

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT ACCOUNTANTS AS OF DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

<u>Contents</u>	<u>Page</u>
COVER PAGE	1
TABLE OF CONTENTS	2 ~ 3
REPORT OF INDEPENDENT ACCOUNTANTS	4 ~ 9
CONSOLIDATED BALANCE SHEETS	10 ~ 11
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	12
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	13
CONSOLIDATED STATEMENTS OF CASH FLOWS	14
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	15 ~ 51
1. HISTORY AND ORGANIZATION	15
2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION	15
3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS	15 ~ 17
4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	17 ~ 25

Contents	Page
5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY	25
6. DETAILS OF SIGNIFICANT ACCOUNTS	26 ~ 40
7. RELATED PARTY TRANSACTIONS	40 ~ 41
8. PLEDGED ASSETS	41
9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS	41
10. SIGNIFICANT DISASTER LOSS	41
11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE	41
12. OTHERS	41 ~ 48
13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU	49
(1) RELATED INFORMATION OF SIGNIFICANT TRANSACTIONS	49
(2) DISCLOSURE INFORMATION OF INVESTEE COMPANY	49
(3) DISCLOSURE OF INFORMATION ON INDIRECT INVESTMENTS IN MAINLAND CHINA	49
14. SEGMENT INFORMATION	49 ~ 51

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Parade Technologies, Ltd. and subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Goodwill impairment

Description

Refer to Note 4(13) (non-financial asset impairment), Note 5(2) (Critical accounting estimates and assumptions) and Note 6(5) (Goodwill) to the consolidated financial statements where the impairment of non-financial assets and goodwill has been discussed.

To achieve the Group's roadmap for display and touch integration solutions and to improve the operational efficiency of the industry supply chain, the Group acquired Cypress Semiconductor Corp.'s TrueTouch® Mobile touchscreen business in 2015. The balance of goodwill arising from acquisitions as at December 31, 2018 was NT\$ 1,506,873 thousand.

The Group uses 5-year cash flow forecasts to determine the recovery amount of goodwill; however, the measurement results in a large extent depend on management's assumptions, including the discount rate and the estimated growth rate used, which are subject to management's judgements with considerable uncertainty. Therefore, the goodwill impairment assessment is a key audit matter this year.

How our audit addressed the matter

Our procedures in relation to the key audit matter included:

1. Evaluated the rationality of the evaluation model using the nature of the Group.
2. Confirmed that the future cash flow used in the evaluation model is consistent with the next 5-year budget provided by the Group.
3. Assessed the appropriateness of key assumptions used, such as growth rate and discount rate.

Inventory impairment losses

Description

Refer to Note 4(10) (Inventories), Note 5(2) (Critical accounting estimates and assumptions) and Note 6(3) (Inventories) to the consolidated financial statements where the accounting policy, accounting estimates and assumptions of inventories and allowance for reduction of inventories to market values have been discussed.

Losses on inventories and allowances as at December 31, 2018 was NT\$1,259,841 thousand and NT\$160,052 thousand, respectively.

The rapid changes in the technology of the industries in which the Group is involved and the net realizable value used in the evaluation of obsolete inventories often involve subjective judgements and therefore highly uncertain estimates. Inventories are measured at the lower of cost and net realizable value. The impact of inventories and its allowance for diminution in value has a significant impact on the financial statements. Therefore, the loss on inventories and allowances assessment is a key audit matter this year.

How our audit addressed the matter

Our procedures in relation to the key audit matter included:

1. The valuation of inventory impairment losses adopted the understanding of the nature of the industry, and it is confirmed that the accounting policy is consistent with the previous period.
2. Verified the appropriateness of the system logic for evaluating the inventory aging report to confirm that the report information is consistent with the Company's policies.
3. Reviewed the historical information of inventories, supplemented by inspecting the amount of provision after the reference period, and then assessed the reasonableness of the loss provision.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2019

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	Notes	December 31, 2018		December 31, 2017		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 6,011,928	50	\$ 4,763,227	45
1170	Accounts receivable, net	6(2)	1,411,407	12	1,555,625	15
130X	Inventories, net	6(3)	1,099,789	9	1,020,015	9
1470	Other current assets		540,247	4	288,120	3
11XX	Total current assets		<u>9,063,371</u>	<u>75</u>	<u>7,626,987</u>	<u>72</u>
Non-current assets						
1600	Property, plant and equipment, net	6(4)	326,052	3	261,470	3
1780	Intangible assets	6(5)	2,560,397	21	2,640,450	25
1840	Deferred income tax assets	6(16)	59,772	1	38,694	-
1900	Other non-current assets		24,853	-	24,344	-
15XX	Total non-current assets		<u>2,971,074</u>	<u>25</u>	<u>2,964,958</u>	<u>28</u>
1XXX	TOTAL ASSETS		<u>\$ 12,034,445</u>	<u>100</u>	<u>\$ 10,591,945</u>	<u>100</u>

(Continued)

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY	Notes	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
Current liabilities					
2170	Accounts payable	\$ 971,566	8	\$ 767,441	7
2200	Other payables	6(6) 625,103	5	614,049	6
2230	Current income tax liabilities	6(16) 491,583	4	585,621	6
2300	Other current liabilities	224,699	2	246,422	2
21XX	Total current liabilities	<u>2,312,951</u>	<u>19</u>	<u>2,213,533</u>	<u>21</u>
2XXX	Total liabilities	<u>2,312,951</u>	<u>19</u>	<u>2,213,533</u>	<u>21</u>
Equity attributable to owners of the Company					
Share capital					
		6(9)			
3110	Ordinary shares	790,147	7	783,766	7
Capital reserves					
		6(10)			
3200	Capital reserves	2,817,047	23	2,562,661	24
Retained earnings					
		6(11)			
3310	Legal reserve	807,466	7	614,295	6
3320	Special reserve	246,657	2	8,324	-
3350	Unappropriated earnings	5,825,247	49	5,251,928	50
Other equity					
3400	Other equity	(561,620)	(5)	(842,562)	(8)
3500	Treasury shares	6(9) (203,450)	(2)	-	-
31XX	Equity attributable to owners of the Company	<u>9,721,494</u>	<u>81</u>	<u>8,378,412</u>	<u>79</u>
3XXX	Total equity	<u>9,721,494</u>	<u>81</u>	<u>8,378,412</u>	<u>79</u>
Significant contingent liabilities and unrecognized contract commitments					
Significant events after the balance sheet date					
3X2X	TOTAL LIABILITIES AND EQUITY	<u>\$ 12,034,445</u>	<u>100</u>	<u>\$ 10,591,945</u>	<u>100</u>

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	Notes	2018		2017	
		Amount	%	Amount	%
4000 Revenue	6(13)	\$ 10,363,888	100	\$ 10,351,803	100
5000 Cost of goods sold	6(3)(14)(15)	(6,065,144)	(58)	(6,164,614)	(60)
5900 Gross profit		<u>4,298,744</u>	<u>42</u>	<u>4,187,189</u>	<u>40</u>
Operating expenses	6(14)(15) and 7				
6100 Sales and marketing expenses		(481,584)	(5)	(507,068)	(5)
6200 General and administrative expenses		(337,207)	(3)	(322,865)	(3)
6300 Research and development expenses		(1,528,150)	(15)	(1,388,734)	(13)
6000 Total operating expenses		<u>(2,346,941)</u>	<u>(23)</u>	<u>(2,218,667)</u>	<u>(21)</u>
6900 Operating income		<u>1,951,803</u>	<u>19</u>	<u>1,968,522</u>	<u>19</u>
Non-operating income and expenses					
7010 Other income		16,227	-	6,569	-
7020 Other gains and losses		(666)	-	(4,864)	-
7000 Total non-operating income and expenses		<u>15,561</u>	<u>-</u>	<u>1,705</u>	<u>-</u>
7900 Income before income tax		<u>1,967,364</u>	<u>19</u>	<u>1,970,227</u>	<u>19</u>
7950 Income tax benefit (expense)	6(16)	<u>1,998</u>	<u>-</u>	<u>(38,518)</u>	<u>-</u>
8000 Net income for the year from continuing operations		<u>1,969,362</u>	<u>19</u>	<u>1,931,709</u>	<u>19</u>
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8361 Other comprehensive income (loss), before tax, exchange differences on translation		<u>280,377</u>	<u>3</u>	<u>(592,223)</u>	<u>(6)</u>
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss		<u>280,377</u>	<u>3</u>	<u>(592,223)</u>	<u>(6)</u>
8500 Total comprehensive income for the year		<u>\$ 2,249,739</u>	<u>22</u>	<u>\$ 1,339,486</u>	<u>13</u>
Net income, attributable to:					
8610 Owners of the Company		<u>\$ 1,969,362</u>	<u>19</u>	<u>\$ 1,931,709</u>	<u>19</u>
Comprehensive income attributable to:					
8710 Owners of the Company		<u>\$ 2,249,739</u>	<u>22</u>	<u>\$ 1,339,486</u>	<u>13</u>
Earnings per share					
9750 Basic earnings per share	6(12)	<u>\$ 25.67</u>		<u>\$ 25.49</u>	
9850 Diluted earnings per share	6(12)	<u>\$ 24.66</u>		<u>\$ 24.55</u>	

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Equity attributable to owners of the parent												
	Ordinary shares	Capital Reserves			Capital reserve - others	Retained Earnings			Other Equity			Total	
		Paid-in capital in excess of ordinary shares	Capital reserve from employee stock options	Capital reserve from restricted stocks		Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences of foreign operations	Unearned compensation	Treasury shares		
Year 2017													
		\$ 773,049	\$ 1,339,185	\$ 150,797	\$ 633,144	\$ 36,423	\$ 478,681	\$ 8,324	\$ 4,151,202	\$ 345,567	(\$ 414,540)	\$ -	\$ 7,501,832
		-	-	-	-	-	-	-	1,931,709	-	-	-	1,931,709
		-	-	-	-	-	-	-	-	(592,223)	-	-	(592,223)
		-	-	-	-	-	-	-	1,931,709	(592,223)	-	-	1,339,486
	6(8)	-	-	-	-	-	-	-	-	-	200,144	-	200,144
	6(8)(9)	1,995	53,962	(23,634)	-	-	-	-	-	-	-	-	32,323
		9,109	-	-	390,595	-	-	-	-	-	(399,704)	-	-
	6(8)	(387)	-	-	(17,811)	-	-	-	375	-	18,194	-	371
	6(9)	-	-	-	-	-	-	-	-	-	-	(60,844)	(60,844)
	6(9)	-	-	-	-	-	-	-	-	-	-	60,844	60,844
	6(11)	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	135,614	-	(135,614)	-	-	-	-
		-	-	-	-	-	-	-	(695,744)	-	-	-	(695,744)
		\$ 783,766	\$ 1,393,147	\$ 127,163	\$ 1,005,928	\$ 36,423	\$ 614,295	\$ 8,324	\$ 5,251,928	(\$ 246,656)	(\$ 595,906)	\$ -	\$ 8,378,412
Year 2018													
		\$ 783,766	\$ 1,393,147	\$ 127,163	\$ 1,005,928	\$ 36,423	\$ 614,295	\$ 8,324	\$ 5,251,928	(\$ 246,656)	(\$ 595,906)	\$ -	\$ 8,378,412
		-	-	-	-	-	-	-	1,969,362	-	-	-	1,969,362
		-	-	-	-	-	-	-	-	280,377	-	-	280,377
		-	-	-	-	-	-	-	1,969,362	280,377	-	-	2,249,739
	6(8)	-	-	-	-	-	-	-	-	-	246,603	-	246,603
	6(8)(9)	1,354	16,524	(3,149)	-	-	-	-	-	-	-	-	14,729
		5,828	-	-	269,889	-	-	-	-	-	(275,717)	-	-
		-	527,591	-	(527,591)	-	-	-	-	-	-	-	-
	6(8)	(801)	-	-	(28,878)	-	-	-	1,060	-	29,679	-	1,060
	6(9)	-	-	-	-	-	-	-	-	-	-	(284,138)	(284,138)
	6(9)	-	-	-	-	-	-	-	-	-	-	80,688	80,688
	6(11)	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	193,171	-	(193,171)	-	-	-	-
		-	-	-	-	-	-	238,333	(238,333)	-	-	-	-
		-	-	-	-	-	-	-	(965,599)	-	-	-	(965,599)
		\$ 790,147	\$ 1,937,262	\$ 124,014	\$ 719,348	\$ 36,423	\$ 807,466	\$ 246,657	\$ 5,825,247	\$ 33,721	(\$ 595,341)	(\$ 203,450)	\$ 9,721,494

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Income before income tax for the year		\$ 1,967,364	\$ 1,970,227
Adjustments			
Adjustments to reconcile profit or loss			
Depreciation	6(4)(14)	98,392	72,405
Amortization	6(5)(14)	249,138	227,804
Loss on disposal of equipment	6(4)	-	961
Share-based compensation cost	6(8)(15)	246,603	200,144
Interest income		(8,277)	(1,844)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		194,400	(140,294)
Inventories		(46,871)	(236,455)
Other current assets		(185,878)	(16,221)
Changes in operating liabilities			
Accounts payable		179,368	(126,119)
Other payables		(8,755)	111,259
Other current liabilities		(29,672)	(42,621)
Cash inflow provided by operations		2,655,812	2,019,246
Interest received		8,356	1,661
Income tax paid		(182,618)	(107,835)
Income tax received		-	156,380
Net cash flows from operating activities		2,481,550	2,069,452
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of equipment	6(4)	(157,413)	(201,126)
Acquisition of intangible assets	6(5)	(87,010)	(116,335)
Decrease in refundable deposits		276	800
Net cash flows used in investing activities		(244,147)	(316,661)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from exercise of employee stock options		14,729	32,323
Purchase of treasury shares	6(9)	(284,138)	(60,844)
Treasury shares reissued to employees	6(9)	80,688	60,844
Cash dividends paid	6(11)	(965,599)	(695,744)
Cash dividend recovered from cancellation of share-based compensation		1,060	371
Net cash flows used in financing activities		(1,153,260)	(663,050)
Effect of exchange rate changes on cash and cash equivalents		164,558	(357,353)
Increase in cash and cash equivalents		1,248,701	732,388
Cash and cash equivalents at beginning of year		4,763,227	4,030,839
Cash and cash equivalents at end of year		\$ 6,011,928	\$ 4,763,227

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

1. HISTORY AND ORGANIZATION

Parade Technologies, Ltd. (the “Company”) was established in the 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 interface standards, touch controller and display processing integrated circuit chips for products used in computers, consumer electronics and display panels. The shares of the Company were authorized by the Financial Supervisory Commission, R.O.C. and have been traded on Taipei Exchange (formerly GreTai Securities Market) in the R.O.C. since September 13, 2011 (stock code:4966).

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ‘ First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ‘ Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ‘ Investments in associates and joint ventures’	January 1, 2018

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

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

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

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

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

IFRS 16, ‘Leases’

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

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of the prior period (collectively referred herein as the “modified retrospective approach”), on January 1, 2019, it is expected that ‘right-of-use asset’ and lease liability will be increased by \$186,495 and \$186,495, respectively.

(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 IFRSs as endorsed by the FSC are as follows:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. 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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
Parade Technologies, Ltd.	Parade Technologies, Inc.	Providing sales and marketing, general and administrative, and research and development services to the Company	100	100	-
Parade Technologies, Ltd.	Parade Technologies Korea, Ltd.	Providing sales and marketing, general and administrative services to the Company	100	100	-
Parade Technologies, Ltd.	Parade Technologies Ireland, Ltd.	Providing research and development services to the Company	100	100	Note
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	100	100	-
Parade Technologies, Inc.	Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	100	100	-

Note: In order to comply with the local regulations, Parade Technologies (Ireland Branch Office), Ltd. was recognized as a subsidiary in September, 2017, and renamed as Parade Technologies Ireland, Ltd. in October, 2017.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

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

- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle 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 settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits, money market fund and treasury bill 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) Accounts receivable

A. Accounts receivable entitles the Group to a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(8) Impairment of financial assets

For financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) 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.

(11) 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

(12) 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.

(13) 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 are 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.

(14) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(15) 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 expense 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' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal 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 employees' 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.

(16) 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.

(17) 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 utilized.

(18) 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.

(19) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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.

(20) Revenue recognition

The Group manufactures and sells high-speed interfacing chips, touch 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 is 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.

(21) 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.

(22) 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.

As of December 31, 2018, the Group recognized goodwill amounted to \$1,506,873.

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.

As of December 31, 2018, the carrying amount of inventories was \$1,099,789.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand	\$ 70	\$ 209
Checking accounts and bank deposits	<u>3,372,671</u>	<u>4,220,182</u>
	3,372,741	4,220,391
Cash equivalents		
Money market fund	34,232	542,836
Treasury bill	<u>2,604,955</u>	<u>-</u>
	<u>\$ 6,011,928</u>	<u>\$ 4,763,227</u>

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

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

(2) Accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	\$ 1,411,407	\$ 1,555,625
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 1,411,407</u>	<u>\$ 1,555,625</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Up to 30 days	\$ 908,388	\$ 858,607
31 to 90 days	503,019	605,781
91 to 180 days	<u>-</u>	<u>91,237</u>
	<u>\$ 1,411,407</u>	<u>\$ 1,555,625</u>

The above ageing analysis was based on invoice date.

B. Information relating to credit risk is provided in Note 12(3).

(3) Inventories

	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 336,226	(\$ 34,949)	\$ 301,277
Work-in-process	534,835	(95,818)	439,017
Finished goods	<u>388,780</u>	<u>(29,285)</u>	<u>359,495</u>
	<u>\$ 1,259,841</u>	<u>(\$ 160,052)</u>	<u>\$ 1,099,789</u>

	December 31, 2017		
	Cost	Allowance	Book value
Raw materials	\$ 403,708	(\$ 50,498)	\$ 353,210
Work-in-process	360,523	(28,275)	332,248
Finished goods	360,837	(26,280)	334,557
	<u>\$ 1,125,068</u>	<u>(\$ 105,053)</u>	<u>\$ 1,020,015</u>

The cost of inventories recognized for the years ended December 31, 2018 and 2017 was \$6,065,144 and \$6,164,614, respectively, including the amounts recognized (reversed) of \$42,816 and (\$21,684), respectively, that the Group wrote down from cost to net realizable value and accounted for as 'cost of goods sold'. The Group recognized gain on reversal of decline in market value for the year ended December 31, 2017 as certain inventories which were previously provided with allowance were subsequently sold.

(4) Property, plant and equipment

The Group had no property and plant as of December 31, 2018 and 2017.

	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2018</u>				
Cost	\$ 420,852	\$ 51,299	\$ 108,545	\$ 580,696
Accumulated depreciation	(251,176)	(36,818)	(31,232)	(319,226)
	<u>\$ 169,676</u>	<u>\$ 14,481</u>	<u>\$ 77,313</u>	<u>\$ 261,470</u>
<u>Year ended December 31, 2018</u>				
Opening net book amount	\$ 169,676	\$ 14,481	\$ 77,313	\$ 261,470
Additions	153,111	3,703	599	157,413
Depreciation charge	(76,484)	(6,928)	(14,980)	(98,392)
Net exchange differences	3,671	62	1,828	5,561
Closing net book amount	<u>\$ 249,974</u>	<u>\$ 11,318</u>	<u>\$ 64,760</u>	<u>\$ 326,052</u>
<u>At December 31, 2018</u>				
Cost	\$ 579,009	\$ 54,754	\$ 110,958	\$ 744,721
Accumulated depreciation	(329,035)	(43,436)	(46,198)	(418,669)
	<u>\$ 249,974</u>	<u>\$ 11,318</u>	<u>\$ 64,760</u>	<u>\$ 326,052</u>

	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2017</u>				
Cost	\$ 317,294	\$ 48,450	\$ 47,280	\$ 413,024
Accumulated depreciation	(209,842)	(33,079)	(27,655)	(270,576)
	<u>\$ 107,452</u>	<u>\$ 15,371</u>	<u>\$ 19,625</u>	<u>\$ 142,448</u>
<u>Year ended December 31, 2017</u>				
Opening net book amount	\$ 107,452	\$ 15,371	\$ 19,625	\$ 142,448
Additions	124,249	6,584	70,293	201,126
Disposals	(961)	-	-	(961)
Depreciation charge	(54,750)	(6,929)	(10,726)	(72,405)
Net exchange differences	(6,314)	(545)	(1,879)	(8,738)
Closing net book amount	<u>\$ 169,676</u>	<u>\$ 14,481</u>	<u>\$ 77,313</u>	<u>\$ 261,470</u>
<u>At December 31, 2017</u>				
Cost	\$ 420,852	\$ 51,299	\$ 108,545	\$ 580,696
Accumulated depreciation	(251,176)	(36,818)	(31,232)	(319,226)
	<u>\$ 169,676</u>	<u>\$ 14,481</u>	<u>\$ 77,313</u>	<u>\$ 261,470</u>

(5) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>Patent and others</u>	<u>Total</u>
<u>At January 1, 2018</u>				
Cost	\$ 23,089	\$ 1,459,783	\$ 1,666,816	\$ 3,149,688
Accumulated amortization	(15,502)	-	(493,736)	(509,238)
	<u>\$ 7,587</u>	<u>\$ 1,459,783</u>	<u>\$ 1,173,080</u>	<u>\$ 2,640,450</u>
<u>Year ended December 31, 2018</u>				
Opening net book amount	\$ 7,587	\$ 1,459,783	\$ 1,173,080	\$ 2,640,450
Additions - acquired separately	11,316	-	75,694	87,010
Amortization charge	(2,996)	-	(246,142)	(249,138)
Net exchange differences	367	47,090	34,618	82,075
Closing net book amount	<u>\$ 16,274</u>	<u>\$ 1,506,873</u>	<u>\$ 1,037,250</u>	<u>\$ 2,560,397</u>
<u>At December 31, 2018</u>				
Cost	\$ 35,219	\$ 1,506,873	\$ 1,797,710	\$ 3,339,802
Accumulated amortization	(18,945)	-	(760,460)	(779,405)
	<u>\$ 16,274</u>	<u>\$ 1,506,873</u>	<u>\$ 1,037,250</u>	<u>\$ 2,560,397</u>

	<u>Software</u>	<u>Goodwill</u>	<u>Patent and others</u>	<u>Total</u>
<u>At January 1, 2017</u>				
Cost	\$ 17,466	\$ 1,581,922	\$ 1,690,676	\$ 3,290,064
Accumulated amortization	(14,309)	-	(296,264)	(310,573)
	<u>\$ 3,157</u>	<u>\$ 1,581,922</u>	<u>\$ 1,394,412</u>	<u>\$ 2,979,491</u>
<u>Year ended December 31, 2017</u>				
Opening net book amount	\$ 3,157	\$ 1,581,922	\$ 1,394,412	\$ 2,979,491
Additions - acquired separately	7,257	-	109,078	116,335
Amortization charge	(2,497)	-	(225,307)	(227,804)
Net exchange differences	(330)	(122,139)	(105,103)	(227,572)
Closing net book amount	<u>\$ 7,587</u>	<u>\$ 1,459,783</u>	<u>\$ 1,173,080</u>	<u>\$ 2,640,450</u>
<u>At December 31, 2017</u>				
Cost	\$ 23,089	\$ 1,459,783	\$ 1,666,816	\$ 3,149,688
Accumulated amortization	(15,502)	-	(493,736)	(509,238)
	<u>\$ 7,587</u>	<u>\$ 1,459,783</u>	<u>\$ 1,173,080</u>	<u>\$ 2,640,450</u>

The recoverable amount of goodwill has been determined based on value-in-use calculations. These calculations use pre-tax cash flow and discount rate projections based on financial budgets covering the next five-year period.

(6) Other payables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Employees' compensation and directors' remuneration	\$ 215,991	\$ 186,912
Payroll, bonus and accrued vacation	206,703	262,746
Legal and professional fees	49,391	46,348
Commissions	46,439	48,389
Engineering expenses	27,635	1,376
Others	78,944	68,278
	<u>\$ 625,103</u>	<u>\$ 614,049</u>

(7) Pensions

Each subsidiary adopts a funded defined contribution pension plan in accordance with local regulations. Under the pension plan, subsidiaries contribute monthly an amount to an independent fund. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were \$99,766 and \$88,436, respectively.

(8) Share-based compensation expenses

A. The Board of Directors approved the stock compensation plan during 2006. The plan originally calls for issuing 3 million shares of employee stock options, which subsequently increased to 11,696 thousand shares, 11,396 thousand shares, 6,897 thousand shares, and 5,697 thousand shares with the

approval of the Board of Directors in 2011, 2010, 2008, and 2007, respectively. Each share can purchase one share of the Company's Ordinary Share. The beneficiaries include the employees, the directors, and the contracted consultants of the Company. The employee stock options are valid for 10 years from the issuance. The owners can exercise 25% of their options after first year of issuance, and they can exercise one-sixteenth of the original amount each quarter. The exercise price will be based on the market price of the Ordinary Share.

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

C. As of December 31, 2018, 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	Jul. 22, 2009	662	10 years	1 ~ 5 years' service
Employee stock options	Aug. 9, 2010	397	10 years	1 ~ 5 years' service
Employee stock options	Jan. 20, 2011	1,090	10 years	1 ~ 5 years' service
Employee stock options	Mar. 9, 2011	110	10 years	1 ~ 5 years' service
Employee stock options	Apr. 28, 2011	22	10 years	1 ~ 5 years' service
Employee stock options	Jun. 13, 2011	521	10 years	1 ~ 5 years' service
Employee stock options	Jul. 26, 2012	940	10 years	2 ~ 4 years' service
Employee restricted stock awards plan (Note)	Jul. 29, 2015	400	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Jul. 27, 2016	1,150	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Aug. 1, 2017	1,000	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Aug. 1, 2018	494	4 years	Service years as stipulated in the contract

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

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

shall be exercised by the trustee or the custodian.

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

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

	For the years ended December 31,			
	2018		2017	
	No. of shares (in thousands)	Weighted-average exercise price (in US dollars)	No. of shares (in thousands)	Weighted-average exercise price (in US dollars)
Options outstanding at beginning of year	880	\$ 5.02	1,080	\$ 5.00
Options exercised	(135)	3.61	(200)	5.32
Options outstanding at end of year	<u>745</u>	5.36	<u>880</u>	5.02
Options exercisable at end of year	<u>745</u>		<u>880</u>	

- E. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 was \$492.07 and \$418.55 (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	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 170 thousand treasury shares with repurchase price amounting to \$ 80,688 to its employees with the effective date set on August 1, 2018 in accordance with the Share Repurchase and Employee Incentive Plan. The subscription price of \$474.63 (in dollars) per share equals the average repurchase price per share. The fair value of the treasury shares reissued was measured based on the market price at the grant date.

H. The Company reissued 180 thousand treasury shares with repurchase price amounting to \$60,844 to its employees with the effective date set on August 1, 2017 in accordance with the Share Repurchase and Employee Incentive Plan. The subscription price of \$338.02 (in dollars) per share equals the average repurchase price per share. The fair value of the treasury shares reissued was measured based on the market price at the grant date.

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

	For the years ended December 31,	
	2018	2017
Equity-settled	\$ 246,603	\$ 200,144

(9) Share capital/ Treasury shares

A. As of December 31, 2018, the Company's authorized capital was \$1,500,000, consisting of 150 million shares of ordinary share, and the paid-in capital was \$ 790,147 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, and excluding treasury shares):

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
At January 1	78,377	77,305
Employee stock options exercised	135	200
Employee restricted shares	583	911
Cancellation of share-based compensation	(80)	(39)
Share reacquisition (treasury shares)	(670)	(180)
Reissued to employees	170	180
At December 31	<u>78,515</u>	<u>78,377</u>

- B. The Board of Directors during its meeting on August 1, 2018 adopted a resolution to issue employee restricted ordinary shares (see Note 6(8)) with the effective date set on August 1, 2018. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$469.5 (in dollars) at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(8) 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 \$94 as of December 31, 2018, including unretired share capital of \$51.
- C. The Board of Directors during its meeting on August 1, 2017 adopted a resolution to issue employee restricted ordinary shares (see Note 6(8)) with the effective date set on August 1, 2017. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$437 (in dollars) at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(8) 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 \$421 as of December 31, 2018, including unretired share capital of \$87.
- D. The Board of Directors during its meeting on July 27, 2016 adopted a resolution to issue employee restricted ordinary shares (see Note 6(8)) with the effective date set on July 27, 2016. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$298 (in dollars) at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(8) 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 \$874 as of December 31, 2018, including unretired share capital of \$73.
- E. The Board of Directors during its meeting on July 29, 2015 adopted a resolution to issue employee restricted ordinary shares (see Note 6(8)) 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 (in dollars) at the grant date. The employee restricted ordinary shares issued are subject to

stockholders' right restrictions, please see Note 6(8) 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 \$325 as of December 31, 2018, including unretired share capital of \$9.

F. The Board of Directors during its meeting on July 30, 2014 adopted a resolution to issue employee restricted ordinary shares (see Note 6(8)) 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 (in dollars) at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(8) 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 \$352 as of December 31, 2018. There are no unretired share capital.

G. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (there were no treasury shares as at December 31, 2017):

		<u>December 31, 2018</u>	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	500	\$ 203,450

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

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

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares 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 six months of acquisition.

(10) 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 Act 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.

(11) Retained earnings

- A. In accordance with the provisions of the Articles of Association, if there are profits after the final settlement of account of a year, the Company after its losses have been offset and at the time of allocating surplus profits, may first set aside 10% of the annual profits as statutory reserve until the statutory reserve amounts to the authorized capital, and may appropriate a portion of the annual profits as special reserve required by Applicable Public Company Rules or government authorities. Thereafter, having considered the financial, business and operational factors, the Board may propose and specify no less than 10% of any remaining annual profits after the above plus, at the Board's sole discretion, a certain percent of accumulated retained earnings to be distributed as dividends. Cash dividend shall not be less than 10% of the total dividends declared.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The Company recognized dividends distributed to owners for the years 2018 and 2017. The appropriation of 2017 and 2016 earnings had been approved by the shareholders on June 21, 2018 and June 15, 2017, respectively.

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 193,171		\$ 135,614	
Special reserve	238,333		-	
Cash dividends	965,599	\$ 12.32	695,744	\$ 9.00

For the information relating to the above distribution of earnings as approved by the shareholders, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange Company.

- E. On March 13, 2019, the Board of Directors proposed that total dividends for the distribution of earnings for the year 2018 was \$980,751 with cash dividends of \$12.41 (in Taiwan dollars) per share. As of March 13, 2019, the abovementioned 2018 earnings appropriation had not been approved by the shareholders.
- F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(15).

(12) Earnings per share

	For the year ended December 31, 2018		
	Amount after tax	Weighted-average ordinary shares outstanding (in thousands)	Earnings per share (in NT dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,969,362	76,722	\$ 25.67
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,969,362	76,722	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	472	
Employee compensation	-	421	
Employee restricted stocks	-	2,244	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 1,969,362	79,859	\$ 24.66
	For the year ended December 31, 2017		
	Amount after tax	Weighted-average ordinary shares outstanding (in thousands)	Earnings per share (in NT dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,931,709	75,793	\$ 25.49
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,931,709	75,793	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	623	
Employee compensation	-	313	
Employee restricted stocks	-	1,954	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 1,931,709	78,683	\$ 24.55

(13) Operating revenue

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods over at a point in time in the following major product lines and geographical regions:

	For the year ended December 31, 2018				Total
	Serial products of DisplayPort	High-speed interfacing chips	Serial products of TrueTouch	Source Driver	
Revenue from external customer contracts	<u>\$ 5,625,529</u>	<u>\$ 3,294,167</u>	<u>\$ 753,819</u>	<u>\$ 690,373</u>	<u>\$ 10,363,888</u>

	For the year ended December 31, 2017				Total
	Serial products of DisplayPort	High-speed interfacing chips	Serial products of TrueTouch	Source Driver	
Revenue from external customer contracts	<u>\$ 5,798,047</u>	<u>\$ 2,598,170</u>	<u>\$ 1,434,377</u>	<u>\$ 521,209</u>	<u>\$ 10,351,803</u>

(14) Expenses by nature

	For the years ended December 31,	
	2018	2017
Employee benefit expenses	\$ 1,673,171	\$ 1,601,680
Depreciation and amortization charges on equipment and intangible assets	347,530	300,209
Engineering expenses	259,202	207,453
Operating lease payments	133,079	126,755
Commission expenses	40,472	49,277
Other expenses	19,461	33,080
Total manufacturing and operating expenses	<u>\$ 2,472,915</u>	<u>\$ 2,318,454</u>

(15) Employee benefit expenses

	For the years ended December 31,	
	2018	2017
Wages and salaries	\$ 1,173,991	\$ 1,172,084
Employee compensation costs	246,603	200,144
Pension costs	99,766	88,436
Other personnel expenses	152,811	141,016
	<u>\$ 1,673,171</u>	<u>\$ 1,601,680</u>

A. In accordance with the provisions of the original 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.

- B. In accordance with the provisions of the amended Articles of Association approved by the shareholders on June 21, 2016, where the Company makes profits before tax for the annual financial year, the Company shall appropriate no less than 5% of such annual profits before tax as employees' compensation, which shall be distributed in accordance with the incentive programme approved by majority of the meeting of Board of Directors attended by two-thirds or more of all the Directors and may be distributed to employees of the Company and its subsidiaries and a maximum of 2% as additional directors' remuneration.
- C. The estimated amounts of employees' compensation were \$138,954 and \$128,698 and of directors' remuneration were \$42,755 and \$42,001 for the years ended December 31, 2018 and 2017, respectively. The employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current year for the year ended December 31, 2018, and the percentage of previous year payment. The difference of (\$2,854) and (\$932) between the amount of the employees' compensation and directors' remuneration resolved at the meeting of Board of Directors on August 1, 2018 of \$125,844 and \$41,069 and the amount recognized in the 2017 financial statements, respectively, mainly caused by the difference of exchange rate, had been adjusted in the profit or loss of 2018, and the employees' compensation will be distributed in the form of cash.

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

(16) Income tax

A. Components of income tax expense:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the year	\$ 162,929	\$ 181,426
Prior year income tax overestimation	(143,849)	(156,380)
Total current tax	<u>19,080</u>	<u>25,046</u>
Deferred tax:		
Origination and reversal of temporary differences	(21,078)	13,472
Income tax (benefit) expense	<u>(\$ 1,998)</u>	<u>\$ 38,518</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	\$ 330,877	\$ 335,817
Effects from items disallowed by tax regulation	(189,026)	(145,543)
Prior year income tax overestimation	(143,849)	(156,380)
Impact of change in the tax rate	-	4,624
Income tax (benefit) expense	<u>(\$ 1,998)</u>	<u>\$ 38,518</u>

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

	2018		
	January 1	Recognized in profit or loss	December 31
Deferred tax assets			
- Temporary differences:			
Accrued vacation	\$ 3,907	\$ 365	\$ 4,272
Depreciation	441	642	1,083
Share-based compensation expense	(5,988)	(8,807)	(14,795)
Others	(925)	752	(173)
Investment tax credit	41,259	28,126	69,385
	<u>\$ 38,694</u>	<u>\$ 21,078</u>	<u>\$ 59,772</u>
	2017		
	January 1	Recognized in profit or loss	December 31
Deferred tax assets			
-Temporary differences:			
Accrued vacation	\$ 7,376	(\$ 3,469)	\$ 3,907
Depreciation	1,082	(641)	441
Share-based compensation expense	12,075	(18,063)	(5,988)
Others	1,237	(2,162)	(925)
Investment tax credit	30,396	10,863	41,259
	<u>\$ 52,166</u>	<u>(\$ 13,472)</u>	<u>\$ 38,694</u>

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

December 31, 2018			
Unrecognized deferred tax			
Qualifying items	Unused tax credits	assets	Expiry year
Federal tax - Research and development	\$ 1,695	\$ -	December 31, 2034
Federal tax - Research and development	8,386	-	December 31, 2035
Federal tax - Research and development	13,209	-	December 31, 2036
Federal tax - Research and development	19,293	-	December 31, 2037
Federal tax - Research and development	26,802	-	December 31, 2038
	<u>\$ 69,385</u>	<u>\$ -</u>	

December 31, 2017			
Unrecognized deferred tax			
Qualifying items	Unused tax credits	assets	Expiry year
Federal tax - Research and development	\$ 1,644	\$ -	December 31, 2034
Federal tax - Research and development	8,124	-	December 31, 2035
Federal tax - Research and development	12,797	-	December 31, 2036
Federal tax - Research and development	18,694	-	December 31, 2037
	<u>\$ 41,259</u>	<u>\$ -</u>	

(17) 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 expense of \$133,079 and \$126,755 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively.

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

	December 31, 2018	December 31, 2017
No later than one year	\$ 67,898	\$ 71,127
Later than one year but not later than five years	119,219	116,590
Later than five years	-	13,137
	<u>\$ 187,117</u>	<u>\$ 200,854</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 228,792	\$ 267,974
Share-based compensation expenses	<u>111,722</u>	<u>75,418</u>
	<u>\$ 340,514</u>	<u>\$ 343,392</u>

A. Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, employees' compensation, 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(17).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please see refer to Note 6(11) for more information.

12. OTHERS

(1) Consolidated balance sheets as of December 31, 2018 and 2017 and consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017 in functional currency

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF US DOLLARS)

ASSETS	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents	\$ 195,701	50	\$ 160,055	45
Accounts receivable, net	45,944	12	52,272	15
Inventories, net	35,800	9	34,275	9
Other current assets	17,586	4	9,681	3
Total current assets	<u>295,031</u>	<u>75</u>	<u>256,283</u>	<u>72</u>
Non-current assets				
Property, plant and equipment, net	10,614	3	8,786	3
Intangible assets	83,346	21	88,725	25
Deferred income tax assets	1,946	1	1,300	-
Other non-current assets	809	-	818	-
Total non-current assets	<u>96,715</u>	<u>25</u>	<u>99,629</u>	<u>28</u>
TOTAL ASSETS	<u>\$ 391,746</u>	<u>100</u>	<u>\$ 355,912</u>	<u>100</u>
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable	\$ 31,626	8	\$ 25,788	7
Other payables	20,348	5	20,633	6
Current income tax liabilities	16,002	4	19,678	6
Other current liabilities	7,315	2	8,280	2
Total current liabilities	<u>75,291</u>	<u>19</u>	<u>74,379</u>	<u>21</u>
Total liabilities	<u>75,291</u>	<u>19</u>	<u>74,379</u>	<u>21</u>
Equity attributable to owners of the Company				
Share capital				
Ordinary shares	26,021	7	25,812	7
Capital reserves				
Capital reserves	92,873	24	84,562	24
Retained earnings				
Legal reserve	26,376	7	20,019	6
Special reserve	8,530	3	340	-
Unappropriated earnings	189,680	47	170,562	48
Other equity				
Other equity	(20,433)	(5)	(19,762)	(6)
Treasury shares				
	(6,592)	(2)	-	-
Equity attributable to owners of the Company	<u>316,455</u>	<u>81</u>	<u>281,533</u>	<u>79</u>
Total equity	<u>316,455</u>	<u>81</u>	<u>281,533</u>	<u>79</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 391,746</u>	<u>100</u>	<u>\$ 355,912</u>	<u>100</u>

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
Revenues	\$ 343,145	100	\$ 340,428	100
Cost of goods sold	(200,850)	(58)	(202,719)	(60)
Gross profit	142,295	42	137,709	40
Operating expenses				
Sales and marketing expenses	(15,968)	(5)	(16,670)	(5)
General and administrative expenses	(11,180)	(3)	(10,618)	(3)
Research and development expenses	(50,673)	(15)	(45,647)	(13)
Total operating expenses	(77,821)	(23)	(72,935)	(21)
Operating income	64,474	19	64,774	19
Non-operating income and expenses				
Other income	534	-	216	-
Other gains and losses	(28)	-	(160)	-
Total non-operating income and expenses	506	-	56	-
Income before income tax	64,980	19	64,830	19
Income tax benefit (expense)	78	-	(1,256)	-
Net income for the year from continuing operations	65,058	19	63,574	19
Other comprehensive (loss) income				
Components of other comprehensive (loss) income that will be reclassified to profit or loss				
Currency translation differences of foreign operations	(838)	-	841	-
Components of other comprehensive (loss) income that will be reclassified to profit or loss	(838)	-	841	-
Total comprehensive income for the year	\$ 64,220	19	\$ 64,415	19
Net income attributable to:				
Owners of the Company	\$ 65,058	19	\$ 63,574	19
Comprehensive income attributable to:				
Owners of the Company	\$ 64,220	19	\$ 64,415	19
Earnings per share				
Basic earnings per share	\$ 0.85		\$ 0.84	
Diluted earnings per share	\$ 0.81		\$ 0.81	

(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 risk of financial instruments

A. 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 minimize 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.

B. Significant financial risks and degrees of financial risks

(a) Market risk

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

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

	December 31, 2018		
	Foreign Currency		
	Amount	Exchange	Book Value
	(In thousands)	Rate	(in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	\$ 2,369	6.863	\$ 16,258

December 31, 2017

	Foreign Currency		
	Amount	Exchange	Book Value
	(In thousands)	Rate	(in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	\$ 1,365	6.564	\$ 8,960

Based on the foreign currency quoted position held by the Group as of December 31, 2018 and 2017, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase by \$ 728 and \$406, respectively.

iii. The exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017 amounted to (\$1,420) and \$4,523, 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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group treasury. The utilization of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. The Group's expected credit loss rate of accounts receivable that are not past due are not significant for the years ended December 31, 2018 and 2017.
- vii. The Group applies the simplified approach to provide loss allowance for accounts receivable

that have no significant impact. The Group had not recognized related impact for the years ended December 31, 2018 and 2017.

viii. Credit risk information of 2017 is provided in Note 12(5).

(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, money market fund and treasury bill, 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 \$34,232 and \$542,836, and treasury bills of \$2,604,955 and \$0 at December 31, 2018 and 2017, 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. 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.

B. There were no financial instruments measured at fair value recognized at December 31, 2018 and 2017.

C. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

D. Financial instruments not measured at fair value

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 their fair value.

(5) Effects on initial application of IFRS 9 and information of adopting International Accounting Standard 39 in 2017

A. Summaries of adopting significant accounting policies in 2017

(a) Accounts receivable

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. 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.

(b) Impairment of financial assets

- i. 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.
- ii. The criteria that the Group uses to determine whether there is objective evidence of 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:

Financial assets measured at amortized 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. Credit risk information for December 31, 2017 and the year ended December 31, 2017.

- (a) 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.
- (b) No credit limits were exceeded during the year ended December 31, 2017 and management does not expect any significant losses from non-performance by these counterparties.
- (c) 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. Effects on initial application of IFRS 9 have no significant impact to the Group's financial condition and financial performance for December 31, 2017 and the year ended December 31, 2017.

(6) Effects on initial application of IFRS 15 and information of adopting International Accounting Standard 18 in 2017

A. Summaries of adopting significant accounting policies in 2017

Revenue recognition

The Group manufactures and sells high-speed interfacing chips, touch 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 is 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. Effects on initial application of IFRS 15 have no significant impact to the Group's financial condition and financial performance for December 31, 2017 and the year ended December 31, 2017.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

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

A. Loans granted during the year ended December 31, 2018: None.

B. Endorsements and guarantees provided during the year ended December 31, 2018: None.

C. Marketable securities held as at December 31, 2018 (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2018: None.

E. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2018: None.

F. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2018: None.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended December 31, 2018: None.

H. Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as at December 31, 2018: None.

I. Derivative financial instruments undertaken during the year ended December 31, 2018: None.

J. Significant inter-company transactions for the year ended December 31, 2018: Please refer to table 1.

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

Please refer to table 2.

(3) Disclosure 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 purchases 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 period: None.

(f) Other transactions that have significant impact to current period 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 profit (loss), assets and liabilities information is in agreement with its major financial statement information.

(4) Revenue information by category

See Note 6(13).

(5) Revenue information by geographic area

Revenue information by geographic area for the years ended December 31, 2018 and 2017 are as follows:

A. Revenue

	For the years ended December 31,	
	2018	2017
South Korea	\$ 3,434,714	\$ 3,665,149
China	3,055,350	2,757,089
Taiwan	2,897,698	2,346,771
Japan	938,228	1,556,090
Others	37,898	26,704
	<u>\$ 10,363,888</u>	<u>\$ 10,351,803</u>

B. Non-current assets

	December 31, 2018	December 31, 2017
China	\$ 74,017	\$ 74,918
Taiwan	14,284	15,841
South Korea	3,879	4,599
Others	2,819,122	2,830,906
	<u>\$ 2,911,302</u>	<u>\$ 2,926,264</u>

(6) Information on major customers

The major customers for the years ended December 31, 2018 and 2017 are set forth below:

Customer	For the year ended December 31, 2018	
	Sales	%
B	\$ 3,367,372	32
A	2,745,657	26
K	1,706,799	16
E	787,996	8
	<u>\$ 8,607,824</u>	<u>82</u>

Customer	For the year ended December 31, 2017	
	Sales	%
B	\$ 2,665,416	26
A	2,002,016	19
K	1,305,332	13
E	1,218,161	12
	<u>\$ 7,190,925</u>	<u>70</u>

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Parade Technologies, Ltd.	Parade Technologies, Inc.	(1)	Service expense	\$ 772,691	In accordance with the agreement, EOM 30 days	7%
			(1)	Other payables	76,011	In accordance with the agreement, EOM 30 days	1%
		Parade Technologies Korea, Ltd.	(1)	Service expense	30,864	In accordance with the agreement, EOM 30 days	0%
			(1)	Other payables	2,079	In accordance with the agreement, EOM 30 days	0%
		Parade Technologies Ireland, Ltd. (Note 4)	(1)	Service expense	37,305	In accordance with the agreement, EOM 30 days	0%
			(1)	Other payables	2,739	In accordance with the agreement, EOM 30 days	0%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	524,239	In accordance with the agreement, EOM 30 days	5%
			(1)	Other payables	46,681	In accordance with the agreement, EOM 30 days	0%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	193,319	In accordance with the agreement, EOM 30 days	2%
			(1)	Other payables	19,497	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.

Note 4: In order to comply with the local regulations, Parade Technologies (Ireland Branch Office), Ltd. was recognized as a subsidiary in September, 2017, and renamed as Parade technologies Ireland, Ltd. in October, 2017.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
 INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)
 FOR THE YEAR ENDED DECEMBER 31, 2018

Table 2

Expressed in thousands of NTD
 (Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at 12/31/2018			Net income of the investee	Investment income recognized by the Company	Footnote
				Balance as at 12/31/2018	Balance as at 1/1/2018	Number of shares	Ownership (%)	Book value			
The Company	Parade Technologies, Inc.	United States	Providing sales and marketing, general and administrative, and research and development services to the Company	\$ 39,936	\$ 39,936	10,000	100	\$ 1,009,752	\$ 71,214	\$ 71,214	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	\$ 1,536	\$ 1,536	10,000	100	\$ 12,016	\$ 918	\$ 918	
The Company	Parade Technologies Ireland, Ltd.	Ireland	Providing research and development services to the Company	\$ -	\$ -	1	100	\$ 9,769	\$ 2,358	\$ 2,358	Note

Note : In order to comply with the local regulations, Parade Technologies (Ireland Branch Office), Ltd. was recognized as a subsidiary in September, 2017, and renamed as Parade technologies Ireland, Ltd. in October, 2017.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

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 1/1/2018	Amount remitted to Mainland China during the year	Amount remitted back to Taiwan during the year	Accumulated amount of remittance to Mainland China as of 12/31/2018	Net income of the investee	Ownership held by the Company (%)	Investment income recognized by the Company for the year	Book value of investments in Mainland China as of 12/31/2018	Accumulated amount of investment income remitted back to Taiwan as of 12/31/2018	Footnote
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	\$ 39,936	1	\$ -	\$ -	\$ -	\$ -	\$ 10,035	100	\$ 10,035	\$ 324,789	\$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	61,440	2	-	-	-	-	3,550	100	3,550	122,757	-	
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of 12/31/2018</u>	<u>Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA) (Note 2)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)</u>										
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.