

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**  
**JUNE 30, 2018 AND 2017**

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF  
INDEPENDENT ACCOUNTANTS AS OF JUNE 30, 2018 AND 2017  
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## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Parade Technologies, Ltd. and subsidiaries (the “Group”) as at June 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months and six months periods then ended, and the related consolidated statements of changes in equity and of cash flows for the six months periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the these consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### ***Scope of Review***

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

### ***Conclusion***

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018 and 2017, and of its consolidated financial performance for the three months and six months periods then ended and its consolidated cash flows for the six months then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Liang, Hua-Ling

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

August 1, 2018

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

As the 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**  
**JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**  
**(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)**

ASSETS	Notes	June 30, 2018		December 31, 2017		June 30, 2017		
		Amount	%	Amount	%	Amount	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 5,335,542	47	\$ 4,763,227	45	\$ 4,461,882	44
1170	Accounts receivable, net	6(2)	1,353,561	12	1,555,625	15	1,254,785	12
130X	Inventories, net	6(3)	1,276,542	11	1,020,015	9	1,256,354	12
1470	Other current assets		465,472	4	288,120	3	305,636	3
11XX	<b>Total current assets</b>		<u>8,431,117</u>	<u>74</u>	<u>7,626,987</u>	<u>72</u>	<u>7,278,657</u>	<u>71</u>
<b>Non-current assets</b>								
1600	Property, plant and equipment, net	6(4)	245,336	2	261,470	3	159,254	1
1780	Intangible assets	6(5)	2,607,748	23	2,640,450	25	2,721,191	27
1840	Deferred income tax assets	6(16)	47,626	1	38,694	-	59,036	1
1900	Other non-current assets		25,323	-	24,344	-	30,426	-
15XX	<b>Total non-current assets</b>		<u>2,926,033</u>	<u>26</u>	<u>2,964,958</u>	<u>28</u>	<u>2,969,907</u>	<u>29</u>
1XXX	<b>TOTAL ASSETS</b>		<u>\$ 11,357,150</u>	<u>100</u>	<u>\$ 10,591,945</u>	<u>100</u>	<u>\$ 10,248,564</u>	<u>100</u>

(Continued)

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

	Notes	June 30, 2018		December 31, 2017		June 30, 2017	
		Amount	%	Amount	%	Amount	%
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities</b>							
2170		\$ 635,915	6	\$ 767,441	7	\$ 942,994	9
2200	6(6)	1,549,249	14	614,049	6	1,227,186	12
2230	6(16)	577,845	5	585,621	6	573,065	5
2300		153,816	1	246,422	2	268,238	3
21XX		<u>2,916,825</u>	<u>26</u>	<u>2,213,533</u>	<u>21</u>	<u>3,011,483</u>	<u>29</u>
2XXX		<u>2,916,825</u>	<u>26</u>	<u>2,213,533</u>	<u>21</u>	<u>3,011,483</u>	<u>29</u>
<b>Equity attributable to owners of the Company</b>							
<b>Share capital</b>							
	6(9)						
3110		784,606	7	783,766	7	773,946	8
<b>Capital reserves</b>							
	6(10)						
3200		2,601,913	23	2,562,661	24	2,169,037	21
<b>Retained earnings</b>							
	6(11)						
3310		807,466	7	614,295	6	614,295	6
3320		246,657	2	8,324	-	8,324	-
3350		4,626,785	41	5,251,928	50	4,140,144	40
<b>Other equity</b>							
3400		( 546,414)	( 5)	( 842,562)	( 8)	( 407,821)	( 4)
3500	6(9)	( 80,688)	( 1)	-	-	( 60,844)	-
31XX		<u>8,440,325</u>	<u>74</u>	<u>8,378,412</u>	<u>79</u>	<u>7,237,081</u>	<u>71</u>
3XXX		<u>8,440,325</u>	<u>74</u>	<u>8,378,412</u>	<u>79</u>	<u>7,237,081</u>	<u>71</u>
<b>Significant contingent liabilities 9</b>							
<b>and unrecognized contract commitments</b>							
<b>Significant events after the balance sheet date</b>							
3X2X		<u>\$ 11,357,150</u>	<u>100</u>	<u>\$ 10,591,945</u>	<u>100</u>	<u>\$ 10,248,564</u>	<u>100</u>
<b>TOTAL LIABILITIES AND EQUITY</b>							

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

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)**  
**(UNAUDITED)**

	Notes	For the three months ended June 30,				For the six months ended June 30,			
		2018		2017		2018		2017	
		Amount	%	Amount	%	Amount	%	Amount	%
4000									
5000									
5900									
6100									
6200									
6300									
6000									
6900									
7010									
7020									
7000									
7900									
7950									
8000									
8361									
8310									
8500									
8610									
8710									
9750									
9850									

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 SIX MONTHS ENDED JUNE 30, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(UNAUDITED)

	Notes	Equity attributable to owners of the parent										Total	
		Capital Reserves			Retained Earnings				Other Equity				
		Ordinary shares	Paid-in capital in excess of ordinary shares	Capital reserve from employee stock options	Capital reserve from restricted stocks	Capital reserve - others	Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences of foreign operations	Unearned compensation		Treasury shares
<b>For the six months ended June 30, 2017</b>													
Balance at January 1, 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
Net income for the period		-	-	-	-	-	-	-	820,170	-	-	-	820,170
Other comprehensive loss for the period		-	-	-	-	-	-	-	-	( 422,080 )	-	-	( 422,080 )
Total comprehensive income		-	-	-	-	-	-	-	820,170	( 422,080 )	-	-	398,090
Share-based compensation cost	6(8)	-	-	-	-	-	-	-	-	-	78,577	-	78,577
Exercise of employee stock options	6(8)(9)	1,062	15,304	( 1,323 )	-	-	-	-	-	-	-	-	15,043
Cancellation of share-based compensation	6(8)	( 165 )	-	-	( 4,493 )	-	-	-	130	-	4,655	-	127
Purchase of treasury shares	6(9)	-	-	-	-	-	-	-	-	-	-	( 60,844 )	( 60,844 )
Earnings appropriation	6(11)	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	-	135,614	-	( 135,614 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	( 695,744 )	-	-	-	( 695,744 )
Balance at June 30, 2017		\$ 773,946	\$ 1,354,489	\$ 149,474	\$ 628,651	\$ 36,423	\$ 614,295	\$ 8,324	\$ 4,140,144	(\$ 76,513)	(\$ 331,308)	(\$ 60,844)	\$ 7,237,081
<b>For the six months ended June 30, 2018</b>													
Balance at January 1, 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
Net income for the period		-	-	-	-	-	-	-	771,466	-	-	-	771,466
Other comprehensive income for the period		-	-	-	-	-	-	-	-	215,001	-	-	215,001
Total comprehensive income		-	-	-	-	-	-	-	771,466	215,001	-	-	986,467
Share-based compensation cost	6(8)	-	-	-	-	-	-	-	-	-	110,404	-	110,404
Exercise of employee stock options	6(8)(9)	1,119	17,173	( 7,457 )	-	-	-	-	-	-	-	-	10,835
Issuance of restricted stocks		120	-	-	44,031	-	-	-	-	-	( 44,151 )	-	-
Vesting of restricted stocks		-	253,583	-	( 253,583 )	-	-	-	-	-	-	-	-
Cancellation of share-based compensation	6(8)	( 399 )	-	-	( 14,495 )	-	-	-	494	-	14,894	-	494
Purchase of treasury shares	6(9)	-	-	-	-	-	-	-	-	-	-	( 80,688 )	( 80,688 )
Earnings appropriation	6(11)	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	-	193,171	-	( 193,171 )	-	-	-	-
Special reserve		-	-	-	-	-	-	238,333	( 238,333 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	( 965,599 )	-	-	-	( 965,599 )
Balance at June 30, 2018		\$ 784,606	\$ 1,663,903	\$ 119,706	\$ 781,881	\$ 36,423	\$ 807,466	\$ 246,657	\$ 4,626,785	(\$ 31,655)	(\$ 514,759)	(\$ 80,688)	\$ 8,440,325

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



PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(UNAUDITED)

	<u>Notes</u>	<u>For the six months ended June 30,</u>	
		<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Income before income tax for the period		\$ 760,445	\$ 904,543
Adjustments			
Adjustments to reconcile profit or loss			
Depreciation	6(4)(14)	45,816	32,377
Amortization	6(5)(14)	120,062	112,117
Share-based compensation cost	6(8)(15)	110,404	78,577
Interest income		( 1,212 )	( 811 )
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		238,655	191,934
Inventories		( 232,535 )	( 455,416 )
Other current assets		( 170,322 )	( 77,662 )
Changes in operating liabilities			
Accounts payable		( 149,577 )	29,617
Other payables		( 44,842 )	17,501
Other current liabilities		( 98,402 )	( 27,214 )
Cash provided by operations activities		578,492	805,563
Interest received		855	694
Income tax paid		( 17,135 )	( 19,163 )
Net cash flows provided by operating activities		<u>562,212</u>	<u>787,094</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of equipment	6(4)	( 25,407 )	( 55,177 )
Acquisition of intangible assets	6(5)	( 28,157 )	( 22,111 )
Increase in refundable deposits		( 407 )	( 4,726 )
Net cash flows used in investing activities		<u>( 53,971 )</u>	<u>( 82,014 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Proceeds from exercise of employee stock options		10,835	15,043
Purchase of treasury shares	6(9)	( 80,688 )	( 60,844 )
Cash dividend recovered from cancellation of share-based compensation		494	127
Net cash flows used in financing activities		<u>( 69,359 )</u>	<u>( 45,674 )</u>
Effect of exchange rate changes on cash and cash equivalents		133,433	( 228,363 )
Increase in cash and cash equivalents		572,315	431,043
Cash and cash equivalents at beginning of period		4,763,227	4,030,839
Cash and cash equivalents at end of period		<u>\$ 5,335,542</u>	<u>\$ 4,461,882</u>

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 SIX MONTHS ENDED JUNE 30, 2018 AND 2017

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

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 in the Taipei Exchange (formerly GreTai Securities Market) in the R.O.C. since September 13, 2011.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 1, 2018.

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.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has no material impact to the Group.

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”), and the effects will be adjusted on January 1, 2019.

(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>
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 are prepared by the Group in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34, ‘Interim financial reporting’, as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (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
			June 30, 2018	December 31, 2017	June 30, 2017	
Parade Technologies, Ltd.	Parade Technologies, Inc.	Providing sales and marketing, general and administrative, and research and development services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies Korea, Ltd.	Providing sales and marketing, general and administrative services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies 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	100	-
Parade Technologies, Inc.	Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	100	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 and money market fund that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) 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.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(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, and 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

- A. 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 June 30, 2018, the Group recognized goodwill amounted to \$1,494,120.

**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 June 30, 2018, the carrying amount of inventories was \$1,276,542.

**6. DETAILS OF SIGNIFICANT ACCOUNTS**

**(1) Cash and cash equivalents**

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Cash on hand	\$ 195	\$ 209	\$ 156
Checking accounts and bank deposits	<u>4,776,762</u>	<u>4,220,182</u>	<u>3,908,945</u>
	4,776,957	4,220,391	3,909,101
Cash equivalents			
Money market fund	<u>558,585</u>	<u>542,836</u>	<u>552,781</u>
	<u>\$ 5,335,542</u>	<u>\$ 4,763,227</u>	<u>\$ 4,461,882</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>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Accounts receivable	\$ 1,353,561	\$ 1,555,625	\$ 1,254,785
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,353,561</u>	<u>\$ 1,555,625</u>	<u>\$ 1,254,785</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
Up to 30 days	\$ 862,430	\$ 858,607	\$ 883,697
31 to 90 days	491,131	605,781	371,003
91 to 180 days	-	91,237	-
Over 180 days	-	-	85
	<u>\$ 1,353,561</u>	<u>\$ 1,555,625</u>	<u>\$ 1,254,785</u>

The above ageing analysis was based on invoice date.

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

(3) Inventories

	June 30, 2018		
	Cost	Allowance	Book value
Raw materials	\$ 745,193	(\$ 41,963)	\$ 703,230
Work-in-process	380,427	( 56,856)	323,571
Finished goods	277,636	( 27,895)	249,741
	<u>\$ 1,403,256</u>	<u>(\$ 126,714)</u>	<u>\$ 1,276,542</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>
	June 30, 2017		
	Cost	Allowance	Book value
Raw materials	\$ 619,724	(\$ 70,280)	\$ 549,444
Work-in-process	275,934	( 19,162)	256,772
Finished goods	487,852	( 37,714)	450,138
	<u>\$ 1,383,510</u>	<u>(\$ 127,156)</u>	<u>\$ 1,256,354</u>

The cost of inventories recognized for the three months and six months ended June 30, 2018 and 2017 was \$1,328,378, \$1,556,152, \$2,726,415 and \$2,967,147, respectively, including the amounts recognized of \$13,401, \$21,750, \$8,886 and \$2,947, respectively, that the Group wrote down from cost to net realizable value and accounted for as 'cost of goods sold'.

(4) Property, plant and equipment

The Group had no property and plant as of June 30, 2018, December 31, 2017 and June 30, 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>Six months ended June 30, 2018</u>				
Opening net book amount	\$ 169,676	\$ 14,481	\$ 77,313	\$ 261,470
Additions	23,270	1,723	414	25,407
Depreciation charge	( 34,865)	( 3,553)	( 7,398)	( 45,816)
Net exchange differences	2,684	152	1,439	4,275
Closing net book amount	<u>\$ 160,765</u>	<u>\$ 12,803</u>	<u>\$ 71,768</u>	<u>\$ 245,336</u>
<u>At June 30, 2018</u>				
Cost	\$ 450,964	\$ 53,540	\$ 110,819	\$ 615,323
Accumulated depreciation	( 290,199)	( 40,737)	( 39,051)	( 369,987)
	<u>\$ 160,765</u>	<u>\$ 12,803</u>	<u>\$ 71,768</u>	<u>\$ 245,336</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>Six months ended June 30, 2017</u>				
Opening net book amount	\$ 107,452	\$ 15,371	\$ 19,625	\$ 142,448
Additions	52,732	1,867	578	55,177
Depreciation charge	( 25,403)	( 3,503)	( 3,471)	( 32,377)
Net exchange differences	( 4,908)	( 527)	( 559)	( 5,994)
Closing net book amount	<u>\$ 129,873</u>	<u>\$ 13,208</u>	<u>\$ 16,173</u>	<u>\$ 159,254</u>
<u>At June 30, 2017</u>				
Cost	\$ 356,042	\$ 48,681	\$ 46,290	\$ 451,013
Accumulated depreciation	( 226,169)	( 35,473)	( 30,117)	( 291,759)
	<u>\$ 129,873</u>	<u>\$ 13,208</u>	<u>\$ 16,173</u>	<u>\$ 159,254</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>Six months ended June 30, 2018</u>				
Opening net book amount	\$ 7,587	\$ 1,459,783	\$ 1,173,080	\$ 2,640,450
Additions - acquired separately	2,479	-	25,678	28,157
Amortization charge	( 1,545)	-	( 118,517)	( 120,062)
Net exchange differences	165	34,337	24,701	59,203
Closing net book amount	<u>\$ 8,686</u>	<u>\$ 1,494,120</u>	<u>\$ 1,104,942</u>	<u>\$ 2,607,748</u>
<u>At June 30, 2018</u>				
Cost	\$ 26,099	\$ 1,494,120	\$ 1,732,500	\$ 3,252,719
Accumulated amortization	( 17,413)	-	( 627,558)	( 644,971)
	<u>\$ 8,686</u>	<u>\$ 1,494,120</u>	<u>\$ 1,104,942</u>	<u>\$ 2,607,748</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>Six months ended June 30, 2017</u>				
Opening net book amount	\$ 3,157	\$ 1,581,922	\$ 1,394,412	\$ 2,979,491
Additions - acquired separately	1,879	-	20,232	22,111
Amortization charge	( 950)	-	( 111,167)	( 112,117)
Net exchange differences	( 174)	( 89,765)	( 78,355)	( 168,294)
Closing net book amount	<u>\$ 3,912</u>	<u>\$ 1,492,157</u>	<u>\$ 1,225,122</u>	<u>\$ 2,721,191</u>
<u>At June 30, 2017</u>				
Cost	\$ 18,409	\$ 1,492,157	\$ 1,614,800	\$ 3,125,366
Accumulated amortization	( 14,497)	-	( 389,678)	( 404,175)
	<u>\$ 3,912</u>	<u>\$ 1,492,157</u>	<u>\$ 1,225,122</u>	<u>\$ 2,721,191</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>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Cash dividends payable	\$ 965,599	\$ -	\$ 695,744
Employees' compensation and directors' remuneration	244,188	186,912	213,931
Payroll, bonus and accrued vacation	165,654	262,746	185,610
Legal and professional fees	50,791	46,348	53,189
Commissions	48,548	48,389	31,008
Engineering expenses	13,289	1,376	6,852
Others	61,180	68,278	40,852
	<u>\$ 1,549,249</u>	<u>\$ 614,049</u>	<u>\$ 1,227,186</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 three months and six months ended June 30, 2018 and 2017 were \$27,022, \$20,803, \$54,840 and \$46,873, 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 June 30, 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. 23, 2008	300	10 years	1 ~ 5 years' service
Employee stock options	Nov. 26, 2008	57	10 years	1 ~ 5 years' service
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. 30, 2014	349	4 years	Service years as stipulated in the contract
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	918	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 six months ended June 30,			
	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 period	880	\$ 5.02	1,080	\$ 5.00
Options cancelled	-	-	-	-
Options exercised	(112)	3.28	(106)	4.62
Options outstanding at end of period	<u>768</u>	5.28	<u>974</u>	5.12
Options exercisable at end of period	<u>768</u>		<u>974</u>	

E. The weighted-average stock price of stock options at exercise dates for the six months ended June 30, 2018 and 2017 was \$532.35 and \$339.86 (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. 23, 2008	-	US\$0.20	85%	6.25	-	3.87%	US\$0.20
Employee stock options	Nov. 26, 2008	-	US\$0.338	85%	6.25	-	1.79%	US\$0.338
Employee stock options	Jul. 22, 2009	-	US\$0.302	85%	6.25	-	3.05%	US\$0.302
Employee stock options	Aug. 9, 2010	-	US\$0.587	85%	6.25	-	2.00%	US\$0.587
Employee stock options	Jan. 20, 2011	-	US\$1.220	70%	6.25	-	2.78%	US\$1.220
Employee stock options	Mar. 9, 2011	-	US\$1.220	70%	6.25	-	2.78%	US\$1.220
Employee stock options	Apr. 28, 2011	-	US\$1.220	70%	6.25	-	2.23%	US\$1.220
Employee stock options	Jun. 13, 2011	-	US\$2.010	70%	6.25	-	2.23%	US\$2.010
Employee stock options	Jul. 26, 2012	NT\$338.5	NT\$338.5	48%	6.375	-	1.06%	NT\$159.84

G. The Company reissued 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.

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

	<u>For the three months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Equity-settled	\$ 55,075	\$ 38,540

  

	<u>For the six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Equity-settled	\$ 110,404	\$ 78,577

(9) Share capital/ Treasury shares

A. As of June 30, 2018, the Company's authorized capital was \$1,500,000, consisting of 150 million shares of ordinary share, and the paid-in capital was \$784,606 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 six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
At January 1	78,377	77,305
Employee stock options exercised	112	106
Employee restricted shares	12	-
Cancellation of share-based compensation	( 40)	( 16)
Share reacquisition (treasury shares)	( 170)	( 180)
At June 30	<u>78,291</u>	<u>77,215</u>

B. 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 \$271 as of June 30, 2018, including unretired share capital of \$87.

- C. 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 \$778 as of June 30, 2018, including unretired share capital of \$160.
- D. 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 \$306 as of June 30, 2018, including unretired share capital of \$12.
- E. 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 June 30, 2018, including unretired share capital of \$5.

F. Treasury shares

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

Name of company holding the shares	Reason for reacquisition	June 30, 2018		June 30, 2017	
		Number of shares (in thousands)	Carrying Amount	Number of shares (in thousands)	Carrying Amount
The Company	To be issued to employees	170	\$ 80,688	180	\$ 60,844

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

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

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

F. For the information relating to employees’ compensation (bonuses) and directors’ remuneration, please refer to Note 6(15).

(12) Earnings per share

	For the three months ended June 30, 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	\$ 366,818	76,418	\$ 4.80
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 366,818	76,418	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	528	
Employee compensation	-	194	
Employee restricted stocks	-	2,103	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 366,818	79,243	\$ 4.63

For the three months ended June 30, 2017

	<u>Amount after tax</u>	<u>Weighted-average ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 448,603	75,444	\$ 5.95
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 448,603	75,444	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	624	
Employee compensation	-	360	
Employee restricted stocks	-	1,675	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 448,603	78,103	\$ 5.74

For the six months ended June 30, 2018

	<u>Amount after tax</u>	<u>Weighted-average ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 771,466	76,386	\$ 10.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 771,466	76,386	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	569	
Employee compensation	-	286	
Employee restricted stocks	-	2,155	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 771,466	79,396	\$ 9.72



For the six months ended June 30, 2017			
	<u>Amount after tax</u>	<u>Weighted-average ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 820,170	75,480	\$ 10.87
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 820,170	75,480	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	732	
Employee compensation	-	361	
Employee restricted stocks	-	1,793	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 820,170	78,366	\$ 10.47

(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 three months ended June 30, 2018					
	<u>Serial products of DisplayPort</u>	<u>High-speed interfacing chips</u>	<u>Source Driver</u>	<u>Serial products of TrueTouch</u>	<u>Total</u>
Revenue from external customer contracts	\$ 1,183,845	\$ 794,735	\$ 87,792	\$ 186,346	\$ 2,252,718
For the three months ended June 30, 2017					
	<u>Serial products of DisplayPort</u>	<u>High-speed interfacing chips</u>	<u>Source Driver</u>	<u>Serial products of TrueTouch</u>	<u>Total</u>
Revenue from external customer contracts	\$ 1,424,721	\$ 667,903	\$ 130,951	\$ 376,205	\$ 2,599,780

	For the six months ended June 30, 2018				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from external customer contracts	<u>\$ 2,391,040</u>	<u>\$ 1,538,090</u>	<u>\$ 305,735</u>	<u>\$ 380,994</u>	<u>\$ 4,615,859</u>

	For the six months ended June 30, 2017				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from external customer contracts	<u>\$ 2,675,703</u>	<u>\$ 1,273,122</u>	<u>\$ 204,109</u>	<u>\$ 798,533</u>	<u>\$ 4,951,467</u>

(14) Expenses by nature

	For the three months ended June 30,	
	2018	2017
Employee benefit expenses	\$ 400,647	\$ 392,801
Depreciation and amortization charges on equipment and intangible assets	84,103	72,926
Engineering expenses	76,999	51,805
Operating lease payments	33,598	30,717
Commission expenses	10,245	12,004
Other expenses	4,673	6,522
Total manufacturing and operating expenses	<u>\$ 610,265</u>	<u>\$ 566,775</u>

	For the six months ended June 30,	
	2018	2017
Employee benefit expenses	\$ 808,057	\$ 770,518
Depreciation and amortization charges on equipment and intangible assets	165,878	144,494
Engineering expenses	124,953	108,163
Operating lease payments	66,166	60,915
Commission expenses	19,638	26,188
Other expenses	10,752	14,189
Total manufacturing and operating expenses	<u>\$ 1,195,444</u>	<u>\$ 1,124,467</u>

(15) Employee benefit expenses

	For the three months ended June 30,	
	2018	2017
Wages and salaries	\$ 274,439	\$ 288,515
Employee compensation costs	55,075	38,540
Pension costs	27,022	20,803
Other personnel expenses	44,111	44,943
	<u>\$ 400,647</u>	<u>\$ 392,801</u>

	For the six months ended June 30,	
	2018	2017
Wages and salaries	\$ 559,387	\$ 561,583
Employee compensation costs	110,404	78,577
Pension costs	54,840	46,873
Other personnel expenses	83,426	83,485
	<u>\$ 808,057</u>	<u>\$ 770,518</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 the employees of its subsidiaries and a maximum of 2% additional directors' remuneration.
- C. The estimated amounts of employees' compensation were \$23,852, \$35,841, \$52,391 and \$63,827 and of directors' remuneration were \$8,303, \$11,028, \$17,084 and \$19,639 for the three months and six months ended June 30, 2018 and 2017, respectively. The employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current year for the six months ended June 30, 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 taxes

Components of income tax expense:

	<u>For the three months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ 25,713	\$ 45,732
Prior year income tax overestimation	( 35,170)	-
Total current tax	<u>( 9,457)</u>	<u>45,732</u>
Deferred tax:		
Origination and reversal of temporary differences	( 1,281)	6,385
Income tax (benefit) expense	<u>(\$ 10,738)</u>	<u>\$ 52,117</u>
	<u>For the six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ 67,684	\$ 91,243
Prior year income tax overestimation	( 69,773)	-
Total current tax	<u>( 2,089)</u>	<u>91,243</u>
Deferred tax:		
Origination and reversal of temporary differences	( 8,932)	( 6,870)
Income tax (benefit) expense	<u>(\$ 11,021)</u>	<u>\$ 84,373</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 expenses of \$33,598, \$30,717, \$66,166, and \$60,915 for these leases in profit or loss for the three months and six months ended June 30, 2018 and 2017, respectively.

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
No later than one year	\$ 65,504	\$ 71,127	\$ 63,784
Later than one year but not later than five years	78,460	116,590	103,796
Later than five years	<u>34,781</u>	<u>13,137</u>	<u>36,345</u>
	<u>\$ 178,745</u>	<u>\$ 200,854</u>	<u>\$ 203,925</u>

(18) Supplemental cash flow information

Financing activities with no cash flow effects:

	<u>For the six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Cash dividends payable	<u>\$ 965,599</u>	<u>\$ 695,744</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	<u>For the three months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 51,854	\$ 62,139
Share-based compensation expenses	26,934	17,461
	<u>\$ 78,788</u>	<u>\$ 79,600</u>
	<u>For the six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 114,677	\$ 120,801
Share-based compensation expenses	51,271	27,782
	<u>\$ 165,948</u>	<u>\$ 148,583</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

After the issuance of the employee restricted stocks which was submitted to the FSC for approval and became effective in July 12, 2018, the Board of Directors at their meeting on August 1, 2018 adopted a resolution to issue employee restricted stock amounting to 490 thousand shares without consideration with the effective date set on August 1, 2018.

12. OTHERS

- (1) Consolidated balance sheets as of June 30, 2018, December 31, 2017 and June 30, 2017 and consolidated statements of comprehensive income for the three months and six months ended June 30, 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**

(EXPRESSED IN THOUSANDS OF US DOLLARS)

(CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2018 AND 2017 ARE REVIEWED, NOT AUDITED)

ASSETS	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
<b>Current assets</b>						
Cash and cash equivalents	\$175,166	47	\$ 160,055	45	\$ 146,676	44
Accounts receivable, net	44,437	12	52,272	15	41,249	12
Inventories, net	41,909	11	34,275	9	41,300	12
Other current assets	15,281	4	9,681	3	10,047	3
<b>Total current assets</b>	<u>276,793</u>	<u>74</u>	<u>256,283</u>	<u>72</u>	<u>239,272</u>	<u>71</u>
<b>Non-current assets</b>						
Property, plant and equipment, net	8,054	2	8,786	3	5,235	1
Intangible assets	85,612	23	88,725	25	89,454	27
Deferred income tax assets	1,564	1	1,300	-	1,941	1
Other non-current assets	832	-	818	-	1,000	-
<b>Total non-current assets</b>	<u>96,062</u>	<u>26</u>	<u>99,629</u>	<u>28</u>	<u>97,630</u>	<u>29</u>
<b>TOTAL ASSETS</b>	<u>\$372,855</u>	<u>100</u>	<u>\$ 355,912</u>	<u>100</u>	<u>\$ 336,902</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 20,877	6	\$ 25,788	7	\$ 30,999	9
Other payables	52,343	14	20,633	6	40,432	12
Current income tax liabilities	18,971	5	19,678	6	18,838	5
Other current liabilities	5,050	1	8,280	2	8,818	3
<b>Total current liabilities</b>	<u>97,241</u>	<u>26</u>	<u>74,379</u>	<u>21</u>	<u>99,087</u>	<u>29</u>
<b>Total liabilities</b>	<u>97,241</u>	<u>26</u>	<u>74,379</u>	<u>21</u>	<u>99,087</u>	<u>29</u>
<b>Equity attributable to owners of the Company</b>						
<b>Share capital</b>						
Ordinary shares	25,840	7	25,812	7	25,487	8
<b>Capital reserves</b>						
Capital reserves	85,884	23	84,562	24	71,479	21
<b>Retained earnings</b>						
Legal reserve	26,376	7	20,019	6	20,019	6
Special reserve	8,530	3	340	-	340	-
Unappropriated earnings	148,981	39	170,562	48	133,944	40
<b>Other equity</b>						
Other equity	( 17,237)	( 5)	( 19,762)	( 6)	( 11,456)	( 3)
<b>Treasury shares</b>	( 2,760)	-	-	-	( 1,998)	( 1)
<b>Equity attributable to owners of the Company</b>	<u>275,614</u>	<u>74</u>	<u>281,533</u>	<u>79</u>	<u>237,815</u>	<u>71</u>
<b>Total equity</b>	<u>275,614</u>	<u>74</u>	<u>281,533</u>	<u>79</u>	<u>237,815</u>	<u>71</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$372,855</u>	<u>100</u>	<u>\$ 355,912</u>	<u>100</u>	<u>\$ 336,902</u>	<u>100</u>

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(EXPRESSED IN THOUSANDS OF US DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)  
(UNAUDITED)

	For the three months ended June 30,				For the six months ended June 30,			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Revenues</b>	\$ 75,671	100	\$ 85,915	100	\$ 156,324	100	\$ 161,556	100
<b>Cost of goods sold</b>	( 44,621)	( 59)	( 51,426)	( 60)	( 92,336)	( 59)	( 96,810)	( 60)
<b>Gross profit</b>	<u>31,050</u>	<u>41</u>	<u>34,489</u>	<u>40</u>	<u>63,988</u>	<u>41</u>	<u>64,746</u>	<u>40</u>
<b>Operating expenses</b>								
Sales and marketing expenses	( 3,621)	( 5)	( 4,124)	( 5)	( 7,747)	( 5)	( 8,016)	( 5)
General and administrative expenses	( 2,703)	( 3)	( 2,541)	( 3)	( 5,455)	( 3)	( 4,899)	( 3)
Research and development expenses	( 12,851)	( 17)	( 11,278)	( 13)	( 25,053)	( 16)	( 22,311)	( 14)
<b>Total operating expenses</b>	<u>( 19,175)</u>	<u>( 25)</u>	<u>( 17,943)</u>	<u>( 21)</u>	<u>( 38,255)</u>	<u>( 24)</u>	<u>( 35,226)</u>	<u>( 22)</u>
<b>Operating income</b>	<u>11,875</u>	<u>16</u>	<u>16,546</u>	<u>19</u>	<u>25,733</u>	<u>17</u>	<u>29,520</u>	<u>18</u>
<b>Non-operating income and expenses</b>								
Other income	93	-	45	-	175	-	82	-
Other gains and losses	( 7)	-	( 44)	-	( 147)	-	( 66)	-
<b>Total non-operating income and expenses</b>	<u>86</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>16</u>	<u>-</u>
<b>Income before income tax</b>	<u>11,961</u>	<u>16</u>	<u>16,547</u>	<u>19</u>	<u>25,761</u>	<u>17</u>	<u>29,536</u>	<u>18</u>
Income tax benefit (expense)	361	-	( 1,722)	( 2)	371	-	( 2,760)	( 1)
<b>Net income for the period from continuing operations</b>	<u>12,322</u>	<u>16</u>	<u>14,825</u>	<u>17</u>	<u>26,132</u>	<u>17</u>	<u>26,776</u>	<u>17</u>
<b>Other comprehensive income</b>								
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
Currency translation differences of foreign operations	( 290)	-	184	-	230	-	328	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>( 290)</u>	<u>-</u>	<u>184</u>	<u>-</u>	<u>230</u>	<u>-</u>	<u>328</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>\$ 12,032</u>	<u>16</u>	<u>\$ 15,009</u>	<u>17</u>	<u>\$ 26,362</u>	<u>17</u>	<u>\$ 27,104</u>	<u>17</u>
<b>Net income attributable to:</b>								
Owners of the Company	<u>\$ 12,322</u>	<u>16</u>	<u>\$ 14,825</u>	<u>17</u>	<u>\$ 26,132</u>	<u>17</u>	<u>\$ 26,776</u>	<u>17</u>
<b>Comprehensive income attributable to:</b>								
Owners of the Company	<u>\$ 12,032</u>	<u>16</u>	<u>\$ 15,009</u>	<u>17</u>	<u>\$ 26,362</u>	<u>17</u>	<u>\$ 27,104</u>	<u>17</u>
<b>Earnings per share</b>								
<b>Basic earnings per share</b>	<u>\$ 0.16</u>		<u>\$ 0.20</u>		<u>\$ 0.34</u>		<u>\$ 0.35</u>	
<b>Diluted earnings per share</b>	<u>\$ 0.16</u>		<u>\$ 0.19</u>		<u>\$ 0.33</u>		<u>\$ 0.34</u>	



(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:

	June 30, 2018		
	Foreign Currency		
	Amount	Exchange	Book Value
	(In thousands)	Rate	(in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	\$	253	6.621 \$ 1,675

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

June 30, 2017			
Foreign Currency			
	Amount	Exchange	Book Value
	(In thousands)	Rate	(in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	\$ 253	6.802	\$ 1,721

Based on the foreign currency quoted position held by the Group as of June 30, 2018 and 2017, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase by \$77 and \$77, respectively.

- iii. The exchange loss (gain) arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2018 and 2017 amounted to (\$971), \$967, \$2,718 and \$1,787, 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 customer's 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 six months ended June 30, 2018 and 2017.
- vii. The Group applying the simplified approach to provide loss allowance for accounts receivable that have no significant impact. The Group had not recognized related impact for the six months ended June 30, 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 and money market fund, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Group held money market funds of \$558,585, \$542,836 and \$552,781 at June 30, 2018, December 31, 2017 and June 30, 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 June 30, 2018, December 31, 2017 and June 30, 2017.

C. For the six months ended June 30, 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 June 30, 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 June 30, 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 June 30, 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 six months ended June 30, 2018: None.

B. Endorsements and guarantees provided during the six months ended June 30, 2018: None.

C. Marketable securities held as at June 30, 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 six months ended June 30, 2018: None.

E. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the six months ended June 30, 2018: None.

F. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the six months ended June 30, 2018: None.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the six months ended June 30, 2018: None.

H. Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as at June 30, 2018: None.

I. Derivative financial instruments undertaken during the six months ended June 30, 2018: None.

J. Significant inter-company transactions for the six months ended June 30, 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.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 392,383	In accordance with the agreement, EOM 30 days	17%
			(1)	Other payables	71,313	In accordance with the agreement, EOM 30 days	1%
		Parade Technologies Korea, Ltd.	(1)	Service expense	14,454	In accordance with the agreement, EOM 30 days	1%
			(1)	Other receivables (Note 5)	7,437	In accordance with the agreement, EOM 30 days	0%
		Parade Technologies Ireland, Ltd. (Note 4)	(1)	Service expense	18,076	In accordance with the agreement, EOM 30 days	1%
			(1)	Other payables	3,365	In accordance with the agreement, EOM 30 days	0%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	279,932	In accordance with the agreement, EOM 30 days	12%
			(1)	Other payables	55,792	In accordance with the agreement, EOM 30 days	0%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	90,706	In accordance with the agreement, EOM 30 days	4%
			(1)	Other payables	17,768	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.

Note 5: Other receivables are the VAT refund.



PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE SIX MONTHS ENDED JUNE 30, 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 6/30/2018			Net income of the investee	Investment income recognized by the Company	Footnote
				Balance as at 6/30/2018	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	\$ 39,598	\$ 39,598	10,000	100	\$ 857,715	\$ 31,720	\$ 31,720	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	1,523	1,523	10,000	100	10,786	517	517	
The Company	Parade Technologies Ireland, Ltd.	Ireland	Providing research and development services to the Company	-	-	1	100	7,263	1,038	1,038	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 (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE SIX MONTHS ENDED JUNE 30, 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 period	Amount remitted back to Taiwan during the period	Accumulated amount of remittance to Mainland China as of 6/30/2018	Net income of the investee	Ownership held by the Company (%)	Investment income recognized by the Company for the period	Book value of investments in Mainland China as of 6/30/2018	Accumulated amount of investment income remitted back to Taiwan as of 6/30/2018	Footnote
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	\$ 39,598	1	\$ -	\$ -	\$ -	\$ -	\$ 4,336	100	\$ 4,336	\$ 304,279	\$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	60,920	2	-	-	-	-	1,177	100	1,177	113,835	-	
				Investment amount approved by the									
	Accumulated amount of remittance from Taiwan to Mainland China	Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 2)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)										
Company name	as of 6/30/2018	(MOEA) (Note 2)	MOEA (Note 2)										
The Company	\$ -	\$ -	\$ -										

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

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

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

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