang Stephen M. Donovan Joseph D. Montalbo Randy D. Baker KP Yang	Randy D. Baker
NT\$2,000,000 (Includes)~NT\$5,000,000 (Not Included)	—	—
NT\$5,000,000 (Includes)~NT\$10,000,000 (Not Included)	—	Joseph D. Montalbo KP Yang
NT\$10,000,000 (Includes)~NT\$15,000,000 (Not Included)	—	—
NT\$15,000,000 (Includes)~NT\$30,000,000 (Not Included)	—	Judy Wang Stephen M. Donovan
NT\$30,000,000 (Includes)~NT\$50,000,000 (Not Included)	—	Jingwu Jimmy Chiu Ding Lu
NT\$50,000,000 (Includes)~NT\$100,000,000 (Not Included)	—	Ji Zhao Ming Qu
Over NT\$100,000,000	—	—
Total	9	9

Note: The above table includes President and Vice Presidents' compensation of the Company and its affiliates.

### 3.3.3 Names of executives distributing employees' bonuses:

4/27/2016; Unit: NTD in Thousands; %

Title	Name	In Stock (Fair Market Value)	In Cash	Total	% of net income after tax
Chief Executive Officer	Ji Zhao	-	8,539	8,539	0.75
President	Ming Qu				
Sr. Vice President of Finance	Judy Wang				
Executive Vice President of Marketing	Jingwu Jimmy Chiu				
Executive Vice President of Product Development	Ding Lu				
Sr. Vice President of Worldwide Sales	Stephen M. Donovan				
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo				
Sr. Vice President of Operations	Randy D. Baker				
Vice President of Operation & General Manager of Parade (TW)	KP Yang				

Note: On April 27, 2016, the Board of Directors resolved to report the allocation of 2015 employees' cash bonuses to 2016 Annual General Meeting on June 21, 2016.

### 3.3.4 Compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

- (1) The analysis on the proportion of total remuneration to net income after tax paid to the Company's Directors, President, and Vice Presidents by the Company and its affiliates:

Unit: NTD in Thousands; %

Item	Year 2014		Year 2015	
	Amount	%	Amount	%
Remuneration of Directors, President and Vice Presidents	162,680	13.27%	199,961	17.47%
The Company's Consolidated Net Income	1,225,743	100.00%	1,144,346	100.00%

(2) The remuneration payout policy, standards and procedures that corresponds to business performance and future risks:

- ① Remuneration of Directors corresponds to the Directors' service and value to the business operations, and with reference to the salary level of industry standards.
- ② Remuneration of President and Vice Presidents corresponds to their position, corporate responsibilities, contributions to the business operations, and with reference to the salary level of similar industries as well as position standards.

### 3.4 Corporate Governance

#### 3.4.1 The state of operations of the Board of Directors, the Audit Committee and the Compensation Committee:

##### (1) The state of operations of the Board of Directors

The Board of Directors held a total of 11 meetings from the fiscal year 2015 to the printing date of this Annual Report. The attendance of Directors is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Chairman	Ji Zhao	11	0	100%	-
Vice Chairman	Ming Qu	11	0	100%	-
Director	Jackie Yang	11	0	100%	-
Director	Hao Chen	9	2	81.82%	-
Director	Darren Huang	11	0	100%	-
Director	Cyrus Ying-Chun Tsui	11	0	100%	-
Independent Director	Dennis Lynn Segers	11	0	100%	-
Independent Director	Jen-Lin (Norman) Shen	11	0	100%	-
Independent Director	Charlie Xiaoli Huang	9	2	81.82%	-

Other matters that require reporting:

- I . When matters listed in Article 14-3 of Securities and Exchange Act have occurred, and when an Independent Director has a dissenting opinion or qualified opinion, the date, series, motion content, opinions from Independent Directors, and the Company's handling on such opinions shall be noted in the minutes of the Board of Directors meeting: None
- II . The Company shall state the implementation of Directors recusing themselves from motions in their personal interests, including the name of Directors, motion content, recusing reason and voting participation:

Date (Taiwan Time)	Resolutions	Name	Reason	Voting Participation
02/04/2015	Approval of distribution of 2014 management bonus	Ji Zhao Ming Qu	They are managements in the Company.	The directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other directors and independent directors were without objection by the case.
03/04/2015	Approval of 2015 Employee Restricted Stock Plan	Ji Zhao Ming Qu	They are employees in the Company.	The directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other directors and independent directors were without objection by the case.
	Approval of 2015 Share Repurchase and Executive Incentive Plan	Ji Zhao Ming Qu	They are intended recipients of the share repurchase and employee incentives to be provided pursuant to the plan approved by this resolution.	The directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other directors and independent directors were without objection by the case.
05/05/2015	Approval of transfer of treasury shares to executives	Ji Zhao Ming Qu	They are intended recipients of the share repurchase and employee incentives to be provided pursuant to the plan approved by this resolution.	The directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other directors and independent directors were without objection by the case.
07/29/2015	Approval of 2014 employee bonus distribution	Ji Zhao Ming Qu	They are employees in the Company.	The directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other directors and independent directors were without objection by the case.
01/28/2016	Approval of distribution of 2015 management bonus	Ji Zhao Ming Qu	They are managements in the Company.	The directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other directors and independent directors were without objection by the case.
04/27/2016	Normination of independent directors nominees for re-election at Company's 2016 annual general meeting	Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang	They are the independent director nominees in the Company.	The independent directors, Dennis Lynn Segers, Jen-Lin (Norman) Shen and Charlie Xiaoli Huang, did not participate in the discussion and voting, and other directors were without objection by the case.
	Approval of transfer of treasury shares to executives	Ji Zhao Ming Qu	They are intended recipients of the treasury share pursuant to the plan approved by this resolution.	The directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other directors and independent directors were without objection by the case.

III. The evaluation of targets for strengthening of the functions of the Board (ex. Establishing the Audit Committee, enhancing information transparency, etc.) during the current and immediately preceding fiscal years, and measures taken toward achievement thereof: The Company has hold a shareholders meeting and a Board of Directors meeting on October 28, 2010, and has passed the resolution of establishing an Audit Committee with three independent directors of Dennis Lynn Segers, Jen-Lin (Norman) Shen, and Charlie Xiaoli Huang. The Company will see the necessity and invite its CPA, financial, operating, and auditing heads to sit in the meeting, and have them report annual financial statements, company's recent financial position, operation status, and internal audit results to ensure that the audit committee obtains complete and detailed information about

the Company.

(2) The state of operations of the Audit Committee

The Audit Committee has held 10 meetings from this fiscal year 2015 to the printing date of this Annual Report. The attendance of Independent Directors is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Independent Director	Dennis Lynn Segers	10	0	100%	-
Independent Director	Jen-Lin (Norman) Shen	10	0	100%	-
Independent Director	Charlie Xiaoli Huang	9	1	90%	-

Other matters that require reporting:

- I . When matters listed in Article 14-5 of Securities and Exchange Act have occurred, and a resolution didn't pass by Audit Committee but passed by a majority of not less than two-thirds of all Directors, the date, series, motion content, opinions from audit committees, and the Company's handling on such opinions shall be noted in the minutes of the Audit Committee: None
- II . The Company shall state the implementation of Audit Committees recusing themselves from motions in their personal interests, including the name of directors, motion content, recusing reason and voting participation: None
- III . Communication between the Audit Committee, internal audit director, and CPA:
  - ( I ) The internal auditor reports the results of auditing and the implementation of the follow-up report periodically as well as informs the Audit Committee immediately in case of special situation.
  - ( II ) The Company's Audit Committee will see the necessity and invite the CPA to attend the meeting and to have them report their audit result.

### (3) The state of operations of the Compensation Committee

#### (A) Member of the Compensation Committee

Title	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independent Criteria (Note)								Concurrently Serving as a Member of the compensation committee at Other Public Companies	Note
	Name	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of The Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of The Company	1	2	3	4	5	6	7	8		
Independent Director	Charlie Xiaoli Huang			v	v	v	v	v	v	v	v	v		2
Independent Director	Jen-Lin (Norman) Shen			v	v	v	v	v	v	v	v	v	2	2
Independent Director	Dennis Lynn Segers			v	v	v	v	v	v	v	v	v		2

Note1: Please tick the appropriate corresponding boxes if the members have been met any of the following criteria during the two years term of office and prior to being elected:

- ① Not an employee of the Company or any of its affiliates;
- ② Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares;
- ③ Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings;
- ④ Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
- ⑤ Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings;
- ⑥ Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company;
- ⑦ Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;
- ⑧ Not been a person of any conditions defined in Article 30 of the Company Law; and

Note2: Meets the requirement of the Article 6 item 5 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

(B) The state of operations of the Compensation Committee

- ① The Compensation Committee is comprised of three members.
- ② The term of the Compensation Committee commences from October 28, 2013 and ends on October 27, 2016.
- ③ The Compensation Committee has held 8 meetings from the fiscal year 2015 to the printing date of this Annual Report, and the attendance of Compensation Committee is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Independent Director	Charlie Xiaoli Huang	8	0	100%	None
Independent Director	Jen-Lin (Norman) Shen	8	0	100%	None
Independent Director	Dennis Lynn Segers	8	0	100%	None
Other matters that require reporting: 1. When the Board of Directors don't adopt or revise the suggestions from compensation committee, the date, series, motion content, opinions from the Board of Directors, and the Company's handling on such opinions (e.g., in case the remuneration approved by the Board of Directors is superior to the suggestions from compensation committee, describe the reason and the differences ): None 2. When a member has a dissenting opinion or qualified opinion and has written representation, the date, series, motion content, opinions from all members, and the Company's handling on such opinions: None					

(C) The responsibilities and duties of operations of the compensation committee

- ① Set up and periodically review the policies, systems, standards, and structures of the performance review and the compensation and benefits of the Company's officers and directors.
- ② Periodically assess and set up the compensation and benefits of the Company's officers and directors.
- ③ Determine the form and amount of compensation to be paid or awarded to all employees of the Company; the Committee may delegate authority to subcommittees of the Committee or to executive officers of the Company with respect to compensation determinations for persons who are not executive officers of the Company.
- ④ Retain and terminate any consultant to be used to assist the Committee in the evaluation of the CEO, executive officer and director compensation, including the authority to approve any such consultant's fees and other retention terms.
- ⑤ Annually review and approve the corporate goals and objectives relevant to CEO compensation and evaluate the CEO performance in light of these goals and objective.
- ⑥ Annually review and approve the corporate goals and objectives relevant to executive officers compensation.
- ⑦ Annually review and make recommendations to the Board with respect to adoption and approval of, or amendments to, all cash-based and equity-based incentive compensation plans and arrangements, and the shares and amounts reserved thereunder after taking into consideration the Company's strategy of long-term and equity-based compensation.
- ⑧ Make regular reports to the Board, where such reports will be provided at least quarterly.

3.4.2 The status of the Company's implementation of corporate governance, any deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, and the reasons for any deviations

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
I .Has the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?		V	The Company has had an internal control system and various regulations containing the spirit of corporate governance to implement the corporate governance. And the Company will establish its corporate governance principles depending on the needs of the Company’s operation to enforce the transparency of information and the duties of the Board of Directors, Audit Committee and Compensation Committee.	The Company has not yet established and disclosed its corporate governance principles. However the Company has had an internal control system and various regulations containing the spirit of corporate governance to implement the corporate governance. No significant difference.
II .Ownership structure and the rights and interests of shareholders ( I )Has the Company established and implemented its internal procedures for handling shareholder proposals, inquiries, disputes and litigation?		V	( I ) The Company has not yet established and implemented its internal procedures for handling shareholder proposals, inquiries, disputes and litigation. However the Company has established the spokesman and the designated person to handle shareholder's questions. If it involves legal issues, the Company will handle it with the Company’s lawyer. And the Company will establish its corporate governance principles depending on the needs of the Company’s operation.	( I ) The Company has had an internal control system to handle shareholder proposals, inquiries, disputes and litigation. No significant difference.
( II )Has the Company retained at all times a register of major shareholders who have controlling power and of the persons with ultimate control over those major shareholders?	V		( II ) The Company has acquired the list stated in the left column, and will ask the shareholder services agent to assist in providing the latest roster of principal shareholders.	( II ) No significant difference.
( III )Has the Company established and carried out risk assessments and firewalls between it and its affiliated enterprises?	V		( III ) The Company has developed regulations regarding Operational Procedures for Loaning Funds to Others, Operational Procedures for Endorsements/Guarantees, and Trading procedures with related parties and specific companies under a group enterprise to against the occurrence of financial fraud and the knock- on effect to its affiliates.	( III ) No significant difference.

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(IV) Has the Company established internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		(IV) The Company has established Rules of Conduct with Respect to Inside Information and Trading, and has advocated the policy to employees, managers and directors to reduce the risk of inside trading.	(IV) No significant difference.
III. Structure of the Board and its duties				
( I ) Has the board of directors formulated and implemented an appropriate policy on diversity of its board of directors?	V		( I ) The Board of Directors is composed of six knowledgeable and experienced directors. In order to strengthen the management functions, there are audit committee and compensation committee exist under the Board of Director. The audit committee and compensation committee are composed of 3 independent directors who have business, finance and technology industry of expertise respectively, and are capable of performing the duties required knowledge, skills and literacy. And they are with the management and operation of the judgment of experience, and could lead the Company and shareholders get the best interests.	( I ) No significant difference.
( II ) Has the Company set up functional committees in addition to the compensation committee and audit committee based on the related laws and regulations?	V		( II ) The Company has met the requirement for corporate governance implementation, and other functional committees will be set depending on the needs of the Company.	( II ) No significant difference.
( III ) Has the Company formulated rules and procedures for board of directors performance assessments and conducted regularly scheduled performance assessments?		V	( III ) The Company has not yet formulated rules and procedures for board of directors performance assessments. However, when it is necessary to be considered, the Company will follow “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the related laws and regulations.	( III ) When it is necessary to be considered, the Company will follow “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the related laws and regulations.
( IV ) Has the Company evaluated the independence and suitability of the CPA engaged by the Company regularly?	V		( IV ) CPA of the Company belong to one of the big four international accounting firms, and have already avoided any matters or persons that are in their personal interests. As for the selection and appointment of CPA, the Audit Committee has evaluated their independence and appropriateness annually.	( IV ) No significant difference.

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
IV.Has the Company established channels of communication with its stakeholders, designated a stakeholders section on its website, and properly responded the stakeholders concern on the importance corporate social responsibility?	V		The Company has designated a stakeholders section on the Company website ( <a href="http://www.paradetech.com">http://www.paradetech.com</a> ), and has the specific window ( <a href="mailto:csr@paradetech.com">csr@paradetech.com</a> ) to communicate with its related parties.	No significant difference.
V.Has the Company engaged a professional shareholder services agent to handle shareholders meeting matters?	V		The Company has engaged Transfer Agency Department of CTBC Bank as Stock Transfer Agent.	No significant difference.
VI.Information Disclosure ( I )Has the Company set up a website to disclose its financial, operational and corporate governance information?	V		( I ) The Company has disclosed operational information on the Company Website ( <a href="http://www.paradetech.com">http://www.paradetech.com</a> ) and set up a question response mechanism.	( I ) No significant difference.
( II )Has the Company adopted other methods to disclose its information (ex. set up English website, designate a person responsible for the collection and disclosure of information, implement the spokesman system, upload road show process to the company website, etc.)?	V		( II ) The Company has designated persons responsible for collecting and disclosing company information, and has set up Chinese and English Website, and implemented the spokesman system.	( II ) No significant difference.

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons																																								
	Yes	No	Description																																									
VII.Does the Company have other important information to facilitate the understanding to the Company’s practice of corporate governance (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders rights, the progress of directors and supervisors’ trainings, implementation of risk management policies and risk measurement standards, implementation of customer policies, liability insurance for directors and supervisors purchased, etc.)?	V		<p>( I ) Status of employee rights and employee wellness: Please refer to the “5.5 Labor Relations” section on page 100-102 of this annual report.</p> <p>( II ) The progress of training of directors: Directors of the Company have relevant expertise in corporate governance. In order to let directors further understand their responsibilities and obligations, the Company would also provide directors latest training information from time to time.</p> <p>Continuing Education/Training of Directors in 2015:</p> <table border="1"> <thead> <tr> <th>Director</th><th>Date</th><th>Host by</th><th>Training course</th><th>Hours</th></tr> </thead> <tbody> <tr> <td>Ji Zhao</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr> <tr> <td>Ming Qu</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr> <tr> <td>Jackie Yang</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr> <tr> <td>Hao Chen</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr> <tr> <td>Darren Huang</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr> <tr> <td>Cyrus Ying-Chun Tsui</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr> <tr> <td>Dennis Lynn Segers</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr> </tbody> </table>	Director	Date	Host by	Training course	Hours	Ji Zhao	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	Ming Qu	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	Jackie Yang	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	Hao Chen	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	Darren Huang	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	Cyrus Ying-Chun Tsui	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	Dennis Lynn Segers	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	No significant difference.
Director	Date	Host by	Training course	Hours																																								
Ji Zhao	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																																								
Ming Qu	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																																								
Jackie Yang	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																																								
Hao Chen	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																																								
Darren Huang	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																																								
Cyrus Ying-Chun Tsui	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																																								
Dennis Lynn Segers	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																																								

Items	Implementation Status							Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons															
	Yes	No	Description																				
			<table><tr><th>Director</th><th>Date</th><th>Host by</th><th>Training course</th><th>Hours</th></tr><tr><td>Jen-Lin (Norman) Shen</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr><tr><td>Charlie Xiaoli Huang</td><td>12/04/2015</td><td>Securities and Futures Institute</td><td>Hostile Takeover -- Relevant Laws and Rules &amp; Hostile Takeover – Case Study</td><td>6</td></tr></table>	Director	Date	Host by	Training course	Hours	Jen-Lin (Norman) Shen	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	Charlie Xiaoli Huang	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6	(III) Implementation of directors recusing themselves from motions in their personal interests: The Company has clearly defined regulations regarding directors’ recuse from motions in their personal interest in its articles of incorporation. (IV) Implementation of risk management policies and risk measurement standards: The Company focuses on its core business, and promotes various policies with relevant regulations to reduce and avoid any possible risks. (V) Company's purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for directors and independent directors.				
Director	Date	Host by	Training course	Hours																			
Jen-Lin (Norman) Shen	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																			
Charlie Xiaoli Huang	12/04/2015	Securities and Futures Institute	Hostile Takeover -- Relevant Laws and Rules & Hostile Takeover – Case Study	6																			
VIII.Has the Company have a self-assessment report or have a corporate governance evaluation report from a professional institution? If yes, please state the opinions and self-assessment of board of directors, or the evaluation result, major flaws and improvement from professional institutions.		V	The Company has not yet had a self-assessment report or had a corporate governance evaluation report from a professional institution. However, when it is necessary to be considered, the Company will follow “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the related laws and regulations.					When it is necessary to be considered, the Company will follow “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and the related laws and regulations.															

### 3.4.3. The status of the Company's implementation of social responsibilities

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
I .Exercising Corporate Governance				
( I )Has the Company established corporate social responsibilities policies or procedures and reviewed the results of the implementation?	V		( I ) The Company has disclosed “Corporate Social Responsibility” at the Company’s website, please refer to page 102-104, however the Company continues practicing social responsibility. Related policies will be published as deemed necessary.	( I ) No significant difference.
( II )Has the Company organized education and training on the implementation of corporate social responsibilities initiatives on a regular basis?		V	( II ) The Company has not yet organized education and training on the implementation of corporate social responsibilities initiatives on a regular basis, however the Company continues practicing social responsibility. Related policies will be published as deemed necessary.	( II ) No significant difference.
( III )Has the Company established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis?		V	( III ) The Company has not yet established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, however the Company continues practicing social responsibility. Related policies will be published as deemed necessary.	( III ) No significant difference.
( IV )Has the Company established reasonable remuneration policies to ensure that the employee performance evaluation system incorporates corporate social responsibility policies and a clear and effective incentive and discipline system?	V		( IV ) The Company participates professional salary survey held by the 3rd party and identify reasonable and competitive strategy by getting balance of market trend and corporate development. The company announces the corporate ethics through regular meetings. The implementation status is considered in employee performance appraisal system, and encouraged based on reward policy in employee handbook.	( IV ) No significant difference.

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
<p>II .Fostering a Sustainable Environment</p> <p>( I )Has the Company endeavored to utilize all resources more efficiently and used renewable materials which have a low impact on the environment?</p> <p>( II )Has the Company established proper environmental management systems based on the characteristics of its industries?</p> <p>( III )Has the Company monitored the impact of climate change on its operations and established company strategies for energy conservation and carbon and greenhouse gas reduction based on its operations and the results of a greenhouse gas inventory?</p>	V		( I ) As a fabless IC design company, the impact to the environment during operation is very minor.	( I ) No significant difference.
	V		( II ) The Company has got the certificate of SONY GP (green procurement), and conducts management with the rules.	( II ) No significant difference.
	V		( III ) The Company has set up the rules to use the air conditioner efficiently, advocate paperless office, and reduce wasting of reconomizes electrics and water resources, although there is no pollution during the operation.	( III ) No significant difference.
<p>III .Preserving Public Welfare</p> <p>( I )Has the Company established management policies and procedures in accordance with applicable laws and regulations and International Bill of Human Rights?</p> <p>( II )Has the Company established employee grievance mechanisms and responded appropriately to any employee’s grievance raised through such mechanism?</p> <p>( III )Has the Company provided safe and healthful work environments for the employees, including safety and health training to the employees on a regular basis?</p>	V		( I ) The company has followed the compliance with labor laws and Personal Information Protection Act to ensure the right of candidates and employees during the recruiting and internal management process. The Company has held regular communication meetings to meet win-win situation for both employees and the Company.	( I ) No significant difference.
	V		( II ) The Company has designated HR department, to facilitate communication between the management and the employees.	( II ) No significant difference.
	V		( III ) The Company has set up the surveillance system to ensure the safety of employee at workplace, and has provided irregular safety and health training to the employees.	( III ) No significant difference.

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(IV)Has the Company established a platform to facilitate regular communications to inform employees of operation changes that might have material impacts?	V		(IV) The Company has arranged the communication regularly. Management team will introduce the development strategy and target of company, and inform employee about the change might lead to influential impact in advance.	(IV) No significant difference.
(V)Has the Company established effective training programs for the employees to foster career skills?	V		(V) According to the different requirement of the positions and with employees’ career planning, the Company helps the employees to foster their career skills.	(V) No significant difference.
(VI)Has the Company established policies and procedures related to research and development, purchase, production, operation and services to protect consumer rights and fairly and timely handle consumer complaints?	V		(VI) The Company has maintained good relationships with customers and suppliers, and has provided efficient communication processes dealing with customers’ claim for products and services..	(VI) No significant difference.
(VII)Has the company complied with relevant laws, regulations, and international guidelines when marketing or labeling their products and services?	V		(VII) The Company has complied with relevant laws, regulations, and international guidelines when marketing or labeling their products and services.	(VII) No significant difference.
(VIII)Prior to engaging in commercial dealing, has the Company assessed whether there is any record of a supplier that may have a negative impact on the environment and society?	V		(VIII) Prior to engaging in commercial dealing, the Company has assessed whether there is any record of a supplier that may have a negative impact on the environment and society to avoid trading with the conscienceless merchant.	(VIII) No significant difference.

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(IX) Do the contracts entered with any of the major suppliers include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source?	V		(IX) The Company has the Conflict Minerals Statement and takes measures to avoid the use of Conflict Minerals, including requiring suppliers to conduct due diligence to confirm conformance and to provide investigative reports. Parade will work with the supply, if necessary, to find alternative sources for the Conflict Metals if they exist in the supplier’s product. Parade gives close attention to the issue of conflict metals, following international convention, with social responsibility and preserving the rights of customers and as our objectives.	(IX) No significant difference.
IV. Enhancing Information Disclosure ( I ) Has the Company fully disclosed relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency on the company website, MOPS, etc.?		V	( I ) The Company has not yet disclosed relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency on the company website and MOPS. However the Company has still devoted in implementing social responsibilities and will establish the related policies as deemed necessary.	( I ) When it is necessary to be considered, the Company will follow “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the related laws and regulations.
V. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has not yet set its own corporate social responsibility code of practice. However, the Company’s operation is based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”.				
VI. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: ( I ) To protect the world’s environment from the pollution, the Company’s main materials used in products follow the ROHS regulations. To ensure all products meet the requirements of customers and regulation, any dangerous material is prohibited to use in production. ( II ) The Company has got the certification of SONY GP (green procurement) and continues to reduce environmental pollution and waste, prevent damages and economize resources to reduce the risk of pollution.				
VII. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: Not applicable.				

### 3.4.4 The status of the Company's implementation of Ethical Corporate Management Best Practice Principles

Items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
I . Establishing ethical management policy and programs				
( I )Has the Company specified in its rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies?	V		( I ) The Company has clearly defined regulations regarding directors’ recuse from motions in their personal interest in its “Rules and procedures of Board Meeting”. Directors shall express their opinions regarding motions in their personal interests, but should not involve in the discussion and resolution, neither to be the representation of other directors to resolve about the motions.	( I ) No significant difference.
( II )Has the Company established and adopted programs to prevent unethical conduct and set out in each program the standard operating procedures, conduct guidelines and a well-defined disciplinary and appeal system for handling violations?	V		( II ) The company has its employee guidelines and enforces employees to sign at will agreement. Furthermore, the company organizes training and awareness programs for employees periodically to advocate and prescribe employees ethical conduct.	( II ) No significant difference.
( III )Has the Company adopted the preventive measures under the situations listed in Article 7, Paragraph 2 “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” or other business activities within its business scope which are possibly at a higher risk of unethical conduct?	V		( III ) The Company has established effective internal control system to conduct operational procedures to ensure the implement of ethical management.	( III ) No significant difference.

Items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Description	
<p>II . Carrying out ethical corporate management</p> <p>( I )Has the Company evaluated trading counterparties’ ethical record, and included terms of ethical corporate management policy in the contracts entered with the trading counterparties?</p>	V		( I ) To avoid dishonest behaviors, the Company has evaluated trading counterparties’ ethical record, and included ethical corporate management policy in contract terms.	( I ) No significant difference.
<p>( II )Has the Company established a dedicated unit under the board of directors for establishing and supervising the implementation of the ethical corporate management policies and prevention program? Has the dedicated unit reported to the board of directors on a regular basis?</p>	V		( II ) The Company has established the internal auditors under the Board of Directors to supervise if the Company follows the related laws and regulations.	( II ) No significant difference.
<p>( III )Has the Company established and implemented policies for preventing conflicts of interest and offered appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company?</p>	V		( III ) The Company has clearly defined regulations regarding directors’ recuse from motions in their personal interest in its “Rules and procedures of Board Meeting”. Directors shall express their opinions regarding motions in their personal interests, but should not involve in the discussion and resolution, neither to be the representation of other directors to resolve about the motions.	( III ) No significant difference.

Items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(IV)Has the Company established effective accounting systems and internal control systems for ethical management? Is the Company periodically audited by the internal audit unit or a certified public accountant?	V		(IV) The Company has established effective accounting systems and internal control systems for ethical management, furthermore, the internal auditors audit the compliance of the policies and procedures on periodically and report to the board of directors irregularly.	(IV) No significant difference.
(V)Does the Company hold the internal and external trainings on ethical management practices and programs periodically?	V		(V) The Company holds the internal trainings on ethical management practices and programs periodically.	(V) No significant difference.
III. Operation of whistle-blowing system				
( I )Has the Company established a concrete whistle-blowing programs, incentive measures and convenient reporting channels and appointed dedicated personnel or unit to handle reported matters?	V		( I ) The Company has designated HR department responsible for internal communication effectively.	( I ) No significant difference.
( II )Has the Company established standard operating procedures and related mechanism for whistle-blowing case acceptance?	V		( II ) The Company has designated HR department to operate procedures and the related mechanism for whistle-blowing case acceptance.	( II ) No significant difference.
( III )Has the Company adopted measures to protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	V		( III ) The Company has designated HR department to adopt measures to protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.	( III ) No significant difference.

Items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
IV. Enhancement of information disclosure ( I )Has the Company disclosed its ethical corporate management best practice principles and the effectiveness of promotion of ethical management policy on the Company websites and the Market Observation Post System (MOPS)?		V	( I ) The Company has linked MOPS website and disclosed financial information on the Company Website ( <a href="http://www.paradetech.com">http://www.paradetech.com</a> ) as its basis of ethical corporate management.	( I ) No significant difference.
V. If the Company has established its ethical corporate management best practice principles according to “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe the differences of the implementation status: Not applicable.				
VI. Other important information to facilitate better understanding of the Company’s implementation of ethical corporate management (e.g., the Company invites the companies' commercial transaction counterparties attending the training, reviewing and revising its ethical management guidelines to emphasize on the resolution to implement ethical corporate management): None				

3.4.5 If the Company has adopted corporate governance best-practice principles or related bylaws, it shall disclose how these are to be accessed:

The Company has not yet adopted corporate governance best-practice principles, but has been practically operating with the spirit of corporate governance and fulfilling relevant regulation requirements by setting Shareholders' meeting procedure rules, Board of directors meeting procedure rules, and Trading procedures with related parties and specific companies under a group enterprise. The Company will also amend relevant management policies; enhance information transparency and the function of the Board in the future to promote the operation of corporate governance.

3.4.6 Other significant information that will provide a better understanding of the state of The Company's implementation of corporate governance: None

#### 3.4.7 Major Resolutions of Shareholders' Meeting and Board Meetings

(1) Major Resolutions of Shareholders' Meeting and Board Meetings and Implementation Status:

Meetings	Date (Taiwan Time)	Major Resolutions	State of Implementation
Annual General Meeting of Members	06/25/2015	1. Approval of the 2014 Business Report 2. Approval of the Company's 2014 audited consolidated financial report 3. Approval of the 2014 profit distribution plan 4. Approval of the 2015 Employee Restricted Stock Awards Plan 5. Approval of the amendment of the Company's Amended and Restated Articles of Association	Approved Approved Approved Approved Have implemented in accordance with the resolutions

(2) Major Resolutions of Board Meetings

Meetings	Date (Taiwan Time)	Major Resolutions
Board Meeting	02/04/2015	1. Approval of distribution of 2014 management bonus
Board Meeting	03/04/2015	1. Approval of FY 2014 Draft Consolidated Financial Reports 2. Approval of Statement of Internal Control System 3. Approval of 2015 Employee Restricted Stock Awards Plan 4. Approval of 2015 Share Repurchase and Executive Incentive Plan 5. Approval of proposed date, location, and agenda of 2015 annual general meeting of members 6. Approval of shareholder's proposal right in connection with 2015 annual general meeting 7. Approval of 2014 Profit Distribution Proposal 8. Approval of certain changes to Company's memorandum and articles of association

<b>Meetings</b>	<b>Date (Taiwan Time)</b>	<b>Major Resolutions</b>
Board Meeting	05/05/2015	<ol style="list-style-type: none"> <li>1. Approval of reviewed Consolidated Financial Report for the first quarter ended 3/31/2015</li> <li>2. Report of the implementation of the 2015 Share Repurchase and Incentive Plan</li> <li>3. Approval of transfer of Treasury Shares to executives</li> <li>4. Approval of amended 2014 Profit Distribution Proposal</li> <li>5. Review and approval of the shareholder's proposal</li> <li>6. Approval of 2014 business report</li> <li>7. Additions and changes in agenda to be discussed in 2015 Annual General Meeting</li> <li>8. Approval of change of auditing and certifying CPA</li> </ol>
Board Meeting	06/10/2015	<ol style="list-style-type: none"> <li>1. Approval of waiver of seven-day prior notice</li> <li>2. Approval of project Crater Lake</li> <li>3. Approval of formation of business/operation presences in multiple jurisdictions</li> </ol>
Board Meeting	07/29/2015	<ol style="list-style-type: none"> <li>1. Approval of reviewed consolidated financial report for the first half of fiscal year 2015</li> <li>2. Approval of certain changes in the 2015 Employee Restricted Stock Awards Plan</li> <li>3. Approval of Restricted Stock Award grant</li> <li>4. Approval of 2014 Director bonus allocation and distribution</li> <li>5. Approval of 2014 employee bonus distribution</li> <li>6. Approval of 2014 cash dividend declaration and distribution</li> <li>7. Approval of repurchase and cancellation of restricted stock awards</li> <li>8. Approval of fifty million US dollars (US\$50,000,000) facility and credit line</li> <li>9. Approval of bank account opening in CTBC bank</li> <li>10. Approval of bank account opening with Sumitomo Mitsui Banking Corporation</li> <li>11. Approval of bank account opening with Bank of America in Ireland</li> </ol>
Board Meeting	09/02/2015	<ol style="list-style-type: none"> <li>1. Approval of waiver of seven-day prior notice</li> <li>2. Approval of the 2015-2 share repurchase plan</li> </ol>
Board Meeting	10/28/2015	<ol style="list-style-type: none"> <li>1. Approval of reviewed financial report for the third quarter of FY2015</li> <li>2. Approval of repurchase and cancellation of restricted stock awards</li> <li>3. Approval of the internal audit plan for FY2016</li> <li>4. Approval of fifty million US dollars (US\$50,000,000) facility and credit line</li> </ol>
Board Meeting	12/04/2015	<ol style="list-style-type: none"> <li>1. Approval and ratification of compensation committee actions</li> <li>2. Approval of Company budget for fiscal year 2016</li> <li>3. Approval of adoption of the procedures to apply for suspension and resumption of trading of the Company's stock</li> <li>4. Approval of the self-assessment of the Company's ability to prepare the financial statements</li> </ol>

<b>Meetings</b>	<b>Date (Taiwan Time)</b>	<b>Major Resolutions</b>
Board Meeting	12/04/2015	5. Approval of terms of audit engagement with PricewaterhouseCoopers for FY 2016 financial audit and FY 2016 internal control audit 6. Approval of terms of tax compliance services engagement with PricewaterhouseCoopers LLC (Hong Kong and San Francisco) for FY 2016
Board Meeting	01/28/2016	1. Approval of the distribution of 2015 management bonus 2. Approval of certain changes to the Company's memorandum and articles of association 3. Approval of repurchase and cancellation of restricted stock awards
Board Meeting	03/09/2016	1. Approval of 2015 Draft Consolidated Financial Reports 2. Approval of Statement of Internal Control System 3. Approval of 2016 Employee Restricted Stock Awards Plan 4. Re-election of Directors (Independent Directors inclusive) at the Company's 2016 Annual General Meeting of Members 5. Approval of nomination period of Independent Directors 6. Approval of proposed date, location, and agenda of the 2016 Annual General Meeting of Members 7. Approval of shareholder's proposal right in connection with the 2016 Annual General Meeting 8. Approval of 2015 Profit Distribution Proposal
Board Meeting	04/27/2016	1. Approval of reviewed Consolidated Financial Report for the first quarter ended 3/31/2016 2. Nomination of Independent Directors nominees for re-election at Company's 2016 Annual General Meeting 3. Approval of transfer of Treasury Shares to executives 4. Approval of repurchase and cancellation of restricted stock awards 5. Approval of allocation of 2015 employees' bonuses and Directors' remuneration 6. Review and approval of the shareholder's proposal 7. Approval of 2015 business report 8. Approval of Independent Directors nominees for re-election at Company's 2016 Annual General Meeting 9. Amendments to the memorandum and articles of association and adoption of new memorandum and articles of association 10. Approval of meeting agenda of 2016 Annual General Meeting

- (3) The major content of any dissenting opinion of any director or supervisor regarding any material resolution passed by the board of directors, where there is a record or written statement of such opinion, for the most recent fiscal year and up to the printing date of this annual report: None

### 3.4.8 Summary of the internal control system

- (1) Internal Control Statement: Please refer to page 59.
- (2) The certified public accountants' review report on the Company's internal control systems: Please refer to pages 60-61.
- (3) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violation of internal controls, during the most recent fiscal year or during the current year up to the date of printing of the annual report; and a description of the main shortcomings in the Company's internal control system as well as an indication of measures for improvement: None

### 3.5 Status of Personnel Responsible for Preparing Financial Reports

A summary of resignations and dismissals, during the most recent fiscal year and up to the date of printing of the annual report, of persons connected with the Company's financial reports: None

### 3.6 Information Regarding Independent Auditors

#### 3.6.1 Auditors information and audit fees

Audit firm	CPA		Service period	Note
Pricewaterhouse Coopers, Taiwan	Hsiao-Tzu Chou	Chung-Hsi Lai	01/01/2015~12/31/2015	None

Unit: NTD in Thousands

Range \ Items	Audit fees	Non-Audit fees	Total
Less than NT\$2,000 thousands			
NT\$2,000 thousands (includes) ~ NT\$4,000 thousands (not includes)			
NT\$4,000 thousands (includes) ~ NT\$6,000 thousands (not includes)			
NT\$6,000 thousands (includes) ~ NT\$8,000 thousands (not includes)	V	V	
NT\$8,000 thousands (includes) ~ NT\$10,000 thousands (not includes)			
NT\$10,000 thousands and above			V

3.6.2 Amount of non-audit fees paid to the appointed independent auditors, the audit firm and its affiliates accounted for more than 25% of the Company's annual auditing expenses:

Unit: NTD in Thousands

Audit firm	CPA	Audit fees	Non-Audit fees					Service period	Note
			System design	Registration	Human resources	Others	subtotal		
Pricewaterhouse Coopers, Taiwan	Hsiao-Tzu Chou Chung-Hsi Lai	7,555	-	-	-	7,840	7,840	1/1/2015-12/31/2015	Non-audit fee – Others refer to Internal control audit 1,174 thousands; Other consulting 6,031 thousands and TP consulting 635 thousands

3.6.3 Replaced the audit firm and the audit fees paid to the new audit firm was less than the payment of previous year: None

3.6.4 Audit fees reduced more than 15% year over year: None

3.6.5 Information on replacement of certified public accountant: None (Due to the internal rotation and adjustment of PwC, Mr. Chung-Hsi Lai substituted for Ms. Hua-Liang Liang)

3.7 The Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated companies of such accounting firm, the name and position of the person, and the period during which the position was held.

None

3.8 Changes in shareholding of directors, supervisors, officers and major shareholders holding more than 10% shares for the most recent year to the date of the annual report printed.

3.8.1 Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Shares

Title	Name	Year 2015		April 23, 2016	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman and CEO	Ji Zhao	(76,399)	0	(45,000)	0
Vice Chairman and President	Ming Qu	(121,399)	0	(108,000)	0
Director	Jackie Yang	0	0	0	0
Director	Hao Chen	0	0	0	0
Director	Darren Huang	12,000	0	10,000	(217,000)
Director	Cyrus Ying-Chun Tsui	0	0	0	0
Independent Director	Dennis Lynn Segers	0	0	0	0
Independent Director	Jen-Lin (Norman) Shen	0	0	0	0
Independent Director	Charlie Xiaoli Huang	0	0	0	0
Sr. Vice President of Finance	Judy Wang	(15,799)	0	(18,000)	0
Sr. Vice President of Worldwide Sales	Stephen M. Donovan	(705)	0	0	0
Executive Vice President of Marketing	Jingwu Jimmy Chiu	(21,799)	0	0	0
Executive Vice President of Product Development	Ding Lu	(30,799)	0	(18,000)	0
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo	0	0	0	0
Sr. Vice President of Operations	Randy D. Baker	0	0	0	0
Vice President of Operation & General Manager of Parade (TW)	KP Yang	3,125	0	(8,000)	0

Note 1: The above table includes all managers of the Company and its affiliates.

3.8.2 Shares Trading or Shares Pledging with Related Parties: None.

3.9 Information on the relationship between the Company's top 10 shareholders and their spouse or relatives within two degrees of consanguinity.

4/23/2016; Unit: Shares; %

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Ji Zhao	3,356,028	4.41%	0	0.00%	0	0.00%	None	None	Inclusive of shares in trust account of 1,262,972 shares
Ming Qu	3,320,333	4.36%	0	0.00%	0	0.00%	None	None	None
Nan Shan Life Insurance Co., Ltd.	2,957,000	3.89%	0	0.00%	0	0.00%	None	None	None
Labor pension fund	2,046,000	2.69%	0	0.00%	0	0.00%	None	None	None
Chung Yuan Yu	1,880,000	2.47%	1,091,000	1.43%	0	0.00%	None	None	None
Jian Jr Wang	1,672,000	2.20%	0	0.00%	0	0.00%	None	None	None
Cathay Life Insurance	1,425,000	1.87%	0	0.00%	0	0.00%	None	None	None
Jingwu Jimmy Chiu	1,291,128	1.70%	0	0.00%	0	0.00%	None	None	None
Ding Lu	1,288,631	1.69%	0	0.00%	0	0.00%	None	None	None
Taiwan Life Insurance Co., Ltd.	1,276,000	1.68%	0	0.00%	0	0.00%	None	None	None

3.10 Total shareholding of long-term investments held by the Company and directors, supervisors, officers and affiliates

Unit: Shares; %

Investment	Ownership by Parade		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Parade (US)	10,000	100%	-	-	10,000	100%
Parade (Korea)	10,000	100%	-	-	10,000	100%
Parade (SH)	-	100%	-	-	-	100%
Parade (NJ)	-	100%	-	-	-	100%

## Parade Technologies, Ltd. Statement of Internal Control System


Date: March 9, 2016

Based on the findings of a self-assessment, Parade Technologies, Ltd. (herein below, the “Parade”) states the following with regard to its internal control system for the period of year 2015:

1. Parade is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. Parade has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of asset security), (2) the reporting should compliance with related regulations and with reliability, timeliness and transparency, and (3) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of Parade contains self-monitoring mechanisms, and Parade takes corrective actions whenever a deficiency is identified.
3. Parade evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Parade has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Parade believes that, at December 31, 2015, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, the reporting should compliance with related regulations and with reliability, timeliness and transparency, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of Parade’s Annual Report for the year 2015 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 9, 2016, with zero of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Parade Technologies, Ltd.

Ji Zhao,

  
Chairman & CEO

**Parade Technologies Ltd.**  
**Report of Independent Accountants on Internal Controls**

We have audited management's assessment, included in the accompanying Management's Report on Internal Controls Over Financial Reporting and Assets Safeguard, dated March 9, 2016, that Parade Technologies Ltd. (the "Company") maintained effective internal controls over financial reporting and assets safeguard as of and for the year ended December 31, 2015. The Company's management is responsible for maintaining effective internal controls over financial reporting and assets safeguard and for its assessment of the effectiveness of internal controls over financial reporting and assets safeguard. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal controls over financial reporting and assets safeguard based on our audit.

We conducted our audit in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and generally accepted auditing standards in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal controls over financial reporting and assets safeguard was maintained in all material respects. Our audit included obtaining an understanding of internal controls over financial reporting and assets safeguard, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal controls over financial reporting and assets safeguard, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Because of its inherent limitations, internal controls over financial reporting and assets safeguard may not prevent or detect misstatements or fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal controls over financial reporting and assets safeguard as of and for the year ended December 31, 2015, based on the criteria of effective internal controls set forth in the “Regulations Governing Establishment of Internal Control Systems by Public Companies”. Also, in our opinion, management’s assessment that the Company maintained effective internal controls over financial reporting and assets safeguard as of and for the year ended December 31, 2015, is fairly stated, in all material respects, based on the criteria of effective internal controls set forth in the “Regulations Governing Establishment of Internal Control Systems by Public Companies”.

*PricewaterhouseCoopers, Taiwan*

March 9, 2016

---

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

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

## IV. Capital and Shares

### 4.1 Capital and Shares

#### 4.1.1 Types of Shares

4/23/2016; Unit: Shares

Types of Shares	Authorized Share Amount				Remarks
	Outstanding Shares	Unissued Shares	Treasury Shares	Total	
Common Stock	75,911,677	73,887,688	200,635	150,000,000	None

#### 4.1.2 Issued Shares

##### (1) Share capital formation:

Unit: Shares; Dollar

Date	Par Value	Authorized Shares		Actual Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Using assets other than cash as collateral for the payment of Shares	Others
2015/03/31	NTD 10	150,000,000	1,500,000,000	75,519,165	755,191,650	Conversion of options into new shares 58,778 common shares	None	None
2015/04/30	NTD 10	150,000,000	1,500,000,000	75,530,935	755,309,350	Conversion of options into new shares 11,770 common shares	None	None
2015/06/30	NTD 10	150,000,000	1,500,000,000	75,532,615	755,326,150	Conversion of options into new shares 1,680 common shares	None	None
2015/07/31	NTD 10	150,000,000	1,500,000,000	75,607,496	756,074,960	Conversion of options into new shares 74,881 common shares	None	None
2015/08/18	NTD 10	150,000,000	1,500,000,000	75,596,036	755,960,360	Cancellation of RSAs 11,460 common shares (including 1,560 shares from stock dividend distributed in 2013)	None	None
2015/08/21	NTD 10	150,000,000	1,500,000,000	75,996,036	759,960,360	Issuance of RSAs into new shares 400,000 common shares	None	None
2015/08/31	NTD 10	150,000,000	1,500,000,000	76,039,897	760,398,970	Conversion of options into new shares 43,861 common shares	None	None
2015/09/30	NTD 10	150,000,000	1,500,000,000	76,055,333	760,553,330	Conversion of options into new shares 15,436 common shares	None	None
2015/10/31	NTD 10	150,000,000	1,500,000,000	76,062,620	760,626,200	Conversion of options into new shares 7,287 common shares	None	Note 1
2015/11/09	NTD 10	150,000,000	1,500,000,000	76,055,610	760,556,100	Cancellation of RSAs 7,010 common shares (including 510 shares from stock dividend distributed in 2013)	None	Note 1

Date	Par Value	Authorized Shares		Actual Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Using assets other than cash as collateral for the payment of Shares	Others
2015/11/30	NTD 10	150,000,000	1,500,000,000	76,070,806	760,708,060	Conversion of options into new shares 15,196 common shares	None	Note 1
2015/12/31	NTD 10	150,000,000	1,500,000,000	76,075,055	760,750,550	Conversion of options into new shares 4,249 common shares	None	Note 1
2016/02/29	NTD 10	150,000,000	1,500,000,000	76,087,387	760,873,870	Conversion of options into new shares 12,332 common shares	None	Note 1
2016/03/24	NTD 10	150,000,000	1,500,000,000	76,065,537	760,655,370	Cancellation of RSAs 21,850 common shares (including 300 shares from stock dividend distributed in 2013)	None	Note 1
2016/03/31	NTD 10	150,000,000	1,500,000,000	76,075,011	760,750,110	Conversion of options into new shares 9,474 common shares	None	Note 1
2016/04/23	NTD 10	150,000,000	1,500,000,000	76,112,312	761,123,120	Conversion of options into new shares 37,301 common shares	None	Note 1 Note 2

Note 1: Until the date of the annual report printed, the Company repurchased 200,000 shares of treasury stocks, and no shares were transferred to employees.

Note 2: Until the date of the annual report printed, the Company repurchased 635 shares of restricted stock awards and will cancel in May 2016.

(2) From the most recent year until the printing date of the annual report, the private placement of common stock: Not applicable.

#### 4.1.3 Status of recent dispersal of shareholding

##### (1) Composition of Shareholders

4/23/2016; Unit: Persons/Shares

Shareholder Composition	Government Agencies	Financial Institutions	Other Institutional Investors	Natural Persons	Foreign Institutions and Foreign Persons	Treasury Shares	Total
Number of Shareholders	0	12	140	2,670	152	1	2,975
Shares Held	0	7,821,089	16,201,194	26,180,236	25,709,158	200,635	76,112,312
Shareholding Percentage	0.00%	10.28%	21.29%	34.39%	33.78%	0.26%	100.00%
Total of capital investments from PRC: 1,736,852 shares, percentage of shareholding: 2.28%							

(2) Distribution Profile of Share Ownership

Par Value for each share: NT\$10; 4/23/2016; Unit: Persons/Shares

Shareholder Ownership (Unit: Shares)	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	378	81,852	0.11%
1,000 to 5,000	1,871	3,351,639	4.40%
5,001 to 10,000	234	1,852,155	2.43%
10,001 to 15,000	90	1,157,137	1.52%
15,001 to 20,000	62	1,124,628	1.48%
20,001 to 30,000	67	1,712,597	2.25%
30,001 to 40,000	44	1,597,474	2.10%
40,001 to 50,000	26	1,217,601	1.60%
50,001 to 100,000	79	5,632,198	7.40%
100,001 to 200,000	48	6,722,374	8.83%
200,001 to 400,000	36	10,049,077	13.20%
400,001 to 600,000	9	4,201,494	5.52%
600,001 to 800,000	12	8,353,306	10.97%
800,001 to 1,000,000	3	2,727,000	3.58%
Exceed 1,000,001 shares	16	26,331,780	34.61%
Total	2,975	76,112,312	100.00%

(3) Major Shareholders:

The names, shares held, and shareholding percentage of shareholders with shares exceeding 5% of total shares outstanding or ranked in the top 10 in terms of shares held:

4/23/2016

<b>Name of Shareholders</b>	<b>Shares</b>	<b>Shares Held</b>	<b>Percentage of Shareholding</b>
Ji Zhao (Note)		3,356,028	4.41%
Ming Qu		3,320,333	4.36%
Nan Shan Life Insurance Co., Ltd.		2,957,000	3.89%
Labor pension fund		2,046,000	2.69%
Chung Yuan Yu		1,880,000	2.47%
Jian Jr Wang		1,672,000	2.20%
Cathay Life Insurance		1,425,000	1.87%
Jingwu Jimmy Chiu		1,291,128	1.70%
Ding Lu		1,288,631	1.69%
Taiwan Life Insurance Co., Ltd.		1,276,000	1.68%

Note: 1,262,972 of shares are included in trust account

Directors' shares in trust account:

Title	Name	Trustee	Shares in Trust	% of outstanding shares
Chairman	Ji Zhao	The ZG Grantor Retain Annuity Trust	1,262,972	1.66

4.1.4 The per share market price, net worth, profit, dividend and relevant information for the past two fiscal years

Unit: NTD; Shares in thousands

Item			Year 2014	Year 2015	1/1/ 2016 ~ 4/30/2016 (Note 5)
Market Price Per Share	Highest		435	385	364.5
	Lowest		208	168	187.5
	Average		304.93	282.48	293.23
Net Value Per Share	Before Distribution		71.85	85.16	88.51
	After Distribution		66.83	80.13 (Note 4)	Note 4
Basic Earnings Per Share	Weighted-Average Number of Shares		74,364	74,806	74,921
	Earnings Per Share		16.48	15.30	4.77
Diluted Earnings Per Share	Weighted-Average Number of Shares		75,883	76,297	76,335
	Earnings Per Share		16.15	15.00	4.68
Dividend Per Share	Cash Dividends		4.98180908	5.02 (Note 4)	—
	Free Gratis Dividends	Retained Earnings Dividend	0	0	—
		Capital Surplus Dividend	0	0	—
	Accumulated Undistributed Dividends		0	0	—
Rate of Return Analysis	Price/Earnings Ratio (Note 1)		18.67	18.90 (Note 4)	—
	Price/Dividend Ratio (Note 2)		60.51	56.49 (Note 4)	—
	Cash Dividend Yield (Note 3)		1.65%	1.77% (Note 4)	—

Information Source: Consolidated financial statements were audited and attested by certified Independent Accountants.

Note 1: Price/Earnings Ratio = Average Market Price per share / Earnings per share

Note 2: Price/Dividend Ratio = Average Market Price per share / Cash Dividend per share

Note 3: Dividend /Price Ratio = Cash Dividend per share / Average Market Price per share

Note 4: The cash dividend distribution will be resolved in the Annual General Meeting of Members on June 21, 2016.

Note 5: Net Value per share and Earnings per share data were based on the reviewed consolidated financial statements, and market price per share data was based on the data as of the printed date of 2015 Annual Report.

#### 4.1.5 Company dividend policy and implementation status

##### (1) Company dividend policy

In accordance with the Article 113, the Board of Directors shall provide the distribution plan according to the following requirements: If there are profits after the final settlement of account of a year (the “Annual Profits”), the Company (i) after its losses have been offset and at the time of allocating surplus profits, may first set aside 10% of the Annual Profits as statutory reserve until the statutory reserve amounts to the authorized capital, and (ii) may appropriate a portion of the Annual Profits as special reserve required by Applicable Public Company Rules or government authorities. Thereafter, having considered the financial, business and operational factors, the Board may propose and specify no less than 10% of any remaining of Annual Profits after the above (i) to (ii) plus, at the Board’s sole discretion, a certain percent of accumulated retained earnings to be distributed as dividends by cash or by applying such sum in paying up in full unissued Shares for allotment and distribution credited as fully paid-up pro rata to the Members or any combination of both, or bonuses according to the Statute and Applicable Public Company Rules, among them, cash dividend shall not less than 10% of the total Dividend declared.

##### (2) Current year proposal (proposed) on dividend distribution:

The Board adopted a proposal for 2015 profit distribution at its Meeting on March 9, 2016. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders’ Meeting on June 21, 2016.

Unit: New Taiwan Dollar

Cash Dividends per common stock (NTD 5.02 per share)	381,896,776
--	-------------

#### 4.1.6 The impact of stock dividend distributions contemplated for the current fiscal year on company operating performance and earnings per share:

According to Order No. 00371 announced by Securities and Futures Committee (“SFC”), dated February 1, 2010, it is not required to disclose the information that the Company does not compile or announce the 2016 financial forecast.

#### 4.1.7 Compensation of employees, directors, and supervisors: (the Company has no supervisor)

(1) The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:

According to regulations written in the article of association, the Company (i) after its losses have been offset and at the time of allocating surplus profits, may first set aside 10% of such profits as statutory reserve until the statutory reserve amounts to the authorized capital, (ii) may appropriate a portion of such profits as special reserve required by Applicable Public Company Rules or government authorities, and (iii) of the remaining profits, may appropriate 2% as bonuses to the Directors and additional not less than 5% of the remaining profits as employee bonus, which may be issued by stocks or options, warrants or other similar instruments, to employees of the Company and its subsidiaries.

- (2) The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The company estimates the amounts of employees' bonuses and compensation for directors according to the Company's Articles of Incorporation and considering the Company's 2015 annual profits before tax (without deducting the employees' bonuses and the additional Directors' remuneration), which representing 5.05% and 1.56% of the company's 2015 annual profits before tax. If the amount approved by Annual General Meeting of Members differs from the original estimation, the adjustment will be regarded as a change in accounting estimation and will be reflected in the statement of income in the year that the shareholder's Annual General Meeting is held.

- (3) Information on any approval by the board of directors of distribution of compensation:

- ① The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

Unit: NTD

Items	Proposed by the Board of Directors		% of employees' stock bonus to net income	Diluted earning per share after estimating the employees' bonus and Directors' remuneration
	Cash	Shares		
Employees' bonus	69,560,692	-	-	15.00
Directors' remuneration	21,403,289	-	-	

The accrued employees' bonuses and directors' remuneration of 2015 are NT\$69,560,692 and NT\$21,403,289, respectively. There is no difference between the resolution and the expenses recognized in 2015.

- ② The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable because the Company does not distribute any employee compensation in stocks.
- (4) The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The 2014 profit distribution about NTD 78,035,236 of employees' bonus and NTD 24,010,833 of Directors' remuneration has been approved at the 2015 Annual General Meeting, and all of them has been executed. The difference of NT\$(1,682,189) and NT\$(517,601) between the amount proposed by the Company's Board of Directors were caused by using different US dollar exchange rate. And the difference had been adjusted in the profit or loss of 2015.

#### 4.1.8 Status of company buyback of corporate stocks:

The results of the 2015 and 2015-2 Share Repurchase Plan are as below:

5/2/2016

Series	the first repurchase in year 2015	the second repurchase in year 2015
Board resolution date	3/4/2015 (Taiwan Time)	9/2/2015 (Taiwan Time)
Purpose of repurchase	Transferring to the employees	Transferring to the employees
The set repurchase period	Between 3/5/2015 and 5/4/2015	Between 9/3/2015 and 11/2/2015
The actual repurchase period	Between 3/9/2015 and 3/17/2015	Between 9/24/2015 and 11/2/2015
The set repurchase price range (Share)	NT\$204.00 to NT\$447.50	NT\$172.00 to NT\$365.50
The actual repurchase price range (Share)	NT\$306.00 to NT\$309.00	NT\$226.50 to NT\$250.50
Average price per share of repurchased shares	NT\$307.53	NT\$242.13
The set maximum repurchase shares	252,000 common stocks	1,000,000 common stocks
Accumulated number of shares already repurchased	252,000 common stocks	200,000 common stocks
Value spent on the repurchase	NT\$77,496,917	NT\$48,425,560 (Note)
Number of shares transferring to the employees	252,000 common stocks	0
Accumulated number of shares already repurchased	0 common stocks	200,000 common stocks
Accumulated percentage of repurchased shares to total number of shares issued ( % )	0.00%	0.26%
Reason for non-completion of the share repurchase at expiry of the repurchase period	Completed.	Considering the market mechanism and does not affect the stock price, the Company has depend on the stock price and trading situation to proceed the partial shares buyback. Hence does not buyback whole amount planned shares.

Note: Included service charge NTD20,560.

#### 4.2 Status of issue and private placement of "corporate bonds" (including overseas corporate bonds)

None

#### 4.3 Status of issue and private placement of "preferred shares"

None

#### 4.4 Status of participation in the issue and private placement of "overseas depositary receipts"

Items			Description
Issuing Date			7/24/2012
Issuance & Listing			Luxembourg Stock Exchange
Total Amount (US\$)			58,620,160
Offering Price Per GDR (US\$)			11.17
Units Issued			5,252,000 units (Note)
Underlying Securities			Outstanding Common Shares from Selling Shareholders
Common Shares Represented			5,252,000 common stocks (Note)
Rights & Obligations of GDR Holders			Follow the Prospectus
Trustee			Not Applicable
Depositary Bank			The Bank of New York Mellon
Custodian Bank			Mega International Commercial Bank
GDRs Outstanding			0 units
Apportionment of Expenses for Issuance & Maintenance			Follow the agreement of Depositary Bank and Custodian Bank.
Terms and Conditions in the Deposit Agreement & Custody Agreement			According to the agreement, the Company will provide the necessary public information to Depositary Bank, and Depositary Bank will inform the GDR Holders.
Closing Price Per GDR (US\$)	2015	High	12.32
		Low	5.41
		Average	8.96
	1/1/2016~4/30/2016	High	11.04
		Low	5.82
		Average	8.93

Note: Including 4,000 common shares issued by stock dividend on October 9, 2013.

#### 4.5 Status of issue and private placement of employee stock warrants and employee restricted stock awards

##### 4.5.1 Employee Stock Options:

4/23/2016

<b>Types of Employee Stock Option Plan</b>	<b>2006 Employee Stock Option Plan</b>	<b>2012 Employee Stock Option Plan</b>
Approval Date by The Securities and Futures Bureau	Not Applicable	4/6/2012
Issue (Grant) Date	Note 1	7/26/2012
Option Duration	The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.	The Options will expire at the end of the tenth year from the date of grant thereof (the "Term"). During the Term, the Option may not be transferred, pledged, donated or otherwise disposed of, except by inheritance.
Number of Options Granted	11,696,052	940,000
Percentage of Shares Exercisable to Outstanding Common Shares	15.37%	1.24%
Option Duration	Any Option granted hereunder shall be exercisable according to the specific contents hereof at such times and under such conditions as determined by the Administrator, and the Options shall exercise before expiration of such period.	The Options shall become exercisable for 50% of Options that can be vested after 2 years of the Grant Date, and 25% of Options are exercisable after each further year.
Source of Option Shares	Issue new shares	Issue new shares
Vesting Schedule and %	Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. An Option may not be exercised for a fraction of a Share. Except in the case of Options granted to officers, Directors and Consultants, Options shall become exercisable at a rate of no less than 20% per year over five (5) years from the date the Options are granted.	The Options shall become exercisable for 50% of Options that can be vested after 2 years of the Grant Date, and 25% of Options are exercisable after each further year.
Shares Exercised	11,169,428	168,904
Value of Shares Exercised	USD3,247,159.13	NTD40,363,300

<b>Types of Employee Stock Option Plan</b>	<b>2006 Employee Stock Option Plan</b>	<b>2012 Employee Stock Option Plan</b>
Canceled Shares	72,912	68,625
Unexercised Shares	453,712	702,471
Price of Unexercised Shares	<p>US\$0.053-US\$2.01 (according to Article 9 of the Company's 2006 Stock Plan, the per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:</p> <ol style="list-style-type: none"> <li>In the case of an Incentive Stock Option: <ol style="list-style-type: none"> <li>granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.</li> <li>granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.</li> </ol> </li> <li>In the case of a Nonstatutory Stock Option: <ol style="list-style-type: none"> <li>granted to a Service Provider who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.</li> <li>granted to any other Service Provider, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.</li> </ol> </li> </ol>	NTD 235.0
Percentage of Shares Unexercised to Outstanding Common Shares	0.60%	0.92%
Impact to Shareholders' Equity	Financial statements are reported in accordance with GAAP. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 1.8365% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.

**Note 1: Historical issuance dates and numbers:**

2/21/2006: 1,233,000 units; 3/24/2006: 480,000 units; 6/8/2006: 67,500 units;  
8/8/2006: 90,000 units; 10/30/2006: 492,000 units; 1/12/2007: 573,000 units;  
2007/3/21: 624,000 units; 5/8/2007: 157,500 units; 6/28/2007: 1,836,750 units;  
2007/9/7: 663,000 units; 9/27/2007: 375,000 units; 11/28/2007: 185,250 units;  
3/26/2008: 72,750 units; 5/28/2008: 376,500 units; 7/23/2008: 450,000 units;  
9/24/2008: 127,500 units; 11/26/2008: 85,500 units; 7/22/2009: 993,300 units;  
10/21/2009: 441,000 units; 2010/1/20: 100,500 units; 2/11/2010: 60,000 units;  
4/21/2010: 171,000 units; 2010/7/21: 157,500 units; 8/9/2010: 595,050 units;  
10/20/2010: 146,250 units; 12/2/2010: 22,500 units; 1/20/2011: 1,090,650 units;  
3/9/2011: 110,000 units; 4/28/2011: 22,000 units; 6/13/2011: 520,872 units.

4.5.2 Accumulated till the printing date of the annual report, the name of executives and employees who has obtained employee stock options, and whose exercise of options is in the top 10:

4/23/2016; Unit: shares; NTD Thousands

	Title	Name	Shares granted	% of granted shares to total issued shares	Shares exercised				Unexercised Shares (Note 1)			
					Shares	Exercised price per share (NTD)	Total exercised amount	% of shares exercised to total issued shares	Shares	Exercised price per share (NTD)	Total exercised amount	% of unexercised shares to total issued shares
Managements	Chief Executive Officer	Ji Zhao	1,217,250	1.60%	682,002	18.13~240	26,637	0.90%	535,248	39.04~235	97,019	0.70%
	President	Ming Qu										
	Sr. Vice President of Finance	Judy Wang										
	Executive Vice President of Marketing	Jingwu Jimmy Chiu										
	Executive Vice President of Product Development	Ding Lu										
	Sr. Vice President of Worldwide Sales	Stephen M. Donovan										
	Vice President of Operation & General Manager of Parade (TW)	KP Yang										
Employees	Employee	Alan Yuen	669,718	0.88%	497,983	4.00~240	15,847	0.65%	171,735	6.44~235	17,429	0.23%
	Employee	BaoQuan Xu										
	Employee	Craig R. Wiley										
	Employee	Hyeog-Sang Shin										
	Employee	Jian Jiang										
	Employee	Jian Wang										
	Employee	Kwong Yuen Chung										
	Employee	MinDo Joseph Kwon										
	Employee	Xin Jin										
	Employee	Yi-Ying Kuo										

Note 1: Price of unexercised shares is converted by adopting foreign exchange rate of US\$1=NT\$32.

4.5.3 From the most recent three years and up to the date of annual report printed, the exercise of private placement of employee stock options: None

#### 4.5.4 Employee Restricted Stock Awards Plan:

4/23/2016

<b>Types of Employee Restricted Stock Awards Plan</b>	<b>2013 Employee Restricted Stock Awards Plan</b>	<b>2014 Employee Restricted Stock Awards Plan</b>
Approval Date by The Securities and Futures Bureau	7/26/2013	7/10/2014
Grant Date	7/31/2013	7/30/2014
New Shares Issuance Date	8/30/2013	8/22/2014
Issued Shares of Employee Restricted Stock Awards	400,000 shares	348,500 shares
Issue Price (NTD)	0	0
Percentage of Issued Shares to Outstanding Common Shares	0.53%	0.46%
Regulations for setting the terms and conditions of restricted stocks for employees	The RSAs will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date the RSAs are granted to the grantee employee who continuously serves the Company to each corresponding anniversary.	The RSAs will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date the RSAs are granted to the grantee employee who continuously serves the Company to each corresponding anniversary.
Restrictions before the vesting conditions are fully satisfied	(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner. (2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).	(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner. (2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).
Custody of RSA Shares	In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put	In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put

<b>Types of Employee Restricted Stock Awards Plan</b>	<b>2013 Employee Restricted Stock Awards Plan</b>	<b>2014 Employee Restricted Stock Awards Plan</b>
	the RSA with a custodian bank for custody.	the RSA with a custodian bank for custody.
Effect in the event of any non-satisfaction of vesting conditions	If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.	If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.
Cancellation RSA Shares	27,975 shares	26,750 shares
Vested RSA Shares	188,524 shares	84,450 shares
Unvested RSA Shares	183,501 shares	237,300 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares	0.24%	0.31%
Impact to Shareholders' Equity	Numbers of granted shares are only 0.24% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.31% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.

<b>Types of Employee Restricted Stock Awards Plan</b>	<b>2015 Employee Restricted Stock Awards Plan</b>
Approval Date by The Securities and Futures Bureau	7/15/2015
Grant Date	7/29/2015
New Shares Issuance Date	8/21/2015
Issued Shares of Employee Restricted Stock Awards	400,000 shares
Issue Price (NTD)	0
Percentage of Issued Shares to Outstanding Common Shares	0.53%
Regulations for setting the terms and conditions of restricted stocks for employees	The RSAs will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date the RSAs are granted to the grantee employee who continuously serves the Company to each corresponding anniversary.
Restrictions before the vesting conditions are fully satisfied	(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner. (2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).
Custody of RSA Shares	In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.
Effect in the event of any non-satisfaction of vesting conditions	If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.
Cancellation RSA Shares	9,900 shares
Vested RSA Shares	0 shares
Unvested RSA Shares	390,100 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares	0.51%
Impact to Shareholders' Equity	Numbers of granted shares are only 0.51% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.

4.5.5 Accumulated till the printing date of the annual report, the name of executives and employees who has obtained Employee Restricted Stock Awards, and whose exercise of options is in the top 10:

4/23/2016; Unit: shares; NTD Thousands

	Title	Name	Shares obtained	% of obtained shares to total issued shares	Shares Vested				Unvested Shares			
					Shares	Issued price per share (NTD)	Total issued amount	% of shares vested to total issued shares	Shares	Issued price per share (NTD)	Total issued amount	% of unvested shares to total issued shares
Managements	Vice President of Operation & General Manager of Parade (TW)	KP Yang	16,000	0.02%	3,875	0	0	0.01%	12,125	0	0	0.02%
Employees	Employee	Yong-Nien Rao	172,700	0.23%	51,750	0	0	0.07%	120,950	0	0	0.16%
	Employee	Ney Christensen										
	Employee	Bin Jiang										
	Employee	Kang-Jen Liu										
	Employee	Yung-Hsiang Yen										
	Employee	Xiang Chen										
	Employee	Guo-Chen Huang										
	Employee	You-Ben Yin										
	Employee	Ta-Tao Hsu										
	Employee	Meng-Han Ho										
	Employee	Chia-Hsien Lin										

#### 4.6 Status of mergers and acquisitions

None

#### 4.7 Status of issuing of new shares in connection with any acquisition of shares of another company

None

#### 4.8 Status of implementation of fund utilization plan

The solicitation of funds through stock offering or private placements of stock or plans have been accomplished for the preceding quarter to the date of the annual report printed.

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### (1) Main Content of Business

Parade is a high-speed mixed-signal fabless semiconductor company that designs, develops and sells next generation display, high-speed interface and touch solutions for computing, consumer and handset markets.

##### (2) Summary of product revenue and percentage of sales

Unit: NTD in Thousands; %

Products	2015	
	Amount	Percentage (%)
DisplayPort Series	4,862,992	67.64
High-Speed Interface Solutions	1,438,585	20.01
TrueTouch	850,486	11.83
Other	37,408	0.52
Total	7,189,471	100.00

##### (3) Current Main Product Lines

#### 1. Display Solutions

##### A.Embedded DisplayPort (eDP) Timing Controllers

- a. eDP 1.2 Timing Controllers
- b. eDP 1.3 Timing Controllers support Panel Self Refresh (PSR)
- c. eDP 1.4b Timing Controllers support Partial Panel Self Refresh (PSR2)

##### B.DisplayPort LCD Timing Controllers

##### C.DisplayPort Format Converters

- a. Embedded DisplayPort (eDP) to LVDS Converters
- b. DisplayPort to HDMI 1.4b Converters
- c. DisplayPort to HDMI 2.0 Converters
- d. DisplayPort to VGA Converters

##### D.DisplayPort Transmitters and Receivers

##### E. Scaler with DisplayPort and HDMI inputs

#### 2. High-Speed Interface Solutions

##### A.DisplayPort

- a. DisplayPort Switch Products
- b. DisplayPort to HDMI/DVI Level Translator

- B.SATA
  - a. SATA Gen 3.0 Repeaters
- C.PCIe/SATA
  - a. PCIe/SATA Gen 3.0 combo Repeaters
- D.HDMI/DVI
  - a. HDMI/DVI Switch Products
  - b. HDMI/DVI Jitter Cleaning Products
- E.USB 3.0
  - a. USB 3.0 5G Repeaters/Redrivers
- F.USB Type-C
  - a. USB Type-C mux with DP alternate mode
- 3. Source Drivers
  - A.SIPI Source Drivers with features
    - a. 1026, 1152, 1446 channel
    - b. 18/24-bit per pixel
    - c. Programming Gamma
    - d. full or half AVDD (Analog VDD)
  - B.iSP Source Driver
- 4. TrueTouch
  - A.TrueTouch Controllers
    - a. Single touch, two-finger touch and multi-touch for screen size from 1.5~10.1”
    - b. Passive stylus, wet finger tracking, water proofing
    - c. Charger noise immunity
- (4) Prospective New Products Development
  - 1. DisplayPort Based Solutions
    - A.Advanced eDP 1.4b timing controllers for higher display resolutions
    - B.Next generation DisplayPort to HDMI 2.0 converters for USB Type-C
  - 2. High-Speed Interface Solutions
    - A.HDMI 2.0
      - a. Next Generation HDMI 2.0 Jitter Cleaning Repeaters
    - B.USB 3.1
      - a. USB 3.1 Jitter clean repeaters
      - b. USB Type-C Switches support USB 3.1 with DisplayPort alternate mode
      - c. USB Type-C Switches support USB power delivery functions
    - C.DisplayPort
      - a. DisplayPort 1.4 repeaters
      - b. DisplayPort 1.4 switches

### 3. Source Driver

- A. Source drivers with SIPI (Scalable Intra Panel Interface) for high resolution panels
- B. High resolution smartphone Display Driver Integration (DDI) with MIPI DSI Interface
- C. Touch & Display Driver Integration (TDDI) with MIPI DSI interface

### 4. TrueTouch Controllers

- A. Single touch, two-finger touch and multi-touch
- B. Charger noise immunity
- C. Water proofing/wet finger tracking/ stylus passive

## 5.1.2 Industry Overview

### (1) Current Markets

Parade is focusing on the mobile computing market, which includes notebooks, personal computers, tablets, and smartphones. There are four major market trends presenting significant challenges to many existing system and component suppliers. First, demand for ever-increasing bandwidth across digital interfaces used for video and data connectivity is placing new challenges on interface chip designs and adding requirements for signal repeaters. Second, demand for higher display resolution and higher display refresh rate drives requirements for higher performance and better functionality in display controller and source driver chips used in LCD panels, which, in turn, drives a need for new architectures, higher integration, and new process technology into the display silicon chip market. The third challenge is the demand for greatly reduced power consumption, while still addressing the design requirements listed above, driven by sleeker/lighter system design with longer battery life. The fourth one is the integrated touch solution with display chips to significantly reduce the complexity of total panel module manufacture process hence to reduce the BOM cost.

These trends are imposing disruptive changes on silicon architecture and component design requirements which are underpinning of the growth of high-speed interface ICs, in particular high speed interfaces, display drivers, DisplayPort timing controllers and touch controllers.

### **High-Speed Interface Devices**

High-speed digital interfaces operating at multi-gigabit rates are now the norm for external connectivity between two devices and for internal connectivity between two embedded functional components. Examples of popular external interfaces include DisplayPort, HDMI (High Definition Multimedia Interface) USB (Universal Serial Bus), SATA (Serial Advanced Technology Architecture), and Thunderbolt. For embedded

applications, high-speed digital interfaces include PCI Express (PCIe), eDP (Embedded DisplayPort), as well as SATA and USB. Virtually all of these interface standards have doubled their data rate over the last five years, and the demand for increased bandwidth will continue in the similar trend.

PCIe was recently updated from a maximum interface data rate of 5Gbit/sec (Gen 2) to 8Gbit/sec (Gen 3). USB Promotor Group released the next generation interface USB 3.1 which increases data rate from 5Gbit/sec to 10Gbit/sec. And DisplayPort also increases from 5.4Gbit/sec to 8.1Gbit/sec. HDMI 2.0 speed increases to 6Gbit/sec. Moreover, Thunderbolt can reach 20Gbit/sec.

Challenges imposed by the increasing data rates include signal distortion across the PCB (Printed Circuit Board) traces and interconnect cables, primarily due to bandwidth limitations through the transmission medium. Such signal distortion, along with signal noise caused by other increasingly fast adjacent signals, can result in data errors or display corruption. Designing robust high-speed digital transmitters & receivers that operate under these conditions is challenging, especially while consuming less power as demanded by smaller, lighter systems with longer battery life.

Another challenge of high-speed digital data transmission is RFI (Radio Frequency Interference) that causes interference with the wireless services within the same device. This problem has become a key focus as the number of wireless services increase, devices get smaller, and data rates increase. This further challenges circuit design of both the data interface transmitter and receiver.

Most of the digital interfaces introduced within the past decade, including USB, PCIe, SATA, HDMI, DisplayPort and eDP, use low voltage signaling that allows direct integration of the interface into system, display and peripheral chips. However, because of the very high data rates, a signal repeater device is often needed somewhere along the signal path, particularly for implementations using long PCB traces, long interconnect cables, or more complex topologies, such as the use of a docking station. Some older interfaces, including DVI, HDMI and the derivative standard MHL, often require dedicated interface devices to handle high voltage signaling, and repeaters are commonly required here as well.

Hence, while interface standards are increasing their data rates, CPU and GPU vendors, as well as contract manufacturers, will increasingly rely on high-speed interface ICs to ensure that their devices function reliably, consuming less power at reasonable cost. Recently, USB Type-C which merges USB3.1 traffic and DisplayPort display data as well as Thunderbolt on the single connector with power delivery capability dramatically improves high-speed communication efficiency and user experience. As such, industry demand for high-speed interface ICs can be expected to grow faster than the overall of

computing market.

### **Display Driver and Timing Controller requirements**

DisplayPort continues to gain market share as the external computer video interface over VGA, DVI and HDMI. eDP, which uses the same electrical interface on the GPU or CPU, continues to gain market share over LVDS (Low Voltage Differential Signaling) as the embedded display interface between the motherboard and display panel in notebooks, tablets, and all-in-one computers.

LCD panels used in these embedded display systems include a display driver function known as a Timing Controller (Tcon) chip. The Tcon receives digital video from the system GPU, then controls the LCD panel timing, and outputs pixel data to another set of chips known as column drivers. Over the last decade or so, Tcons have been low complexity devices, in general, produced on inexpensive, large geometry processes by low-margin, high volume chip vendors in Asia. However, changes in system requirements are now disrupting this established supply chain.

The migration from LVDS to eDP has been one major disruption in the Tcon market. LVDS has served as the embedded display interface for over 10 years. The primary driver for the change to eDP is the shrinking process geometries of the motherboard video source chips, such as GPUs, or CPUs with integrated GPU. With the deep-submicron geometries used in such devices, supporting the higher voltage level of LVDS is difficult. Utilizing a higher data rate, eDP also requires less wires and device pins, and through the use of data scrambling it generates less EMI (Electromagnetic Interference) and RFI, thereby reducing the requirement for bulky shielding. Being packet-based, similar to a communications protocol, eDP also enables newer features not previously implemented in a display interface.

The higher eDP data rates also benefit the trend to higher display resolutions, higher refresh rates, and greater pixel depth, meaning more bits per pixel. Without eDP this higher performance would be difficult, as the use of LVDS would result in an unacceptably more wire & pin counts, and high power dissipation.

The biggest hurdle facing eDP for most of the existing Tcon vendors is the increased level of complexity. Unlike LVDS, which uses a very simple pixel transport protocol, eDP is much more complex, using a packet-based protocol, carrying both pixel and control data, similar to what is used in data communications. eDP also operates over fewer wires at a higher data rate, which requires high-speed data receiver and equalizer expertise that most Tcon suppliers do not possess.

Changes have also occurred in the data buses on the backside of the Tcon, on the pixel data buses between the Tcon and LCD column drivers, also known as the intra panel interface. Over the past few years the mini-LVDS and RSDS buses have been replaced with higher speed serial point-to-point buses that have reduced the number of device pins and signal traces, and reduced power.

Demands for even further reduction in system power is adding more functional requirement to the Tcon. This includes a “Panel Self Refresh” (PSR) function that includes the use of a video frame buffer for entire frame of image or partial frame of image within the eDP Tcon, enabling the GPU to shut down and save power during static (not changing) images. Image compression is also being added to the video interface, which means decompression is needed in the display. And there are other functions, including automatic backlight control and various video processing algorithms, to both reduce power and improve display color accuracy.

## (2) The upstream and downstream parts of the industry

Parade is a fabless IC design house, and as a result, we rely on 3rd party manufacturing partners to manufacture, package and test our products. After testing, we sell our finished goods to original equipment manufacturers (OEMs), original design manufacturers (ODMs) and system design houses that use our products in their systems.

## (3) Development trends and competition for the company’s products

### 1. Display driver and DisplayPort Timing Controller

Parade was the first company to have eDP-enabled Tcon products in production, and all of our Tcon products today use the eDP or the DisplayPort interface. Our eDP-and DisplayPort-based display solutions are sold primarily into notebooks, tablets, all-in-one PCs, and LCD Monitors. We offer both standard and custom Tcon products, built to system OEM or panel OEM specifications. For embedded display applications, our primary eDP Tcon competitors include Analogix, Novatek, Himax, Focaltech, Rohm, and MStar. Our eDP receiver performance and error-free robustness remains the highest.

Parade continues to lead the eDP Tcon market in unit volume and number of panel customers. In addition, we have introduced a few of generations of eDP version 1.3 devices, which include frame buffer memory for the PSR function. Those devices are in mass volume production and have been increasing the penetration in the traditional Notebook & 2-in-1 Tablet market.

Leveraging our leading technology of SERDES and DisplayPort, Parade has developed a point-to-point intra panel interface for use between the Tcon and LCD column drivers. Known as SIPI (Scalable Intra Panel Interface), it represents the industry's first point-to-point intra panel interface with embedded clocking. SIPI leverages Parade's SERDES and DisplayPort expertise. Parade now offers SIPI on some Tcon products, and has also introduced SIPI-based LCD column driver products. Used together, these new eDP Tcon and SIPI column driver products offer a competitive solution for thin and light high-resolution notebook or tablet LCD panels. With the extensive knowledge on display controller and display driver, Parade extends the reach to the smartphone display market through developing integrated display controller and display driver solution (DDI) for smartphone market.

Future eDP Tcon products will address ever-higher levels of integration and panel resolution using finer process geometries. Such performance demands are being made by our committed reference design partners, system OEM customers, and panel OEM customers, particularly for the fast growing thin-and-light notebook and handheld device markets.

## 2. High-Speed Interface Devices

Utilizing our experience in the area of SERDES (Serializer/Deserializer) design, Parade has played an important role in enabling these new high-speed data interfaces into the personal computer, tablet, and server markets. In particular this applies to DisplayPort, USB 3.1, SATA, HDMI, USB Type-C and PCI Express with interface solutions that include signal repeaters, format converters, muxes, switches and splitters. All of our devices in this category utilize proprietary embedding signal equalizer technology in the data receiver that removes signal distortion and further enhances the ability of error-free signal recovery. The primary competitors in this market include Texas Instruments (TI), NXP, AS Media and Pericom/Diodes. Parade has sustained a large market share in this area by maintaining competitiveness in regards to time to market, signaling and EMI performance, power consumption, package size, quality, reliability, and pricing.

Parade has introduced new unique signal repeaters that, in addition to equalization, remove signal timing jitter introduced by adjacent signals or other digital functions within the video source. These "Jitter Cleaner" products target HDMI interconnect applications, which are particularly sensitive to timing jitter at the higher data rates specified by HDMI version 1.4 and 2.0. The jitter cleaner products have enabled personal computer vendors to offer HDMI 1.4 at the full 3Gbit/sec interface rate to support Ultra HD (4K x 2K) displays at 24-bit RGB color format and 30Hz refresh rate, and 1080p 3D displays. Now we extend this unique technology further to more advanced HDMI 2.0 market at the full 6Gbit/sec interface rate for UHD displays up to

60Hz refresh rate. We also have a jitter cleaning level shifter, which is required for the Type 2 Dual-Mode DisplayPort cable adaptor, as defined by the new VESA (Video Electronics Standards Association) Dual-Mode DisplayPort standard that Parade helped to develop. Parade dominates in the area of cost effective HDMI jitter cleaning products for the computer or CE markets.

We continue to expand out DisplayPort interface devices, including repeaters, muxes, and demuxes that are widely used in Desktop computers, Monitors, all-in-one PCs, notebooks, tablets, and computer peripherals. Our offering of HDMI interface devices has grown with the addition of new repeaters, including those with jitter cleaning and ultra-low power consumption targeting notebooks and tables, as well as demuxes and switches. We have expanded our SATA/PCIe repeater product line to serve embedded hard disk drive and SSD (Solid State Drive) applications in the desktop and notebook markets. We also have introduced a new USB 3.0 redriver IC, USB Type-Credriver and switch ICs that are optimized for next generation smart phones, tablets and ultra mobile devices.

We offer full spreadtrum of protocol converter product line. This includes new DisplayPort-to-HDMI and DisplayPort-to-VGA converters for cable adaptors, motherboards, and graphics cards; and eDP-to-LVDS converters for embedded display applications. These devices serve the growing number of GPUs and CPUs that no longer support VGA, LVDS and HDMI outputs, due to smaller process geometries, but instead support DisplayPort/eDP as the universal display interface. We also developed a MIPI DSI-to-eDP converter to serve the conversation demand for high resolution panel. ITE is major competitor for this device.

### 3. TrueTouch Controllers

Parade acquired TrueTouch business from Cypress Semiconductor in August, 2015. We currently offer TrueTouch IC products to the customers in mobile, consumer and industry markets. TrueTouch controllers often can be found in smartphone, tablet, smartwatch, and digital camera as well as printer, POS machine and mobile hot spot etc. The competitors are Synaptics, Focal Technologies and Goodix etc. The touch technology has been evolving rapidly. We continue developing new touch technologies including Force touch products and the integration chips of display controller, driver and TrueTouch (TDDI).

### 5.1.3 Technology and R&D profile

(1) Parade's R&D spending from the recent year up to the print date of annual report

Unit: NTD in Thousands; %

Item	2015	2016 Q1
R&D expenses (A)	1,031,362	359,186
Net revenue (B)	7,189,471	2,340,738
(A) / (B)	14.35%	15.35%

(2) Successfully developed technologies or products in the recent year to the print date of annual report

Year	R&D Achievements
2014	2 <sup>nd</sup> generation of eDP 1.3 TCON devices to continue to lead technology
	MIPI DSI receiver
	2 <sup>nd</sup> generation HDMI jitter cleaning
	Maturing Source Driver technologies with a series product offering in both SIPI and iSP protocols
	MIPI based single chip smartphone display devices
	MIPI to eDP converter
	High resolution eDP TCON to support 4K x 2K panel
2015	USB Type-C with DisplayPort Alt Mode active switch with redriving (Source & Sink Applications)
	DisplayPort 1.2 to HDMI 2.0 converter supporting 60Hz 4K x 2K resolution display
	3rd Generation eDP PSR TCON supports full frame or partial frame update
	TrueTocuh Integrated chips targeting smartphone and tablets
2016	eDP timing controllers (Tcons) for AMOLED panels support eDP 1.4b and resolutions up to 3200 x 1800

### 5.1.4 Long- and Short-Term Business Development Plans

(1) Short-term business development plans

#### ① R&D strategies and plans

Within the Display Solutions segment, we plan to introduce next generation embedded DisplayPort 1.4b timing controllers, source drivers with the SIPI interface,

as well as LCD monitor controllers including an LCD monitor controller that supports high-resolution display and Single Chip Smartphone Display Driver Chip. Within the High-Speed Interface segment, we plan to introduce next generation HDMI switches, DisplayPort-to-HDMI 2.0 converters, DisplayPort and USB Type-C repeater and USB 3.1 repeaters. We also are developing the integration products with display driver and TrueTouch technologies for smartphone market.

## ② Marketing strategies and plans

Our marketing strategy is to collaborate with top SOC vendors, major computer and smartphone OEMs and ODMs as well as LCD panel manufacturers by providing solutions that support high speed, advanced display and advanced touch technologies. We are actively participating and leading VESA DisplayPort and embedded DisplayPort standard development. Our marketing strategy also requires close collaboration with leading system vendors to provide standard-plus products. We also collaborate with leading CPU vendors to support next generation platform requirements and to provide leading LCD panel vendors with eDP Timing Controllers and SIPI Source Driver, high-resolution displays and TrueTouch that optimize overall system and panel electronics power.

## ③ Production strategies and plans

We plan to continue to work closely with our 3<sup>rd</sup> party manufacturing partners to develop advanced silicon process technology and secure capacity to support our future growth.

## ④ Operation and financing strategies and plans

We intend to enhance global operation efficiency and cost reduction in order to be more competitive, to gain more profitable, and to get more financial resources and also to enhance our cash balance.

# (2) Long-term business development plans

## ① R&D Strategies

The demand for high bandwidth, advanced display and touch technologies in mobile-related applications will continue to grow, therefore, our long-term strategy is to focus on developing low power SERDES, advanced display and advanced touch technologies. We plan to invest in next generation SerDes, advanced time controller and display driver and integration technologies of display and touch for smartphone, tablet and notebook.

## ② Marketing Strategies

As we grow, we plan to continue to invest in our sales and marketing channel and our brand. We have significant relationships with leading LCD panel vendors, computer OEMs and CPU vendors. We plan to continue to invest in those long-term relationships. We also plan to expand our customer base by investing in sales and product support, including Korea, Japan, Taiwan, China and US.

## ③ Production Strategies

We plan to maintain strong relationships with our manufacturing partners to support our long-term growth.

## ④ Operations Strategies

We plan to use cash generated from our operations to invest in new technology and product development, as well as expand our sales, marketing and operations capabilities. Through a combination of marketing, production and product strategies, the company can significantly increase its overall operational efficiency, rapidly expand its business scale, and become a world-renowned IC design company. We will enhance the risk control, and fulfill the operating goals of stability, high-efficiency and flexibility, in order to build up the sound financial structure. In addition, we will also develop our international vision and administration skills, training international professionals, to further enhance our position as a world-class company.

## 5.2 Market, Production and Sales Overviews

### 5.2.1 Market Analysis

#### (1) Revenue by Geographic Region

Unit: NTD in Thousands; %

Countries	2014		2015	
	Revenue	%	Revenue	%
Korea	3,831,252	61.55	3,877,722	53.94
Taiwan	1,560,150	25.06	1,755,001	24.41
China	348,773	5.60	819,573	11.40
Japan	454,013	7.29	646,668	8.99
Others	31,103	0.50	90,507	1.26
Total	6,225,291	100.00	7,189,471	100.00

## (2) Market Share of Main Products and Services

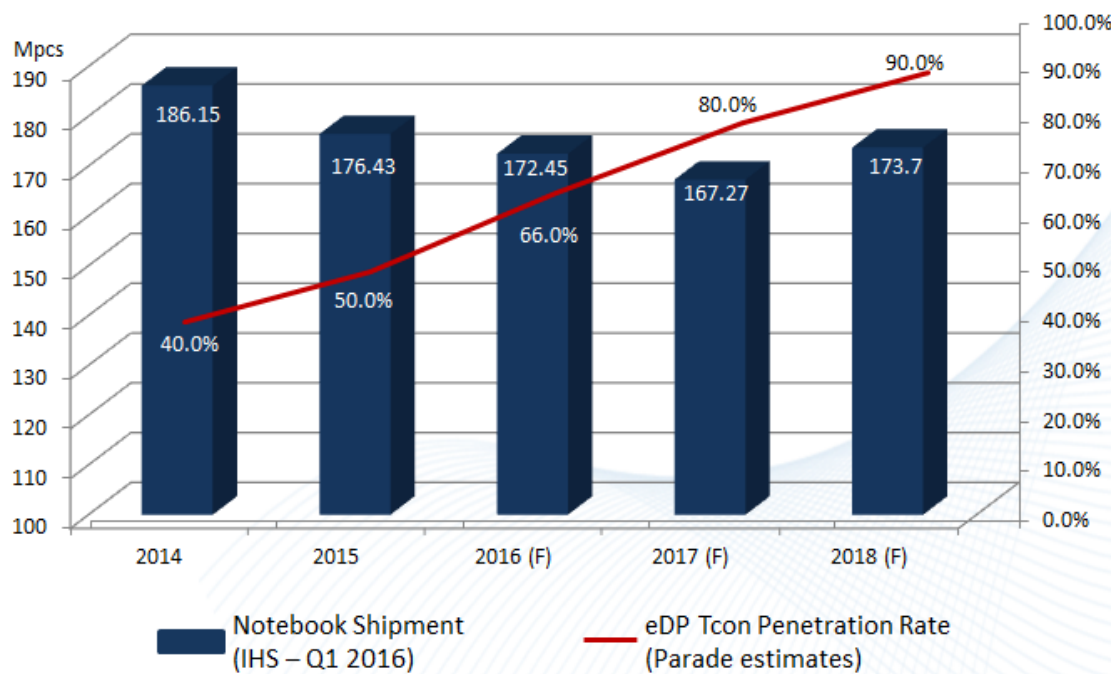
Based on product applications, our ICs are classified into four segments: display solutions, high-speed interface devices, high speed converters and TrueTouch controllers. Products relating to display solutions are timing controllers, or eDP\_TCON, and source drivers. Products relating to the high-speed interface are repeaters, MUX, DeMUX, switches, level shifters. High speed converters are the converters for DisplayPort to HDMI1.4 DisplayPort to HDMI2.0 etc. TrueTouch products include Gen4, Gen5 and Gen6 devices and TDDI devices under development. While there was no official 3rd party market data describing market size and shares for the segments that we serve, we tried to make reasonable assessment based on collective industry data related to our product applications compared to our own sales. In 2015, we believe our sales of eDP T-CON is still maintaining leading position of global market share; our sales of high-speed interface also represented a leading position in the notebook market. We remain very focus to gain our TrueTouch market shares.

## (3) End Market Dynamics and Growth Potential

Parade's DisplayPort-based ICs, high-speed interface ICs and touch controller ICs, including DP/eDP Timing Controller, Converter, Repeater, MUX, DeMUX, Level Shifter, etc., are primarily used in portable computing applications such as desktops, LCD monitors, all-in-one computers, laptops, Tablet computers and smartphones.

DisplayPort standard is compatible with a variety of industry standards. It is capable to replacing multiple adaptors and cables with a single connector at a smaller form factor, providing better coding and data protection, and delivering a high-speed supporting channel, full HD 3D display enhancement technique, high definition and power saving. Given all the benefits mentioned above, DisplayPort quickly gained market traction since its introduction. Currently Intel, AMD and NVIDIA all have integrated DisplayPort into their Graphics ICs and plan to replace DVI and VGA with DisplayPort and replace LVDS with eDP. Large OEMs like HP, Dell, Apple, Lenovo and Toshiba also started to embrace DisplayPort and/or eDP. Due to its special characteristics, such as low-voltage signaling and AC coupling, DisplayPort is ideal for process geometry shrinking. Currently, besides Parade, companies that support DisplayPort also include Intel, MStar, AMD, TI, NXP, STMicro, Realtek, Samsung, Analogix, Quantum Data, Tyco Electronics, Unigraf and CREATION. With broad supports from upstream manufactures to downstream OEM customers, we strongly believe that DisplayPort will become the primary interface standard for computing and monitoring devices.

According to Parade's estimation, eDP Tcon penetration rate in Notebook was approximately 50% in 2015. And Parade also expects the eDP Tcon penetration rate in Notebook to increase to 66% in 2016 and reach up to 80% in 2017.



#### (4) Competitive Niche

##### ① Engineering Expertise

Our engineering team has a long history of success in developing high-speed SERDES technology and display processing technologies and touch technologies for communications, display, touch, and TV applications. As the PC, tablet and smartphone markets rapidly adopt high-speed interface standards like DisplayPort, SATA 2.0, USB 3.1 and HDMI 2.0, and aggressively use advanced display and touch solutions, our ability to leverage our engineering expertise to develop high performance, low power, and integrated solutions would be a significant competitive advantage.

##### ② Proprietary Technologies in High Speed Equalizer, Clock/Data Recovery and SIPI

We have developed a proprietary equalizer and clock/data recovery technology that utilizes an adaptive approach to amplify and recover high-speed signals at a cost-effective manner while still maintaining low power. Because computers use standard FR4 PCBs, CPUs need to rely on equalizer and clock/data recovery based solutions to maintain signal integrity for high-speed connectivity, which includes DisplayPort, SATA, USB 3.1 and HDMI 2.0. Our ability to integrate our proprietary

technology into our DisplayPort as well as high-speed interface solutions is a significant competitive advantage.

We also developed a proprietary high-speed interface technologies, SIPI, for intra-panel data transmission. The high-speed characteristics of SIPI demonstrate a unique capability on speed performance on panel glass. Our source driver products based on SIPI interface gain market tractions and are in mass production. The SIPI technology provides us a great competitive advantage in display market.

### ③ Customer and Partner Relationships

Leveraging our proprietary technology and offering a unique level of quality and reliability, we have earned the trust of leading computer and smartphone OEMs and CPU vendors and thus developed close relationships with them. Our strong reputation with customers and partners is a significant competitive advantage.

### ④ DisplayPort Standard Leader

We are an active participant and leader in industry standard-setting organizations. As a member of VESA (Video Electronics Standard Association), Parade has made key contributions to the development of VESA's DisplayPort standard. We were one of the few companies to first develop DisplayPort-based solutions and we have successfully maintained our market leading position. The adoption rate of the DisplayPort standard is increasing rapidly within the embedded Display market. As a leader, we believe we have a unique ability to take advantage of the growth in the DisplayPort market by providing market proven eDP solutions with our "standard plus" strategy.

## (5) Favorable and Unfavorable Factors to long-term development and the Solutions

### ① Advantageous factors

- A. Broad and Deep High-Speed Product Portfolio
- B. High Barriers to Enter High-Speed Interface Markets
- C. Leading Customer Base
- D. Growing Market for High-Speed Solutions including DisplayPort
- E. Standard-plus development strategy
- F. TrueTouch IPs

### ② Disadvantageous factors and countermeasures

- A. Significant Competition – The semiconductor market is highly competitive and we expect significant competition for our Display and High-Speed Interface solutions in the future. Our strategy is to leverage our proprietary equalizer and clock and

data recovery technology to develop higher performance, more highly integrated and lower cost products in the future to maintain our competitive advantage.

- B. Customer Concentration – The majority of our revenues is currently driven by the top computer OEMs who have been early adopters of the DisplayPort standard. However, as the DisplayPort market proliferates, we expect more and more computer OEMs and ODMs will adopt DisplayPort, and, as a result, our customer concentration will alleviate.

## 5.2.2 Key Product Applications and Manufacturing Processes

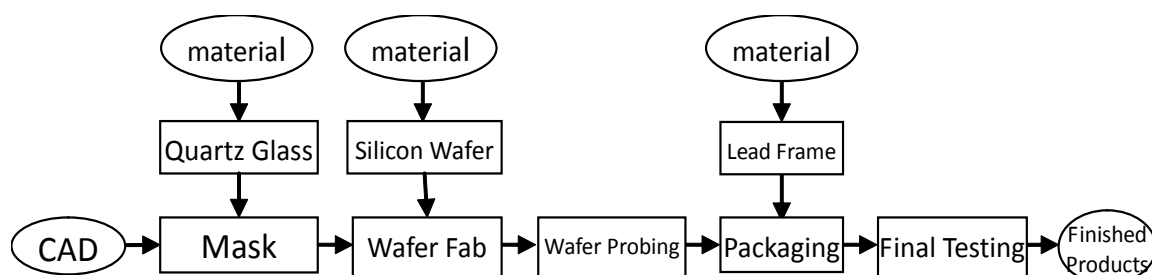
### (1) Key Product applications

Product	Important Uses
DisplayPort Series	Provide high quality video signals to Source Driver and control signals to Gate Driver on LCD Panel based on DisplayPort standard
High-Speed Interface Solutions	Transmit error-free data between DisplayPort and other interfaces or transmit and receive data within itself
Source Driver	Convert digital data to analog voltage to charge each RGB sub-pixel to the correct gray level
TrueTouch Controller	Sensing touch force for panel applications

### (2) Production Processes

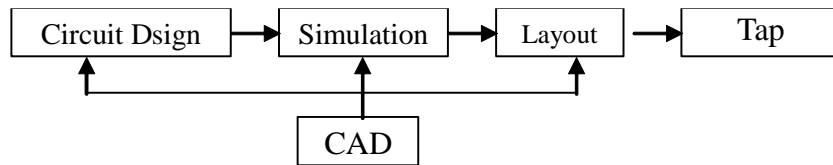
#### ① Manufacturing process flow chart

Since we are a fabless IC design company, we outsource both fronted and backend manufacturing to 3rd party manufacturers.. Chips that are produced by the wafer foundry need to pass a preliminary test to be moved on to packaging, and then be further delivered to subcontractors for a complete functional test. Product manufacturing process flow chart is as below:



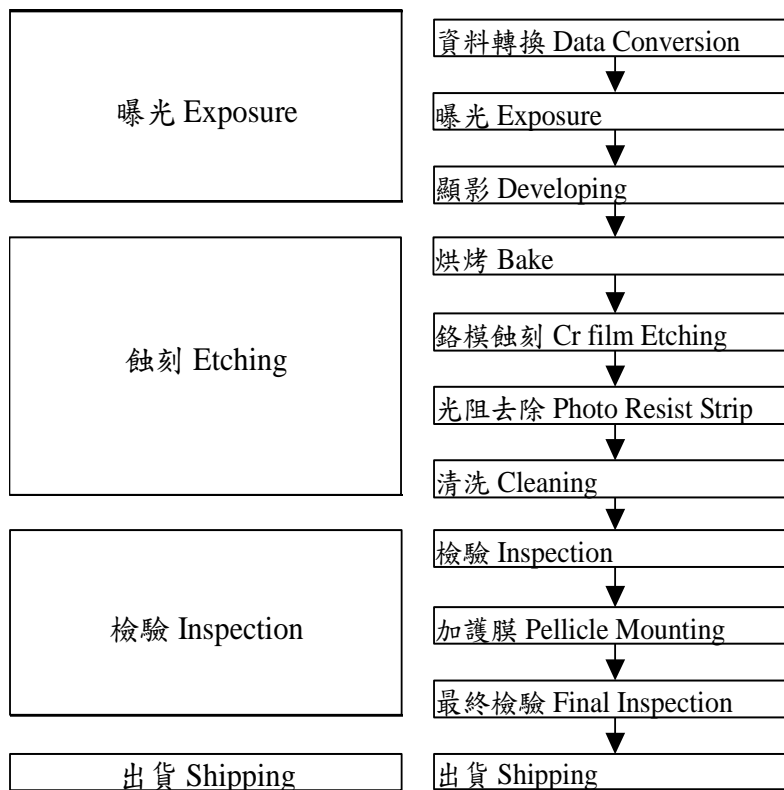
## ② Design process

IC products come from IC design. Designers design a simple, efficient layout through design aids such as CAD in order to satisfy the specification and function needs of customers.



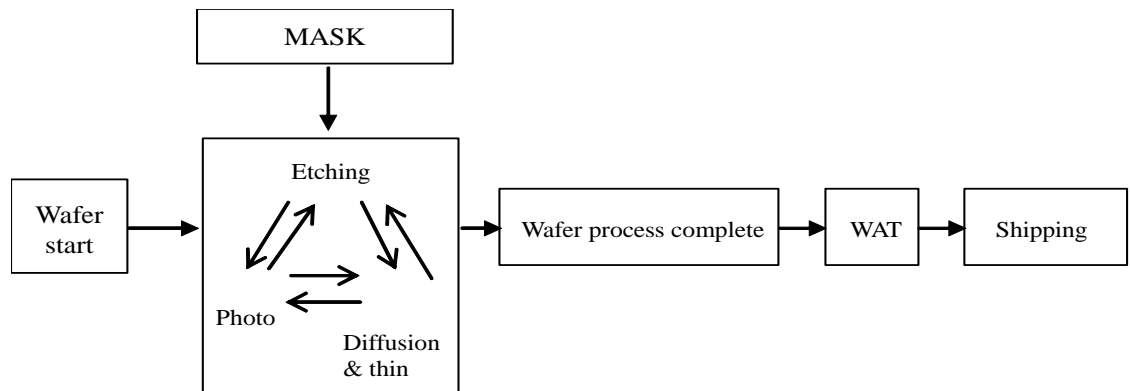
## ③ Mask process

Circuit lines that are designed will be stored in the tape as database, and will be given to the mask company for mask manufacturing. The manufacturing process can be divided into four sections: exposure, etching, inspection, and shipping. Finished masks then will be delivered to wafer foundry for wafer fabrication.



#### ④ Wafer Process

Wafer fabrication is a fairly complicated process, but the process is still accomplished within the fab. Once IC design enters the tape-out stage, it goes through each process area of etching, photo, implant and diffusion along with the use of mask to complete the wafer fabrication. Finished wafers will then go through an electrical test; ones that pass the test will be shipped.



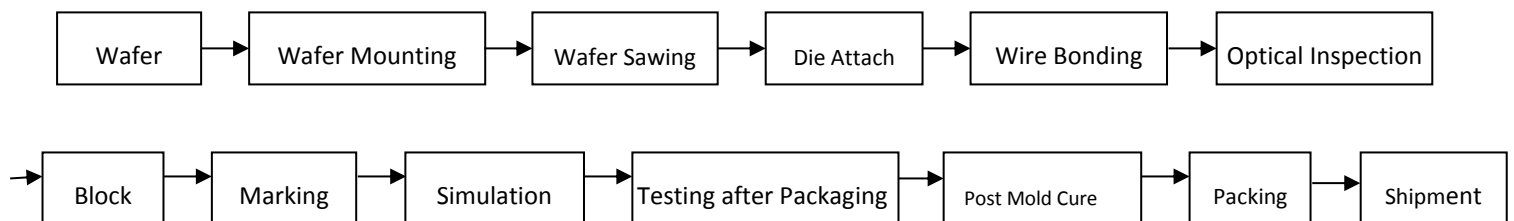
#### ⑤ Testing process

Finished fabricated wafers will be sent to an outside wafer testing factory to distinguish good die and failed die.

#### ⑥ Packaging process

The products that are required to pack will be packed by good die according to the actual demands. The packaging process is shown below:

##### Packaging Process



### 5.2.3 Major Raw Material Supply Situation

(1) Major raw material: wafer

(2) Major supplier: B Corporation

(3) Market condition: B Corporation is a global semiconductor foundry company that provides advanced manufacturing services and fine quality. The output quantity and production coordination are in line with the expectations and development of the Company

(4) Purchasing strategy:

- ① Stable manufacturing process and higher yield can help the Company to effectively reduce cost, thus select suppliers with better product quality to benefit the Company.
- ② Select the wafer foundry that has the best combination of quality, cost and production efficiency to invest, in accordance with the Company's manufacturing process demand.
- ③ Regularly review on market supply and demand to discuss products market prices and review product quality and services with suppliers.

### 5.2.4 Major suppliers and customers

(1) Major supplier information of the suppliers that have accounted more than 10% of the total annual purchase in any given year over the past 2 years

Unit: NTD in Thousands; %

Item	2014				2015				2016 Q1			
	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company
1	B Company	2,073,546	97	None	B Company	1,559,527	76	None	B Company	630,320	65	None
2	Others	67,414	3	—	C Company	416,570	20	None	C Company	249,598	26	None
3	—	—	—	—	Others	71,239	4	—	Others	96,254	9	—
	Net Purchases	2,140,960	100	—	Net Purchases	2,047,336	100	—	Net Purchases	976,172	100	—

Explanation on the changes of purchase amount and percentage:

The main raw material that the Company purchases is wafer. As Company acquired the TrueTouch asset from Cypress in 2015, a second supplier exceeding 10% of wafer purchases, C Company specifically supplying wafers for TrueTouch products, was introduced in 2015. There is no change to the established long-term and stable purchase relationship with Company B as it is one of the largest wafer foundries in the world and possesses an advanced manufacturing technology and a favorable lead time schedule. The total revenue grew 10% from 2014 while purchase amount stayed relatively flat from 2014 due to product mixes and timings of customer demands.

- (2) Major customer information of the customers that have accounted more than 10% of the total annual sales in any given year over the past 2 years

Unit: NTD in Thousands; %

Item	2014				2015				2016 Q1			
	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company
1	B	2,283,805	37	None	B	2,118,939	29	None	B	629,647	27	None
2	C	1,546,484	25	None	C	1,733,302	24	None	C	462,324	20	None
3	A	1,184,214	19	None	A	1,281,068	18	None	A	376,490	16	None
5	Others	1,210,788	19	—	Others	2,118,939	29	—	Others	872,277	37	—
	Net Sales	6,225,291	100	—	Net Sales	7,189,471	100	—	Net Sales	2,340,738	100	—

Explanation on the changes in customers:

In year 2015, our top three customers accounted for approximately 70% of our net operating revenues. These top three customers primarily consist of the distributors with who work to service the contract manufacturers for global brand end-customers as well as TFT-LCD panel producers who incorporate our chips as part of their display modules procured by the global brand end-customers. Since many of the global brand end-customers procure their panels from, and outsource the manufacturing of their products to, more than one panel producer and contract manufacturer, many different panel producers or contract manufacturers may purchase our chips either directly or via our distributors to meet the demand of the same global brand end-customer. As a result, the actual end-customers of our products (i.e. global brand end-customers) may account for an even greater percentage of our operating revenues, which would make our actual concentration of sales even higher. Utilizing our leading technology in display and high-speed interface, we direct work with a global brand system company to design in our products. And this global brand system company has adoption our products. As high-speed interface and DP/eDP timing controllers are pretty kind of new technology, it

is major application in high end electronic devices and consumer products. Due to the products introduced by global brand system company were always leading the industry, hence our company decides to have close relationship with this global brand system company to develop our products. And, therefore, we have sales concentration with it and the sales of this global brand system company in global market could directly affect and impact our revenue largely as a result of such concentration.

#### 5.2.5 Production Volume and Value in the past 2 years

Unit: NTD in Thousands; Volume in Thousands

Main Products	2014			2015		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
DisplayPort Series	0	130,039	3,207,037	0	108,502	2,910,822
High-Speed Interface Solutions	0	98,239	649,041	0	130,039	822,474
TrueTouch	0	0	0		61,719	709,210
Others	0	159	2,592	0	1,608	28,731
Total	0	228,437	3,858,670	0	301,868	4,471,237

#### 5.2.6 Sales Volume and Value in the past 2 years

Unit: NTD in Thousands; Volume in Thousands

Main Products	2014				2015			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
DisplayPort Series	0	0	130,945	5,079,663	0	0	102,051	4,862,992
High-Speed Interface Solutions	0	0	102,976	1,145,301	0	0	119,850	1,438,585
TrueTouch	0	0	0	0	0	0	47,949	850,486
Others	0	0	83	327	0	0	1,349	37,408
Total	0	0	234,004	6,225,291	0	0	271,199	7,189,471

Note: Overseas sales are sales outside Cayman Island.

### 5.3 Employees

4/30/2016

Year		2014	2015	2016 (As of 4/30)
Number of Employees	Sales/ Management Staff	104	148	153
	R&D	189	245	248
	Total	293	393	401
Average Age		35.92	35.43	35.66
Average Years of Service		3.70	4.63	4.78
Education (%)	Doctoral	2.73	3.05	2.99
	Master	48.81	49.87	49.13
	University & College	45.73	44.53	46.38
	High School	2.73	2.55	1.50
	Below High School	0	0	0

### 5.4 Information on Environmental Protection Expenditures

5.4.1 Describing the loss suffered by the Company due to environmental pollution incidents that occurred in the most recent two years and up to the annual report' publishing date, the total penalty/fine amount, as well as disclosing its future preventive policies and possible expenses to be incurred: The Company did not receive any fines from the Competent Authority for pollution and environmental violations.

5.4.2 Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the coming two years: None.

### 5.5 Labor Relations

5.5.1 Setting forth all employee welfare, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

#### (1) Employee welfare

The Company ensures employee welfare in accordance with the United States Social Security Program Rules, Labor Law, and other relative laws, and also provides employees health insurance, workers' compensation insurance, and 401K retirement plan.

According to the compliance with regulation of Labor Law, National Health Insurance Act, Labor Pension Act and Labor Insurance Act, labor insurance, health insurance and labor pension contributed by Taiwan Branch office to secure the right of employees. Employee also entitles to benefits including employee group insurance, physical examination, year-end party and other events.

The subsidiaries in Hong Kong, China, Japan, Ireland, Washington and Korea follow the labor regulations of the country they located in.

(2) Education and training

The Company holds internal and external training programs based on work requirement.

The employees training in 2015:

Unit: NTD

Items	Persons	Hours	Amounts
New Employee Training	123	308	0
Professional Training	7	93	151,852
Total	130	401	151,852

(3) Retirement systems and their implementation

The Company mainly operates in the United States, therefore follows the United States Social Security Program Rules, paying a monthly of 12.4% of salaries as Social Security Tax (payment shared by both the employer and employee: employer 6.2%, employee 6.2%), and a 2.9% of salaries as Medicare/ Hospital tax (tax shared by both the employer and employee: employer 1.45%, employee 1.45%), which allows employees to receive social security benefits such as pension, disability welfare, and Medicare after retirement.

In addition, the Company provides individual employees 401K retirement plan. Employees can choose to put 0%~90% of their salaries into their 401K every month, and they are also free to select the investment plan they favor from various financial services co-operating with the Company. Employees' 401K contribution can be deducted from income tax, and it will be taxed at their withdraw of funds when retire.

In Taiwan branch, according to Labor Pension Act, 6% of each employee's monthly salary shall be contributed as labor pension by the employer. Workers may also voluntarily contribute within six percent of their monthly wage to the labor pension.

The subsidiaries in Hong Kong, China, Japan, Ireland, Washington and Korea follow the labor regulations of the country they located in.

(4) Agreements between labor and management and labor protection

The right and opinion of employee are highly valued by the Company. In order to maintain the two-ways communication, employee could communicate with management team or HR Dept. by open door policy or regular communication meeting. Therefore, there are no disputes between the employer and employee.

5.5.2 Describing the loss suffered by the Company due to labor disputes occurring in the most recent two years and up to the annual report' publishing date, and disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures. If a reasonable estimate cannot be made, an explanation of why it cannot be made shall be provided:

Employee is the most valuable asset of the Company. The Company highly valued feedback and future development of employee. No disputes between the employer and employee have occurred.

## 5.6 Corporate Social Responsibility

As a leading supplier of mixed-signal ICs for touch, display, and high-speed digital interface applications, Parade places a high priority on socially responsibility through proactive measures that ensure the highest standards of professional and ethical business conduct. Parade encourages a company culture that is conscientious toward stakeholders and environmental awareness, and Parade is committed to adhere to the following practices through integrated Company resources and continual improvement.

### 5.6.1 Legal Compliance

Parade and its employees are required to comply with all domestic and international health, safety, and labor laws and regulations.

### 5.6.2 Freedom of Employment

All personnel are employed voluntarily without threat coerced employment and with the freedom to resign voluntarily at any time without recourse.

### 5.6.3 Treatment and Discrimination

We do not employ child labor, approve of verbally abuse, or allow coercion of employees. We also do not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination, or retirement based on race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, political opinions, age, or any other condition that could give rise to discrimination.

### 5.6.4 Wages and Benefits

We comply with all wage relevant domestic and international regulations, and clearly disclose related management matters and documents to employees.

#### 5.6.5 Health and Safety

We actively enable and ensure the health, safety, and cleanliness of the work environment.

#### 5.6.6 Environment Standards

Active focus is maintained on environmentally friendly product designs and compliance with global environmental protection regulations.

#### 5.6.7 Communication

We routinely use many internal and external communication channels in our daily business. Open communication is strongly encouraged between employees, customers, management, and investors. We periodically disclose the achievement or policies to external interest party through company web site, e-mail, or public announcement.

#### 5.6.8 Moral Standards

The Company expects and accepts only the highest moral standards and employee integrity. Bribery, corruption, and artifice are strictly prohibited. The Company maintains the necessary policies and procedures to prevent, detect, and monitor such prohibited behavior. We respect and protect customer and corporate partner information and ensure the confidentiality of messages. We do not directly or indirectly make use of conflict metal from banned counties.

#### 5.6.9 Intellectual Property and Confidentiality

The Company respects and protects the intellectual property, proprietary information, and confidential data of its customers, partners, and suppliers. Accordingly, Nondisclosure and Confidentiality Agreements are often executed between Parade and other parties.

#### 5.6.10 Conflict Minerals Statement

Parade takes measures to avoid the use of Conflict Minerals, including requiring suppliers to conduct due diligence to confirm conformance and to provide investigative reports. Parade will work with the supply, if necessary, to find alternative sources for the Conflict Metals if they exist in the supplier's product. Parade gives close attention to the issue of conflict metals, following international convention, with social responsibility and preserving the rights of customers and as our objectives.

#### 5.6.11 Stakeholder Engagement

Parade defines stakeholders as internal or external individuals or organizations that can influence Parade, or that can be influenced by Parade. Using this definition, we identify Parade's stakeholders to include employees, customers, suppliers, shareholders, and investors.

Stakeholder communication and engagement is integral to our sustainability strategy, and such actions ensure that we address current and emerging opportunities and risks in the markets in which we operate. Parade has established multiple transparent and effective communication channels with our stakeholders that help us to clarify priorities and develop policies. We also gain valuable feedback on how external stakeholders perceive our performance on sustainability issues.

In keeping with our commitment towards open communication with stakeholders, we welcome your comments regarding our performance toward corporate social responsibility.

## 5.7 Important Contracts

Nature of Contract	Contractor	Commencement and Termination Dates	Major Content	Restrictive Provisions
Supplier Agreement	A Company	08/01/2008 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Supplier Agreement	B Company	07/11/2011 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Supplier Agreement	B Company	05/06/2014 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Asset Purchase Agreement	L Company	06/09/2015	Purchase Business & Technology Assets	None
Service Agreement	L Company	06/09/2015 (May extend for each additional full year with mutual written agreements)	Manufacturing Service	None
License Agreement	O Company	08/01/2015 (Remain in force unless either party takes the initiative to terminate the contract)	Technology License	None

## 5.8 Other Matters Requiring Supplemental Information Disclosure

None

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheets

##### (1) Condensed Balance Sheets – ROC GAAP

Unit: NTD in Thousands

<div style="text-align: center;"> <div>Year</div> <div>Subject</div> </div>		Recent Years Financial Summary (Note1)	
		2011	2012
Current Assets		2,794,826	3,825,893
Fund and Long-Term Investments		0	0
Fixed Assets		64,022	86,124
Intangible Assets		1,761	2,528
Other Assets		4,852	17,453
Total Assets		2,865,461	3,931,998
Current	Before Distribution	622,847	642,005
Liabilities	After Distribution	801,976	823,252
Long-Term Liabilities		0	0
Other Liabilities		0	0
Total	Before Distribution	622,847	642,005
Liabilities	After Distribution	801,976	823,252
Capital Stock		511,578	517,215
Capital Reserve		1,219,675	1,268,136
Retained	Before Distribution	484,077	1,589,842
Earnings	After Distribution	304,948	1,408,595
Unrealized Gain or Loss on Financial Instruments		0	0
Cumulative Translation Adjustments		27,284	-85,200
Net Loss Unrecognized as Pension Cost		0	0
Total	Before Distribution	2,242,614	3,289,993
Stockholders' Equity	After Distribution	2,063,485	3,108,746

Note1: The financial information from 2011 to 2012 is derived from audited consolidated financial statements.

## (2) Condensed Balance Sheets – IFRSs

Unit: NTD in Thousands

<div> <div>Year</div> <div>Subject</div> </div>		Recent Years Financial Summary (Note 1)				3/31/2016 (Note 2)
		2012	2013	2014	2015	
Current Assets		3,825,846	4,818,708	6,345,786	5,018,557	5,585,522
Property, plant and equipment, net		86,124	91,340	121,864	158,494	152,332
Intangible Assets		2,528	8,007	6,228	2,989,576	2,896,207
Other Assets		17,500	64,456	51,431	75,116	71,078
Total Assets		3,931,998	4,982,511	6,525,309	8,241,743	8,705,139
Current Liabilities	Before Distribution	642,005	988,730	1,103,804	1,780,497	1,989,301
	After Distribution	823,252	1,199,457	1,482,615	(Note 3)	0
Long-term Liabilities		0	0	0	0	0
Total Liabilities	Before Distribution	642,005	988,730	1,103,804	1,780,497	1,989,301
	After Distribution	823,252	1,199,457	1,482,615	(Note 3)	0
Equity attributable to owners of the Company		3,289,993	3,993,781	5,421,505	6,461,246	6,715,838
Capital Stock		517,215	747,257	754,604	760,751	760,750
Capital Reserves		1,268,136	1,442,109	1,651,739	1,804,206	1,813,697
Retained Earnings	Before Distribution	1,598,166	1,882,724	2,897,927	3,663,574	4,021,274
	After Distribution	1,203,566	1,671,997	2,519,116	(Note 3)	0
Other Equity		-93,524	-78,309	117,235	281,120	168,522
Treasury Stock		0	0	0	-48,405	-48,405
Non-control Equity		0	0	0	0	0
Total Stockholders' Equity	Before Distribution	3,289,993	3,993,781	5,421,505	6,461,246	6,715,838
	After Distribution	3,108,746	3,783,054	5,042,694	(Note 3)	0

Note 1: The financial information from 2012 to 2015 is derived from audited consolidated financial statements.

Note 2: The financial information for the year to date March 31, 2016 is derived from reviewed consolidated financial statements.

Note 3: The 2015 profit distribution proposal was proposed by the Company's Board, and will be effective upon the approval of the 2016 Annual General Meeting on June 21, 2016.

## 6.1.2 Condensed Income Statements

### (1) Condensed Income Statements – ROC GAAP

Unit: NTD in Thousands

Year Subject	Five-Year Financial Summary (Note 1)	
	2011	2012
Net Sales	2,329,664	4,780,676
Gross Profit	1,117,815	2,456,947
Operating Income	540,880	1,519,396
Non-operating Income	1,751	10,116
Non-operating Expenses	-1,319	-2,441
Continuing Operating Income Before Tax	541,312	1,527,071
Continuing Operating Income After Tax	452,687	1,284,894
Discontinued Operation Income	0	0
Extraordinary Gain or Loss	0	0
Cumulative Effect of Changes in Accounting Principles	0	0
Net Income	452,687	1,284,894
Basic Earnings per Share (NT\$) (Note 2)	8.20	17.85
Diluted Earnings per Share (NT\$) (Note 3)	7.09	17.18

Note 1: The financial information from 2011 to 2012 is derived from audited consolidated financial statements.

Note 2: Using the sum of retroactively adjusted outstanding common stocks, preferred stocks, and options to calculate, the numbers of outstanding shares from 2011 to 2012 were 55,205 thousand shares and 71,980 thousand shares.

Note 3: Using the sum of retroactively adjusted outstanding common stocks, preferred stocks, and options to calculate, the numbers of outstanding shares from 2011 to 2012 were 63,856 thousand shares and 74,776 thousand shares.

## (2) Condensed Income Statements – IFRS

Unit: NTD in Thousands

Subject \ Year	Recent Years Financial Summary (Note 1)				1/1/2016~3/31/2016 (Note 2)
	2012	2013	2014	2015	
Revenue	4,780,676	4,212,028	6,225,291	7,189,471	2,340,738
Gross Profit	2,456,947	1,831,824	2,569,197	2,900,218	962,898
Operating Income	1,519,396	761,444	1,322,050	1,209,906	389,959
Total Non-operating Income and Expenses	7,675	-1,874	29,248	28,970	-69
Income Before Income Tax	1,527,071	759,570	1,351,298	1,238,876	389,890
Net Income for the period from Continuing Operations	1,284,894	679,150	1,225,743	1,144,346	357,544
Discontinued Operation Loss	0	0	0	0	0
Net Income	1,284,894	679,150	1,225,743	1,144,346	357,544
Other Comprehensive Income (Currency translation differences of foreign operations)	-112,484	93,081	289,534	206,425	-134,670
Total Comprehensive Income for the period	1,172,410	772,231	1,515,277	1,350,771	222,874
Net Income, attributable to owners of the Company	1,284,894	679,150	1,225,743	1,144,346	357,544
Net Income, attributable to non-owners of the Company	0	0	0	0	0
Comprehensive income, attributable to owners of the Company	1,172,410	772,231	1,515,277	1,350,771	222,874
Comprehensive income, attributable to non-owners of the Company	0	0	0	0	0
Basic Earnings per Share (NT\$) (Note 3)	17.85	9.25	16.48	15.30	4.77
Diluted Earnings per Share (NT\$) (Note 4)	17.18	9.02	16.15	15.00	4.68

Note 1: The financial information from 2012 to 2015 is derived from audited consolidated financial statements.

Note 2: The financial information for the year to date March 31, 2016 is derived from reviewed consolidated financial statements.

Note 3: Using the sum of retroactively adjusted outstanding common stocks and options to calculate, the numbers of outstanding shares from 2012 to 2015 were 71,980 thousand shares, 73,397 thousand shares, 74,364 thousand shares and 74,806 thousand shares, and using the sum of retroactively adjusted outstanding common stocks and options to calculate, the numbers of outstanding shares on the first quarter of 2016 was 74,921 thousand shares.

Note 4: Using the sum of retroactively adjusted outstanding common stocks and options to calculate, the numbers of outstanding shares from 2012 to 2015 were 74,776 thousand shares, 75,275 thousand shares, 75,883 thousand shares and 76,297 thousand shares, and using the sum of retroactively adjusted outstanding common stocks and options to calculate, the numbers of outstanding shares on the first quarter of 2016 was 76,335 thousand shares.

### 6.1.3 Auditors' opinions for the most recent five years and the first quarter on 2016

The names and audited/reviewed opinions of the attesting certified public accountant for the most recent five years and the first quarter on 2015:

Year	CPA Firm	Name of CPA	Audit / Review Opinions
2011	PricewaterhouseCoopers, Taiwan	Chou Hsiao-Tzu/ Liang Hua-Ling	Unqualified Opinion Audit Report
2012	PricewaterhouseCoopers, Taiwan	Chou Hsiao-Tzu/ Liang Hua-Ling	Modified Unqualified Opinion Audit Report
2013	PricewaterhouseCoopers, Taiwan	Chou Hsiao-Tzu/ Liang Hua-Ling	Unqualified Opinion Audit Report
2014	PricewaterhouseCoopers, Taiwan	Chou Hsiao-Tzu/ Liang Hua-Ling	Unqualified Opinion Audit Report
2015	PricewaterhouseCoopers, Taiwan	Chou Hsiao-Tzu/ Liang Hua-Ling	Unqualified Opinion Audit Report
2016 Q1	PricewaterhouseCoopers, Taiwan	Chou Hsiao-Tzu/ Lai Chung-Hsi	Standard Unqualified Review Report

## 6.2 Five-Year Financial Analysis

### 6.2.1 Financial Analysis – ROC GAAP

Subject \ Year		Five-Year Financial Analysis (Note1)	
		2011	2012
Financial Structure %	Debts Ratio	21.74	16.33
	Long-term Capital In % of Fixed Assets	3,502.88	3,820.07
Liquidity %	Current Ratio (%)	448.72	595.93
	Quick Ratio (%)	419.31	565.31
	Times Interest Earned Ratio	0	0
Operating Performance	Turnover of Receivable(Times)	5.42	7.28
	Average Collection Days of Receivable	67.34	50.13
	Turnover of Inventory (Times)	8.41	11.31
	Turnover of Payable (Times)	4.73	8.05
	Average Days of Sales	43.40	32.27
	Turnover of Fixed Assets (Times)	50.95	63.68
	Turnover of Total Assets (Times)	1.23	1.41
Profitability	Return on Total Assets (%)	23.91	37.81
	Return on Stockholders' Equity (%)	30.83	46.45
	In (%) of Capital Stock	Operating profit(loss)	293.76
		Earnings before income tax	295.25
	Profit Margin (%)	19.43	26.88
	Basic Earnings per Share (NT\$) (Note 2)	8.20	17.85
	Diluted Earnings per Share (NT\$) (Note 3)	7.09	17.18
Cash Flow	Cash Flow Ratio (%)	63.32	195.22
	Cash Flow Adequacy Ratio (%)	110.51	313.87
	Cash Flow Reinvestment Ratio (%)	17.02	31.78
Leverage	Operating Leverage	1.04	1.02
	Financial Leverage	1.00	1.00

Note 1: The financial analysis from 2011 to 2012 is derived from audited consolidated financial statements.

Note 2: Using the sum of retroactively adjusted outstanding common stocks, preferred stocks, and options to calculate, the numbers of outstanding shares from 2011 to 2012 were 55,205 thousand shares and 71,980 thousand shares.

Note 3: Using the sum of retroactively adjusted outstanding common stocks, preferred stocks, and options to calculate, the numbers of outstanding shares from 2011 to 2012 were 63,856 thousand shares and 74,776 thousand shares.

---

### Financial Analysis Calculation Formula

#### 1. Capital Structure

- (1) Debts Ratio= Total Liabilities/ Total Assets
- (2) Long-term Capital In % of Fixed Assets= (Shareholders' Equity+ Long-Term Liabilities)/ Net Fixed Assets

#### 2. Repayment Ability

- (1) Current Ratio= Current Assets/ Current Liabilities
- (2) Quick Ratio= (Current Assets- Inventories- Prepaid Expenses)/ Current Liabilities
- (3) Times Interest Earned= Earnings before interest and tax/ Interest Expenses

#### 3. Operating Efficiency

- (1) Turnover of Receivable (including accounts receivable and notes receivable arising from operation)= Net Sales/ Average Receivables  
(including accounts receivable and notes receivable arising from operation)
- (2) Average Collection Days of Receivable= 365/ Turnover of Receivable
- (3) Turnover of Inventory= Cost of Goods Sold/ Average Inventory
- (4) Turnover of Payable (including accounts payable and notes payable arising from operation)= Cost of Goods Sold/ Average Accounts Payable  
(including accounts payable and notes payable arising from operation)
- (5) Average Days of Sales= 365/ Turnover of Inventory
- (6) Turnover of Fixed Assets= Net Sales/ Net Fixed Assets
- (7) Turnover of Total Assets= Net Sales/ Total Assets

#### 4. Earning Ability

- (1) Return on Total Assets= (Net Income+ Interest Expenses\* (1- tax rate)/ Average Total Assets
- (2) Return on Stockholders' Equity= Net Income/ Average Shareholders' Equity
- (3) Profit Margin= Net Income/ Net Sales
- (4) Earnings Per Share= (Net Income- Preferred Stock Dividends) / Weighted Average Outstanding Shares

#### 5. Cash Flow

- (1) Cash Flow Ratio= Net cash provided by operating activities/ Current Liabilities
- (2) Cash Flow Sufficient Ratio= Five-year Sum of Cash from Operations/ Five-year sum of capital expenditures, inventory additions and cash dividends
- (3) Cash Reinvestment Ratio= (Cash Provided by Operating Activities- Cash Dividends)/ (Gross Fixed Assets+ Long-Term Investments+ Other Assets+ Working Capital)

#### 6. Degree of Leverage

- (1) Degree of Operating Leverage= (Net Sales- Variable Cost)/ Operating Income
- (2) Degree of Financial Leverage= Operating income/ (Operating income- Interest Expense)

## 6.2.2 Financial Analysis – IFRS

Subject \ Year		Recent Years Financial Analysis (Note 1)				1/1/2016~3/31/2016 (Note 2)
		2012	2013	2014	2015	
Financial Structure %	Debts Ratio	16.33	19.84	16.92	21.60	22.85
	Long-term Capital In % of Property, Plant and Equipment	3,820.07	4,372.43	4,448.82	4, 076.65	4,408.68
Liquidity %	Current Ratio (%)	595.93	487.36	574.90	281.86	280.78
	Quick Ratio (%)	565.31	464.18	535.78	247.39	238.50
	Times Interest Earned Ratio	0	0	0	0	0
Operating Performance	Turnover of Receivable(Times)	7.28	4.92	5.91	6.15	7.22
	Average Collection Days of Receivable	50.13	74.18	61.75	59.34	50.55
	Turnover of Inventory (Times)	11.31	10.54	10.57	7.87	7.16
	Turnover of Payable (Times)	8.05	6.89	8.83	8.22	6.38
	Average Days of Sales	32.27	34.62	34.53	46.37	50.97
	Turnover of Property, Plant and Equipment (Times)	63.68	47.47	58.40	51.29	60.25
	Turnover of Total Assets (Times)	1.41	0.94	1.08	0.97	1.10
Profitability	Return on Total Assets (%)	37.81	15.24	21.30	15.50	16.88
	Return on Stockholders' Equity (%)	46.45	18.65	26.04	19.26	21.71
	Earnings before Income Tax In (%) of Capital Stock	295.25	101.65	179.07	162.85	205.00
	Profit Margin (%)	26.88	16.12	19.69	15.92	15.27
	Basic Earnings per Share (NT\$) (Note 3)	17.85	9.25	16.48	15.30	4.77
	Diluted Earnings Per Share (NT\$) (Note 4)	17.18	9.02	16.15	15.00	4.68
Cash Flow	Cash Flow Ratio (%)	195.22	73.76	103.86	92.59	12.51
	Cash Flow Adequacy Ratio (%)	313.87	337.09	316.29	294.03	272.71
	Cash Flow Reinvestment Ratio (%)	31.78	13.35	16.80	19.13	3.60
Leverage	Operating Leverage	1.02	1.05	1.03	1.12	1.17
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Note 1: The financial analysis from 2012 to 2015 is derived from audited consolidated financial statements.

Note 2: The financial analysis for the first quarter of 2016 is derived from reviewed consolidated financial statements.

Note 3: Using the sum of retroactively adjusted outstanding common stocks and options to calculate, the numbers of outstanding shares from 2012 to 2015 were 71,980 thousand shares, 73,397 thousand shares, 74,364 thousand shares and 74,806 thousand shares, and using the sum of retroactively adjusted outstanding common stocks and options to calculate, the numbers of outstanding shares on the first quarter of 2016 was 74,921 thousand shares.

Note 4: Using the sum of retroactively adjusted outstanding common stocks and options to calculate, the numbers of outstanding shares from 2012 to 2015 were 74,776 thousand shares, 75,275 thousand shares, 75,883 thousand shares and 76,297 thousand shares, and using the sum of retroactively

adjusted outstanding common stocks and options to calculate, the numbers of outstanding shares on the first quarter of 2016 was 76,335 thousand shares.

---

Changes that exceed 20% in the past two years and explanation for those changes:

1. Increase in Debts Ratio: Mainly due to the acquisition of Cypress's TrueTouch Mobile Business and causing the increase in intangible assets.
  2. Decrease in Current Ratio and Quick Ratio: Mainly due to the acquisition of Cypress's TrueTouch Mobile Business and causing the decrease in cash and cash equivalents.
  3. Decrease in Turnover of Inventory and increase in Average Days of Sales: Mainly due to the increase of the inventories in December 2015 and causing the decrease in turnover of inventory and increase in average days of sales.
  4. Decrease in Return on Total Assets and Return on Stockholders' Equity: Mainly due to the decrease in operating income and net income after tax, and increase in the average Total Assets and average total shareholders' equity.
  5. Increase in Cash Flow Reinvestment Ratio: Mainly due to the increase in operating profit and causing the increase in cash from operations.
- 

#### **Financial Analysis Calculation Formula**

##### **1. Capital Structure**

(1) Debts Ratio= Total Liabilities/ Total Assets

(2) Long-term Capital In % of Property, Plant and Equipment= (Total Stockholders' Equity+ Long-Term Liabilities)/ Net Property, Plant and Equipment

##### **2. Repayment Ability**

(1) Current Ratio= Current Assets/ Current Liabilities

(2) Quick Ratio= (Current Assets- Inventories- Prepaid Expenses)/ Current Liabilities

(3) Times Interest Earned= Earnings before interest and tax/ Interest Expenses

##### **3. Operating Efficiency**

(1) Turnover of Receivable (including accounts receivable and notes receivable arising from operation)= Net Sales/ Average Receivables  
(including accounts receivable and notes receivable arising from operation)

(2) Average Collection Days of Receivable= 365/ Turnover of Receivable

(3) Turnover of Inventory= Cost of Goods Sold/ Average Inventory

(4) Turnover of Payable (including accounts payable and notes payable arising from operation)= Cost of Goods Sold/ Average Accounts Payable  
(including accounts payable and notes payable arising from operation)

(5) Average Days of Sales= 365/ Turnover of Inventory

(6) Turnover of Property, Plant and Equipment = Net Sales/ Net Property, Plant and Equipment

(7) Turnover of Total Assets= Net Sales/ Average Total Assets

##### **4. Earning Ability**

(1) Return on Total Assets= (Net Income+ Interest Expenses\* (1- tax rate)/ Average Total Assets

(2) Return on Stockholders' Equity= Net Income/ Average Shareholders' Equity

(3) Profit Margin= Net Income/ Net Sales

(4) Earnings Per Share= (Net Income, attributable to owners of the Company- Preferred Stock Dividends) / Weighted Average Outstanding Shares

5. Cash Flow

(1) Cash Flow Ratio= Net cash provided by operating activities/ Current Liabilities

(2) Cash Flow Sufficient Ratio= Five-year Sum of Cash from Operations/ Five-year sum of capital expenditures, inventory additions and cash dividends

(3) Cash Reinvestment Ratio= (Cash Provided by Operating Activities- Cash Dividends)/ (Gross Property, Plant and Equipment+ Long-Term Investments+ Other Assets+ Working Capital)

6. Degree of Leverage

(1) Degree of Operating Leverage= (Net Sales- Variable Cost)/ Operating Income

(2) Degree of Financial Leverage= Operating income/ (Operating income- Interest Expense)

### 6.3 Most Recent Year's Audit Committee's Report

Please refer to page 115.

### 6.4 Most Recent Year's Consolidated Financial Statements

Please refer to page 116~163.

### 6.5 Most Recent Year's the parent company only financial statements

Not Applicable.

### 6.6 Up to the most recent two-year and the date of publication, if there are any financial difficulties among the Company and its affiliates, impacts on the Company's financial conditions shall be indicated

None.

## **Audit Committee's Report**

The Board of Directors has prepared the Company's 2015 Business Report, 2015 consolidated Financial Statements and proposal for allocation of profits. The CPA firm of PricewaterhouseCoopers was retained to audit Parade's consolidated Financial Statements and has issued an audit report relating to the consolidated Financial Statements. The consolidated Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Parade Technologies, Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

### **Parade Technologies, Limited.**

Chairman of the Audit Committee: Norman Shen



April 27, 2016

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Parade Technologies, Ltd.

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

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

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

*PricewaterhouseCoopers, Taiwan*

March 9, 2016

---

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

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

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS			December 31, 2015		December 31, 2014	
	Notes		Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,887,751	35	\$ 4,600,434	70
1125	Available-for-sale financial assets					
	- current		-	-	34,365	-
1170	Accounts receivable, net	6(2)	1,252,871	15	1,084,808	17
130X	Inventories, net	6(3)(14)	613,776	8	431,792	7
1470	Other current assets		264,159	3	194,387	3
11XX	Total current assets		5,018,557	61	6,345,786	97
Non-current assets						
1600	Property, plant and equipment, net	6(4)(14)	158,494	2	121,864	2
1780	Intangible assets	6(5)(14)	2,989,576	36	6,228	-
1840	Deferred income tax assets	6(17)	38,893	1	3,880	-
1900	Other non-current assets		36,223	-	47,551	1
15XX	Total non-current assets		3,223,186	39	179,523	3
1XXX	TOTAL ASSETS		\$ 8,241,743	100	\$ 6,525,309	100

(Continued)

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

LIABILITIES AND EQUITY		Notes	December 31, 2015		December 31, 2014	
			Amount	%	Amount	%
Current liabilities						
2170	Accounts payable		\$ 701,881	9	\$ 341,624	5
2200	Other payables	6(6)	397,268	5	352,228	5
2230	Current income tax liabilities	6(17)	411,561	5	291,588	5
2300	Other current liabilities		269,787	3	118,364	2
21XX	Total current liabilities		1,780,497	22	1,103,804	17
2XXX	Total liabilities		1,780,497	22	1,103,804	17
Equity attributable to owners of the Company						
Share capital		6(10)				
3110	Ordinary shares		760,751	9	754,604	12
Capital reserves		6(11)				
3200	Capital reserves		1,804,206	23	1,651,739	26
Retained earnings		6(12)				
3310	Legal reserve		364,246	4	241,672	4
3320	Special reserve		8,324	-	78,218	1
3350	Unappropriated earnings		3,291,004	40	2,578,037	39
Other equity						
3400	Other equity		281,120	3	117,235	1
3500	Treasury shares	6(10)	( 48,405 )	( 1 )	-	-
31XX	Equity attributable to owners of the Company		6,461,246	78	5,421,505	83
3XXX	Total equity		6,461,246	78	5,421,505	83
Significant contingent liabilities 9 and unrecognized contract commitments						
Significant events after the 11 balance sheet date						
3X2X	TOTAL LIABILITIES AND EQUITY		\$ 8,241,743	100	\$ 6,525,309	100

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

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	Notes	2015		2014	
		Amount	%	Amount	%
4000 <b>Revenue</b>		\$ 7,189,471	100	\$ 6,225,291	100
5000 <b>Cost of goods sold</b>	6(3)(15)(16)	( 4,289,253 )	( 60 )	( 3,656,094 )	( 59 )
5900 <b>Gross profit</b>		<u>2,900,218</u>	<u>40</u>	<u>2,569,197</u>	<u>41</u>
<b>Operating expenses</b>	6(15)(16)(18) and 7				
6100 Sales and marketing expenses		( 400,942 )	( 5 )	( 298,916 )	( 5 )
6200 General and administrative expenses		( 258,008 )	( 4 )	( 215,900 )	( 3 )
6300 Research and development expenses		( 1,031,362 )	( 14 )	( 732,331 )	( 12 )
6000 <b>Total operating expenses</b>		<u>( 1,690,312 )</u>	<u>( 23 )</u>	<u>( 1,247,147 )</u>	<u>( 20 )</u>
6900 <b>Operating income</b>		<u>1,209,906</u>	<u>17</u>	<u>1,322,050</u>	<u>21</u>
<b>Non-operating income and expenses</b>					
7010 Other income		3,643	-	27,046	1
7020 Other gains and losses		<u>25,327</u>	<u>-</u>	<u>2,202</u>	<u>-</u>
7000 <b>Total non-operating income and expenses</b>		<u>28,970</u>	<u>-</u>	<u>29,248</u>	<u>1</u>
7900 <b>Income before income tax</b>		<u>1,238,876</u>	<u>17</u>	<u>1,351,298</u>	<u>22</u>
7950 Income tax expense	6(17)	( 94,530 )	( 1 )	( 125,555 )	( 2 )
8000 <b>Net income for the year from continuing operations</b>		<u>1,144,346</u>	<u>16</u>	<u>1,225,743</u>	<u>20</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Currency translation differences of foreign operations		<u>206,425</u>	<u>3</u>	<u>289,534</u>	<u>4</u>
8360 <b>Components of other comprehensive income that will be reclassified to profit or loss</b>		<u>206,425</u>	<u>3</u>	<u>289,534</u>	<u>4</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 1,350,771</u>	<u>19</u>	<u>\$ 1,515,277</u>	<u>24</u>
<b>Net income attributable to:</b>					
8610 Owners of the Company		<u>\$ 1,144,346</u>	<u>16</u>	<u>\$ 1,225,743</u>	<u>20</u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of the Company		<u>\$ 1,350,771</u>	<u>19</u>	<u>\$ 1,515,277</u>	<u>24</u>
9750 <b>Basic earnings per share from continuing operations</b>	6(13)	<u>\$ 15.30</u>		<u>\$ 16.48</u>	
9850 <b>Diluted earnings per share from continuing operations</b>	6(13)	<u>\$ 15.00</u>		<u>\$ 16.15</u>	

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Equity attributable to owners of the parent												
Notes												
	Capital Reserves					Retained Earnings			Other Equity			
	Ordinary shares	Paid-in capital in excess of ordinary shares	Capital reserve from employee stock options	Capital reserve from restricted stocks	Capital reserve - others	Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences of foreign operations	Unearned compensation	Treasury shares	Total
	\$ 747,257	\$ 1,263,837	\$ 64,037	\$ 82,812	\$ 31,423	\$ 173,757	\$ 93,524	\$ 1,615,443	(\$ 443 )	(\$ 77,866 )	\$ -	\$ 3,993,781
6(9)	-	-	45,093	-	-	-	-	-	-	34,747	-	79,840
6(9)(10)	4,210	40,732	( 7,034 )	-	-	-	-	-	-	-	-	37,908
	3,485	-	-	130,687	-	-	-	-	-	( 134,172 )	-	-
	( 348 )	-	-	( 5,175 )	-	-	-	187	-	5,435	-	99
	-	-	-	-	5,327	-	-	-	-	-	-	5,327
6(10)	-	-	-	-	-	-	-	-	-	-	( 41,920 )	( 41,920 )
	-	-	-	-	-	-	-	-	-	-	41,920	41,920
	-	-	-	-	-	67,915	-	( 67,915 )	-	-	-	-
	-	-	-	-	-	-	( 15,306 )	15,306	-	-	-	-
	-	-	-	-	-	-	-	( 210,727 )	-	-	-	( 210,727 )
	-	-	-	-	-	-	-	1,225,743	-	-	-	1,225,743
	-	-	-	-	-	-	-	-	289,534	-	-	289,534
	<u>\$ 754,604</u>	<u>\$ 1,304,569</u>	<u>\$ 102,096</u>	<u>\$ 208,324</u>	<u>\$ 36,750</u>	<u>\$ 241,672</u>	<u>\$ 78,218</u>	<u>\$ 2,578,037</u>	<u>\$ 289,091</u>	<u>(\$ 171,856 )</u>	<u>\$ -</u>	<u>\$ 5,421,505</u>
	\$ 754,604	\$ 1,304,569	\$ 102,096	\$ 208,324	\$ 36,750	\$ 241,672	\$ 78,218	\$ 2,578,037	\$ 289,091	(\$ 171,856 )	\$ -	\$ 5,421,505
6(9)	-	-	36,179	-	-	-	-	-	-	67,191	-	103,370
6(9)(10)	2,332	15,468	( 4,749 )	-	-	-	-	-	-	-	-	13,051
	4,000	-	-	118,600	-	-	-	-	-	( 122,600 )	-	-
6(9)	( 185 )	-	-	( 12,704 )	-	-	-	112	-	12,869	-	92
	-	-	-	-	( 327 )	-	-	-	-	-	-	( 327 )
6(10)	-	-	-	-	-	-	-	-	-	-	( 125,902 )	( 125,902 )
6(10)	-	-	-	-	-	-	-	-	-	-	77,497	77,497
	-	-	-	-	-	122,574	-	( 122,574 )	-	-	-	-
	-	-	-	-	-	-	( 69,894 )	69,894	-	-	-	-
	-	-	-	-	-	-	-	( 378,811 )	-	-	-	( 378,811 )
	-	-	-	-	-	-	-	1,144,346	-	-	-	1,144,346
	-	-	-	-	-	-	-	-	206,425	-	-	206,425
	<u>\$ 760,751</u>	<u>\$ 1,320,037</u>	<u>\$ 133,526</u>	<u>\$ 314,220</u>	<u>\$ 36,423</u>	<u>\$ 364,246</u>	<u>\$ 8,324</u>	<u>\$ 3,291,004</u>	<u>\$ 495,516</u>	<u>(\$ 214,396 )</u>	<u>(\$ 48,405 )</u>	<u>\$ 6,461,246</u>

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Income before income tax for the year		\$	1,238,876	\$	1,351,298
Adjustments to reconcile income before income tax to net cash provided by operating activities					
Income and expenses having no effect on cash flows					
Depreciation	6(4)(15)		61,176		39,678
Amortization	6(5)(15)		79,173		2,948
Loss on disposal of equipment			1,479		2,251
Share-based compensation cost	6(9)(16)		103,370		79,840
Interest income		(	1,718	(	923
Changes in assets/liabilities relating to operating activities					
Net changes in assets relating to operating activities					
Accounts receivable		(	127,619	)	1,587
Inventories		(	165,886	(	188,428
Other current assets		(	60,095	(	108,959
Other non-current assets			19,137		18,449
Net changes in liabilities relating to operating activities					
Accounts payable			347,521	(	174,610
Other payables			29,167		82,545
Other current liabilities			147,011		43,176
Cash provided by operations			1,671,592		1,148,852
Interest received			1,857		958
Income tax paid		(	24,967	(	3,401
Net cash provided by operating activities			<u>1,648,482</u>		<u>1,146,409</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Decrease (increase) in available-for-sale financial assets - current			33,507	(	207
Acquisition of equipment	6(4)(14)	(	75,898	(	66,832
Proceeds from disposal of equipment			-		6
Acquisition of intangible assets	6(5)(14)	(	73,099	(	776
Increase in refundable deposits		(	6,036	(	842
Acquisition of business combinations	6(14)	(	3,168,405		-
Net cash used in investing activities		(	<u>3,289,931</u>	(	<u>68,651</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from exercise of employee stock options			13,051		37,908
Purchase of treasury shares	6(10)	(	125,902	(	41,920
Treasury shares reissued to employees	6(10)		77,497		41,920
Cash dividends paid		(	378,811	(	210,727
Cash dividend recovered from cancellation of share-based compensation			92		99
Net cash used in financing activities		(	<u>414,073</u>	(	<u>172,720</u>
Effect of exchange rate changes on cash and cash equivalents			<u>342,839</u>		<u>236,315</u>
(Decrease) increase in cash and cash equivalents		(	1,712,683	)	1,141,353
Cash and cash equivalents at beginning of year			<u>4,600,434</u>		<u>3,459,081</u>
Cash and cash equivalents at end of year		\$	<u>2,887,751</u>	\$	<u>4,600,434</u>

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Parade Technologies, Ltd. (the “Company”) was established in Cayman Islands on November 15, 2005. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the research and development, and marketing and sale of high-speed video interfacing and processing integrated circuit chips for products like HDTV sets and advanced LCD monitors. The shares of the Company were authorized by the Financial Supervisory Commission, R.O.C. and have been traded in the Taipei Exchange (formerly GreTai Securities Market) in the R.O.C. since September 13, 2011.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

A. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in other comprehensive income (OCI) classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

B. IFRS 13, ‘Fair value measurement’

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants’ perspective, and requires

disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group discloses additional information about fair value measurements accordingly.

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

None.

(3) IFRSs issued by International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor or its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exceptions (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

- A. Except for the available-for-sale financial assets measured at fair value, these consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

### (3) Basis of consolidation

#### A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2015	December 31, 2014	
Parade Technologies, Ltd.	Parade Technologies, Inc.	Providing sales and marketing, general and administrative, and research and development services to the Company	100	100	-
Parade Technologies, Ltd.	Parade Technologies Korea, Ltd.	Providing sales and marketing, general and administrative services to the Company	100	100	-
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	100	100	-
Parade Technologies, Inc.	Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	100	100	-

#### C. Subsidiaries not included in the consolidated financial statements:

None.

#### D. Adjustments for subsidiaries with different balance sheet dates:

None.

#### E. Significant restrictions:

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is US Dollars; however, the consolidated financial statements are presented in New Taiwan Dollars under the regulations of the Republic of China where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or

consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

(7) Available-for-sale financial assets

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

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

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

(8) Accounts receivable

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount less provision for impairment as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

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

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group; or
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment may not be recovered.

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

- (a) Financial assets measured at amortised cost

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

- (b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss

shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the standard cost method. The cost of finished goods and work-in-process comprises raw materials, other direct costs and related production overheads. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Property, plant and equipment

A. Equipment is initially recorded at cost.

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

C. Subsequent measurement of equipment applies the cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. If a component is significant, it shall be depreciated separately.

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

Machinery and equipment	3 ~ 5 years
Office equipment	3 ~ 5 years
Leasehold improvements	5 years

(13) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

### C. Other intangible assets

Other intangible assets are mainly patents and mask, which are stated at cost and amortized on the straight-line basis over the estimated economic useful life of 3 to 10 years.

#### (14) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed which shall not exceed the book value of the asset, net of depreciation or amortization, if unimpaired.
- B. The recoverable amounts of goodwill is evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

#### (15) Borrowings

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

#### (16) Accounts payable

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

#### (17) Employee benefits

##### A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees before twelve months after the end of the annual reporting period, and should be recognized as expenses in that period when the employees render service.

##### B. Pensions

Each subsidiary of the Group adopts defined contribution pension plan in accordance with local regulations. The contributions are recognized as pension expense when they are due on an accrual basis.

##### C. Employees' and directors' remuneration

Employees' remuneration and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those

amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(18) Share-based compensation

A. For the equity-settled share-based compensation arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Restricted Stocks Awards:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees but employees are not able to receive the dividends if they resign during the vesting period, when receiving dividend, the Group credits related amounts that were previously debited from retained earnings, legal reserve or capital reserve at the date of dividends declaration.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if the employees resign during the vesting period, the Group will redeem the restricted stocks without consideration and then retire them.

(19) Income tax

- A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial

recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

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

#### (20) Share capital

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

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

#### (21) Dividends

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

#### (22) Revenue recognition

A. The Group manufactures and sells high-speed interfacing chips and serial products of DisplayPort. Revenue is measured at the fair value of the consideration received or receivable net of value-added tax, returns and rebates for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group

has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers right of return for defective products. The Group estimates such returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized.

(23) Operating segments

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

(24) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

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

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

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

None.

### (2) Critical accounting estimates and assumptions

#### A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

#### B. Evaluation of inventories

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

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand	\$ 136	\$ 61
Checking accounts and bank deposits	<u>2,685,428</u>	<u>3,016,596</u>
	2,685,564	3,016,657
Cash equivalents		
Money market fund	<u>202,187</u>	<u>1,583,777</u>
	<u>\$ 2,887,751</u>	<u>\$ 4,600,434</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

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

(2) Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	\$ 1,252,871	\$ 1,084,808
Less: Allowance for doubtful accounts	-	-
	<u>\$ 1,252,871</u>	<u>\$ 1,084,808</u>

The Group's accounts receivable were neither past due nor impaired and fully performing in line with the credit standards prescribed based on customers' industrial characteristics, scale of business and profitability.

(3) Inventories

December 31, 2015			
	Cost	Allowance	Book value
Raw materials	\$ 235,877	(\$ 7,836)	\$ 228,041
Work-in-process	142,639	( 8,506)	134,133
Finished goods	257,866	( 6,264)	251,602
	<u>\$ 636,382</u>	<u>(\$ 22,606)</u>	<u>\$ 613,776</u>
December 31, 2014			
	Cost	Allowance	Book value
Raw materials	\$ 264,293	(\$ 7,333)	\$ 256,960
Work-in-process	78,401	( 4,231)	74,170
Finished goods	111,069	( 10,407)	100,662
	<u>\$ 453,763</u>	<u>(\$ 21,971)</u>	<u>\$ 431,792</u>

The cost of inventories recognized for the years ended December 31, 2015 and 2014 was \$4,289,253 and \$3,656,094, respectively, including the amounts recognized (reversed) of (\$177) and \$19,830, respectively, that the Group wrote down from cost to net realizable value and accounted for as 'cost of goods sold'. The group recognized gain on reversal of decline in market value for the year ended December 31, 2015 as certain inventories which were previously provided with allowance were subsequently sold.

(4) Property, plant and equipment

The Group had no property and plant as of December 31, 2015 and 2014.

	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2015</u>				
Cost	\$ 208,683	\$ 35,240	\$ 36,087	\$ 280,010
Accumulated depreciation	( 120,389)	( 22,885)	( 14,872)	( 158,146)
	<u>\$ 88,294</u>	<u>\$ 12,355</u>	<u>\$ 21,215</u>	<u>\$ 121,864</u>
<u>Year ended December 31, 2015</u>				
Opening net book amount	\$ 88,294	\$ 12,355	\$ 21,215	\$ 121,864
Additions	53,438	9,878	12,582	75,898
Acquired from business combinations	21,668	-	-	21,668
Disposals	-	( 82)	( 1,397)	( 1,479)
Depreciation charge	( 46,429)	( 6,639)	( 8,108)	( 61,176)
Net exchange differences	1,980	( 97)	164	1,719
Closing net book amount	<u>\$ 118,951</u>	<u>\$ 15,415</u>	<u>\$ 24,128</u>	<u>\$ 158,494</u>
<u>At December 31, 2015</u>				
Cost	\$ 283,184	\$ 44,616	\$ 45,463	\$ 373,263
Accumulated depreciation	( 164,233)	( 29,201)	( 21,335)	( 214,769)
	<u>\$ 118,951</u>	<u>\$ 15,415</u>	<u>\$ 24,128</u>	<u>\$ 158,494</u>
<u>At January 1, 2014</u>				
Cost	\$ 156,909	\$ 30,372	\$ 26,294	\$ 213,575
Accumulated depreciation	( 93,095)	( 18,431)	( 10,709)	( 122,235)
	<u>\$ 63,814</u>	<u>\$ 11,941</u>	<u>\$ 15,585</u>	<u>\$ 91,340</u>
<u>Year ended December 31, 2014</u>				
Opening net book amount	\$ 63,814	\$ 11,941	\$ 15,585	\$ 91,340
Additions	48,755	5,301	12,776	66,832
Disposals	-	-	( 2,257)	( 2,257)
Depreciation charge	( 28,137)	( 5,699)	( 5,842)	( 39,678)
Net exchange differences	3,862	812	953	5,627
Closing net book amount	<u>\$ 88,294</u>	<u>\$ 12,355</u>	<u>\$ 21,215</u>	<u>\$ 121,864</u>
<u>At December 31, 2014</u>				
Cost	\$ 208,683	\$ 35,240	\$ 36,087	\$ 280,010
Accumulated depreciation	( 120,389)	( 22,885)	( 14,872)	( 158,146)
	<u>\$ 88,294</u>	<u>\$ 12,355</u>	<u>\$ 21,215</u>	<u>\$ 121,864</u>

(5) Intangible assets

	Software	Goodwill	Patent and others	Total
<u>At January 1, 2015</u>				
Cost	\$ 14,453	\$ -	\$ -	\$ 14,453
Accumulated amortization	( 8,225)	-	-	( 8,225)
	<u>\$ 6,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,228</u>
<u>Year ended December 31, 2015</u>				
Opening net book amount	\$ 6,228	\$ -	\$ -	\$ 6,228
Additions - acquired separately	2,819	-	70,280	73,099
Additions - acquired through business combinations	-	1,527,685	1,335,182	2,862,867
Amortization charge	( 3,375)	-	( 75,798)	( 79,173)
Net exchange differences	173	67,541	58,841	126,555
Closing net book amount	<u>\$ 5,845</u>	<u>\$ 1,595,226</u>	<u>\$ 1,388,505</u>	<u>\$ 2,989,576</u>
<u>At December 31, 2015</u>				
Cost	\$ 17,788	\$ 1,595,226	\$ 1,466,905	\$ 3,079,919
Accumulated amortization	( 11,943)	-	( 78,400)	( 90,343)
	<u>\$ 5,845</u>	<u>\$ 1,595,226</u>	<u>\$ 1,388,505</u>	<u>\$ 2,989,576</u>
	Software	Goodwill	Patent and others	Total
<u>At January 1, 2014</u>				
Cost	\$ 12,871	\$ -	\$ -	\$ 12,871
Accumulated amortization	( 4,864)	-	-	( 4,864)
	<u>\$ 8,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,007</u>
<u>Year ended December 31, 2014</u>				
Opening net book amount	\$ 8,007	\$ -	\$ -	\$ 8,007
Additions - acquired separately	776	-	-	776
Amortization charge	( 2,948)	-	-	( 2,948)
Net exchange differences	393	-	-	393
Closing net book amount	<u>\$ 6,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,228</u>
<u>At December 31, 2014</u>				
Cost	\$ 14,453	\$ -	\$ -	\$ 14,453
Accumulated amortization	( 8,225)	-	-	( 8,225)
	<u>\$ 6,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,228</u>

(6) Other payables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Payroll, bonus and accrued vacation	\$ 170,449	\$ 129,020
Directors' remuneration and employees' bonuses	113,854	120,427
Legal and professional fees	61,454	32,214
Commissions	22,677	33,677
Engineering expenses	2,808	21,592
Others	26,026	15,298
	<u>\$ 397,268</u>	<u>\$ 352,228</u>

(7) Long-term borrowing

The Group entered into a three-year term loan agreement with a certain bank on December 18, 2015 with a credit line of US\$50 million. As of December 31, 2015, the Group has not yet made any drawdown from the loan facility.

(8) Pensions

Each subsidiary adopts a funded defined contribution pension plan in accordance with local regulations. Under the pension plan, subsidiaries contribute monthly an amount to an independent fund. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2015 and 2014 were \$66,880 and \$45,517, respectively.

(9) Share-based compensation expenses

A. The Board of Directors approved the stock compensation plan during 2006. The plan originally calls for issuing 3 million shares of employee stock options, which subsequently increased to 11,696 thousand shares, 11,396 thousand shares, 6,897 thousand shares, and 5,697 thousand shares with the approval of the Board of Directors in 2011, 2010, 2008, and 2007, respectively. Each share can purchase one share of the Company's Ordinary Share. The beneficiaries include the employees, the directors, and the contracted consultants of the Company. The employee stock options are valid for 10 years from the issuance. The owners can exercise 25% of their options after first year of issuance, and they can exercise one-sixteenth of the original amount each quarter. The exercise price will be based on the market price of the Ordinary Share.

B. In March 2012, the Board of Directors of the Company approved the 2012 employee stock option plan and resolved to issue 940 units of employee stock options to the employees of the Company. Each unit can purchase 1,000 shares of the Company's common stock. The employee stock options are valid for 10 years from the issuance. The holders may exercise the stock options in installments two years after the issuance. The exercise price under the plan shall not be less than the closing price of the Company's common stock at the issuance. The issuance of the employee stock options was submitted to the FSC, and became effective in April 2012.

C.As of December 31, 2015, the Company's not fully exercised share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	Aug. 8, 2006	60	10 years	1 year service
Employee stock options	Nov. 28, 2007	124	10 years	1 year service
Employee stock options	Mar. 26, 2008	48	10 years	1 year service
Employee stock options	May 28, 2008	251	10 years	1 year service
Employee stock options	Jul. 23, 2008	300	10 years	1 year service
Employee stock options	Nov. 26, 2008	57	10 years	1 year service
Employee stock options	Jul. 22, 2009	662	10 years	1 year service
Employee stock options	Aug. 9, 2010	397	10 years	1 year service
Employee stock options	Jan. 20, 2011	1,090	10 years	1 year service
Employee stock options	Mar. 9, 2011	110	10 years	1 year service
Employee stock options	Apr. 28, 2011	22	10 years	1 year service
Employee stock options	Jun. 13, 2011	521	10 years	1 year service
Employee stock options	Jul. 26, 2012	940	10 years	2 years service
Treasury shares reissued to employees	Apr. 30, 2013	250	4 years	2 years service
Employee restricted stock awards plan (Note)	Jul. 31, 2013	400	4 years	1 year service
Employee restricted stock awards plan (Note)	Jul. 30, 2014	349	4 years	1 year service
Treasury shares reissued to employees	May 5, 2015	252	1 year	1 year service
Employee restricted stock awards plan (Note)	Jul. 29, 2015	400	4 years	1 year service

Note: Restrictions before the vesting conditions are fully satisfied are as follows:

- (a) The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the restricted stocks awards (the "RSAs"), or otherwise dispose of the RSAs in any other manner.
- (b) All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian.

(c) The restrictions (including but not limited to transfer restrictions and vesting conditions) applicable to any and all unvested RSAs (and any share derived from such RSAs for whatever reason, including share dividend, retained earnings capitalization, recapitalization, reserve capitalization and any cash distributed based on such RSAs for whatever reason, including cash dividend and distribution of capital reserve in the form of cash) shall equally apply to any share derived, directly or indirectly, from and cash distributed based on such unvested RSAs for whatever reason, including share dividend, retained earnings capitalization, recapitalization, reserve capitalization, cash dividend and distribution of capital reserve in the form of cash, and any interests.

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

	For the years ended December 31,			
	2015		2014	
	No. of shares (in thousands)	Weighted-average exercise price (in US dollars)	No. of shares (in thousands)	Weighted-average exercise price (in US dollars)
Options outstanding at beginning of year	1,468	\$ 4.88	1,930	\$ 5.99
Options cancelled	( 17)	5.79	( 41)	5.27
Options exercised	( 233)	1.76	( 421)	2.97
Options outstanding at end of year	<u>1,218</u>	5.46	<u>1,468</u>	4.88
Options exercisable at end of year	<u>945</u>		<u>746</u>	

E. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2015 and 2014 was \$283.57 and \$301.44 (in dollars), respectively.

F. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. The details are as follows:

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected price volatility	Expected vesting period (in years)	Expected dividend yield rate	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	Aug. 8, 2006	-	US\$0.08	85%	6.25	-	4.6%	US\$0.08
Employee stock options	Nov. 28, 2007	-	US\$0.20	85%	6.25	-	3.87%	US\$0.20
Employee stock options	Mar. 26, 2008	-	US\$0.20	85%	6.25	-	2.99%	US\$0.20

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected price volatility	Expected vesting period (in years)	Expected dividend yield rate	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	May 28, 2008	-	US\$0.20	85%	6.25	-	3.08%	US\$0.20
Employee stock options	Jul. 23, 2008	-	US\$0.20	85%	6.25	-	3.87%	US\$0.20
Employee stock options	Nov. 26, 2008	-	US\$0.338	85%	6.25	-	1.79%	US\$0.338
Employee stock options	Jul. 22, 2009	-	US\$0.302	85%	6.25	-	3.05%	US\$0.302
Employee stock options	Aug. 9, 2010	-	US\$0.587	85%	6.25	-	2.00%	US\$0.587
Employee stock options	Jan. 20, 2011	-	US\$1.220	70%	6.25	-	2.78%	US\$1.220
Employee stock options	Mar. 9, 2011	-	US\$1.220	70%	6.25	-	2.78%	US\$1.220
Employee stock options	Apr. 28, 2011	-	US\$1.220	70%	6.25	-	2.23%	US\$1.220
Employee stock options	Jun. 13, 2011	-	US\$2.010	70%	6.25	-	2.23%	US\$2.010
Employee stock options	Jul. 26, 2012	NT\$338.5	NT\$338.5	48%	6.375	-	1.06%	NT\$159.84

G. The Company reissued 252 thousand treasury shares with repurchase price amounting to \$77,497 to its employees with the effective date set on May 5, 2015 according to Share Repurchase and Employee Incentive Plan. The subscription price of \$307.53 (in dollars) per share equals the average repurchase price per share. The fair value of the treasury shares reissued was measured based on the market price at the grant date.

H. The Company reissued 165 thousand treasury shares with repurchase price amounting to \$41,920 to its employees with the effective date set on April 30, 2014 according to Share Repurchase and Employee Incentive Plan. The subscription price of \$254.06 (in dollars) per share equals the average repurchase price per share. The fair value of the treasury shares reissued was measured based on the market price at the grant date.

I. Expenses incurred on share-based compensation transactions are as follows:

	For the years ended December 31,	
	2015	2014
Equity-settled	\$ 103,370	\$ 79,840

(10) Share capital/ Treasury shares

A. As of December 31, 2015, the Company's authorized capital was \$1,500,000, consisting of 150 million shares of ordinary share, and the paid-in capital was \$760,751 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	For the years ended December 31,	
	2015	2014
At January 1	\$ 75,461	\$ 74,726
Employee stock options exercised	233	421
Employee restricted shares	400	349
Cancellation of share-based compensation	( 19)	( 35)
Share reacquisition (treasury shares)	( 452)	( 165)
Reissued to employees	252	165
At December 31	<u>\$ 75,875</u>	<u>\$ 75,461</u>

B. The Board of Directors during its meeting on July 29, 2015 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on July 29, 2015. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$306.5 at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(9) for details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. Due to employee termination, reacquired share capital is \$97, including unretired share capital of \$70.

C. The Board of Directors during its meeting on July 30, 2014 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on July 30, 2014. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$375 at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(9) for details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. Due to employee termination, reacquired share capital is \$265, including unretired share capital of \$138.

D. The Board of Directors during its meeting on July 31, 2013 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on July 31, 2013. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$219.5 at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(9) for details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. Due to employee termination, the reacquired share capital is \$278, including unretired share capital of \$7, and the reacquired share dividend derived from retained earning capitalization is \$111, including unretired share dividend of \$3.

#### E. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (in thousands of shares; there was no treasury shares at December 31, 2014):

Name of company holding the shares	Reason for reacquisition	December 31, 2015	
		Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	200	\$ 48,405

- (b) Pursuant to the R.O.C. Securities and Exchange Law, 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 reserve.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, 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 Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within nine months of acquisition.

#### (11) Capital reserves

In accordance with the provisions of the Articles of Association and with the approval of the shareholders at the Annual General Meeting, the Board of Directors may capitalize any amount within the capital reserve account, including capital reserve – additional paid-in capital and capital redemption reserve. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

#### (12) Retained earnings/ Significant events after the balance sheet date

A. In accordance with the provisions of the Articles of Association, the Board of Directors shall provide the distribution plan according to the following requirements: If there are profits after the final settlement of account of a year, the Company (i) after its losses have been offset and at the time of allocating surplus profits, may first set aside 10% of such profits as statutory reserve until the statutory reserve amounts to the authorized capital, (ii) may appropriate a portion of such profits as special reserve required by Applicable Public Company Rules or government authorities, and (iii) of the remaining profits, may appropriate 2% as bonuses to the Directors and an additional but not less than 5% of the remaining profits as employee bonuses, which may be issued by stocks or options, warrants or other similar instruments, to employees of the Company and its subsidiaries. Thereafter, having considered the financial, business and operational factors, the Board may propose and specify the percentage of any remaining profits after the above (i) to (iii) plus accumulated retained earnings

to be distributed as dividends by cash or by applying such sum in paying in full unissued stocks for allotment and distribution credited as fully paid-up pro rata to the shareholders or any combination of both, or bonuses according to the Statute and Applicable Public Company Rules, among them, cash dividend shall not be less than 10% of the total dividends declared.

- B.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.
- C.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 the debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D.The Company recognized dividends distributed to owners for the years 2015 and 2014. The appropriation of 2014 and 2013 earnings had been approved by the shareholders on June 25, 2015 and June 18, 2014, respectively.

	2014		2013	
	Dividends per share		Dividends per share	
	Amount	(in dollars)	Amount	(in dollars)
Legal reserve	\$ 122,574		\$ 67,915	
Special reserve	( 69,894)		( 15,306)	
Cash dividends	378,811	\$ 5.02	210,727	\$ 2.82

The abovementioned 2014 and 2013 earnings appropriation were in agreement with those amounts proposed by the Board of Directors on May 5, 2015 and March 5, 2014, respectively.

- E. On March 9, 2016, the Board of Directors proposed that total dividends for the distribution of earnings for the year 2015 was \$381,897 with cash dividends of \$5.02 (in dollars) per share. As of March 9, 2016, the abovementioned 2015 earnings appropriation had not been approved by the shareholders.
- F. For information relating to employees' compensation (bonuses) and directors' remuneration, please refer to Note 6(16).

(13) Earnings per share

For the year ended December 31, 2015			
	<u>Amount after tax</u>	<u>Weighted-average outstanding ordinary shares (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,144,346	74,806	\$ 15.30
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,144,346	74,806	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	567	
Employee bonus	-	410	
Employee restricted stocks	-	514	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 1,144,346	76,297	\$ 15.00
For the year ended December 31, 2014			
	<u>Amount after tax</u>	<u>Weighted-average outstanding ordinary shares (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,225,743	74,364	\$ 16.48
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,225,743	74,364	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	928	
Employee bonus	-	309	
Employee restricted stocks	-	282	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 1,225,743	75,883	\$ 16.15

(14) Business combinations

- A. The Company acquired Cypress Semiconductor Corp.'s TrueTouch® Mobile touchscreen business for an aggregated acquisition price of US\$100,329 thousand in cash on August 1, 2015. This acquisition will enable the Company's roadmap for display and touch integration solutions, and will also improve the operational efficiency of the industry supply chain.
- B. The following table (expressed in thousands of US dollars) summarizes the consideration paid for Cypress Semiconductor Corp.'s TrueTouch® Mobile touchscreen business and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>August 1, 2015</u>
Purchase consideration	
Cash paid	\$ 100,329
Fair value of the identifiable assets acquired and liabilities assumed	
Inventories	8,669
Property, plant and equipment	689
Intangible assets	42,468
Other payables	( 88)
Total identifiable net assets	<u>51,738</u>
Goodwill (The amount was recognized in intangible assets)	<u>\$ 48,591</u>

- C. The fair value of the acquired identifiable intangible assets of US\$42,468 thousand is provisional pending receipt of the final valuations for those assets.
- D. As of December 31, 2015, the operating revenue included in the consolidated statement of comprehensive income since August 1, 2015 contributed by Cypress Semiconductor Corp.'s TrueTouch® Mobile touchscreen business was US\$26,727 thousand. Cypress Semiconductor Corp.'s TrueTouch® Mobile touchscreen business also contributed loss before income tax of US\$981 thousand over the same period.

(15) Expenses by nature

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Employee benefit expenses	\$ 1,155,877	\$ 823,567
Engineering expenses	180,444	180,592
Depreciation and amortization charges on equipment and intangible assets	140,349	42,626
Operating lease payments	104,131	75,223
Commission expenses	63,608	57,493
Other expenses	94,159	97,006
Total manufacturing and operating expenses	<u>\$ 1,738,568</u>	<u>\$ 1,276,507</u>

(16) Employee benefit expenses

	For the years ended December 31,	
	2015	2014
Wages and salaries	\$ 875,105	\$ 622,173
Employee stock options	103,370	79,840
Pension costs	66,880	45,517
Other personnel expenses	110,522	76,037
	<u>\$ 1,155,877</u>	<u>\$ 823,567</u>

- A. In accordance with the provisions of the Articles of Association, the percentages of allocation for employees' remuneration (bonuses) and directors' remuneration are shown in Note 6(12). However, in accordance with the Company Act of the Republic of China amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Association. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on January 28, 2016. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors and supervisors remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 2% for directors and supervisors remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.
- B. The estimated amounts of employees' bonuses were \$69,561 and \$79,717 and of directors' remuneration were \$21,403 and \$24,528 for the years ended December 31, 2015 and 2014, respectively. The employees' compensation and directors' remuneration were estimated and accrued based on the profit of current year distributable for the year ended December 31, 2015 and the percentage of previous year payment. The employees' compensation and directors' and supervisors' remuneration were not resolved by the Board of Directors yet. The expenses recognized for the year ended December 31, 2014 were accrued based on the net income of 2014 and the percentage of 6.5% and 2% for employees and directors, respectively, taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. The difference of (\$1,682) and (\$517) between the employees' bonus and directors' remuneration as resolved by the shareholders

during their meeting and the amount recognized in the 2014 financial statements of \$78,035 and \$24,011, respectively, had been adjusted in the profit or loss of 2015.

Information on the appropriation of the Company's employees' compensation (bonuses) and directors' remuneration as resolved by the Board of Directors and approved by the shareholders was posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(17) Income taxes

A. Components of income tax expense:

	For the years ended December 31,	
	2015	2014
Current tax:		
Current tax on profits for the year	\$ 129,768	\$ 140,722
Adjustments in respect of prior year	( 225)	( 14,373)
Total current tax	<u>129,543</u>	<u>126,349</u>
Deferred tax:		
Origination and reversal of temporary differences	( 35,013)	( 794)
Income tax expense	<u>\$ 94,530</u>	<u>\$ 125,555</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2015	2014
Tax calculated based on profit before tax and statutory tax rate	\$ 215,116	\$ 235,341
Effects from items disallowed by tax regulation	( 120,361)	( 91,910)
Prior year income tax overestimation	( 225)	( 14,373)
Effect from investment tax credit	-	( 3,503)
Income tax expense	<u>\$ 94,530</u>	<u>\$ 125,555</u>

C. Details of deferred tax assets as a result of temporary difference are as follows:

2015			
	January 1	Recognised in profit or loss	December 31
Temporary differences			
- Deferred tax assets:			
Net operating loss	\$ -	\$ 22,665	\$ 22,665
Investment tax credit	-	7,438	7,438
Accrued vacation	3,530	763	4,293
Depreciation	( 588)	( 613)	( 1,201)
Others	938	4,760	5,698
	<u>\$ 3,880</u>	<u>\$ 35,013</u>	<u>\$ 38,893</u>

2014			
	January 1	Recognised in profit or loss	December 31
Temporary differences			
- Deferred tax assets:			
Accrued vacation	\$ 3,366	\$ 164	\$ 3,530
Depreciation	( 1,208)	620	( 588)
Others	928	10	938
	<u>\$ 3,086</u>	<u>\$ 794</u>	<u>\$ 3,880</u>

D. Details of investment tax credits of the Company's subsidiary – Parade Technologies, Inc. are as follows:

December 31, 2015			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Federal tax - Research and development	\$ 2,032	\$ -	December 31, 2033
Federal tax - Research and development	2,703	-	December 31, 2034
Federal tax - Research and development	2,703	-	December 31, 2035
	<u>\$ 7,438</u>	<u>\$ -</u>	

December 31, 2014			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Federal tax - Research and development	\$ 6,374	\$ 6,374	December 31, 2015

E. Expiration dates of unused taxable loss and amounts of unrecognized deferred tax assets are as follows (there was no taxable loss at December 31, 2014):

December 31, 2015				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until
2015	\$ 22,665	\$ 22,665	\$ -	December 31, 2035

(18) Operating leases

The Group leases office spaces under non-cancelable operating lease agreements. These leases have expiring terms between 2 to 5 years, and all these lease agreements are renewable at the end of the lease period. Part of rental is increased every year to reflect market rental rates. The Group recognized rental expenses of \$104,131 and \$75,223 for these leases in profit or loss for the years ended December 31, 2015 and 2014, respectively.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
No later than one year	\$ 70,038	\$ 54,087
Later than one year but not later than five years	34,570	68,481
	<u>\$ 104,608</u>	<u>\$ 122,568</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	\$ 199,961	\$ 162,680
Share-based compensation expenses	21,871	18,741
	<u>\$ 221,832</u>	<u>\$ 181,421</u>

A. Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, employee bonuses, directors' remuneration, rewards and travel or transportation allowances, etc.

B. Share-based compensation expenses represent the compensation costs accounted for under IFRS 2.

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

See Note 6(18).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please see refer to Note 6(12) for more information.

12. OTHERS

(1) Consolidated balance sheets as of December 31, 2015 and 2014 and consolidated statements of comprehensive income for the years ended December 31, 2015 and 2014 in functional currency

The Company prepares its consolidated financial statements in US Dollars. For the purpose of application for listing in the Taipei Exchange in R.O.C., the consolidated financial statements were translated into New Taiwan Dollars in accordance with Note 4. Since the functional currency is US Dollars, the supplementary disclosure of consolidated balance sheets and statements of comprehensive income in US Dollars are as follows:

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**  
**(EXPRESSED IN THOUSANDS OF US DOLLARS)**

ASSETS	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
<b>Current assets</b>				
Cash and cash equivalents	\$ 87,961	35	\$ 145,353	70
Available-for-sale financial assets - current	-	-	1,086	-
Accounts receivable, net	38,162	15	34,275	17
Inventories, net	18,696	8	13,643	7
Other current assets	8,046	3	6,142	3
<b>Total current assets</b>	<u>152,865</u>	<u>61</u>	<u>200,499</u>	<u>97</u>
<b>Non-current assets</b>				
Property, plant and equipment, net	4,828	2	3,850	2
Intangible assets	91,062	36	197	-
Deferred income tax assets	1,185	1	123	-
Other non-current assets	1,103	-	1,502	1
<b>Total non-current assets</b>	<u>98,178</u>	<u>39</u>	<u>5,672</u>	<u>3</u>
<b>TOTAL ASSETS</b>	<u>\$ 251,043</u>	<u>100</u>	<u>\$ 206,171</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 21,379	9	\$ 10,794	5
Other payables	12,101	5	11,129	5
Current income tax liabilities	12,536	5	9,213	5
Other current liabilities	8,218	3	3,739	2
<b>Total current liabilities</b>	<u>54,234</u>	<u>22</u>	<u>34,875</u>	<u>17</u>
<b>Total liabilities</b>	<u>54,234</u>	<u>22</u>	<u>34,875</u>	<u>17</u>
<b>Equity attributable to owners of the Company</b>				
<b>Share capital</b>				
Ordinary shares	25,070	10	24,871	12
<b>Capital reserves</b>				
Capital reserves	60,024	24	55,167	27
<b>Retained earnings</b>				
Legal reserve	12,214	5	8,167	4
Special reserve	340	-	2,647	1
Unappropriated earnings	108,148	43	86,072	42
<b>Other equity</b>				
Other equity	( 7,502)	( 3)	( 5,628)	( 3)
<b>Treasury shares</b>	<u>( 1,485)</u>	<u>( 1)</u>	<u>-</u>	<u>-</u>
<b>Equity attributable to owners of the Company</b>	<u>196,809</u>	<u>78</u>	<u>171,296</u>	<u>83</u>
<b>Total equity</b>	<u>196,809</u>	<u>78</u>	<u>171,296</u>	<u>83</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 251,043</u>	<u>100</u>	<u>\$ 206,171</u>	<u>100</u>

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(EXPRESSED IN THOUSANDS OF US DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	2015		2014	
	Amount	%	Amount	%
<b>Revenues</b>	\$ 225,927	100	\$ 205,392	100
<b>Cost of goods sold</b>	( 134,768)	( 60)	( 120,616)	( 59)
<b>Gross profit</b>	91,159	40	84,776	41
<b>Operating expenses</b>				
Sales and marketing expenses	( 12,578)	( 5)	( 9,857)	( 5)
General and administrative expenses	( 8,124)	( 4)	( 7,121)	( 3)
Research and development expenses	( 32,352)	( 14)	( 24,161)	( 12)
<b>Total operating expenses</b>	( 53,054)	( 23)	( 41,139)	( 20)
<b>Operating income</b>	38,105	17	43,637	21
<b>Non-operating income and expenses</b>				
Other income	115	-	897	1
Other gains and losses	793	-	73	-
<b>Total non-operating income and expenses</b>	908	-	970	1
<b>Income before income tax</b>	39,013	17	44,607	22
Income tax expense	( 2,980)	( 1)	( 4,141)	( 2)
<b>Net income for the year from continuing operations</b>	36,033	16	40,466	20
<b>Other comprehensive income</b>				
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
Currency translation differences of foreign operations	( 475)	( 1)	( 66)	-
<b>Total comprehensive income for the year</b>	\$ 35,558	15	\$ 40,400	20
<b>Net income attributable to:</b>				
Owners of the Company	\$ 36,033	16	\$ 40,466	20
<b>Comprehensive income attributable to:</b>				
Owners of the Company	\$ 35,558	15	\$ 40,400	20
 <b>Basic earnings per share from continuing operations</b>	 \$ 0.48		 \$ 0.54	
 <b>Diluted earnings per share from continuing operations</b>	 \$ 0.47		 \$ 0.53	

(2) Capital management

The Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

(3) Financial instruments

A. Fair value information of the financial instruments

The book value of financial instruments not measured at fair value including cash and cash equivalents, accounts receivable, other current assets, accounts payable and other payables reasonably approximates to fair value. For information of financial instruments measured at fair value, please refer to Note 12(4).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (such as foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. The Group's major purchases and sales transactions are denominated in US Dollars. The change in fair value will be caused by fluctuations in the foreign exchange rate; however, the amounts and periods of the Group's assets and liabilities in foreign currencies are equivalent, so the market risk could be offset.

ii. The Group's businesses involve non-functional currency operations.

The information on assets denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2015				
Foreign Currency				
	Amount	Exchange	Book Value	
	(In thousands)	Rate	(in RMB thousands)	
(Foreign currency: functional currency)				
Financial assets - monetary items				
USD:RMB	\$ 819	6.492	\$	5,317
December 31, 2014				
Foreign Currency				
	Amount	Exchange	Book Value	
	(In thousands)	Rate	(in RMB thousands)	
(Foreign currency: functional currency)				
Financial assets - monetary items				
USD:RMB	\$ 1,204	6.119	\$	7,367

Based on the foreign currency quoted position held by the Group as of December 31, 2015 and 2014, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase/ decrease by \$269 and \$381, respectively.

iii. The exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2015 and 2014 amounted (\$1,840) and (\$268), respectively.

(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. 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 Group treasury. The utilization of credit limits is regularly monitored. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The Group's accounts receivable were neither past due nor impaired and fully performing in line with the credit standards prescribed based on customers' industrial characteristics, scale of business and profitability.

(c) Liquidity risk

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

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and money market fund, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Group held money market funds of \$202,187 and \$1,583,777 at December 31, 2015 and 2014, respectively, which are expected to immediately generate cash inflows for managing liquidity risk.

iii. Current liabilities of the Group expire in 180 days.

(4) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(3)A.

B. The different levels of inputs to valuation techniques 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.

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.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows (There were no financial instruments measured at fair value recognized at December 31, 2015.):

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets:				
Available-for-sale financial assets				
Time deposit	\$ -	\$ 34,365	\$ -	\$ 34,365

D. The methods and assumptions the Group used to measure fair value are as follows:

When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

The disclosed information for the investees has been eliminated during the preparation of consolidated financial statements. The following information is only for reference.

A. Loans granted during the year ended December 31, 2015: None.

B. Endorsements and guarantees provided during the year ended December 31, 2015: None.

C. Marketable securities held as at December 31, 2015 (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2015: None.

E. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2015: None.

F. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2015: None.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended December 31, 2015: None.

H. Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as at December 31, 2015: None.

I. Derivative financial instruments undertaken during the year ended December 31, 2015: None.

J. Significant inter-company transactions for the year ended December 31, 2015: Please refer to table 1.

(2) Disclosure information of investee company (not including investees in Mainland China)

Please refer to table 2.

(3) Disclosure of information on indirect investments in Mainland China

A.Information on investments in Mainland China: Please refer to table 3.

B.The Company's transactions with investee companies in China through other entities outside of Taiwan and China

(a)Purchases and percentage of purchase and ending balance of accounts payable and percentage: None.

(b) Sales and percentage of sales and ending balance of accounts receivable and percentage: None.

(c) Amount of property transactions and relevant profit and loss: None.

(d) Amount and purpose of endorsement and guarantee: None.

(e) Maximum amount of lending/borrowing, ending balance, interest rate and total amount of interest paid for the year: None.

(f) Other transactions that have significant impact to current year profit/loss or financial status, such as provision or acceptance of services: Please refer to Note 13(1)J.

#### 14. SEGMENT INFORMATION

##### (1) General information

The Group operates business only in a single industry. 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 Group's segment profit (loss), assets and liabilities information is in agreement with its major financial statement information.

##### (3) Reconciliation for segment profit (loss)

The Group's segment income (loss) information is in agreement with its major financial statement information.

##### (4) Reconciliation for segment profit (loss)

The Group's segment profit (loss), assets and liabilities information is in agreement with its major financial statement information.

##### (5) Revenue information by category

Revenues from external customers are mainly derived from the sale of high-speed interfacing chips and serial products of DisplayPort that are the Company's own developments and designs. Breakdown of the revenue from all sources is as follows:

	For the year ended December 31,	
	2015	2014
Serial products of DisplayPort	\$ 4,862,992	\$ 5,079,663
High-speed interfacing chips	1,438,585	1,145,301
Serial products of TrueTouch	850,486	-
Others	37,408	327
	<u>\$ 7,189,471</u>	<u>\$ 6,225,291</u>

##### (6) Revenue information by geographic area

Revenue information by geographic area for the years ended December 31, 2015 and 2014 are as follows:

###### A. Revenue

	For the year ended December 31,	
	2015	2014
South Korea	\$ 3,877,722	\$ 3,831,252
Taiwan	1,755,001	1,560,150
China	819,573	348,773
Japan	646,668	454,013
Others	90,507	31,103
	<u>\$ 7,189,471</u>	<u>\$ 6,225,291</u>

B.Non-current assets

	December 31,	
	2015	2014
China	\$ 79,739	\$ 71,936
Taiwan	15,740	16,742
South Korea	4,917	-
Others	3,083,897	86,965
	<u>\$ 3,184,293</u>	<u>\$ 175,643</u>

(7) Information on major customers

The major customers for the years ended December 31, 2015 and 2014 are set forth below:

Customer	For the year ended December 31, 2015	
	Sales	%
B	\$ 2,118,939	29
C	1,733,302	24
A	1,281,068	18
	<u>\$ 5,133,309</u>	<u>\$ 71</u>

Customer	For the year ended December 31, 2014	
	Sales	%
B	\$ 2,283,805	37
C	1,546,484	25
A	1,184,214	19
	<u>\$ 5,014,503</u>	<u>\$ 81</u>

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2015

Table 1

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	Parade Technologies, Ltd.	Parade Technologies, Inc.	(1)	Service expense	\$ 402,169	In accordance with the agreement, EOM 30 days	6%
			(1)	Other payables	52,463	In accordance with the agreement, EOM 30 days	1%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	459,143	In accordance with the agreement, EOM 30 days	6%
			(1)	Other payables	48,097	In accordance with the agreement, EOM 30 days	1%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	109,076	In accordance with the agreement, EOM 30 days	2%
			(1)	Other payables	11,738	In accordance with the agreement, EOM 30 days	0%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2015

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at 12/31/2015			Net income of the investee	Investment income recognized by the Company	Footnote
				Balance as at 12/31/2015	Balance as at 1/1/2015	Number of shares	Ownership (%)	Book value			
The Company	Parade Technologies, Inc.	United States	Providing sales and marketing, general and administrative, and research and development services to the Company	\$ 42,679	\$ 42,679	10,000	100	\$ 458,792	\$ 60,093	\$ 60,093	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	1,642	1,642	10,000	100	5,082	981	981	

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2015

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance to Mainland China as of 1/1/2015	Amount remitted to Mainland China during the year	Amount remitted back to Taiwan during the year	Accumulated amount of remittance to Mainland China as of 12/31/2015	Net income of the investee	Ownership held by the Company (%)	Investment income recognized by the Company for the year	Book value of investments in Mainland China as of 12/31/2015	Accumulated amount of investment income remitted back to Taiwan as of 12/31/2015	Footnote
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	\$ 42,679	1	\$ -	\$ -	\$ -	\$ -	\$ 9,335	100	\$ 9,335	\$ 187,622	\$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	65,660	2	-	-	-	-	2,760	100	2,760	81,060	-	
		Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 2)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)										
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of 12/31/2015												
The Company	\$ -	\$ -	\$ -										

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

(1)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

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

Note 2:The Company is registered in Cayman Islands; therefore, its investment in Mainland China does not need approval from the Investment Commission of MOEA.

## VII. Review of Financial Status, Operating Results and Risk Management

### 7.1 Financial Status

Unit: NTD in Thousands

Subject \ Year	2014	2015	Difference	
			Amount	%
Current Assets	6,345,786	5,018,557	-1,327,229	-20.92
Non-current Assets	179,523	3,223,186	3,043,663	1695.42
<b>Total Assets</b>	<b>6,525,309</b>	<b>8,241,743</b>	<b>1,716,434</b>	<b>26.30</b>
Current Liabilities	1,103,804	1,780,497	676,693	61.31
<b>Total Liabilities</b>	<b>1,103,804</b>	<b>1,780,497</b>	<b>676,693</b>	<b>61.31</b>
Share Capital	754,604	760,751	6,147	0.81
Capital Reserves	1,651,739	1,804,206	152,467	9.23
Retained Earnings	2,897,927	3,663,574	765,647	26.42
Other Equity	117,235	281,120	163,885	139.79
Treasury Stock	-	-48,405	-48,405	N/A
<b>Total Equity</b>	<b>5,421,505</b>	<b>6,461,246</b>	<b>1,427,724</b>	<b>19.18</b>
<p>(I) Description of major variations of accounting subjects (Accounting subjects fluctuate over 20% from previous year, and such change in amount exceeds NT 10 million dollars):</p> <ol style="list-style-type: none"> <li>1. Current Assets: Mainly due to the acquisition of Cypress's TrueTouch® Mobile touchscreen business for an aggregate acquisition price of US\$100 million in cash and causing cash and cash equivalents decrease.</li> <li>2. Non-current Assets: Mainly due to the acquisition of Cypress's TrueTouch® Mobile touchscreen business and causing the intangible assets increase.</li> <li>3. Current Liabilities: Mainly due to the increase of the inventories in December 2015 and causing the increase in accounts payable.</li> <li>4. Retained Earnings: The Company keeps profit in 2015 and causing unappropriated earnings increase.</li> <li>5. Other Equity: Mainly due to US dollars appreciated and causing the increase in the currency exchange difference of financial report of foreign company.</li> <li>6. Treasury Stock: Mainly due to repurchase the Company's shares and do not transfer to employees.</li> </ol> <p>(II) Variations of accounting items do not have a significant impact on the Company's financial condition.</p>				

## 7.2 Operating Results

Unit: NTD in Thousands

Subject \ Year	2014	2015	Change in Amount	% Change
Revenue	6,225,291	7,189,471	964,180	15.49
Cost of Goods Sold	3,656,094	4,289,253	633,159	17.32
Gross Profit	2,569,197	2,900,218	331,021	12.88
Operating Expenses	1,247,147	1,690,312	443,165	35.53
Operating Income	1,322,050	1,209,906	-112,144	-8.48
Total Non-operating Income and Expenses	29,248	28,970	-278	-0.95
Income Before Income Tax	1,351,298	1,238,876	-112,422	-8.32
Income Tax Expense	125,555	94,530	-31,025	-24.71
Net Income for the Year from Continuing Operations	1,225,743	1,144,346	-81,397	-6.64
Other Comprehensive Income	289,534	206,425	-83,109	-28.70
Total Comprehensive Income for the Year	1,515,277	1,350,771	-164,506	-10.86
<p>(I) Description of major variations of accounting items (Accounting subjects fluctuate over 20% from previous year, and such change in amount exceeds NT 10 million dollars):</p> <ol style="list-style-type: none"> <li>1. Operating Expenses: Mainly due to increase in 2015 revenue and causing the cost of goods sold, gross profit and operating income increase.</li> <li>2. Income Tax Expense: Mainly due to increase in deferred tax assets and causing the income tax decrease.</li> <li>3. Other Comprehensive Income: Mainly due to US dollars appreciated in 2015 is less than in 2015, and causing the decrease in the currency exchanges difference of financial report of foreign company.</li> </ol> <p>(II) Expected sales performance for next year with references; Main factors contribute to the Company's sales forecast in terms of the continuous growth/ decline:</p> <p>As the demand for higher image transmission bandwidth and data transmission speed increase quickly, it causes the increasing adoption rate for many high-speed interface such as DP 1.2, SATA3, HDMI 2.0 and USB 3.1 in panel and consumer electronic devices. Those are benefit the Company revenue growth for it's high-speed interface ICs and DisplayPort ICs.</p> <p>(III) Potential impact on the company's financial and sales performance in the future: No significant impact.</p>				

### 7.3 Cash Flows

#### (1) Analysis of the Change in Cash Flow in 2015:

Unit: NTD in Thousands

Initial Cash Balance (1)	Cash Flows from Operating Activities for the Year (2)	Cash Flows from Investing and Financing Activities for the Year (3)	Cash Surplus (Shortfall) (1)+(2)+(3)	Remedy for Cash Shortfall	
				Investment Plan	Financial Plan
4,600,434	1,648,482	-3,361,165	2,887,751	0	0

#### Analysis of the Change in Cash Flow in 2015:

- ① Net cash inflow of operating activities of NTD 1,648,482 thousands mainly results from the operating profit.
- ② Net cash outflow of investing activities of NTD 3,289,931 thousands mainly due to the acquisition of Cypress's TrueTouch Mobile Business.
- ③ Net cash outflow of financing activities of NTD 414,073 thousands mainly due to the distribution of cash dividend.
- ④ Cash inflow for results from exchange rate adjustment of NTD 342,839 thousands.

#### (2) Describe how the Company plans to address any illiquidity problems:

The Company has no liquidity problems in the recent fiscal year.

#### (3) Provide an analysis of the Company's cash liquidity for the coming year:

There will be no liquidity problems for the coming year for the Company expects that the continuous cash inflow of operating activities in 2016 is enough to cover the cash outflow of financing and investing activities.

### 7.4 The impact of any material capital expenditures over the most recent fiscal year upon the Company's financial and operating condition

The Company has no material capital expenditures over the most recent fiscal year.

### 7.5 The Company's policy for the most recent fiscal year on investments in other companies, the main causes for profit/losses resulting therefrom, plans for improvement, and investment plans for the coming year

#### 1. Policy for the most recent fiscal year on investments in other companies:

The company is focused on its core business operations.

2. Major reasons for profit/losses resulting and plans for improvement:

<b>Investee Enterprises</b>	<b>2015 Investment Profit (NTD in Thousands)</b>	<b>Reason</b>	<b>Improvement Plan</b>
Parade (US)	60,093	Providing research and development, general and administrative services to the Company. 2015 revenue from the parent company for the services provided is NTD 402,169 thousands, and net income is NTD 60,093 thousands.	None
Parade (Korea)	981	Providing sales and marketing general and administrative services to the Company. 2015 revenue from the parent company for the services provided is NTD 26,289 thousands, and net income is NTD 981 thousands.	None
Parade (SH)	9,335	Providing research and development services to the Company. 2015 revenue from the parent company for the services provided is NTD 459,143 thousands, and net income is NTD 9,335 thousands.	None
Parade (NJ)	2,760	Providing research and development services to the Company. 2015 revenue from the parent company for the services provided is NTD 109,076 thousands, and net income is NTD 2,760 thousands.	None

3. Investment plans for the coming year: None

## 7.6 Risk Management

1. From the most recent year till the printing date of the annual report, effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:

(1) Interest rate changes:

The Company's interest earnings for the year 2014 and 2015 are NTD 923 thousands and NTD 1,718 thousands respectively, accounting for 0.01% and 0.02% of total net earnings, which is insignificant. There were no interest expenses for 2014 and 2015, and it is fair to say that changes in interest rate do not have major influence on the Company. If future operating needs require the obtainment of bank loans, both interest expense and the influence of interest rate changes on the Company will increase. The

Company will constantly monitor the changes in interest rates in order to reduce the effects of interest rate changes on the profits and losses of the Company.

(2) Exchange rate changes:

The main purchasing and selling of the Company is denominated in United States Dollars ('USD'). The account receivable and account payable from selling and purchasing transactions may cancel out each other, creating a natural hedge effect. The Company's foreign exchange (loss) or gain for 2014 and 2015 are NTD (5,149) thousands and NTD 26,666 thousands respectively, accounting for (0.08)% and 0.37% of total operating revenue, which has limited influence on the Company's profits and losses.

The Company's functional currency is the USD, and there have not been risks of major exchange rate volatility till this day. As a company of the Cayman Islands, raising capital, and issuing dividends to investors in the future, it will be necessary to make currency exchange with USD which will also generate exchange rate risks with USD for NTD. In order to reduce the influence of exchange rate changes on the Company's profits and losses, the Company will constantly update information on the exchange rate, and through means such as instant online exchange rate systems and strengthen our liaison with financial institutions, determine the exchange rate movement which serves as reference to the currency exchange settlement of the Company. Strategically, the Company will try its best to obtain balance between foreign currency assets and debts, in order to create a natural hedge effect to reduce the exchange rate volatility affecting the Company's profits and losses. Depending on the foreign exchange market movement and foreign exchange demands in the future, the Company might adopt derivatives hedging strategies to avoid exchange rate related risks.

(3) Inflation

The Company's profits and losses have not been significantly influenced by inflation in the past. If inflation increases the cost of purchasing, the Company will make adequate adjustments to the selling price, hence inflation should not have major influence on the Company. In addition, the Company will refer to economic figures and reports from government and research institutes on regular and irregular basis, and review and organize the relevant information in order to provide reference to management level for making decisions.

2. From the most recent year till the printing date of the annual report, the main causes and response measures for engaging in high-risk and high-leverage investment, capital loans to another party, endorsement, or the policy, gains, and losses from derivatives trading:

The Company is focused on its core business operations, and follows a steady and

conservative financial policy. The Company is not engaged in high-risk and high-leverage investments, have capital loans to another party, endorsements, or the trading of financial derivatives. The Company has laid down “Operational Procedures for Loaning of Company Funds”, “Operational Procedures for Endorsements and Guarantees”, “Operational Procedures for Acquisition or Disposal of Assets”, and “Operational Procedures for Financial Derivatives Transactions”, and with all resolutions passed at the shareholders’ meeting, the Company will refer to relevant proceedings when dealing with related operational procedures.

3. Future R&D projects and estimated costs:

For years the Company has been involved in the development of high-speed digital transmission interfaces and results are gradually being realized. Future development plans include:

- (1) Strengthen the development of products related to various visual interface adaptors.
- (2) Enhance the cascade connectivity between DisplayPort display and application products, so to increase its application. Promote the application of DisplayPort LCD Timing Controller products.
- (3) Develop display driver ICs.
- (4) Develop products with DP 1.4 specifications and increase its market acceptance.
- (5) Actively developing new generation of high-speed digital transmission technology, as well as signal repeater technology.

The Company’s R&D expenses for 2014 and 2015 accounts for 11.76% and 14.35% of total operating revenue. Depending on future product development projects, the Company will continue to invest in R&D resources for R&D projects in 2015.

4. Both home and abroad, changes in major political policies and laws with effect on the Company’s business and financials, and response measures:

The Company is registered at the Cayman Islands with the Company’s main operation located in the United States, research center and company subsidiary Parade (NJ) and Parade (SH) located in China, branch offices in Hong Kong, Taiwan, Japan, Ireland, Washington, Beijing and Shenzhen, and products eventually reaching the United States, Europe, and other developed countries. The Cayman Islands has financial services is its main economic activity, United States and Mainland China are both major economic bodies in the world, Hong Kong has the world’s freest economy, and Taiwan was ranked 12<sup>th</sup> in the 2009 World Competitive Rankings, hence the economic development and political environment of the regions mentioned above are relatively stable. The high-speed video transmission interface chips and touch controller developed and sold by the Company are found in 3C products (computers,

communication, and consumer electronics), and are categorized as consumer products and not special permission or restricted businesses. The implementation of various operations of the Company are in accordance with international and local political policies and law provisions, but the changes in political policies or law provisions in the above region will not influence the Company's financials or business operations significantly. In addition, the Company will constantly monitor changes in major political policies or law provisions from home or abroad, in order to take appropriate response measures when necessary.

5. Technology and industry changes affecting the Company's business and financials, and response measures:

Due to the short life expectancy and high replacement rate of electronic consumer products, the Company will constantly monitor technological changes in the industry, control market demand, make active adjustments to product functionality, and evaluate other factors that might influence the operation of the Company. If the Company is unable to control the market pulse, future industry changes, or development trends, the Company will be unable to release products that will meet market needs, and might cause adverse effects to the Company operation.

The designated marketing department is in charge of the market planning and researching, consistently monitor the industry changes and adjust products functions to meet the market needs. From the most recent year till the printing date of the annual report, the Company has not experienced any major technology or industry changes.

6. Changes in corporate image with influence to corporate crisis control and response measures:

Since the Company's establishment, the running of the business has always been upheld on the principles of honesty and professionalism. Enhancing the internal management of the Company and improving the quality of management with the introduction of external directors, the Company's corporate governance is becoming more universal, broad-scaled, and institutionalized. From the most recent year till the printing date of the annual report, there has not been major change to the corporate image of the Company.

7. Expected benefits from merging and possible risks and response measures:

From the most recent year till the printing date of the annual report, there has not been plans for merging, thus the risks are not applicable.

8. Predicted benefits from warehouse expansion and possible risks and response measures:

Our company is an IC design company that adopts the fabless business model. Until this day, there has not been plans of warehouse expansion from the Company, thus the risks are not applicable.

9. Risks from concentrated purchasing and selling of goods, and response measures:

(1) Concentrated purchase of goods:

Our company is a fabless IC design company with concentrated purchases from the second largest wafer foundry in the world, B Company, and the Company is mainly located in the middle of the semiconductor value chain. In order for IC design companies to obtain a reliable and stable capacity, and also consider the process technology, quality yield, capacity sufficiency, delivery cooperation, and various other factors, they tend to maintain a close and long-term relationship with specific semiconductor foundry. If the cooperating semiconductor foundry has insufficient capacity, the Company might experience risks of supply shortages or delay on delivery of goods. Due to the risks mentioned above, besides maintaining a good cooperative relationship with the semiconductor foundry, the Company will not rule out the possibility of seeking cooperation from other manufacturers.

(2) Concentrated selling

Although the top 3 customers in 2014 and 2015 accounted for over 70% of total revenue, but none of these customers' purchases exceeded 50% of total revenue. In order to explore and reach more customers, our sales strategy is to distribute our products through distributors, however, we can also deal with the end-customers under their needs. The Company builds its customer relationship with renowned OEM/ODM vendors through Design-in and indirect sales, such like Foxconn, Quanta, Compal, Wistron, Inventec, ASUS, Hisense, TCL and Haier. Many worldwide renowned vendors of PC and Consuming electronic products are also our customers since the Company participates in their product design, therefore our customers will purchase our products at the mass production stage, and under this sales model, our high-speed transmission and display products, are widely adopted by worldwide renowned manufacturers. The high-speed transmission and display belongs to advanced technique, which is mainly used in high-end electronic products, since these renowned manufacturer's products differ from their competitors and the Company chose to work with them so closely, the Company's sales are also concentrated in these customers. Besides maintaining good relationships with our customers, the Company will continue the development of new products and actively exploring new customer base in order to avoid the risks of concentrated selling.

10. Directors, supervisors, or major shareholders with shares exceeding 10% of total shares outstanding, the effects, risks, and response measures on the Company from substantial transfer or renewal of share equity:

From the most recent year till the printing date of the annual report, no such incident has occurred.

11. Controlling rights changes in the Company and its effects, risks, and response measures.

The most recent year till the printing date of the annual report, there were no controlling rights changes in the Company. The Company has enhanced its corporate governance measures, introduced independent directors, and established auditing councils in order to raise overall shareholder rights protection. The Company relies heavily on the professional managers for the running of daily operations. Currently we have an outstanding team of professional managers that has contributed substantially to the operating performance of the Company, and this system looks to gain continuous support from the shareholders in the future, so if control rights changed, it should not have significant negative influence on the various managing and operating advantages of the Company.

12. Other significant risks and response measures:.

- (1) The influence and risks on the Company with the management team or R&D personnel leaving the Company:

As a professional IC design company, talents are one of the most vital assets to the Company, as talented R&D personnel are hard to come by, the Company might be adversely affected if the management team or R&D personnel decides to leave the Company. Therefore, besides establishing a good communication channel with our employees, we also provide employees with an environment for learning and growth in order to build their sense of belonging and cohesion. In order to reduce employee turnover rate, the Company also introduced employee share option schemes to attract and keep professional talents in the Company, and also to allow higher management to participate in performance-based reward systems.

- (2) Special situations with possibilities of insufficient protection

The Company operation faces numerous risks and dangers such as malfunction, damages, or abnormality to machinery and equipments, late delivery of equipment, capacity restrictions, labor strikes, fire, natural disasters such as earthquakes or typhoon, environmental disasters or occupational disasters, all of which could have adverse effects on the Company's operations. There is insurance on the Company's fixed assets, and some of the Company's suppliers have also taken out insurance on the Company's inventory, but even with all the insurance, it is still possible that under some situations they might not provide sufficient protection against all the uncertainties. If the Company suffers losses as a result, the Company's operations might be adversely affected.

- (3) Shareholder rights protection

There are numerous differences on regulations between the Company Law of Cayman Islands and the Company Law of the Republic of China. Although alterations has been made to the Company's memorandum according to the 'Investors' Rights

Protection' from the Taiwan Stock Exchange, but there are still many differences between the laws regulating company operation in the two countries. Investors should not compare and apply the rights protection of investing in Taiwan to that of investing in a company of Cayman Islands. Investors should fully understand and consult with professionals regarding shareholder rights protection when investing in a company of the Cayman Islands.

#### (4) Intellectual property rights

As an IC design company, talented R&D personnel and R&D intellectual property are important assets of the Company. Once the intellectual property is infringed, not only affect the Company's products and sales, but also time and spendings to take legal actions in order to defend the Company's interest, which may be harmful to the Company's operations.

The Company is not aware of any charge of intellectual property violation from third parties, however, this kind of accusation is not that rare in high-tech industry. In the future, the Company may still be accused of violating other's intellectual property, whether evidences are enough or not. Any single charge may affects The Company's reputation, financial status, business and sales, and may also generate a high legal fee, harming the Company's operations.

### 13. Litigation and non-litigation matters

The most recent two years till the printing date of the annual report, conclusive judgment or major litigations, non-litigations, administrative disputes, whose outcome might have major influence on shareholder rights or the price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and status on the current proceedings: None.

### 14. Directors, supervisors, managers, and shareholder with shares exceeding 10% of all outstanding shares of the Company, from the most recent two years till the printing date of the annual report with conclusive judgment or proceedings litigations, non-litigations, or administrative disputes with outcomes that might have major influence on shareholder rights or price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and the status on current proceedings: None.

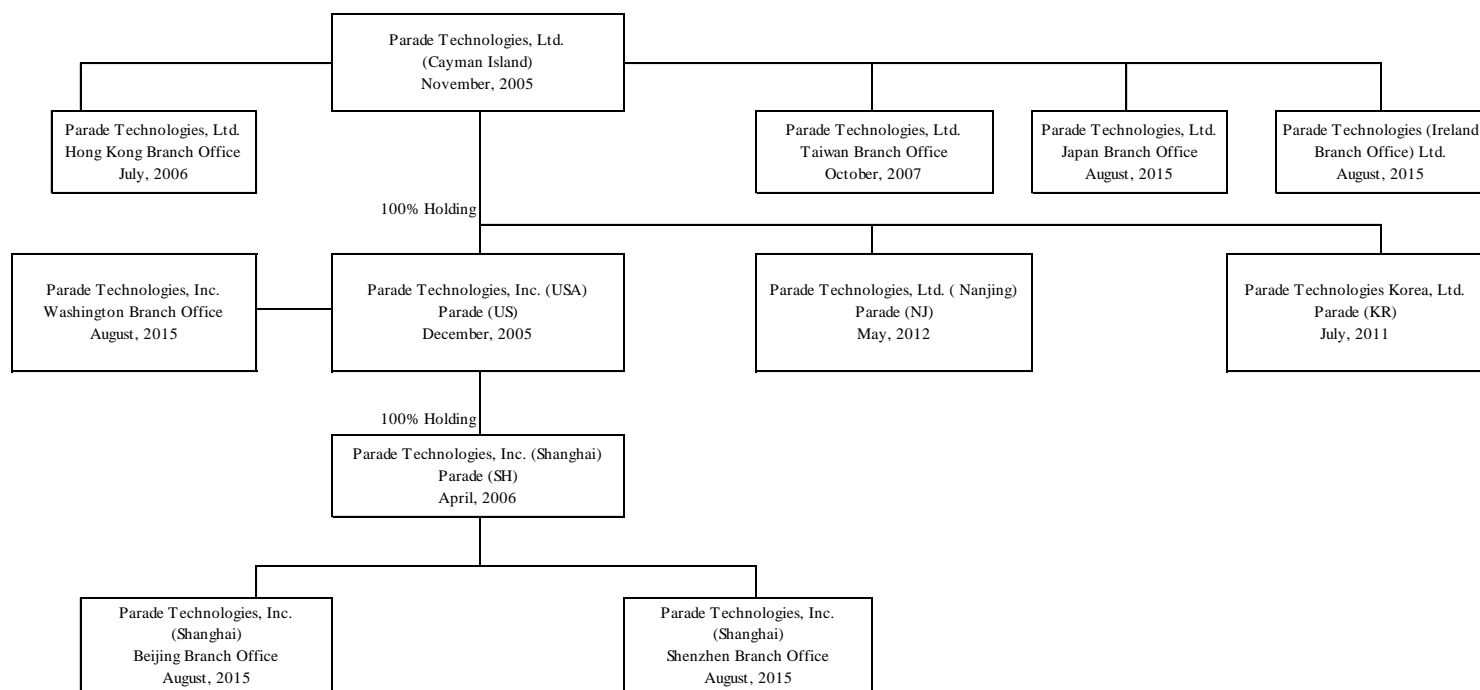
## 7.7 Other Significant Events

None

## VIII. Special Disclosures

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Affiliated Companies Chart



#### 8.1.2 The relationship between the Company and its affiliates', mutual shareholding ratio, shares and amount of actual investments

4/30/2016; Unit: USD in Thousands

Name of affiliates	Relationship	Held by the Company			Holds the Company		
		% of Shareholding	Holding Shares	Investment \$ (in thousands)	% of Shareholding	Holding Shares	Investment \$ (in thousands)
Parade (US)	Subsidiary of the Company	100%	10,000 shares	USD 1,300	0	0	0
Parade (Korea)	Subsidiary of the Company	100%	10,000 shares	USD 50	0	0	0
Parade (SH)	Subsidiary of Parade (US)	100%	-	USD 1,300	0	0	0
Parade (NJ)	Subsidiary of the Company	100%	-	USD 2,000	0	0	0

#### 8.1.3 Affiliated Companies Basic Information

Unit: USD in Thousands

Company	Date of Incorporation	Capital Stock	Business Activities	Accounting method	Relationship
Parade (US)	2005	USD 1,300	Provides Marketing, research and development services for the Company	Equity method	Subsidiary of the Company
Parade (Korea)	2011	USD 50	Provides marketing and sales services to the Company	Equity method	Subsidiary of the Company

Company	Date of Incorporation	Capital Stock	Business Activities	Accounting method	Relationship
Parade (SH)	2006	USD 1,300	Provides research and development services for the Company	Equity method	Subsidiary of Parade (US)
Parade (NJ)	2012	USD 2,000	Provides research and development services for the Company	Equity method	Subsidiary of the Company

Note 1: The major business activities of the affiliates are its primary operating businesses.

Note 2: Please refer to cover page of this annual report for the address of each affiliate.

8.1.4 In accordance with the Company Law provides that the provisions of 369-3 is presumed to have control and affiliation, to expose (a) is the same corporate shareholder, the presumption of the main reasons, the corporate name, ownership situation, date of establishment, address, and paid-up capital amount of that principal place of business project. (b) is a natural person shareholder of the same, and its constructive reasons, the names and holdings of the case:

None

8.1.5 The investment to the Company and its subsidiaries of directors, supervisors and presidents of the affiliates :

Please refer to 3.10 Long-Term Investment Ownership.

8.1.6 Affiliated Companies Operating Status

12/31/2015; Unit: NTD in Thousands

Company	Total Capital	Total Assets	Total Liability	Net Worth	Revenue	Profit	Net income	EPS (Note)
Parade (US)	42,679	470,214	11,422	458,792	402,169	26,319	60,093	-
Parade (Korea)	1,642	23,777	18,695	5,082	26,289	1,252	981	-
Parade (SH)	42,679	268,672	81,050	187,622	459,143	23,110	9,335	-
Parade (NJ)	65,660	95,961	14,901	81,060	109,076	5,490	2,760	-

Note: There is no EPS disclosure for the affiliated companies financial statements. EPS is calculated on the Company's consolidated financial statements.

8.1.7 Affiliates consolidated financial statements: Please refer to this annual report page 116 to page 163 consolidated financial statements.

8.1.8 Affiliates Reports : None

8.2 Most recent fiscal year and up to the date of annual report printed, issuance of private placement of securities

None

8.3 Most recent fiscal year and up to the date of annual report printed, acquisition or disposal of the Company's shares by its affiliates

None

8.4 Explanation for material difference from the provisions for the protection of shareholders' rights

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
<p>On the subject of convention and resolution of shareholders meeting and with respect to extraordinary shareholders' meeting convened by the shareholder, if the Board of Director fails to convene a meeting within fifteen days after the shareholder so request, the shareholder may, after obtaining an approval from the competent authority, convene an extraordinary shareholders' meeting on its own initiative.</p>	<p>Article 28 of the Company's current Articles of Association does not require prior approval from the competent authority for the extraordinary shareholders' meeting convened by the shareholder.</p>	<p>According to Cayman lawyers, there is no statutory provision regarding convention of shareholders meeting under the Cayman Companies Law.</p> <p>Given the above, the Company's current Articles of Association do not require prior approval from the competent authority. Article 28 of the Company's Articles of Associations provide that "... If the Board does not within fifteen (15) days from the date of the deposit of the requisition dispatch the notice to convene an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting, provided that if the extraordinary general meeting will be held outside the ROC, an application shall be submitted by such requisitionists to the GTSM or the TSE for its prior approval..."</p>
<p>The Articles shall adopt the electronic transmission as one of the methods for exercising the voting power. When the Company convenes the general meeting, the shareholder may exercise the voting power in writing or by way of electronic transmission; provided however that, in the event that the general meeting is to be held outside Taiwan, the Company shall specify in the notice of the general meeting that the votes may be exercised in writing or by way of electronic transmission.</p>	<p>The Company's current Articles of Association do not have relevant provisions.</p>	<p>The Company's Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Further, this requirement applies to the foreign company the shares of which are listed on or after January 1, 2016 and thus is inapplicable to the Company.</p> <p>Nevertheless, the Company's Articles of Associations provides that the Board shall allow the voting power of a Member at a general meeting to be exercised by way of electronic transmission if the size of the Company, number and types of Members</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		or other matters meets the threshold set forth in the Applicable Public Company Rules.
The candidates nomination mechanism applies to the Directors, not only the Independent Directors	According to the Company's current Articles of Association, the candidates nomination mechanism applies to independent directors and not to other non-independent directors.	The Company's Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Further, this requirement applies to the foreign company the shares of which are newly listed and thus is inapplicable to the Compan, the shares of which have been listed since 2011.
Revocation of the resolutions in the shareholders' meeting and the jurisdiction of the Taipei District Court of Taiwan.	This subject is provided under Article 44 of the Company's Articles of Association.	<p>According to Cayman lawyers, the judgment rendered by the Taipei District Court to revoke the shareholders' resolution is not enforceable in Cayman Islands.</p> <p>Except for a monetary judgment which meets all the following conditions, the judgment imposed on a Cayman company rendered by a Taiwan court is not enforceable in Cayman Islands:</p> <ol style="list-style-type: none"> <li>(1) the judgment is given by a foreign court of competent jurisdiction;</li> <li>(2) the judgment imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;</li> <li>(3) the judgment is final;</li> <li>(4) the judgment is not in respect of taxes, a fine or a penalty; and</li> <li>(5) the judgment was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.</li> </ol>
Certain proposals involving material rights of the shareholders shall be adopted by a majority of the shareholders	Article 1 defines "Special Resolution" as a special resolution	According to Cayman lawyers, under Cayman Island laws, a "special resolution" (a " <b>Special Resolution</b> ") should be passed

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
<p>at a shareholders' meeting attended by two-thirds or more of the total number of the outstanding shares. If the total number of shares represented by the shareholders present at the shareholders' meeting is less than two-thirds of the total outstanding shares, such proposals may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of the outstanding shares.</p>	<p>under Cayman Company Act and Supermajority Resolution as a special resolution under Taiwan laws. Article 24 and other relevant articles provide the required resolution process.</p>	<p>by a majority of not less than two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. The proposals in the checklist for the protection of shareholders' right only require a resolution adopted by a majority of the shareholders at a shareholders' meeting attended by two-thirds or more of the total number of the outstanding shares, which does not meet the voting threshold of the Special Resolution under Cayman laws. According to Cayman lawyers, the requirement of a Special Resolution is compulsory and any resolution passed by members by a lower majority percentage than is required for a Special Resolution will be null and void under the Cayman Companies Law.</p> <p>To compromise the different requirements, the special resolution under Taiwan Company Act is defined as "Supermajority Resolution" under the Company's Articles. To the extent permitted under Cayman Companies Law, Article 24(e) provides that proposals listed in checklist for the protection of shareholders' rights shall be subject to the Supermajority Resolution.</p> <p>According to Article 24(e) of the Company's Articles, the following matters shall be subject to Supermajority Resolution</p> <ol style="list-style-type: none"> <li>1. to effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed;</li> <li>2. to effect any merger (other than a Cayman Merger) or spin-off of the</li> </ol>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		<p>Company;</p> <p>3. to enter into, amend, or terminate any contract for lease of the Company's business in whole, or for delegation of management of the Company's business to others, or for regular joint operation with others;</p> <p>4. to transfer its business or assets, in whole or in any essential part; or</p> <p>5. to acquire or assume the whole business or assets of another person, which has a material effect on the Company operation.</p> <p>According to Cayman laws, the following matters shall be subject to Special Resolution and shall be provided in the articles:</p> <p>1. to alter or add to these Articles (Article 24(c)(iii) and Article 134) ;</p> <p>2. any modification or alteration in these Articles which is prejudicial to the rights of holders of preferred shares (Article 12);</p> <p>3. The Cayman Companies Law provides that only Cayman Islands companies can be merged or consolidated. This is different from the "merger" permitted under the ROC Company Act, Enterprise Merger and Acquisition Act and other applicable laws. Therefore, Article 24(e) precludes Cayman merger to comply with Cayman laws.</p> <p>4. Article 24(f) provides that liquidations with different cause requires different voting threshold. According to Cayman Company Laws, the shareholders of the company may pass an ordinary resolution requiring a company to be wound up voluntarily</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		<p>because the company is unable to pay its debts as they fall due. ; the shareholders of the company shall pass a Special Resolution requiring the company to be wound up voluntarily due to other causes.</p> <p>Article 24(g) provides that private placement requires Supermajority Resolution. According to Cayman lawyer's understanding, "private placements" means the Company obtaining subscriptions for, or the sale of, shares, options, warrants, Rights or other securities of a company listed in the Republic of China by the listed company itself or an intermediary of the listed company primarily from or to specific investors selected or approved by such listed company or such intermediary under the Taiwanese law. There is no provision under such laws and regulations of the Cayman Islands as applicable to the Company that govern "private placements"</p>
<p>The remedy available to minority shareholders if the shareholders' meeting fail to resolve to remove directors who has, in the course of performing his/her duties, committed any act resulting in material damages to the Company.</p>	<p>This matter is provided under Article 108 of the Company's current Articles of Association.</p>	<p>The judgment of removal of a director rendered by the Taipei District Court is not enforceable under Cayman Islands.</p> <p>Except for a monetary judgment which meets all the following conditions, the judgment imposed on a Cayman company rendered by Taiwan court is not enforceable in Cayman islands:</p> <p>the judgment is given by a foreign court of competent jurisdiction;</p> <p>the judgment imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given</p> <p>the judgment is final the judgment is not in respect of taxes, a fine or a penalty; and</p> <p>the judgment was not obtained in a</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.
The qualification requirements, composition, election, termination, the exercise of authority and relevant matters of the director, independent director, compensation committee, audit committee or supervisor shall be in accordance with the securities laws and rules of the Republic of China.	Current Articles of Association are promulgated in accordance with the checklist of the protection of shareholders' rights effective as of listing. The wording therein is not exactly the same.	<p>As for the director: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing.</p> <p>As for the independent director: Article 74 provides "...Independent Directors shall maintain independence and shall not have direct or indirect interests in the Company other than as permitted under the Applicable Public Company Rules."</p> <p>As for the compensation committee: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Actually, the Company has set up the compensation committee before the Company was listed and the qualification requirements, the exercise of authority and the relevant matters are set forth in accordance with the securities laws and rules of the Republic of China.</p> <p>As for the audit committee: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Actually, the Company has set up the audit committee before the Company was listed and the qualification requirements, the exercise of authority and the relevant matters are set forth in accordance with the securities laws and rules of the Republic of China.</p> <p>As for the supervisor: the Company has</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		audit committee and thus supervisor relevant provisions are not applicable.
<p>1. The company's directors shall have the loyalty and shall exercise the due care of a good administrator in performing his/her duty; and if he/she has acted in breach of the above, he/she shall be liable for the damages incurred by the company there-from. If the breaching director acts for him/herself or any third party, subject to the shareholders' resolution any profit generated from such act shall be deemed profits of the company.</p> <p>2. If the company's director has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally with the company, for the damage to such other person.</p> <p>3. Acting within the scope of their duties, the managerial officer or the supervisor shall bear the same liability of damages as the company's directors.</p>	<p>The Company's current Articles of Association do not have exactly the same wording.</p>	<p>The Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. In addition, according to Cayman lawyers, at all times all directors owe fiduciary duties to the company at common law.</p>
<p>Where an entity acts as a shareholder of a company, its authorized representative may be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be elected or serve as the director and supervisor of the company.</p>	<p>The Company's current Articles of Association do not have this provision.</p>	<p>The Company does not establish the position of supervisor, thus there is no such situation in which an entity shareholder's representative is elected or serves as director and supervisor concurrently.</p>

## 8.5 Other Necessary Supplements

The statement or promised items from the company's registration (application) for offering and issuance of securities, and the current state of the fulfillment

The statement or promised items	The current state of the fulfillment
<p>It was promised that the issuable units of 11,396,052 units of 2006 Stock Option Plan which was still effective when the Company IPO, except for the additional 300,000 units approved on 2011 Board of Directors meeting and to be approved in the 2011 annual general meeting, will not to be increased to protect the shareholders' rights.</p> <p>The un-exercisable units of the 2006 Stock Option Plan (the remained 5,925,352 units plus 300,000 additional units) shall not to be adjusted to increase the units or decrease the set exercised price in any case.</p> <p>Moreover, it was promised that after the shares are public offering, the procedures for issuing employees stock option will be pursuant to the R.O.C regulation.</p>	<p>No departure.</p>
<p>Promise to make an addition in the "Procedures for Acquisition or Disposal of Assets" that "The Company shall not give up to fund Parade(US), while Parade(US) shall not give up to fund Parade(US) in the future. In case the Company needs to give up to fund the above-mentioned companies or to dispose them on strategic alliance consideration or such decision is agreed by Taiwan Gretai Securities Market (GTSM), it's necessary to be approved on special resolution by the Board of Directors. The material information announcement on MOPS is also required as well as filing to GTSM when the procedure is amended."</p>	<p>Amended and resolved in the annual general meeting ("AGM") on May 17, 2011.</p>
<p>Designate a dedicated unit to be in charge of implementing Parade (US) and Parade (SH) internal auditing at least once a year.</p>	<p>The Company designated internal auditor to implement Parade (US) and Parade (SH) internal auditing periodically.</p>
<p>If it's necessary to modify the chapter of Directors Election of the Company Articles, the general meeting convening procedures shall follow the rules of the Article and the revision of comparison table shall be stated in the notice of general meetings.</p>	<p>The Company has not modified the chapter of Directors Election of the Company Articles since its IPO on Taiwan Gretai Securities Market. While</p>

The statement or promised items	The current state of the fulfillment
	the procedure to amend the Company Articles in 2012 AGM proposed by the Board of Directors conformed to the rules of the Company Articles.
It was promised that the Company should hold the shareholders' meeting before listing in Taiwan GreTai Securities Market to revise the Article of Incorporation to regular the Company granted employee stock option could not exceed the 15% of Company register total outstanding shares under the Company's employee incentive plan. In addition, before the revision of above Article of Incorporation the Company was promised to follow the above employee option granted ceiling.	Amended and resolved in the annual general meeting ("AGM") on May 17, 2011.

8.6 Up to the most recent fiscal year and the publication date, occurrence of Securities and Exchange Law, Article 36, paragraph 3, subparagraph 2, that any significant impact on shareholders' equity or securities price matters

The Company had hosted a press conference at Taipei Exchange on Thursday, June 11, 2015 announcing that Parade Technologies, Ltd. and Cypress Semiconductor Corp. entered into a definitive asset purchase agreement, under which Parade will purchase Cypress's assets and properties and certain liabilities related to TrueTouch Mobile touchscreen controllers business (exclusive of automotive and home appliance business) including certain intellectual property rights (e.g., patents, trademarks, copyrights, trade secrets), technologies (e.g., designs, firmware), employees (subject to employees' acceptances of offers), pending purchase orders and tangible assets (e.g., equipment, inventories) for an aggregate acquisition price of US\$100 million in cash, which will be funded with cash on hand. And the Company had completed this deal on August 1, 2015.