PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2016 AND 2015

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS AS OF MARCH 31, 2016 AND 2015

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have reviewed the accompanying consolidated balance sheets of Parade Technologies, Ltd. and its subsidiaries as of March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, 'Interim Financial Reporting', as endorsed by the Financial Supervisory Commission of the Republic of China.

PricewaterhouseCoopers, Taiwan

April 27, 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
MARCH 31, 2016, DECEMBER 31, 2015 AND MARCH 31, 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2016 AND 2015 ARE REVIEWED, NOT AUDITED)

			March 31, 2016		December 31, 2015		March 31, 2015	
	ASSETS	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 3,043,098	35	$ 2,887,751	35	$ 4,880,758	71
1125	Available-for-sale financial assets - current		-	-	-	-	33,985	-
1170	Accounts receivable, net	6(2)	1,342,092	15	1,252,871	15	1,043,155	15
130X	Inventories, net	6(3)	841,062	10	613,776	8	496,308	7
1470	Other current assets		359,270	4	264,159	3	269,081	4
11XX	**Total current assets**		5,585,522	64	5,018,557	61	6,723,287	97
	Non-current assets							
1600	Property, plant and equipment, net	6(4)	152,332	2	158,494	2	145,780	2
1780	Intangible assets	6(5)	2,896,207	33	2,989,576	36	5,735	-
1840	Deferred income tax assets	6(17)	38,129	1	38,893	1	4,407	-
1900	Other non-current assets		32,949	-	36,223	-	42,301	1
15XX	**Total non-current assets**		3,119,617	36	3,223,186	39	198,223	3
1XXX	**TOTAL ASSETS**		$ 8,705,139	100	$ 8,241,743	100	$ 6,921,510	100

(Continued)

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2016, DECEMBER 31, 2015 AND MARCH 31, 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2016 AND 2015 ARE REVIEWED, NOT AUDITED)

			March 31, 2016		December 31, 2015		March 31, 2015	
	LIABILITIES AND EQUITY	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2170	Accounts payable		$ 1,025,154	12	$ 701,881	9	$ 623,697	9
2200	Other payables	6(6)	345,166	4	397,268	5	293,729	4
2230	Current income tax liabilities	6(17)	426,248	5	411,561	5	309,839	5
2300	Other current liabilities		192,733	2	269,787	3	129,126	2
21XX	**Total current liabilities**		1,989,301	23	1,780,497	22	1,356,391	20
2XXX	**Total liabilities**		1,989,301	23	1,780,497	22	1,356,391	20
	Equity attributable to owners of the Company							
	Share capital	6(10)						
3110	Ordinary shares		760,750	9	760,751	9	755,192	11
	Capital reserves	6(11)						
3200	Capital reserves		1,813,697	21	1,804,206	23	1,663,421	24
	Retained earnings	6(12)						
3310	Legal reserve		364,246	4	364,246	4	241,672	3
3320	Special reserve		8,324	-	8,324	-	78,218	1
3350	Unappropriated earnings		3,648,704	42	3,291,004	40	2,833,291	41
	Other equity							
3400	Other equity		168,522	2	281,120	3	70,822	1
3500	**Treasury shares**	6(10)	(48,405)	(1)	(48,405)	(1)	(77,497)	(1)
31XX	**Equity attributable to owners of the Company**		6,715,838	77	6,461,246	78	5,565,119	80
3XXX	**Total equity**		6,715,838	77	6,461,246	78	5,565,119	80
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 8,705,139	100	$ 8,241,743	100	$ 6,921,510	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 THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)
(UNAUDITED)

			For the three months ended March 31,			
			2016		2015	
		Notes	Amount	%	Amount	%
4000	**Revenue**		$ 2,340,738	100	$ 1,517,857	100
5000	**Cost of goods sold**	6(3)(15)(16)	(1,377,840)	(59)	(905,703)	(60)
5900	**Gross profit**		962,898	41	612,154	40
	Operating expenses	6(15)(16)(18) and 7				
6100	Sales and marketing expenses		(139,240)	(6)	(73,420)	(5)
6200	General and administrative expenses		(74,513)	(3)	(60,930)	(4)
6300	Research and development expenses		(359,186)	(15)	(193,125)	(12)
6000	**Total operating expenses**		(572,939)	(24)	(327,475)	(21)
6900	**Operating income**		389,959	17	284,679	19
	Non-operating income and expenses					
7010	Other income		431	-	695	-
7020	Other gains and losses		(500)	-	194	-
7000	**Total non-operating income and expenses**		(69)	-	889	-
7900	**Income before income tax**		389,890	17	285,568	19
7950	Income tax expense	6(17)	(32,346)	(1)	(30,314)	(2)
8000	**Net income for the period from continuing operations**		357,544	16	255,254	17
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations		(134,670)	(6)	(60,530)	(4)
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(134,670)	(6)	(60,530)	(4)
8500	**Total comprehensive income for the period**		$ 222,874	10	$ 194,724	13
	Net income, attributable to:					
8610	Owners of the Company		$ 357,544	16	$ 255,254	17
	Comprehensive income attributable to:					
8710	Owners of the Company		$ 222,874	10	$ 194,724	13
9750	**Basic earnings per share from continuing operations**	6(13)	$ 4.77		$ 3.42	
9850	**Diluted earnings per share from continuing operations**	6(13)	$ 4.68		$ 3.36	

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 THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

		Equity attributable to owners of the parent											
			Capital Reserves				Retained Earnings			Other Equity			
	Notes	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
For the three months ended March 31, 2015													
Balance at January 1, 2015		$ 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
Share-based compensation cost	6(9)	-	-	10,192	-	-	-	-	-	-	14,117	-	24,309
Exercise of employee stock options	6(9)(10)	588	2,810	(1,320)	-	-	-	-	-	-	-	-	2,078
Purchase of treasury shares		-	-	-	-	-	-	-	-	-	-	(77,497)	(77,497)
Net income for the period		-	-	-	-	-	-	-	255,254	-	-	-	255,254
Other comprehensive loss for the period		-	-	-	-	-	-	-	-	(60,530)	-	-	(60,530)
Balance at March 31, 2015		$ 755,192	$ 1,307,379	$ 110,968	$ 208,324	$ 36,750	$ 241,672	$ 78,218	$ 2,833,291	$ 228,561	($ 157,739)	($ 77,497)	$ 5,565,119
For the three months ended March 31, 2016													
Balance at January 1, 2016		$ 760,751	$ 1,320,037	$ 133,526	$ 314,220	$ 36,423	$ 364,246	$ 8,324	$ 3,291,004	$ 495,516	($ 214,396)	($ 48,405)	$ 6,461,246
Share-based compensation cost	6(9)	-	-	7,763	-	-	-	-	-	-	21,891	-	29,654
Exercise of employee stock options	6(9)(10)	218	2,148	(454)	-	-	-	-	-	-	-	-	1,912
Cancellation of share-based compensation	6(9)	(219)	-	-	34	-	-	-	156	-	181	-	152
Net income for the period		-	-	-	-	-	-	-	357,544	-	-	-	357,544
Other comprehensive loss for the period		-	-	-	-	-	-	-	-	(134,670)	-	-	(134,670)
Balance at March 31, 2016		$ 760,750	$ 1,322,185	$ 140,835	$ 314,254	$ 36,423	$ 364,246	$ 8,324	$ 3,648,704	$ 360,846	($ 192,324)	($ 48,405)	$ 6,715,838

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

		For the three months ended March 31,	
	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax for the period		$ 389,890	$ 285,568
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)	19,154	12,337
Amortization	6(5)(15)	46,040	798
Loss on disposal of equipment		-	1,410
Share-based compensation cost	6(9)(16)	29,654	24,309
Interest income		(318)	(464)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(113,645)	29,656
Inventories		(239,250)	(69,290)
Other current assets		(101,598)	(81,404)
Other non-current assets		4,691	4,561
Net changes in liabilities relating to operating activities			
Accounts payable		336,955	285,851
Other payables		(44,358)	(54,604)
Other current liabilities		(71,795)	12,071
Cash provided by operations		255,420	450,799
Interest received		301	406
Income tax paid		(6,886)	(4,649)
Net cash provided by operating activities		248,835	446,556
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment	6(4)	(15,062)	(38,468)
Acquisition of intangible assets	6(5)	(9,909)	(362)
(Increase) decrease in refundable deposits		(2,123)	163
Net cash used in investing activities		(27,094)	(38,667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of employee stock options		1,912	2,078
Purchase of treasury shares	6(10)	-	(77,497)
Cash dividend recovered from cancellation of share-based compensation		152	-
Net cash provided by (used in) financing activities		2,064	(75,419)
Effect of exchange rate changes on cash and cash equivalents		(68,458)	(52,146)
Increase in cash and cash equivalents		155,347	280,324
Cash and cash equivalents at beginning of period		2,887,751	4,600,434
Cash and cash equivalents at end of period		$ 3,043,098	$ 4,880,758

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

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 April 27, 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")

None.

(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:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor 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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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
Clarifications to IFRS 15, ‘Revenue from contracts with customers' (amendments to IFRS 15)	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
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 are prepared by the Group in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, 'Interim financial reporting', as endorsed by the FSC.

(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:

			Ownership (%)			
Investor	Subsidiary	Main business activities	March 31, 2016	December 31, 2015	March 31, 2015	Description
Parade Technologies, Ltd.	Parade Technologies, Inc.	Providing sales and marketing, general and administrative, and research and development services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies Korea, Ltd.	Providing sales and marketing, general and administrative services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	100	100	100	-
Parade Technologies, Inc.	Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	100	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) <u>Classification of current and non-current items</u>

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 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' 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.

G. The interim period income tax expense is recognized based on estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(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

	March 31, 2016	December 31, 2015	March 31, 2015
Cash on hand	$ 136	$ 136	$ 68
Checking accounts and bank deposits	2,844,570	2,685,428	3,314,219
	2,844,706	2,685,564	3,314,287
Cash equivalents			
Money market fund	198,392	202,187	1,566,471
	$ 3,043,098	$ 2,887,751	$ 4,880,758

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

	March 31, 2016	December 31, 2015	March 31, 2015
Accounts receivable	$ 1,342,092	$ 1,252,871	$ 1,043,155
Less: Allowance for doubtful accounts	-	-	-
	$ 1,342,092	$ 1,252,871	$ 1,043,155

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

(3) Inventories

	March 31, 2016		
	Cost	Allowance	Book value
Raw materials	$ 415,507	($ 43,536)	$ 371,971
Work-in-process	228,361	(14,244)	214,117
Finished goods	259,021	(4,047)	254,974
	$ 902,889	($ 61,827)	$ 841,062

	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
	$ 636,382	($ 22,606)	$ 613,776

	March 31, 2015		
	Cost	Allowance	Book value
Raw materials	$ 269,383	($ 7,288)	$ 262,095
Work-in-process	154,333	(41)	154,292
Finished goods	97,586	(17,665)	79,921
	$ 521,302	($ 24,994)	$ 496,308

The cost of inventories recognized for the three months ended March 31, 2016 and 2015 was $1,377,840 and $905,703, respectively, including the amounts recognized of $40,832 and $3,289, respectively, that the Group wrote down from cost to net realizable value and accounted for as ‘cost of goods sold’.

(4) Property, plant and equipment

The Group had no property and plant as of March 31, 2016, December 31, 2015 and March 31, 2015.

	Machinery and equipment	Office equipment	Leasehold improvements	Total
At January 1, 2016				
Cost	$ 283,184	$ 44,616	$ 45,463	$ 373,263
Accumulated depreciation	(164,233)	(29,201)	(21,335)	(214,769)
	$ 118,951	$ 15,415	$ 24,128	$ 158,494
Three months ended March 31, 2016				
Opening net book amount	$ 118,951	$ 15,415	$ 24,128	$ 158,494
Additions	13,013	1,683	366	15,062
Depreciation charge	(14,909)	(2,026)	(2,219)	(19,154)
Net exchange differences	(1,867)	(68)	(135)	(2,070)
Closing net book amount	$ 115,188	$ 15,004	$ 22,140	$ 152,332
At March 31, 2016				
Cost	$ 291,606	$ 45,780	$ 45,332	$ 382,718
Accumulated depreciation	(176,418)	(30,776)	(23,192)	(230,386)
	$ 115,188	$ 15,004	$ 22,140	$ 152,332

	Machinery and equipment	Office equipment	Leasehold improvements	Total
At January 1, 2015				
Cost	$ 208,683	$ 35,240	$ 36,087	$ 280,010
Accumulated depreciation	(120,389)	(22,885)	(14,872)	(158,146)
	$ 88,294	$ 12,355	$ 21,215	$ 121,864
Three months ended March 31, 2015				
Opening net book amount	$ 88,294	$ 12,355	$ 21,215	$ 121,864
Additions	25,775	3,239	9,454	38,468
Disposals	-	(13)	(1,397)	(1,410)
Depreciation charge	(8,759)	(1,662)	(1,916)	(12,337)
Net exchange differences	(906)	51	50	(805)
Closing net book amount	$ 104,404	$ 13,970	$ 27,406	$ 145,780
At March 31, 2015				
Cost	$ 232,836	$ 37,929	$ 42,270	$ 313,035
Accumulated depreciation	(128,432)	(23,959)	(14,864)	(167,255)
	$ 104,404	$ 13,970	$ 27,406	$ 145,780

(5) Intangible assets

	Software	Goodwill	Patent and others	Total
At January 1, 2016				
Cost	$ 17,788	$ 1,595,226	$ 1,466,905	$ 3,079,919
Accumulated amortization	(11,943)	-	(78,400)	(90,343)
	$ 5,845	$ 1,595,226	$ 1,388,505	$ 2,989,576
Three months ended March 31, 2016				
Opening net book amount	$ 5,845	$ 1,595,226	$ 1,388,505	$ 2,989,576
Additions - acquired separately	-	-	9,909	9,909
Amortization charge	(923)	-	(45,117)	(46,040)
Net exchange differences	(80)	(31,098)	(26,060)	(57,238)
Closing net book amount	$ 4,842	$ 1,564,128	$ 1,327,237	$ 2,896,207
At March 31, 2016				
Cost	$ 17,465	$ 1,564,128	$ 1,447,934	$ 3,029,527
Accumulated amortization	(12,623)	-	(120,697)	(133,320)
	$ 4,842	$ 1,564,128	$ 1,327,237	$ 2,896,207

	Software	Goodwill	Patent and others	Total
At January 1, 2015				
Cost	$ 14,453	$ -	$ -	$ 14,453
Accumulated amortization	(8,225)	-	-	(8,225)
	$ 6,228	$ -	$ -	$ 6,228
Three months ended March 31, 2015				
Opening net book amount	$ 6,228	$ -	$ -	$ 6,228
Additions - acquired separately	362	-	-	362
Amortization charge	(798)	-	-	(798)
Net exchange differences	(57)	-	-	(57)
Closing net book amount	$ 5,735	$ -	$ -	$ 5,735
At March 31, 2015				
Cost	$ 14,672	$ -	$ -	$ 14,672
Accumulated amortization	(8,937)	-	-	(8,937)
	$ 5,735	$ -	$ -	$ 5,735

(6) Other payables

	March 31, 2016	December 31, 2015	March 31, 2015
Directors' remuneration and employees' bonuses	$ 128,723	$ 113,854	$ 119,317
Payroll, bonus and accrued vacation	123,440	170,449	65,506
Legal and professional fees	35,781	61,454	38,970
Commissions	24,521	22,677	20,440
Engineering expenses	5,732	2,808	11,818
Others	26,969	26,026	37,678
	$ 345,166	$ 397,268	$ 293,729

(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 March 31, 2016, 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 three months ended March 31, 2016 and 2015 were $26,497 and $15,307, 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 March 31, 2016, 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 three months ended March 31,			
	2016		2015	
	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 period	1,218	$ 5.46	1,468	$ 4.88
Options cancelled	(3)	6.74	-	-
Options exercised	(22)	2.65	(59)	1.12
Options outstanding at end of period	1,193	4.97	1,409	5.04
Options exercisable at end of period	1,011		819	

E. The weighted-average stock price of stock options at exercise dates for the three months ended March 31, 2016 and 2015 was $280.9 and $299.27 (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. Expenses incurred on share-based compensation transactions are as follows:

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Equity-settled	$ 29,654	$ 24,309

(10) Share capital/ Treasury shares

A. As of March 31, 2016, the Company's authorized capital was $1,500,000, consisting of 150 million shares of ordinary share, and the paid-in capital was $760,750 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 three months ended March 31,	
	2016	2015
At January 1	75,875	75,460
Employee stock options exercised	22	59
Cancellation of share-based compensation	(22)	-
Share reacquisition (treasury shares)	-	(252)
At March 31	75,875	75,267

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 $99, including unretired share capital of $2.

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 $267, including unretired share capital of $2.

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 $280, including unretired share capital of $2, and the reacquired share dividend derived from retained earnings capitalization is $112, including unretired share dividend of $1.

E. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		March 31, 2016		December 31, 2015		March 31, 2015	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	Number of shares (in thousands)	Carrying amount	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	200	$48,405	200	$48,405	252	$77,497

(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

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 year 2015. The appropriation of 2014 earnings had been approved by the shareholders on June 25, 2015.

	2014	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 122,574	
Special reserve	(69,894)	
Cash dividends	378,811	$ 5.02

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

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 April 27, 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 three months ended March 31, 2016		
	Amount after tax	Weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 357,544	74,921	$ 4.77
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 357,544	74,921	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	502	
Employee bonus	-	303	
Employee restricted stocks	-	609	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 357,544	76,335	$ 4.68

	For the three months ended March 31, 2015		
	Amount after tax	Weighted-average outstanding ordinary shares (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 255,254	74,707	$ 3.42
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 255,254	74,707	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	694	
Employee bonus	-	323	
Employee restricted stocks	-	334	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 255,254	76,058	$ 3.36

(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:

	August 1, 2015	
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		51,738
Goodwill (The amount was recognized in intangible assets)	$	48,591

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.

(15) Expenses by nature

	For the three months ended March 31,			
	2016		2015	
Employee benefit expenses	$	389,079	$	227,393
Depreciation and amortization charges on equipment and intangible assets		65,194		13,135
Engineering expenses		51,698		37,096
Operating lease payments		31,045		22,197
Commission expenses		16,733		14,572
Other expenses		37,567		23,170
Total manufacturing and operating expenses	$	591,316	$	337,563

(16) Employee benefit expenses

	For the three months ended March 31,			
	2016		2015	
Wages and salaries	$	291,560	$	163,067
Employee stock options		29,654		24,309
Pension costs		26,497		15,307
Other personnel expenses		41,368		24,710
	$	389,079	$	227,393

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 distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 2% for directors remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.

B. The estimated amounts of employees' compensation were $26,903 and $14,828 and of directors' remuneration were $8,278 and $4,562 for the three months ended March 31, 2016 and 2015, respectively. The employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current period for the three months ended March 31, 2016, and the percentage of previous year payment. The employees' compensation and directors' remuneration of $69,561 and $21,403 of 2015 as resolved at the meeting of Board of Directors held on April 27, 2016 were in agreement with those amounts recognized in the 2015 financial statements, and the employees' compensation will be distributed in the form of cash. The difference of ($1,682) and ($517) between the employees' bonus and directors' remuneration as resolved at the shareholders' during their meeting and the amount recognized in the 2014 financial statements of $78,035 and $24,011, respectively, mainly caused by the difference of exchange rate, had been adjusted in the profit or loss of 2015.

   Information on the appropriation of the Company's employees' compensation 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

Components of income tax expense:

	For the three months ended March 31,	
	2016	2015
Current tax:		
Current tax on profits for the period	$ 36,505	$ 30,841
Adjustments in respect of prior period	(4,923)	-
Total current tax	31,582	30,841
Deferred tax:		
Origination and reversal of temporary differences	764	(527)
Income tax expense	$ 32,346	$ 30,314

(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 $31,045 and $22,197 for these leases in profit or loss for the three months ended March 31, 2016 and 2015, respectively.

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

	March 31, 2016	December 31, 2015	March 31, 2015
No later than one year	$ 69,744	$ 70,038	$ 56,117
Later than one year but not later than five years	55,213	34,570	61,990
Later than five years	2,114	-	-
	$ 127,071	$ 104,608	$ 118,107

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the three months ended March 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 55,764	$ 41,122
Share-based compensation expenses	4,953	4,952
	$ 60,717	$ 46,074

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

The Company reissued 200 thousand treasury shares with repurchase price amounting to $48,405 to its employees with the effective date set on April 27, 2016 according to Share Repurchase and Employee Incentive Plan. The subscription price of $242.03 (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.

12. OTHERS

(1) Consolidated balance sheets as of March 31, 2016, December 31, 2015 and March 31, 2015 and consolidated statements of comprehensive income for the three months ended March 31, 2016 and 2015 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

(EXPRESSED IN THOUSANDS OF US DOLLARS)

(CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2016 AND 2015 ARE REVIEWED, NOT AUDITED)

	March 31, 2016		December 31, 2015		March 31, 2015	
ASSETS	Amount	%	Amount	%	Amount	%
Current assets						
Cash and cash equivalents	$ 94,535	35	$ 87,961	35	$ 155,935	71
Available-for-sale financial assets - current	-	-	-	-	1,086	-
Accounts receivable, net	41,693	15	38,162	15	33,328	15
Inventories, net	26,128	10	18,696	8	15,856	7
Other current assets	11,161	4	8,046	3	8,597	4
Total current assets	173,517	64	152,865	61	214,802	97
Non-current assets						
Property, plant and equipment, net	4,732	2	4,828	2	4,657	2
Intangible assets	89,972	33	91,062	36	183	-
Deferred income tax assets	1,185	1	1,185	1	141	-
Other non-current assets	1,024	-	1,103	-	1,351	1
Total non-current assets	96,913	36	98,178	39	6,332	3
TOTAL ASSETS	$ 270,430	100	$ 251,043	100	$ 221,134	100
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	$ 31,847	12	$ 21,379	9	$ 19,926	9
Other payables	10,723	4	12,101	5	9,384	4
Current income tax liabilities	13,242	5	12,536	5	9,899	5
Other current liabilities	5,987	2	8,218	3	4,126	2
Total current liabilities	61,799	23	54,234	22	43,335	20
Total liabilities	61,799	23	54,234	22	43,335	20
Equity attributable to owners of the Company						
Share capital						
Ordinary shares	25,070	9	25,070	10	24,891	11
Capital reserves						
Capital reserves	60,309	22	60,024	24	55,538	25
Retained earnings						
Legal reserve	12,214	5	12,214	5	8,167	4
Special reserve	340	-	340	-	2,647	1
Unappropriated earnings	118,943	44	108,148	43	94,169	42
Other equity						
Other equity	(6,760)	(2)	(7,502)	(3)	(5,152)	(2)
Treasury shares	(1,485)	(1)	(1,485)	(1)	(2,461)	(1)
Equity attributable to owners of the Company	208,631	77	196,809	78	177,799	80
Total equity	208,631	77	196,809	78	177,799	80
TOTAL LIABILITIES AND EQUITY	$ 270,430	100	$ 251,043	100	$ 221,134	100

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(UNAUDITED)

	For the three months ended March 31,			
	2016		2015	
	Amount	%	Amount	%
Revenues	$ 70,631	100	$ 48,155	100
Cost of goods sold	(41,576)	(59)	(28,734)	(60)
Gross profit	29,055	41	19,421	40
Operating expenses				
Sales and marketing expenses	(4,202)	(6)	(2,329)	(5)
General and administrative expenses	(2,248)	(3)	(1,933)	(4)
Research and development expenses	(10,838)	(15)	(6,127)	(12)
Total operating expenses	(17,288)	(24)	(10,389)	(21)
Operating income	11,767	17	9,032	19
Non-operating income and expenses				
Other income	13	-	22	-
Other gains and losses	(15)	-	6	-
Total non-operating income and expenses	(2)	-	28	-
Income before income tax	11,765	17	9,060	19
Income tax expense	(976)	(1)	(962)	(2)
Net income for the period from continuing operations	10,789	16	8,098	17
Other comprehensive income				
Components of other comprehensive income that will be reclassified to profit or loss				
Currency translation differences of foreign operations	76	-	30	-
Total comprehensive income for the period	$ 10,865	16	$ 8,128	17
Net income attributable to:				
Owners of the Company	$ 10,789	16	$ 8,098	17
Comprehensive income attributable to:				
Owners of the Company	$ 10,865	16	$ 8,128	17
Basic earnings per share from continuing operations	$	0.14	$	0.11
Diluted earnings per share from continuing operations	$	0.14	$	0.11

(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:

	March 31, 2016		
	Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	$ 805	6.467	$ 5,206

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

	March 31, 2015		
	Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	$ 1,154	6.108	$ 7,049

Based on the foreign currency quoted position held by the Group as of March 31, 2016 and 2015, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase/ decrease by $259 and $361, respectively.

iii. The exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2016 and 2015 amounted to $101 and $45, 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' industry 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 $198,392, $202,187 and $1,566,471 at March 31, 2016, December 31, 2015 and March 31, 2015, 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 March 31, 2016, December 31, 2015 and March 31, 2015 is as follows (There were no financial instruments measured at fair value recognized at March 31, 2016 and December 31, 2015.):

March 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets:				
Available-for-sale financial assets				
Time deposit	$ -	$ 33,985	$ -	$ 33,985

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 three months ended March 31, 2016 and 2015, 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 three months ended March 31, 2016: None.

B. Endorsements and guarantees provided during the three months ended March 31, 2016: None.

C. Marketable securities held as at March 31, 2016 (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 three months ended March 31, 2016: None.

E. Acquisition of real estate properties exceeding $300 million or 20% of the Company’s paid-in capital during the three months ended March 31, 2016: None.

F. Disposal of real estate properties exceeding $300 million or 20% of the Company’s paid-in capital during the three months ended March 31, 2016: None.

G. Purchases from or sales to related parties exceeding $100 million or 20% of the Company’s paid-in capital during the three months ended March 31, 2016: None.

H. Receivables from related parties exceeding $100 million or 20% of the Company’s paid-in capital as at March 31, 2016: None.

I. Derivative financial instruments undertaken during the three months ended March 31, 2016: None.

J. Significant inter-company transactions for the three months ended March 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.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES (NOT INCLUDING INVESTEES IN MAINLAND CHINA)

FOR THE THREE MONTHS ENDED MARCH 31, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Parade Technologies, Ltd.	Parade Technologies, Inc.	(1)	Service expense	$ 110,317	In accordance with the agreement, EOM 30 days	5%
			(1)	Other payables	51,116	In accordance with the agreement, EOM 30 days	1%
		Parade Technologies Korea, Ltd.	(1)	Service expense	11,525	In accordance with the agreement, EOM 30 days	0%
			(1)	Other payables	4,117	In accordance with the agreement, EOM 30 days	0%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	131,073	In accordance with the agreement, EOM 30 days	6%
			(1)	Other payables	44,454	In accordance with the agreement, EOM 30 days	1%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	32,855	In accordance with the agreement, EOM 30 days	1%
			(1)	Other payables	11,759	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 INVESTEES (NOT INCLUDING INVESTEES IN MAINLAND CHINA)

FOR THE THREE MONTHS ENDED MARCH 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at 3/31/2016					
Investor	Investee	Location	Main business activities	Balance as at 3/31/2016	Balance as at 1/1/2016	Number of shares	Ownership (%)	Book value	Net income of the investee	Investment income recognized by the Company	Footnote
The Company	Parade Technologies, Inc.	United States	Providing sales and marketing, general and administrative, and research and development services to the Company	$ 41,847	$ 41,847	10,000	100	$ 473,928	$ 5,946	$ 5,946	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	1,610	1,610	10,000	100	5,897	653	653	

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES (NOT INCLUDING INVESTEES IN MAINLAND CHINA)

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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 1/1/2016	Amount remitted to Mainland China during the period	Amount remitted back to Taiwan during the period	Accumulated amount of remittance to Mainland China as of 3/31/2016	Net income of the investee	Ownership held by the Company (%)	Investment income recognized by the Company for the period	Book value of investments in Mainland China as of 3/31/2016	Accumulated amount of investment income remitted back to Taiwan as of 3/31/2016	Footnote
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	$ 41,847	1	$ -	$ -	$ -	$ -	$ 8,573	100	$ 8,573	$ 202,579	$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	64,380	2	-	-	-	-	1,687	100	1,687	83,916	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of 3/31/2016	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)
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.