



Stock Code : 4966

Parade Technologies, Ltd. 2019 Annual Report

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

Parade Technologies, Ltd.

Printed on May 4, 2020

Notice to Readers:

The reader is advised that 2019 Annual Report has been prepared originally in Chinese. The English version is directly translated from Chinese version.

I. Spokesperson and deputy spokesperson

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Email: ir@paradetech.com

Deputy spokesperson
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Tel: 886-2-2627-9109

Title: Associate Director of Finance
Email: ir@paradetech.com

II. Company Information

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Name: Parade Technologies, Inc. Website: www.paradetech.com Tel: 408-329-5540
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3. Korea Subsidiary

Name: Parade Technologies Korea, Ltd. Website: www.paradetech.com Tel: 82-31-714-7990
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4. Nanjing Subsidiary

Name: Parade Technologies, Ltd. (Nanjing) Website: www.paradetech.com Tel: 86-25-8687-0090
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5. Shanghai Subsidiary

Name: Parade Technologies, Inc. (Shanghai) Website: www.paradetech.com Tel: 86-21-5169-6318
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6. Hong Kong Branch Office

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10. Washington Branch Office

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III. Litigation and non-litigated agent

Name: Yo-Ming Chang

Tel: 886-2-2627-9109

Title: Associate Director of Finance

Email: ir@paradetech.com

IV. Directors

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

Note: Please refer to page 26-28 for education and qualification of Directors and Independent Directors.

V. Stock Transfer Agent

Name: Transfer Agency Department of CTBC Bank Co., Ltd

Address: 5F. No. 83, Chungching S. Road, Section 1,
Taipei, Taiwan R.O.C.

Website: <https://ecorp.ctbcbank.com/cts/index.jsp>

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VI. Auditors

Auditors: Hsiao-Tzu Chou, Hua-Ling Liang

Firm: PricewaterhouseCoopers, Taiwan

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Taipei, Taiwan 110 R.O.C.

Website: <http://www.pwc.com.tw>

Tel: 886-2-2729-6666

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

Name: Luxembourg Stock Exchange

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

VIII. Company website: <https://www.paradetech.com>

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I. Letter to Shareholders

Dear Shareholders,

Parade continually achieved the new records of both revenue and net income in 2019. The revenue and net income were US\$382.05 million or NT\$11.81 billion and US\$78.74 million or NT\$2.43 billion, respectively. During the year 2019, we focused on the core competencies of high-speed and advanced display technologies and new product development and deployment to strengthen our leaderships and gain market shares. Consequently, our high-speed interface devices, eDP-Tcon, and high-speed source drivers achieved revenue growths and market share increases. In addition, the success of deployment of state-of-art products improved the overall gross margin noticeably. As we are writing this letter, COVID-19 has been outbreaking globally. It is an unprecedented time. We have been executing the policy to keep employee safe first through the practice of work-at-home in the most of our offices. Our business is sound and healthy. We have been working very hard to serve our customers aggressively since outbreak. Our technology and product developments remain on track. We are confident that our technology strength and employee dedication would help us to continue growing and gaining market shares in coming years.

Parade kept the growth momentum in high-speed interface market in 2019. We heavily invested in high-speed technologies and product development. We accumulated a large high-speed product portfolio. Our high-speed solutions gained a large scale of adoption in the applications such as notebook, tablets, high-end TV, AR and VR, and high-speed dock and dongle. The success of design wins also pushed our high-speed devices into industry and automotive areas. Superspeed USB Type-C (10Gbps) has been became popular. Our USB Type-C high-speed technologies and products can be found in many Tie 1 systems and scored a significant market share. The emerged industry standard USB4 (40Gbps) in 2019 along with new standards of DP2.0 and HDMI2.1 requires much advanced high-speed design technologies and creates significant opportunities for us owing to our high-speed technology expertise. We are positioning well for such an advance of standards and technologies. In addition, our development of sever-class PCIe Gen 4 (16Gbps) high-speed products scored many Tie 1 design wins after rigid system qualification and are ready to make a revenue contribution. We are advancing PCIe Gen 4 to PCIe Gen 5 (32Gbps) technology and products development. We expect PCIe Gen 4 and Gen5 will become an important product line for Parade.

Parade strengthened its leading position and extensive knowledge in embedded DisplayPort area to gain market shares. While offering advanced and competitive eDP-Tcon solution for general market, we developed the customized eDP-Tcon products for the advanced display of the leading global brands. We also have been working with industry panel leaders to advance display technologies and products to the new highs. Our world 1st PSR TED (Tcon-Embedded-Driver) products have been enabled the narrow-bezel and low-power panels for notebooks and tablets. As a result, TED products gained many design wins and contributed to the growth of our revenue. We are further challenging ourselves by working with panel industry to develop world 1st PSR tTED (touch-TCON-Embedded-Driver) devices. tTED technology and product push the integration of functions and features into new high which further demonstrates Parade's leadership.

Parade's SIPI LCD driver scored a large scale design wins and gained a significant market shares in 2019. Our strategy on bundle-sale of our high-speed SIPI drivers and leading eDP-Tcon demonstrated great values and advantages. Customers are happy with our high quality and speedy go-to-market solutions. Furthermore, the advanced SIPI high-speed performance became so important to enable gaming display which demands high display refresh-rate from 120Hz, 144Hz, 240Hz to 360Hz. SIPI high-speed technology with our HDR (High-Dynamic-Range) display technology are leading gaming display solutions.

Our TureTouch products continue serving customers in many applications, Smartwatches, and AMOLED panels. The touch IPs have been integrated into current and new category display products, for example tTED devices.

Parade's consolidated net income in 2019 was US\$78.74 million (NT\$2.43 billion), an increase of 21.03% from US\$65.06 million (NT\$1.97 billion) in year 2018. Earnings per diluted share in 2019 were US\$0.99 (NT\$30.69), an increase of 22.22% from US\$0.81 (NT\$24.66) in 2018. Gross profit margin was 42.71% as compared to 41.47% in 2018, while operating profit margin was 20.30% up from 18.79% of the prior year.

We keep focusing on our employees and intellectual property. We are committed to recruiting and investing in the highest quality research & development (R&D) staff, As of December 31, 2019, Parade has a total of 487 employees, up 29 from 2018. Out of 487 employees, 305 were engaged in research, development and related engineering. We hold 243 granted patents and 36 patent applications pending at the end of year 2019.

Looking forward, we are exciting about our leadership, strategy, technologies and product portfolio to provide the advanced solutions to markets. We continue expanding our market to industrial, and automotive areas to achieve new growth. Although there is severe uncertainty in 2020 global economy triggered by the COVID-19 pandemic, with our leading positions and broad adoptions by global tier-1 customers, Parade will continue to grow sales across our product portfolio in 2020. We believe Parade is well positioned to generate favorable results for our shareholders.

We appreciate the solid support from all of our shareholders!



Jack Zhao
Chairman and CEO

April 29, 2020

II. Company Profile

2.1 Date of Incorporation

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

2.2 Company Information

Parade Technologies, Inc., the US subsidiary, was established in Santa Clara, California, the heart of Silicon Valley in December 2005, serving as our headquarter and assisting the Company's R&D and administration. Due to the increasingly importance and tremendous growth potential of China market, in 2006 Parade started a research center in Shanghai and established a branch office in Hong Kong as our main sales location. Given the advantages in vertical integration in Taiwan's well-developed IC industry, the Taiwan branch office was established in 2007, responsible for the Company's production development and customer services. In July 2011, the Korea subsidiary was established as a sales and customer support center. In May 2012, Parade also set up a R&D center in Nanjing. In August 2015, Parade had completed its acquisition of Cypress's TrueTouch Mobile business, and set up the branch offices in Ireland, Japan, Washington, Beijing and Shenzhen. In April 2020, the Company set up a Cayman subsidiary, and plan to merge Fresco Logic, Inc. during the second quarter of 2020. For more details of the Company's organization chart, please refers to section 8.1 "Summary of Affiliated Companies".

2.3 Company Overview

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

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

comprehensive design solutions as well as customer support platform for our customers.

2.4 Company History

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

Year	Key Events
FY 2011	Initial Public Offering (IPO) on Taipei Exchange (formerly GreTai Securities Market) in the R.O.C. on September 13, 2011, and the Stock Code is 4966.
FY 2012	Standard Plus eDP TCON
	Low power 3Gb/s HDMI jitter cleaning repeater
	DP 1.2 (5.4Gbit/s) receiver and transmitter
	Low power eDP 1.2 TCON supports high resolution display
	Low power eDP 1.3 TCON supports PSR with data compression technology
	Very low power HDMI repeater
	MHL 2.0 transmitter
	Source Driver with Scalable Intra Panel Interface (SIPI)
	Establishment of Nanjing subsidiary, Parade Technologies, Ltd. (Nanjing) (Abbreviate to 'Parade (NJ)')
FY 2013	Low Power DisplayPort to VGA converters
	Standard Plus Ultra Low Power eDP TCON
	Source Driver with integrated-Stream Protocol (iSP) interface
	Low Power, Small Package USB 3.0 Repeater/Redriver
FY 2014	2 nd generation of eDP 1.3 TCON devices to continue to lead technology
	MIPI DSI receiver
	2 nd generation HDMI jitter cleaning
	Maturing Source Driver technologies with a series product offering in both SIPI and iSP protocols
	MIPI based single chip smartphone display devices
	MIPI to eDP converter
	High resolution eDP TCON to support 4K x 2K panel
FY 2015	USB Type-C with DisplayPort Alt Mode active switch with redriving (Source & Sink Applications)
	DisplayPort 1.2 to HDMI 2.0 converter supporting 60Hz 4K x 2K resolution display
	3rd Generation eDP PSR TCON supports full frame or partial frame update
	Completed acquisition of Cypress's TrueTouch Mobile Business in August 2015
	Established Parade Technologies, Ltd. Japan Branch Office ('Parade (JP)')
	Established Parade Technologies (Ireland Branch Office) Limited ('Parade (IR)')
	Established Parade Technologies, Inc., Washington Branch Office ('Parade (WA)')
	Established Parade Technologies, Inc. (Shanghai) Beijing Branch Office ('Parade (BJ)')
	Established Parade Technologies, Inc. (Shanghai) Shenzhen Branch Office ('Parade (SZ)')
TrueTouch Integrated chips targeting smartphone and tablets	

Year	Key Events
FY2016	eDP timing controllers (Tcons) for AMOLED panels support eDP 1.4b and resolutions up to 3200 x 1800
	PCIe Gen3 ReDrivers at 8Gb/s
	DisplayPort 1.4 Jitter Clean Repeater at 8.1Gb/s
	Touch and Display Driver Integrated product for smartphone
FY2017	eDP timing controller and source driver chip for UHD self-refresh A-SI/ OXIDE/ LTPS LCD panels
	10 Gb/s USB-C retiming products supporting USB 3.1 and DisplayPort 1.4 for USB-C interface
FY2018	DisplayPort 1.4 demux at 8.1Gbit/s with Jitter clean technology
	DisplayPort 1.4 to HDMI 2.0 converter supporting 4K & HDR
	1452-ch and 1926-ch SIPI source drivers
	TDDI with interleave touch sensors and 3-to-1 mux
	TDDI with interleave touch sensors and 6-to-1 mux
	OLED Display Driver Integration for smartphone
	Single chip TED for Full HD LTPS LCD panel
	4-lane PCIe Gen 4 retimer
FY2019	16-lane PCIe Gen4 retimer
	USB-C linear redrivers for source side devices
	USB-C retimer mux for sink side devices
	Next Generation DisplayPort retimers, re-drivers, & muxes
	HDMI 2.1 retimer
	1926-ch SIPI source driver for COF
	New low power 1446-ch SIPI source drivers
	Cost optimized 1926-ch TED without PSR memory
FY2020	Established the Cayman subsidiary, Pinchot, Ltd. (Abbreviate to 'Pinchot')
	Pinchot will merge Fresco Logic, Inc. during the second quarter of 2020.

2.5 Risk Factors

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

(1) Country of Incorporation: The Cayman Islands

I. Changes in economic and political environment

The Cayman Islands is located 268 kilometers northwest of Jamaica and 640

kilometers south of Miami in the Caribbean Seas. The Cayman Islands is a British Overseas Territory with George Town as the capital. The Cayman Islands is politically stable with English as the official language. The Islands' main source of income arises from its financial service industry and tourism industry. The Cayman Islands is a tax-neutral domicile, it is currently one of the primary financial centers in the world. Over the years, the government of the Cayman Islands has been actively promoting its reputation in offshore financial operations with the signing of the Mutual Legal Assistance Treaty with United States and Great Britain since 1990. This treaty was aimed at preventing international crime organizations from dealing illegally through the country's financial system. The Cayman Islands has experienced long periods of political stability, and as one of the primary financial centers in the world, changes in the economic or political environment will not have major influence on the overall operation of the Company.

II. Foreign exchange control, taxation and related Act

The Cayman Islands has no foreign exchange restrictions. Apart from license fees, the Cayman Islands does not impose any tax on individuals or companies for their profits, income, gains or appreciations. There is no tax on inheritance or estate tax as well. Except for the stamp tax on contracts executed or entered in the Cayman Islands, there is no other tax imposed by the Cayman Islands which is reasonably to be material to the Company. Unless Parade Technologies, Ltd. have interests in the land located in the Cayman Islands, transferring shares of the Cayman Islands companies is exempted from stamp tax.

Parade Technologies, Ltd. is a company registered as an exempted company in the Cayman Islands. Most Cayman Islands companies are exempted companies and are mainly established by corporations and individuals for financial purposes. Under the laws and regulations of the Cayman Islands, exempted companies are subject to the following regulations and enjoy the following advantages:

- (A) No business operations of exempted companies are permitted within Cayman Islands.
- (B) No exempted companies are permitted to offer shares or bonds to public of the Cayman Islands. Exempted companies are also not permitted to acquire ownership of land on Cayman Islands.
- (C) The Companies Law of the Cayman Islands does not require companies to hold Annual General Meetings (AGM). Companies should refer to the article of association with issues regarding the holding of AGM and Board of Directors meetings. The Company's Articles of Association provide that the AGM shall be held within 6 months after close of each fiscal year. The Company's Article of Incorporation also states that the time and location of the AGM will be decided at the

Board of Directors meeting. Unless otherwise specified by law, the annual general meeting will be held in the Republic of China (ROC).

- (D) In order to issue new shares, resolution needs to be reached at the Board of Directors meeting or shareholders meeting. The article of association limits the amount of newly issued shares to within the authorized capital amount. The issuance of new shares shall be approved by the majority of the Directors present at a meeting attended by 2/3 or more of the total Directors.
- (E) Exempted companies are not required to provide stock ledger for public viewing, or submit shareholder details to Cayman Islands' Registry of Companies. The Company's article of association states that the Board of Directors will provide stock ledgers at the Company registry (if applicable) and the office of stock transfer agent in the Republic of China, or any locations within or outside the Cayman Islands that is deemed necessary. The share ledger will contain shareholder details, the amount of shares held by each shareholder, and any other details required by the law.
- (F) Exempted companies may apply to the government of Cayman Islands for a certificate of tax exemption. For the initial application of this document, the validation period is 20 years, and application for renewal can be made before the expiration date.
- (G) Exempted companies may apply to withdraw registration and relocate company registration to another country.
- (H) Exempted companies may register as 'Exempted Limited Duration Company'. Exempted limited duration company requires at least 2 shareholders, and the maximum validation period is 30 years.
- (I) Concerning the rights of minority shareholders, there exist differences between the laws of the Cayman Islands and that of Republic of China or other judicial areas. The Company has made alterations to the article of association in order to protect the rights of investors in Taiwan. The alterations were made in accordance with ROC Securities and Exchange Act, Company Act, requisitions from competent authorities to the extent permitted by laws and regulations of the Cayman Islands.
- (J) Unless permission is granted, the Company name may not contain the following titles: 'Bank', 'Trust', 'Mutual Fund', 'Insurance', 'Royal', 'Imperial', 'Empire', 'Assurance', 'Building Society', or 'Reinsurance'. The registration document must be written in English.
- (K) Cayman registered company shall pay annual fees and file tax return on a timely basis for maintaining the standing.
- (L) Cayman registered company shall be subject to the laws and regulations of the United Nations.

Summarizing the above, due to open foreign exchange policy adopted by the Cayman Islands, there is no related control restrictions, and should not have major

influence on the capital allocation of the Company. Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands. The undertaking is for a period of twenty years from 22 November 2005. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company. In terms of laws and regulations, The Company will follow the rules set out in the Company's article of association and the Companies Law (2018 Revision) of Cayman Islands. Concerning the rights of minority shareholders, there exist differences between the laws of Cayman Islands and that of the ROC or other judicial areas. The Company has made alterations to the article of association in order to protect the rights of investors in Taiwan. The alterations were made in accordance with ROC Securities and Exchange Act, Company Act, and all within the limits set forth by laws and regulations of the Cayman Islands. Although alterations to the Company article of association have been made, the degree of shareholder rights protection might still be different when compared to that of companies in the ROC. Please refer to section 8.4 of the annual report for details regarding the exercise of shareholder rights. The section only provides a summary of the laws and regulations applicable to the exempted company. If investors would like to more understand the impact to the operation of the Company and the impact to the investors under the detailed rules and restrictions provided by the Cayman laws and regulations and common laws, we suggest the investors should consult the professional advisors.

The Cayman Islands passed The International Tax Co-operation (Economic Substance, ES) Law on 27 December 2018 (the "ES Law") and additional Regulations and Guidance version 1.0 were issued on 22 February 2019 and amended by Guidance version 2.0 on 30 April 2019. The ES Law requires certain entities incorporated or registered in the Cayman Islands (i.e. the "Relevant Entities" defined in ES Law) and carrying on specified activities (i.e. the "Relevant Activities" as defined in ES Law) to satisfy an economic substance test in relation to that relevant activity. It is expected that certain important practical aspects of the economic substance requirements are likely to be further clarified by additional Regulations and Guidance to be introduced by the Cayman Islands from time to time. The impact on the Company's finance and operations is bearable so far. However, given the possibility of the additional regulations and guidance to be introduced, the precise impact will need to be further explored and evaluated. The Company is, and will continue, to seek legal advice from its Cayman

counsel so as to comply with the ES Law.

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

Although there is no judicial precedent with respect to the recognition and enforcement of the final civil judgment obtained in the ROC courts, a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law in principal, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that such judgment:

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

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

(2) United States

I. Changes in economic and political environment

The U.S. overall economic growth was good performance in 2017 according to Bureau of Economic Analysis of U.S. Department of Commerce (BEA) news released. The first quarter of 2017 economic growth revised up on jump in consumer spending, which accounts for a majority of U.S. economic activity, had 1.1% growth. In addition, export also rose at 7% pace. These two factors contributed GDP increased at a 1.4% annual rate instead of the 1.2% in previous reported. In the seconder quarter, the U.S. economy picked up steam and notched the fastest pace of growth in two years. The GDP reached to 3.1% and was more than double the pace of the first quarter. The economic momentum was driven by stronger consumer spending and healthier business investment. In third quarter, the consumer spending grew at 2.4% over the quarter despite the impact of Hurricanes Harvey and Irma and businesses continued to spend robustly with nonresidential fixed investment. Steady spending from consumers and business investment helped the GDP has a 3.2% growth. The acceleration in GDP growth in the

third quarter reflected an upturn in three years on stronger investment from businesses and government agencies. That marks the best quarter of growth since in 2014 when the economy grew 5.2% during the same period. An increase in exports, as well as pick up in business and consumer spending, contributed to the improved growth. The U.S. economic growth slows in the fourth quarter due to surge import rising 13.9% greater than export 6.9% and declining in inventory. These unfavorable factors also offset consumer spending growing in 3.8% and business investment at 11.4% pace. The fourth quarter GDP dropped to 2.6% growth from 3.2% of third quarter but still in upward trend. This economic recovery also is one of the longest periods of growth in recently 9 years after global financial crisis. In spite of the fourth quarter dragging GDP growth due to export less than import, the GDP still has a 2.5% growth from an increasing in consumers spending and business investment according to BEA news released on Jan, 26, 2018.

In 2018, economy still had above-trend growth mainly since President Trump signed Tax Cut and Employment Acts (bill). After the bill was passed, the corporate tax rate fell from 35% to 21%, giving the United States a competitive advantage over many other countries and also had a positive impact on business investment and economic growth. Led by tax cuts and strong economic growth, although GDP growth was just 2.2% in the first quarter, the second quarter GDP had upturned to 4.2% and was the fastest pace since 2014. Sustained strong consumption and business spending boosted economic growth and brought GDP of the third quarter to 3.4%. While the data was lower than the second quarter, it was still the strongest consecutive quarter of GDP growth since 2014. In the fourth quarter, consumption and business still upturn, but decline in housing market, China to the US trade war resulting in retaliatory tariffs, and the weakening of global economy causing a strong US dollar exchange rate to put pressure on exporters and with imports up to 2.7% but exports up just 1.6%. The widening in the trade deficit resulted in reducing GDP growth to 2.6% in the fourth quarter.

The U.S. overall economic growth was much stronger than expected in 2019 and was in the longest economic expansion in United States history, but upward pace was slower than previous two years, according to Bureau of Economic Analysis of U.S. Department of Commerce (BEA) news released on Jan.30, 2020. In the first quarter, economic growth accelerated on a big boost from inventories and export surplus even though offset slowdowns in consumer and business expenditure, the growth pace still contributed GDP increased at a 3.2% annual rate instead of the 2.3% as previous reported. In the second quarter, the U.S. economy growth decelerated to 2.0% even though consumer expenditure rose 4.3%, business investment slumped 5.5% as result of the global economic slowdown and trading conflict between the U.S. and China weighed on the U.S. economy. In third quarter, as resilient consumer expenditure, which comprises more than two-thirds of U.S. economic activity, had growth 2.2% in

comparison to the last quarter, this helped offset weakness in business investment and export. This also contributed GDP growth to 2.1% in the third quarter. In fourth quarter, the U.S. economy grew 2.1% which reflected positive contributions from consumer expenditure, export, housing investment, and government spending while were partly offset by decelerated in business investment. In all, the U.S. GDP grew 2.3% because of decelerated in business investment, resulting in the slowest growth in three years.

In 2020, the COVID-19 is severely impacting global economic activity. As a result of the pandemic, the U.S. GDP is projected to contract 5.9% in 2020, according to IMF update report on April, 2020. The Company specializes in the production of IC for digital image display products, touch, and product applications that are found in Notebooks and LCD monitors. Our main customers assemble the products in Asia and distribute them around the world. The United States is the world's leading market for consumers' products, so the demand for consumer products will be influenced by consumers' purchasing power.

II. Foreign exchange control, taxation and related Act

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

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

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

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

- (a) It is a judgment for tax;
- (b) The judgment was related to fine, amercement, or other similar penalties;

- (c) It is a judgment regarding divorce, duties for raising, alimony or the relationship of other kinship; and
 - (d) Whereas, the judgments regarding divorce, duties for raising, alimony or the relationship of other kinship shall not exclude the occasion that such judgments are recognized by the California courts in accordance with the Section 1723 of the Act.
- (B) An action to recognize a judgment from the ROC shall be commenced within the earlier of the time during which the judgment is effective in the ROC or 10 years from the date that the judgment became effective in the ROC (Unless ROC law regulates a shorter effective period). The court of California shall not recognize a foreign-country judgment if any of the following applies:
- (a) The judgment was rendered under a judicial system that does not provide impartial tribunals or procedures compatible with the requirements of due process of law.
 - (b) The foreign court did not have personal jurisdiction over the defendant, or jurisdiction over the subject matter.

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

- (A) The defendant in the proceeding in the foreign court did not receive notice of the proceeding in sufficient time to enable the defendant to defend;
- (B) The judgment was obtained by fraud and the losing party was not granted the adequate time to prepare the defense;
- (C) The judgment, the cause of action or the remedies claimed was against the public policy of the state of California or the US;
- (D) The judgment conflicts with another final and conclusive judgment;
- (E) The proceeding in the foreign court was contrary to an agreement between the parties under which the dispute in question was to be determined;
- (F) The foreign court was a seriously inconvenient forum for the trial of the action (serious forum non convenience);
- (G) The judgment was rendered in circumstances that raise substantial doubt about the integrity of the rendering court with respect to the judgment;
- (H) The specific proceeding in the foreign court leading to the judgment was not compatible with the requirements of due process of law; or
- (I) The judgment includes compensation for defamation; unless California court holds that the protections for freedom of speech and freedom of press provided by the foreign courts are not lower than that provided under the California and U.S. Constitution.

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

(3) China

I. Changes in economic and political environment

In 2018, China's GDP growth rate has fallen persistently since 2010. One of the factors is the US President Donald Trump signed a 301 survey of Chinese products on March 23, 2018 to impose high tariffs and investment restrictions to protect the US economy. Affected by the China-US trade friction, China has to take the initiative to expand imports and tariff reduction to safeguard the multilateral trading relationship. Other unfavorable factors for growth prospects in China include a slowdown in domestic demand such as the decline in the real estate market trading and car sales market, and a sluggish in private investment after the effects of China's large-scale fiscal stimulus program wore off. Nevertheless, according to data released by China National Bureau of Statistics on January 22, 2019, GDP growth in 2018 still reached 6.6%. It still has a good record in terms of economic growth.

In 2019, despite China's per capita GDP crossed USD 10,000-mark for the first time and increased investing in fixed asset with high-tech section than previous year, as declining in domestic consumer spending which contributed 57.8% to GDP growth, weaker export, sliding in fixed asset investment including infrastructure and property construction, resulting in China GDP even though reaching to 6.1% grew still with the slowest pace in 29 years. Additionally, per China National Bureau of Statistics public release on January 17, 2020, consumption spending remained the major driver of China's economy growth, as its classified in tertiary industries saw a jump of 6.9% compared to the previous year, while follow by secondary and primary industries with manufacturing and raw material respectively only have 5.7% and 3.1% growth. Due to abovementioned three industries contributed to GDP growth rate, China GDP shows a slow pace but still have a 6.1% growth in 2019.

Parade Technologies, Inc. (SH) and Parade Technologies, Ltd. (NJ) are the research and development centers with no production or sale operations, therefore, changes in China's political environment will have relatively low impact to the Company. In 2020, International Monetary Fund ("IMF") slashed its GDP outlook for China to 1.2% because of geographic spread epidemic globally of Coronavirus Disease 2019 (COVID-19). World Bank also predicted growth in China is projected to decline to 2.3% in 2020. Even though the slow growth in 2020, it is still favorable to the market demand

of electronic devices, and which positive to our business.

II. Foreign exchange control, taxation and related Act

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

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

- (A) The economic compensation shall be paid to workers according to the number of years he has worked for the employer by the rate of one month's salary for each full year he worked.
- (B) During the probation period, the salary of a worker shall not be lower than the minimum salary for the same position of the same employer or lower than 80 percent of the wage as stipulated in the labor contract, nor may it be lower than the minimum wage of the locality where the entity is situated.
- (C) If the worker has worked for an uninterrupted term of ten years for the employer, or

entered into two consecutive labor contracts with fixed period with the employer, the employer shall enter into the indefinite labor contract with such worker unless such worker would like to enter into a labor contract with a fixed period again.

- (D) If an employer fails to enter into an indefinite labor contract with a worker pursuant to the relevant laws and regulations, the employer shall pay the worker double amount of his monthly salary since the time that they shall enter into the indefinite labor contract according to laws and regulations.
- (E) If an employer fails to enter into a labor contract in written form with a worker since the date of one month after the onboard date (but prior to the date of 1st anniversary of the onboard date), the employer shall pay the worker double amount of his monthly salary.
- (F) If an employer employs someone who has not duly terminated employment or the labor contract with the previous employer, the employer and such worker shall be jointly and severally liable to compensate the losses incurred by such previous employer therefrom.

On the 16th of March 2007, Mainland China passed an enterprise taxation law, the “Law of the People's Republic of China on Income Tax of Enterprises with Foreign Investment and Foreign Enterprises”, applying a tax rate of 25% to all taxable income of foreign enterprises and also putting an end to 20 years of preferential tax treatment for foreign enterprises. The law became effective from the 1st of January 2008, which increased restrictions on preferential tax treatments and focused the policy on benefiting certain industries, abolished the tax preferential for foreign investors and the tax exemptions on distributable profits. When companies in the Mainland distribute earnings to foreign investors, a dividend tax rate of 10% (institutional investors) and 20% (individual investors) will be deducted.

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

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

professional advisors.

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

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

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

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

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

(4) Hong Kong

I. Changes in economic and political environment

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

On the economy, the government of Hong Kong is firmly committed to principles of "market leads, government facilitates" and "small government, big market". The government policy is aimed at maintaining and developing a complete law structure, regulatory system, basic infrastructure, and administrative system; this provides a fair and competitive environment to people involved in the market and allowing enterprises to fully demonstrate enterprise spirit under a free, fair, and competitive environment. The Hong Kong government is also active in promoting its economic growth and using the fast-developing Mainland as its hinterland to become an international center for commerce, trade, and finance. In 2017, Hong Kong economic growth was 3.7% which was a tremendous growth better than 2016 did. The main momentum came from retail sales growth, dropping unemployment rate from 3.4% to 2.9%, and 8% growth of net export. Although Consumer prices were up 1.5%, the impact on inflation is limited. The GDP still reached to 3.7%.

Hong Kong GDP grew 3.0% in 2018, making the second year of above-trend growth. Yet, this was still slower than the 3.8% growth in 2017. Due to the favorable global economic environment, Hong Kong exports of services is shown an over 5% significant growth in the first three quarter. Fourth quarter, although exports of services pace of growth decelerated due to decline in global economic growth and increase external uncertainties, particularly those stemming from the US-China trade conflict, underpinned by the surge in visitor arrivals and strong labor market to contribute

domestic consumption growth, the overall GDP in 2018 still reached to 3.0%.

In 2019, Hong Kong GDP contracted 1.2% and was the first time in a decade, as continue weak global market growth and uncertain trade tensions between the US and China, as well as travel service were dragged by the decline in tourist arrivals and slumping in consumer spending in fourth quarter.

For 2020 outlook, the GDP may shrink and decline as COVID-19 global spread is affecting Hong Kong economy. Per IMF update report on April, 2020, Hong Kong economy will contract 4.8% from 2019.

II. Foreign exchange control, taxation and related Act

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

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

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

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

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

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

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

(The above list is not exhaustive.)

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

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

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

(5) Taiwan

I. Changes in economic and political environment

Taiwan is a democratic country that has thrived in the area of political power and civil liberty, and was also ranked highly on the political freedom index by the Freedom House. According to an evaluation by the IMD world competitiveness report in 2019 on 63 countries in the world, Taiwan were outstanding in government efficiency and business efficiency which were ranked 12th and 14th respectively. In spite of export and tourism revenue reducing resulting in economic efficiency ranking behind one place than previous year, while the strong economic body of Taiwan is sound and possesses long-term investment value when compared to other emerging countries in the world. The overall ranking is 16th and one place advanced than previous year. According to

“The Global Competitiveness Report” issued by WEF in mid-October 2019, Taiwan rose one place to 12th among 141 countries. Thanks to the government efficiency in maintaining stable price and well execution in fiscal management, and continuing to optimize the startups and promoting innovative industries, Taiwan being ranked 1th in macroeconomic stability and 4th in innovation capability. In addition, according to Taiwan Institute of Economic Research reported on Jan. 22, 2020, benefited by new application of 5G communication demand booming to drive manufactures to expand factory capacity and bring export surplus, meanwhile, domestic consumer expenditure and infrastructure growth, these contributed to Taiwan GDP reached to 2.71%.

For 2020 outlook, according to the General Office of the Executive Yuan on April 24, 2020, the first quarter GDP of 2020 was affected by the global spread of the COVID-19, but with the continued growth of 5G mobile communications and relating demand, driving the increase in export momentum, and increasing in private investment, Taiwan's economic growth rate is still expected to reach 1.58%. But for the IMF latest world economic outlook on April, 2020, as COVID-19 is severely impacting global economic activity, Taiwan GDP is projected to contract by 4%.

II. Foreign exchange control, taxation and related Act

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

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

In terms of taxation, Taiwan follows “the Rule of Law” and “Doctrine of Taxation by Law”, and these laws regulate the collection of taxes in Taiwan. Taxes are collected by different tax collecting bodies and are namely national taxes (includes personal income tax, corporate income tax, business tax, securities transaction tax, estate and gift tax, and commodity and customs tax) and local taxes (such as land value tax, land value increment tax, building tax, deed tax, and stamp tax).

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

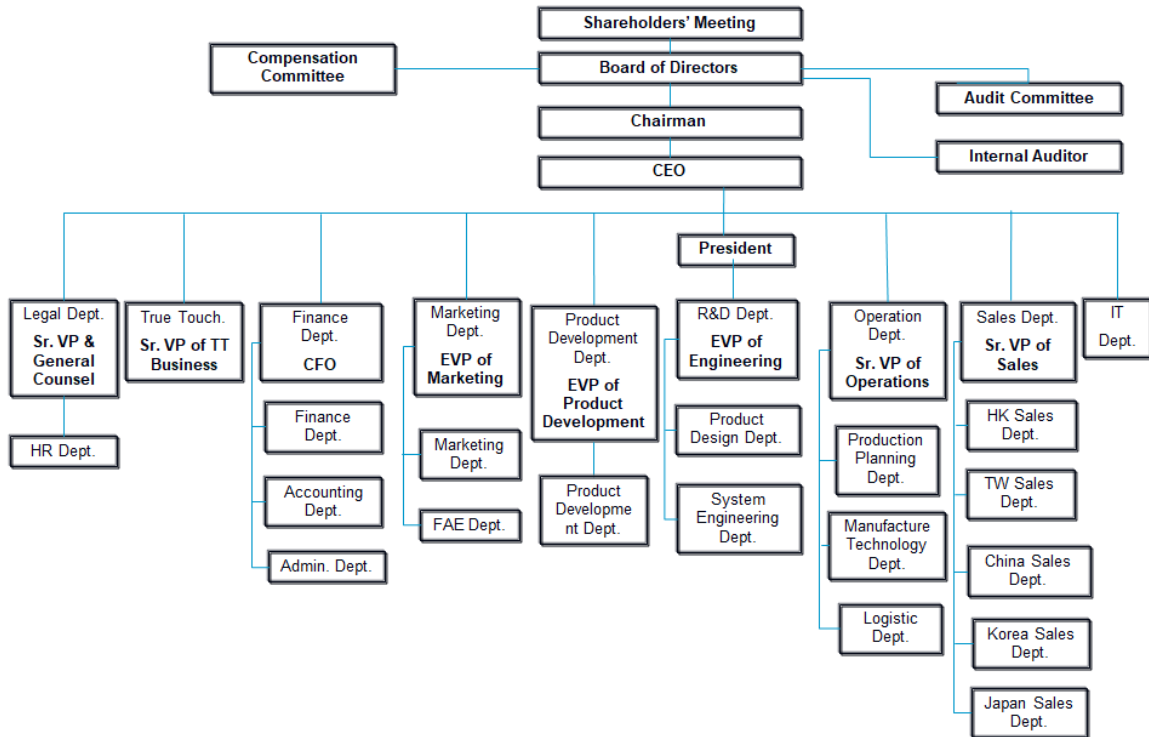
III. Recognition and enforcement of the final civil judgment obtained in the ROC courts

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

III. Corporate Governance

3.1 Company Organization

3.1.1 Organizational Structure



3.1.2 Main Corporate Functions

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

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

3.2 Directors and Supervisors

3.2.1 Board of Directors

4/17/2020; Unit: Shares; %

Title	Nationality or Location Registered	Name	Gender	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	USA	Ji Zhao	M	11/15/2005	06/18/2019	3 years	3,046,930 (note 1)	3.85%	2,859,430 (note 2)	3.58%	0	0.00%	0	0.00%	EE PhD of University of California Irvine VP of Engineering at Cerdelinx Technologies President of Parade (US)	CEO of the Company CEO & Chairman of Parade (US) Chairman of Parade (SH) Chairman of Parade (NJ) Chairman of Parade (KR) Chairman of Parade (IR)	None	None	None	Note 3
Vice Chairman	USA	Ming Qu	M	11/15/2005	06/18/2019	3 years	2,844,235	3.59%	2,637,735	3.30%	0	0.00%	0	0.00%	EE PhD of Texas A&M University CTO at Cerdelinx Technologies	President of the Company President & Executive Vice President of Engineering of Parade (US) Director of Parade (SH) Director of Parade (NJ)	None	None	None	None
Director	P.R.O.C.	Hao Chen	M	12/15/2010	06/18/2019	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor degree of Huazhong University of Science and Technology General Manager of Legend Advanced System Ltd. East China	President & Managing Director of Legend Capital Director of Parade (SH)	None	None	None	None
Director	R.O.C.	Darren Huang	M	08/08/2007	06/18/2019	3 years	295,007	0.37%	295,007	0.37%	0	0.00%	0	0.00%	MBA of University of Michigan, Ann Arbor Bachelor degree of National Chiao Tung University of Science and Technology	Director of Amulair Thermal Tech. Chairman of GCS Holdings, Inc. Director of Tcera Corporation Independent Director of ALI Co. Independent Director of MIKOBEAUTE Independent Director of Egis Technology Inc.	None	None	None	None
Director	USA	Cyrus Ying-Chun Tsui	M	07/24/2007	06/18/2019	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	BSEE of University of Southern California Chairman & CEO of Lattice Semiconductor	None	None	None	None	None

Title	Nationality or Location Registered	Name	Gender	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Jackie Yang	M	12/29/2005	06/18/2019	3 years	171,155	0.22%	171,155	0.21%	0	0.00%	0	0.00%	MBA of University of Missouri-Columbia Senior Vice President at UMC Capital	Executive Director of Translink Capital Director of Parade (SH) Director of Sifotonics Technologies Co., Ltd. Director of Winking Entertainment Ltd. Director of Memorightech Corp. Director of X2 Power Technologies Limited Director of eJoule International Limited Director of Shenzhen Immotor Technology Co. Ltd. Legal Representative Director of Grand Technology Director of DCard Holdings Ltd. Director of Pakal Technologies, Inc. Director of Axonne, Inc. Director of UBiAi International (Cayman) Limited Legal Representative Director of iWEECARE Director of Umbo Computer Vision Inc. Director of Point Robotics Medtech Independent Director of GCS Holdings, Inc.	None	None	None	None
Independent Director	USA	Dennis Lynn Segers	M	01/03/2007	06/18/2019	3 years	108,004	0.14%	81,004	0.10%	0	0.00%	0	0.00%	BSEE of Texas A&M University Director, CEO and president of Tabula, Inc. CEO of Matrix Semiconductor Senior VP of Xilinx, Inc.	Chairman of the Board of Xilinx, Inc. Director & Chairman-Emerging Company CEO Council at Global Semiconductor Alliance.	None	None	None	None
Independent Director	R.O.C.	Jen-Lin (Norman) Shen	M	10/20/2010	06/18/2019	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Economics at National Chung Hsin University CFO of Motech Industries, Inc. Director, CFO & SVP of Systex Corporation	Independent Director of Parpro Corporation Independent Director of Coland Holdings Limited.	None	None	None	None

Title	Nationality or Location Registered	Name	Gender	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	USA	Charlie Xiaoli Huang	M	10/20/2010	06/18/2019	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD of Carnegie Mellon University General Manager of OpenPOWER China, of IBM Executive Vice President and General Manager of System & Verification Group of Cadence Design Systems, Inc. CEO of CadMOS Design Technology	CEO & Director of Shenzhen Giga Design Automation Co., Ltd.	None	None	None	None

Note 1: When elected, 920,972 of shares held are included in trust account.

Note 2: 794,972 of shares currently held are included in trust account.

Note 3: Where the chairman and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of Independent Director seats and more than half of all Directors not concurrently serving as employees or executive officers):

The Company's chairman and CEO aims to improve operational efficiency and the execution of decisions. And the chairman fully communicates the Company's recent condition, plans, and policies with Directors and management team to implement corporate governance. The Company currently has the following measures:

- (1) The three Independent Directors have expertise in finance, accounting, and semiconductors, thus ensure efficient supervision.
- (2) Independent Directors can fully discuss and provide recommendations in functional committees, such as Audit Committee and Compensation Committee, to the Board of Directors in implementing corporate governance.
- (3) Arrange Directors (included Independent Directors) to participate in professional courses offered by external institutions every year, such as the Securities and Futures Institute, to enhance Board performance.
- (4) Over half of the Directors in the Board of Directors do not concurrently serve as an employee or executive officer of the Company.

Directors' shares in trust account:

Title	Name	Trustee	Shares in Trust	% of outstanding shares
Chairman	Ji Zhao	The ZG Grantor Retain Annuity Trust	794,972	0.99%

3.2.2 Major shareholders of the institutional shareholders: None.

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

3.2.4 Professional qualifications and independence analysis of Directors and Supervisors:

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independent Criteria (Note)												Concurrently Serving as an Independent Director at Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of The Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of The Company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Ji Zhao			v				v	v	v	v	v	v	v	v	v	0
Ming Qu			v				v	v	v	v	v	v	v	v	v	0
Hao Chen			v	v		v	v	v	v	v	v	v	v	v	v	0
Darren Huang			v	v		v	v	v	v	v	v	v	v	v	v	3
Cyrus Ying-Chun Tsui			v	v		v	v	v	v	v	v	v	v	v	v	0
Jackie Yang			v	v		v	v	v	v	v	v	v	v	v	v	1
Dennis Lynn Segers			v	v	v	v	v	v	v	v	v	v	v	v	v	0
Jen-Lin (Norman) Shen			v	v	v	v	v	v	v	v	v	v	v	v	v	2
Charlie Xiaoli Huang			v	v	v	v	v	v	v	v	v	v	v	v	v	0

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

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a Director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an Independent Director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer listed in paragraph 1 or any of the persons listed in paragraph 2 and 3;
- (5) Not a Director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. However, this does not apply if the Independent Directors established by the Company and its parent company, subsidiary company, or subsidiary company of the same parent company in accordance with this law or local national laws concurrently serve each other;
- (6) Not a Director, supervisor, or employee of that other company if a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person. However, this does not apply if the Independent Directors established by the Company and its parent company, subsidiary company, or subsidiary company of the same parent company in accordance with this law or local national laws concurrently serve each other;
- (7) Not a Director (or governor), supervisor, or employee of that other company or institution if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at

- another company or institution are the same person or are spouses. However, this does not apply if the Independent Directors established by the Company and its parent company, subsidiary company, or subsidiary company of the same parent company in accordance with this law or local national laws concurrently serve each other;
- (8) Not a Director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. However, this does not apply if a particular company or institution holds more than 20% of the total issued shares of the Company but not exceed 50%, and the Independent Directors established by the Company and its parent company, subsidiary company, or subsidiary company of the same parent company in accordance with this law or local national laws concurrently serve each other;
 - (9) Not a professional individual who, or an owner, partner, Director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations;
 - (10) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company;
 - (11) Not been a person of any conditions defined in Article 30 of the Company Law; and
 - (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.5 Remuneration of Directors and Independent Directors

4/29/2020; Unit: NTD in Thousands; %

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of Net Income		Relevant remuneration received by Directors who are also employees						Total Compensation (A+B+C+D+E+F+G) as A % of Net Income		Compensation Paid to Directors from Nonconsolidated Affiliates or Parent Company			
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Remuneration (C) (Note 1)		Allowances (D)				Compensation, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Bonuses (G) (Note 1)							
		The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)		The Company	Companies in the Consolidated Financial Report	
Directors	Chairman	Ji Zhao																				None	
	Vice Chairman	Ming Qu																					
	Director	Hao Chen																					
	Director	0	0	0	0	29,283	29,283	649	649	1.23%	1.23%	0	158,069	0	0	3,586	0	3,586	0	0	1.38%		7.87%
	Director	Cyrus Ying-Chun Tsui																					
	Director	Jackie Yang																					
Independent Directors	Independent Director	Dennis Lynn Segers																				None	
	Independent Director	0	0	0	0	25,379	25,379	896	896	1.08%	1.08%	0	0	0	0	0	0	0	0	1.08%	1.08%		
	Independent Director	Charlie Xiaoli Huang																					

*Please describe the policies, systems, standards and structure of Independent Directors' remuneration, and describe the relationship with the amount of remuneration according to the responsibilities, risks and participation time: According to Article 75 of the Company's Article and Charter of the Compensation Committee of the Board of Directors, the Compensation Committee considers each Director's (included Independent Director) degree of participation and contribution to the Company's operations, and considers the Company's business performance and the remuneration standards of other enterprises in the same industry, and makes recommendations to the Board of Directors.

*In addition to the above table, the Directors' remuneration for providing services (such as a consultant for non-employees) to the Companies in the Consolidated Financial Report: None.

Note 1: On April 29, 2020, the Board of Directors resolved to report the allocation of 2019 employees' cash bonuses and the Directors' remuneration to 2020 Annual General Meeting on June 15, 2020.

Compensation Table

Compensation Paid to Directors	Name of Directors			
	Total Compensation (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Under NT\$ 1,000,000	-	-	-	-
NT\$1,000,000 (includes) ~NT\$2,000,000 (not included)	-	-	-	-
NT\$2,000,000 (includes) ~NT\$3,500,000 (not included)	Ji Zhao Ming Qu	Ji Zhao Ming Qu	-	-
NT\$3,500,000 (includes) ~NT\$5,000,000 (not included)	-	-	-	-
NT\$5,000,000 (includes) ~NT\$10,000,000 (not included)	Hao Chen Darren Huang Cyrus Ying-Chun Tsui Jackie Yang Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang	Hao Chen Darren Huang Cyrus Ying-Chun Tsui Jackie Yang Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang	Ji Zhao Ming Qu Hao Chen Darren Huang Cyrus Ying-Chun Tsui Jackie Yang Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang	Hao Chen Darren Huang Cyrus Ying-Chun Tsui Jackie Yang Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang
NT\$10,000,000 (includes) ~NT\$15,000,000 (not included)	-	-	-	-
NT\$15,000,000 (includes) ~NT\$30,000,000 (not included)	-	-	-	-
NT\$30,000,000 (includes) ~NT\$50,000,000 (not included)	-	-	-	-
NT\$50,000,000 (includes) ~NT\$100,000,000 (not included)	-	-	-	Ji Zhao Ming Qu
Over NT\$ 100,000,000	-	-	-	-
Total	9	9	9	9

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

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

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

3.3 Management Team

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

4/17/2020; Unit: Shares; %

Title	Nationality or Location Registered	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chief Executive Officer	USA	Ji Zhao	M	11/15/2005	2,859,430 (Note 2)	3.58%	0	0.00%	0	0.00%	EE PhD of University of California Irvine VP of Engineering at Cerdelinx Technologies President of Parade (US)	CEO & Chairman of Parade (US) Chairman of Parade (SH) Chairman of Parade (NJ) Chairman of Parade (KR) Chairman of Parade (IR)	None	None	None	Note 3
President	USA	Ming Qu	M	11/15/2005	2,637,735	3.30%	0	0.00%	0	0.00%	EE PhD of Texas A&M University CTO at Cerdelinx Technologies	President of the Company President & Executive Vice President of Engineering of Parade (US) Director of Parade (SH) Director of Parade (NJ)	None	None	None	None
Chief Financial Officer	USA	Judy Wang	F	02/22/2007	96,662	0.12%	0	0.00%	0	0.00%	MBA of San Jose State University of California California CPA Senior Director of Opnext Inc.	Chief Financial Officer of Parade (US)	None	None	None	None
Executive Vice President of Marketing	USA	Jingwu Jimmy Chiu	M	11/21/2005	1,089,829	1.36%	0	0.00%	0	0.00%	MS of Texas A&M University AVP of XGI and Trident Microsystems	Executive Vice President of Marketing of Parade (US)	None	None	None	None

Title	Nationality or Location Registered	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Executive Vice President of Product Development	USA	Ding Lu	M	12/12/2005	1,124,332	1.41%	0	0.00%	0	0.00%	EE PhD of Colorado State University Engineering Director at XGI and Trident Microsystems	Supervisor of Parade (SH) Supervisor of Parade (NJ) Executive Vice President of Product Development of Parade (US)	None	None	None	None
Sr. Vice President of Worldwide Sales	USA	Peter Oaklander	M	09/09/2019	55,000	0.07%	0	0.00%	0	0.00%	BSEE of the Rochester Institute of Technology and an MBA with emphasis on Asia business of the Northwestern Kellogg /HKUST program Sr. Vice President of Intersil Sr. Vice President of ST-Ericsson	Sr. Vice President of Sales of Parade (US)	None	None	None	None
Sr. Vice President of TrueTouch Business	USA	Joseph D. Montalbo	M	08/31/2015	80,000	0.10%	0	0.00%	0	0.00%	BEEE of the Cooper Union in New York VP of TrueTouch Business Unit at Cypress Semiconductor VP & GM of LV MOSFETs and Power MCM's at Fairchild Semiconductor SVP at Synaptics CEO of Pixim Inc.	Sr. Vice President of TrueTouch Business of Parade (US)	None	None	None	None
Sr. Vice President of Operations	USA	Randy D. Baker	M	02/08/2016	57,000	0.07%	0	0.00%	0	0.00%	Executive MBA of Stanford General Manager of Lattice Semiconductor	Sr. Vice President of Operations of Parade (US)	None	None	None	None

Title	Nationality or Location Registered	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Sr. Vice President & General Counsel	USA	Yun Hwa Chou	F	07/05/2017	64,600	0.08%	0	0.00%	0	0.00%	JD from Santa Clara University Sr. VP of Global Management and General Counsel at OmniVision Technologies a corporate attorney at Coudert Brothers and Heller Ehrman, White and McCauliff	Sr. Vice President, General Counsel of Parade (US)	None	None	None	None
Vice President of Operation & General Manager of Parade (TW)	R.O.C.	KP Yang	M	03/01/2010	3,101	0.00%	0	0.00%	0	0.00%	MSEE of University of Michigan, Ann Arber Director of UMC Taiwan	General Manager of Parade (TW)	None	None	None	None

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

Note 2: 794,972 of shares held are included in trust account.

Note 3: Where the chairman and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of Independent Director seats and more than half of all Directors not concurrently serving as employees or executive officers):

The Company's chairman and CEO aims to improve operational efficiency and the execution of decisions. And the chairman fully communicates the Company's recent condition, plans, and policies with Directors and management team to implement corporate governance. The Company currently has the following measures:

- (1) The three Independent Directors have expertise in finance, accounting, and semiconductors, thus ensure efficient supervision.
- (2) Independent Directors can fully discuss and provide recommendations in functional committees, such as Audit Committee and Compensation Committee, to the Board of Directors in implementing corporate governance.
- (3) Arrange Directors (included Independent Directors) to participate in professional courses offered by external institutions every year, such as the Securities and Futures Institute, to enhance Board performance.
- (4) Over half of the Directors in the Board of Directors do not concurrently serve as an employee or executive officer of the Company.

3.3.2 Compensation of President and Vice Presidents

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

4/29/2020; Unit: NTD in Thousands; %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowances (C)		Employees' Bonuses (D) (Note 2)				Total Compensation (A+B+C+D) as a % of Net Income		Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates
		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
Chief Executive Officer	Ji Zhao													
President	Ming Qu													
Chief Financial Officer	Judy Wang													
Executive Vice President of Marketing	Jingwu Jimmy Chiu													
Executive Vice President of Product Development	Ding Lu													
Sr. Vice President of Worldwide Sales	Stephen M. Donovan (Note 3)	0	99,699	0	0	0	307,141	14,336	0	14,336	0	0.59%	17.31%	None
Sr. Vice President of Worldwide Sales	Peter Oaklander													
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo													
Sr. Vice President of Operations	Randy D. Baker													
Sr. Vice President & General Counsel	Yun Hwa Chou													
Vice President of Operation & General Manager of Parade (TW)	KP Yang													

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

Note 2: On April 29, 2020, the Board of Directors resolved to report the allocation of 2019 employees' cash bonuses to 2020 Annual General Meeting on June 15, 2020.

Note 3: Mr. Stephen M. Donovan retired on January 1, 2020.

Compensation Table

Remuneration Paid to the President and Vice President	Name of President and Vice President	
	The Company	Companies in the consolidated financial report
Under NT\$ 1,000,000	Peter Oaklander KP Yang	—
NT\$1,000,000 (Includes)~NT\$2,000,000 (Not Included)	Ji Zhao Ming Qu Jingwu Jimmy Chiu Ding Lu Judy Wang Stephen M. Donovan Joseph D. Montalbo Randy D. Baker Yun Hwa Chou	—
NT\$2,000,000 (Includes)~NT\$3,500,000 (Not Included)	—	—
NT\$3,500,000 (Includes)~NT\$5,000,000 (Not Included)	—	—
NT\$5,000,000 (Includes)~NT\$10,000,000 (Not Included)	—	—
NT\$10,000,000 (Includes)~NT\$15,000,000 (Not Included)	—	KP Yang
NT\$15,000,000 (Includes)~NT\$30,000,000 (Not Included)	—	Stephen M. Donovan Peter Oaklander Joseph D. Montalbo Yun Hwa Chou
NT\$30,000,000 (Includes)~NT\$50,000,000 (Not Included)	—	Judy Wang Randy D. Baker Jingwu Jimmy Chiu Ding Lu
NT\$50,000,000 (Includes)~NT\$100,000,000 (Not Included)	—	Ji Zhao Ming Qu
Over NT\$100,000,000	—	—
Total	11	11

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

3.3.3 Names of executives distributing employees' bonuses:

4/29/2020; Unit: NTD in Thousands; %

Title	Name	In Stock (Fair Market Value)	In Cash	Total	% of net income after tax
Chief Executive Officer	Ji Zhao	-	14,336	14,336	0.59
President	Ming Qu				
Chief Financial Officer	Judy Wang				
Executive Vice President of Marketing	Jingwu Jimmy Chiu				
Executive Vice President of Product Development	Ding Lu				
Sr. Vice President of Worldwide Sales	Stephen M. Donovan (Note 2)				
Sr. Vice President of Worldwide Sales	Peter Oaklander				
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo				
Sr. Vice President of Operations	Randy D. Baker				
Sr. Vice President & General Counsel	Yun Hwa Chou				
Vice President of Operation & General Manager of Parade (TW)	KP Yang				

Note 1: On April 29, 2020, the Board of Directors resolved to report the allocation of 2019 employees' cash bonuses to 2020 Annual General Meeting on June 15, 2020.

Note 2: Mr. Stephen M. Donovan retired on January 1, 2020.

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

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

Unit: NTD in Thousands; %

Item	Year 2018		Year 2019	
	Amount	%	Amount	%
Remuneration of Directors, President and Vice Presidents	340,514	17.29%	479,132	19.69%
The Company's Consolidated Net Income	1,969,362	100.00%	2,433,759	100.00%

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

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

3.4 Corporate Governance

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

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

The Board of Directors held a total of 6 meetings in 2019. The attendance of Directors is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Chairman	Ji Zhao	6	0	100%	-
Vice Chairman	Ming Qu	6	0	100%	-
Director	Hao Chen	6	0	100%	-
Director	Darren Huang	6	0	100%	-
Director	Cyrus Ying-Chun Tsui	6	0	100%	-
Director	Jackie Yang	4	2	67%	-
Independent Director	Dennis Lynn Segers	6	0	100%	-
Independent Director	Jen-Lin (Norman) Shen	6	0	100%	-
Independent Director	Charlie Xiaoli Huang	6	0	100%	-

Other matters that require reporting:

I. When the below matters have occurred, the date, series, motion content, opinions from Independent Directors, and the Company's handling on such opinions shall be noted in the minutes of the Board of Directors meeting:

- ① the matters listed in Article 14-3 of Securities and Exchange Act have occurred:

Date (Taiwan Time)	Resolutions	Opinions from Independent Directors, and the Company's handling on such opinions
02/13/2019	Approval of the distribution of 2018 management bonus	All of the Independent Directors approved this resolution.
	Approval of non-executives restricted stock awards grant	All of the Independent Directors approved this resolution.

Date (Taiwan Time)	Resolutions	Opinions from Independent Directors, and the Company's handling on such opinions
04/30/2019	Approval of non-executives restricted stock awards grant	All of the Independent Directors approved this resolution.
	Approval of allocation of 2018 employee bonuses and Directors' remuneration	All of the Independent Directors approved this resolution.
	Approval of 2019 employee restricted stock awards plan	All of the Independent Directors approved this resolution.
	Approval of Independent Directors nominees for re-election at Company's 2019 Annual General Meeting	All of the Independent Directors approved this resolution.
	Approval of certain changes to Company's procedures of acquisition or disposal of assets	All of the Independent Directors approved this resolution.
	Approval of certain changes to Company's procedures for lending funds to other parties	All of the Independent Directors approved this resolution.
	Approval of certain changes to the Company's procedures for endorsement and guarantee	All of the Independent Directors approved this resolution.
	Approval of "standard operating procedures of processing the request from Director(s)"	All of the Independent Directors approved this resolution.
	Approval of changing of auditing and certifying CPA	All of the Independent Directors approved this resolution.
07/31/2019	Approval of amended signature authority lists of the Company, the US subsidiary and the Shanghai subsidiary	All of the Independent Directors approved this resolution.
	Approval of transfer of Treasury Shares to executives	All of the Independent Directors approved this resolution.
	Approval of non-executives Restricted Stock Award grant	All of the Independent Directors approved this resolution.
	Approval of executives Restricted Stock Award grant	All of the Independent Directors approved this resolution.
	Approval of 2018 Director remuneration allocation and distribution	All of the Independent Directors approved this resolution.
	Approval of 2018 employee bonus distribution	All of the Independent Directors approved this resolution.
10/30/2019	Approval of updated the 2019 management bonus program	All of the Independent Directors approved this resolution.
	Approval of non-executives Restricted Stock Award grant	All of the Independent Directors approved this resolution.
12/05/2019	Approval of terms of audit engagement with PricewaterhouseCoopers for FY 2020 financial audit and FY 2020 internal control audit	All of the Independent Directors approved this resolution.
	Approval of terms of tax compliance services engagement with PricewaterhouseCoopers LLC (Hong Kong and Taipei) for FY 2020	All of the Independent Directors approved this resolution.

② In addition to the previous items, the Independent Director has a dissenting opinion or qualified opinion:

Have reviewed all the Board meeting minutes in 2019, all of the resolutions have been approved by the Independent Directors.

II. The Company shall state the implementation of Directors recusing themselves from motions in their personal interests, including the name of Directors, motion content, recusing reason and voting participation:

Date (Taiwan Time)	Resolutions	Name	Reason	Voting Participation
02/13/2019	Approval of distribution of 2018 management bonus	Ji Zhao Ming Qu	They are managements in the Company.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.
04/30/2019	Nomination of Independent Directors nominees for re-election at Company's 2019 Annual General Meeting	Dennis Lynn Segers Jen-Lin (Norman) Shen Charlie Xiaoli Huang	They are the Independent Director nominees in the Company.	The Independent Directors, Dennis Lynn Segers, Jen-Lin (Norman) Shen and Charlie Xiaoli Huang, did not participate in the discussion and voting, and other Directors were without objection by the case.
07/31/2019	Approval of transfer of Treasury Shares to executives	Ji Zhao Ming Qu	They are intended recipients of the treasury share pursuant to the plan approved by this resolution.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.
	Approval of executives Restricted Stock Award grant	Ji Zhao Ming Qu	They are intended recipients of the Employee Restricted Stock Awards to be granted to management employees.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.
	Approval of 2018 employee bonus distribution	Ji Zhao Ming Qu	They are employees in the Company.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.
	Approval of updated the 2019 management bonus program	Ji Zhao Ming Qu	They are managements in the Company.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.
10/30/2019	Election of the Chainman and the Vice Chairman	Ji Zhao Ming Qu	They are the person in this resolution.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.

III. The Company shall disclose the evaluation cycles and periods, scope of evaluation, method of evaluation and evaluation content of self-evaluation of performance of Board of Directors/Board Members, and fill out the following table.

Evaluation Cycles	Once a year.
Evaluation Periods	Implement from 2019, and the period is from January 1 to December 31.
Scope of Evaluation	Board of Directors and individual board members
Method of Evaluation	The internal evaluation of the Board of Directors and self-evaluation by individual board members
Evaluation Content	<ol style="list-style-type: none"> 1. The criteria for evaluating the performance of the Board: participation in the operation of the Company, improvement of the quality of the Board's decision making, composition and structure of the Board, election and continuing education of the Directors and internal control. 2. The criteria for evaluating the performance of the board members: alignment of the goals and missions of the Company, awareness of the duties of a Director, participation in the operation of the Company, management of internal relationship and communication, the Director's professionalism and continuing education and internal control.

IV. The evaluation of targets for strengthening of the functions of the Board (ex. Establishing the Audit Committee, enhancing information transparency, etc.) during the current and immediately preceding fiscal years, and measures taken toward achievement thereof: The Company has established the Audit Committee on October 28, 2010. And the Company has held a shareholders meeting on June 18, 2019 and has passed the resolution of re-electing the Independent Directors with Dennis Lynn Segers, Jen-Lin (Norman) Shen, and Charlie Xiaoli Huang who are the Audit Committee members. The Company will see the necessity and invite its CPA, financial, operating, and auditing heads to sit in the meeting, and have them report annual financial statements, company's recent financial position, operation status, and internal audit results to ensure that the audit committee obtains complete and detailed information about the Company.

(2) The state of operations of the Audit Committee

The Audit Committee has held 6 meetings in 2019. The attendance of Independent Directors is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Independent Director	Jen-Lin (Norman) Shen	6	0	100%	-
Independent Director	Dennis Lynn Segers	6	0	100%	-
Independent Director	Charlie Xiaoli Huang	6	0	100%	-

Other matters that require reporting:

I. When the below matters have occurred, the date, series, motion content, opinions from audit committees, and the Company's handling on such opinions shall be noted in the minutes of the Audit Committee:

① the matters listed in Article 14-5 of Securities and Exchange Act have occurred:

Date (Taiwan Time)	Resolutions	Opinions from audit committees, and the Company's handling on such opinions
03/13/2019	The draft consolidated financial reports for fiscal years ended December 31, 2018 and 2017 prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	Audit Committees approved this resolution.
	To approve the Statements of Internal Control System of Y2018	Audit Committees approved this resolution.
04/30/2019	The Q1 2019 draft consolidation financial reports prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	Audit Committees approved this resolution.
	To approve certain changes of Company's "Procedures for Acquisition or Disposal of Assets"	Audit Committees approved this resolution.
04/30/2019	To approve certain changes of Company's "Procedures for Endorsement and Guarantee" and "Procedures for Lending Funds to Other Parties"	Audit Committees approved this resolution.
	To approve the "Standard Operating Procedures of Processing the Request from Directors"	Audit Committees approved this resolution.
	To approve the change of auditing and certifying CPA	Audit Committees approved this resolution.
07/31/2019	The Q2 2019 draft consolidation financial reports prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	Audit Committees approved this resolution.
	To approve certain changes of Signature Authority List of Company, US subsidiary and SH subsidiary	Audit Committees approved this resolution.

Date (Taiwan Time)	Resolutions	Opinions from audit committees, and the Company's handling on such opinions
10/30/2019	The Q3 2019 draft consolidated financial reports prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	Audit Committees approved this resolution.
12/04/2019	To approve the terms of engagement for year 2020 financial audit and internal control audit with PwC Taipei	Audit Committees approved this resolution.
	To approve the terms of engagement with PwC Hong Kong and Taipei for Year 2020 tax compliance and tax provision services	Audit Committees approved this resolution.

② In addition to the previous items, the resolution didn't pass by Audit Committee but passed by a majority of not less than two-thirds of all Directors:

Have reviewed all the Audit Committee meeting minutes in 2019, all of the resolutions have been approved by the Independent Directors.

II. The Company shall state the implementation of Audit Committees recusing themselves from motions in their personal interests, including the name of Directors, motion content, recusing reason and voting participation: None

III. Communication between the Audit Committee, internal audit supervisor, and CPA:

- ① The internal auditor reports the results of auditing and the implementation of the follow-up report periodically as well as informs the Audit Committee immediately in case of special situation.
- ② The Company's Audit Committee will see the necessity and invite the CPA to attend the meeting and to have them report their audit result.

(3) The state of operations of the Compensation Committee

(A) Member of the Compensation Committee

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

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

- ① Not an employee of the Company or any of its affiliates;
- ② Not a Director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an Independent Director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary;
- ③ Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings;
- ④ Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer listed in paragraph ① or any of the persons listed in paragraph ② and ③;
- ⑤ Not a Director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a Director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. However, this does not apply if the Independent Directors established by the Company and its parent company, subsidiary company, or subsidiary company of the same parent company in accordance with this law or local national laws concurrently serve each other;
- ⑥ Not a Director, supervisor, or employee of that other company if a majority of the Company's Director seats or voting shares and those of any other company are controlled by the same person. However, this does not apply if the Independent Directors established by the Company and its parent company, subsidiary company, or subsidiary company of the same parent company in accordance with this law or local national laws concurrently serve each other;
- ⑦ Not a Director (or governor), supervisor, or employee of that other company or institution if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses. However, this does not apply if the Independent Directors established by the Company and its parent company, subsidiary company, or subsidiary company of the same parent company in accordance with this law or local national laws concurrently serve each other;
- ⑧ Not a Director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. However, this does not apply if a particular company or institution holds more than 20% of the total issued shares of the Company but not exceed 50%, and the Independent Directors established by the Company and its parent company, subsidiary company, or subsidiary company of the same parent company in accordance with this law or local national laws concurrently serve each other;
- ⑨ Not a professional individual who, or an owner, partner, Director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations; and
- ⑩ Not been a person of any conditions defined in Article 30 of the Company Law.

(B) The state of operations of the Compensation Committee

- ① The Compensation Committee is comprised of three members.
- ② The term of the Compensation Committee commences from October 30, 2019 and ends on October 27, 2022.
- ③ The Compensation Committee has held 5 meetings in 2019, and the attendance of Compensation Committee is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Independent Director	Charlie Xiaoli Huang	5	0	100%	None
Independent Director	Jen-Lin (Norman) Shen	5	0	100%	None
Independent Director	Dennis Lynn Segers	5	0	100%	None
Other matters that require reporting: 1. When the Board of Directors don't adopt or revise the suggestions from compensation committee, the date, series, motion content, opinions from the Board of Directors, and the Company's handling on such opinions (e.g., in case the remuneration approved by the Board of Directors is superior to the suggestions from compensation committee, describe the reason and the differences): None 2. When a member has a dissenting opinion or qualified opinion and has written representation, the date, series, motion content, opinions from all members, and the Company's handling on such opinions: None					

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

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

(D) In 2019, the major resolutions of the Compensation Committee, Opinions from Compensation Committee, and the Company's handling on such opinions

Meetings	Date (Taiwan Time)	Major Resolutions	Opinions from Compensation Committee, and the Company's handling on such opinions
Compensation Committee	02/13/2019	<ol style="list-style-type: none"> 1. To approve the distribution of 2018 management bonus 2. To approve the 2018 RSA grants to certain employees hired after last grant date, October 30, 2018 	<ol style="list-style-type: none"> 1. Compensation Committee approved this resolution. 2. Compensation Committee approved this resolution.
Compensation Committee	04/30/2019	<ol style="list-style-type: none"> 1. To adopt the 2019 Employee Restricted Stock Awards (RSA) Plan as the employee retention tool 2. To approve the 2018 RSA grants to certain employees including new hires and existing employees 3. To approve Certain Changes in the 2012 Employee Stock Option Plan 	<ol style="list-style-type: none"> 1. Compensation Committee approved this resolution. 2. Compensation Committee approved this resolution. 3. Compensation Committee approved this resolution.
Compensation Committee	07/30/2019	<ol style="list-style-type: none"> 1. To Approve the grants of treasury share purchase right to executives 2. To Approve the allocation and distribution of 2018 Director remuneration 3. To Approve the guidelines of 2018 employee profit sharing, the executive profit sharing and summary of 2018 employee profit sharing 4. To approve the guidelines and grants of 2019 restricted stock awards ("RSAs") to executives and employees. 5. To approve the updated 2019 Management Bonus Program 	<ol style="list-style-type: none"> 1. Compensation Committee approved this resolution. 2. Compensation Committee approved this resolution. 3. Compensation Committee approved this resolution. 4. Compensation Committee approved this resolution. 5. Compensation Committee approved this resolution.
Compensation Committee	10/30/2019	<ol style="list-style-type: none"> 1. To approve the 2019 RSA grants to certain employees hired after July 31, 2019 	<ol style="list-style-type: none"> 1. Compensation Committee approved this resolution.
Compensation Committee	12/04/2019	<ol style="list-style-type: none"> 1. To approve the adjustment of CEO 2020 annual salary 2. To approve the average salary raise percentage of respective geographic site of the Company for year 2020 3. Approve the structure of 2020 Management Bonus Program 4. To approve the distribution of employee profit sharing 5. To approve the deployment of Restricted Stock Awards (RSAs) as equity incentive tool to employees 	<ol style="list-style-type: none"> 1. Compensation Committee approved this resolution. 2. Compensation Committee approved this resolution. 3. Compensation Committee approved this resolution. 4. Compensation Committee approved this resolution. 5. Compensation Committee approved this resolution.

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

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

Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(IV) Has the Company established internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		(IV) The Company has established Rules of Conduct with Respect to Inside Information and Trading, and has advocated the policy to employees, managers and Directors to reduce the risk of inside trading.	(IV) No significant difference.
III .Structure of the Board and its duties				
(I)Has the Board of Directors formulated and implemented an appropriate policy on diversity of its Board of Directors?	V		(I)The Board of Directors is composed of six knowledgeable and experienced Directors. In order to strengthen the management functions, there are Audit Committee and Compensation Committee exist under the Board of Director. The Audit Committee and Compensation Committee are composed of 3 Independent Directors who have business, finance and technology industry of expertise respectively, and are capable of performing the duties required knowledge, skills and literacy. And they are with the management and operation of the judgment of experience, and could lead the Company and shareholders get the best interests.	(I)No significant difference.
(II)Has the Company set up functional committees in addition to the compensation committee and audit committee based on the related laws and regulations?	V		(II) The Company has met the requirement for corporate governance implementation, and other functional committees will be set depending on the needs of the Company.	(II)No significant difference.
(III)Has the Company formulated rules and procedures for Board of Directors performance assessments and conducted regularly scheduled performance assessments? And the results of the performance of individual Directors may be the reference to the compensation and benefits of such individual Directors	V		(III) The Company has formulated the rules and procedures for Board of Directors performance assessments in 2020, and will report the results of the performance to Board of Directors in 2021.	(III) No significant difference.
(IV)Has the Company evaluated the independence and suitability of the CPA engaged by the Company regularly?	V		(IV) CPA of the Company belong to one of the big four international accounting firms, and have already avoided any matters or persons that are in their personal interests. As for the selection and appointment of CPA, the Audit Committee has evaluated their independence and appropriateness annually.	(IV) No significant difference.

Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
IV. Is the Company equipped with appropriate and appropriate numbers of corporate governance personnel, and designate corporate governance executives responsible for corporate governance related affairs (including, but not to be limited to, providing Directors with the information needed to perform business, assisting Directors in complying with laws and regulations, handling matters related to meeting of the Board of Directors and shareholders’ meetings in accordance with the laws, preparing Board meeting minutes and annual general meeting of members meeting minutes)?	V		The Company has designated persons to be incharge in providing Directors with the information needed to perform business, assisting Directors in complying with laws and regulations, handling matters related to meeting of the Board of Directors and shareholders’ meetings in accordance with the laws, preparing Board meeting minutes and annual general meeting of members meeting minutes, etc..	No significant difference.
V. Has the Company established channels of communication with its stakeholders (including, but not to be limited to, shareholders, employees, clients and suppliers, etc.), designated a stakeholders section on its website, and properly responded the stakeholders concern on the importance corporate social responsibility?	V		The Company has designated a stakeholders section on the Company website (https://www.paradetech.com), and has the specific window (csr@paradetech.com) to communicate with its related parties.	No significant difference.
VI. Has the Company engaged a professional shareholder services agent to handle shareholders meeting matters?	V		The Company has engaged Transfer Agency Department of CTBC Bank as Stock Transfer Agent.	No significant difference.
VII. Information Disclosure (I) Has the Company set up a website to disclose its financial, operational and corporate governance information?	V		(I) The Company has disclosed operational information on the Company Website (https://www.paradetech.com) and set up a question response mechanism.	(I) No significant difference.

Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons										
	Yes	No	Description											
(II)Has the Company adopted other methods to disclose its information (ex. set up English website, designate a person responsible for the collection and disclosure of information, implement the spokesman system, upload road show process to the company website, etc.)?	V		(II) The Company has designated persons responsible for collecting and disclosing company information, and has set up Chinese and English Website, and implemented the spokesman system.	(II) No significant difference.										
(III)Does the Company announce the report the annual financial report within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial reports and the revenue of each month as soon as possible before the prescribed period?	V		(III) The Company has announced and reported the annual financial report, the first, second and third quarter financial reports and the revenue of each month within the time limit prescribed by law.	(III) No significant difference.										
VIII.Does the Company have other important information to facilitate the understanding to the Company’s practice of corporate governance (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders rights, the progress of Directors and supervisors’ trainings, implementation of risk management policies and risk measurement standards, implementation of customer policies, liability insurance for Directors and supervisors purchased, etc.)?	V		<p>(I) Status of employee rights and employee wellness: Please refer to the “5.5 Labor Relations” section on page 116-117 of this annual report.</p> <p>(II) The progress of training of Directors: Directors of the Company have relevant expertise in corporate governance. In order to let Directors further understand their responsibilities and obligations, the Company would also provide Directors latest training information from time to time.</p> <p>Continuing Education/Training of Directors in 2019:</p> <table border="1"> <thead> <tr> <th>Director</th> <th>Date</th> <th>Host by</th> <th>Training course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>Ji Zhao</td> <td>12/06/2019</td> <td>Securities and Futures Institute</td> <td>Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments</td> <td>6</td> </tr> </tbody> </table>	Director	Date	Host by	Training course	Hours	Ji Zhao	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6	No significant difference.
Director	Date	Host by	Training course	Hours										
Ji Zhao	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6										

Items	Implementation Status						Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description				
			Director	Date	Host by	Training course	Hours
			Ming Qu	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6
			Jackie Yang	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6
			Hao Chen	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6
			Darren Huang	08/12/2019	Taiwan Corporate Governance Association	Regulations of Insider Trading and short-term trading and Case Analysis	3
				11/11/2019	Taiwan Corporate Governance Association	Attention Matters of Purchasing Foreign Assets	3
			Cyrus Ying-Chun Tsui	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6
			Dennis Lynn Segers	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6

Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons															
	Yes	No	Description																
			<table border="1"> <thead> <tr> <th>Director</th> <th>Date</th> <th>Host by</th> <th>Training course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>Jen-Lin (Norman) Shen</td> <td>12/06/2019</td> <td>Securities and Futures Institute</td> <td>Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments</td> <td>6</td> </tr> <tr> <td>Charlie Xiaoli Huang</td> <td>12/06/2019</td> <td>Securities and Futures Institute</td> <td>Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments</td> <td>6</td> </tr> </tbody> </table> <p>(III) Implementation of Directors recusing themselves from motions in their personal interests: The Company has clearly defined regulations regarding Directors’ recuse from motions in their personal interest in its articles of incorporation.</p> <p>(IV) Implementation of risk management policies and risk measurement standards: The Company focuses on its core business, and promotes various policies with relevant regulations to reduce and avoid any possible risks.</p> <p>(V) Company's purchase of liability insurance for Directors and supervisors: The Company has purchased liability insurance for Directors and Independent Directors.</p>	Director	Date	Host by	Training course	Hours	Jen-Lin (Norman) Shen	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6	Charlie Xiaoli Huang	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6	
Director	Date	Host by	Training course	Hours															
Jen-Lin (Norman) Shen	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6															
Charlie Xiaoli Huang	12/06/2019	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	6															
<p>IX.Please describe the improved situation of Corporate governance evaluation results from TWSE recent year, and please list the priority improved items for the non-improved items.</p> <p>Improved items:</p> <p>(I) If the Independent Directors/all the Directors of the Company have completed the training in accordance with “Directors for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”?</p> <p>Ans: All the Directors (including the Independent Directors) have completed the training in accordance with “Directors for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” in 2019.</p> <p>Priority improved items:</p> <p>(I) If the Company has disclosed the related information about shareholders’ meeting on the Company’s website?</p> <p>Ans: The Company will plan to disclose the related information about the shareholders’ meeting on the Company’s website.</p>																			

3.4.3. The Implementation Status of social responsibilities and Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Description	
I .Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company’s operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?		V	I .The Company does not formulate relevant risk management policies or strategies. However the Company has still devoted in implementing social responsibilities and will establish the related policies as deemed necessary.	I .When it is necessary to be considered, the Company will follow “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the related laws and regulations.
II .Has the Company established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the Board of Directors on a periodic basis?		V	II .The Company has not yet established an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, however the Company continues practicing social responsibility. Related policies will be published as deemed necessary.	II .No significant difference.
III .Environmental issues (I)Has the Company established proper environmental management systems based on the characteristics of its industries? (II)Has the Company endeavored to utilize all resources more efficiently and used renewable materials which have a low impact on the environment? (III)Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take action on climate-related issues?	V V V		(I) The Company has got the certificate of SONY GP (green procurement), and conducts management with the rules. (II) As a fabless IC design company, the impact to the environment during operation is very minor. (III) The Company has set up the rules to use the air conditioner efficiently, advocate paperless office, and reduce wasting of reconomizes electrics and water resources, although there is no pollution during the operation.	(I) No significant difference. (II) No significant difference. (III) No significant difference.

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Description	
(IV) Does the Company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	V		(IV) The Company has set up the rules to use the air conditioner efficiently, advocate paperless office, and reduce wasting of reconomizes electrics and water resources, although there is no pollution during the operation.	(IV) No significant difference.
IV.Social issues (I)Has the Company established management policies and procedures in accordance with applicable laws and regulations and International Bill of Human Rights	V		(I) The company has followed the compliance with labor laws and Personal Information Protection Act to ensure the right of candidates and employees during the recruiting and internal management process. The Company has held regular communication meetings to meet win-win situation for both employees and the Company.	(I) No significant difference.
(II)Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation?	V		(II) The description of Labors please refer to page 116~117.And the Company has appropriately reflected operating performance or results in employee compensation.	(II) No significant difference.
(III)Has the Company provided safe and healthful work environments for the employees, including safety and health training to the employees on a regular basis?	V		(III) The Company has set up the surveillance system to ensure the safety of employee at workplace, and has provided irregular safety and health training to the employees.	(III) No significant difference.
(IV)Has the Company established effective training programs for the employees to foster career skills?	V		(IV) According to the different requirement of the positions and with employees’ career planning, the Company helps the employees to foster their career skills.	(IV) No significant difference.

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Description	
(V) Does the Company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer protection policies and complaint procedures?	V		(V) The Company has maintained good relationships with customers, and has provided efficient communication processes dealing with customers' claim for products and services.	(V) No significant difference.
(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?	V		(VI) The Company has the Conflict Minerals Statement and takes measures to avoid the use of Conflict Minerals, including requiring suppliers to conduct due diligence to confirm conformance and to provide investigative reports. Parade will work with the supply, if necessary, to find alternative sources for the Conflict Metals if they exist in the supplier's product. Parade gives close attention to the issue of conflict metals, following international convention, with social responsibility and preserving the rights of customers and as our objectives.	(VI) No significant difference.
V. Does the Company refer to internationally accepted reporting standards or guidelines for compiling reports on corporate non-financial information such as corporate social responsibility reports? Did the previous release report obtain the assurance or assurance of the third party verification unit?		V	The Company does not prepare corporate social responsibility reports. However the Company has still devoted in implementing social responsibilities and will establish the related policies as deemed necessary.	When it is necessary to be considered, the Company will follow “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the related laws and regulations.
VI. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has not yet set its own corporate social responsibility code of practice. However, the Company's operation is based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”.				
VII. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: (I)To protect the world's environment from the pollution, the Company's main materials used in products follow the ROHS regulations. To ensure all products meet the requirements of customers and regulation, any dangerous material is prohibited to use in production. (II)The Company has got the certification of SONY GP (green procurement) and continues to reduce environmental pollution and waste, prevent damages and economize resources to reduce the risk of pollution.				

3.4.4 The Implementation Status of Ethical Management and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons

Items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Description	
<p>I . Establishing ethical management policy and programs</p> <p>(I)Does the Company formulate an ethical management policy approved by the Board of Directors, and clearly state the policies and practices of honesty management in the regulations and external documents, and the commitment of the Board of Directors and senior managements to actively implement the business policy?</p> <p>(II) Whether the Company has established an evaluation mechanism for the risk of dishonesty behaviors, regularly analyzes and evaluates business activities with a higher risk of dishonesty behaviors in the business scope, and formulates a plan to prevent dishonesty behaviors, which at least covers “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” in Paragraph 2 of Article 7?</p> <p>(III)Does the Company clearly establish the operating procedures, behavior guidelines, punishment and appeal system for violations in the plan to prevent dishonesty, implement it, and regularly review and revise the plan before it is revealed?</p>		V	<p>(I) The Company does not formulate an ethical management policy approved by the Board of Directors, but has clearly defined regulations regarding Directors’ recuse from motions in their personal interest in its “Rules and procedures of Board Meeting”. Directors shall express their opinions regarding motions in their personal interests, but should not involve in the discussion and resolution, neither to be the representation of other Directors to resolve about the motions.</p> <p>(II) The Company does not formulate an ethical management policy, has established effective internal control system to conduct operational procedures to ensure the implement of ethical management.</p> <p>(III) The company has its employee guidelines and enforces employees to sign at will agreement. Furthermore, the company organizes training and awareness programs for employees periodically to advocate and prescribe employees ethical conduct.</p>	<p>(I) No significant difference.</p> <p>(II) No significant difference.</p> <p>(III) No significant difference.</p>

Items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Description	
<p>II . Carrying out ethical corporate management</p> <p>(I)Has the Company evaluated trading counterparties’ ethical record, and included terms of ethical corporate management policy in the contracts entered with the trading counterparties?</p> <p>(II)Has the Company established a dedicated unit under the Board of Directors for establishing and supervising the implementation of the ethical corporate management policies and prevention program? Has the dedicated unit regularly (at least once a year) reported to the Board of Directors on its integrity management policy and plans to prevent dishonesty and monitor implementation?</p> <p>(III)Has the Company established and implemented policies for preventing conflicts of interest and offered appropriate means for Directors, supervisors, managers, and other stakeholders attending or present at Board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company?</p> <p>(IV)Whether the Company has established effective accounting systems and internal control systems for the implementation of ethical management, and the internal audit unit based on the results of the assessment of the risk of dishonesty behavior, draws up relevant audit plans, and checks the compliance with the plan to prevent dishonesty, or commission an accountant to perform the check?</p>	V		(I) To avoid dishonest behaviors, the Company has evaluated trading counterparties’ ethical record, and included ethical corporate management policy in contract terms.	(I) No significant difference.
	V		(II) The Company has established the internal auditors under the Board of Directors to supervise if the Company follows the related laws and regulations.	(II) No significant difference.
	V		(III) The Company has clearly defined regulations regarding Directors’ recuse from motions in their personal interest in its “Rules and procedures of Board Meeting”. Directors shall express their opinions regarding motions in their personal interests, but should not involve in the discussion and resolution, neither to be the representation of other Directors to resolve about the motions.	(III) No significant difference.
	V		(IV) The Company has established effective accounting systems and internal control systems for the implementation of ethical management, furthermore, the internal auditors audit the compliance of the policies and procedures on periodically and report to the Board of Directors irregularly.	(IV) No significant difference.

Items	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Description	
(V) Does the Company hold the internal and external trainings on ethical management practices and programs periodically?	V		(V) The Company holds the internal trainings on ethical management practices and programs periodically.	(V) No significant difference.
III. Operation of whistle-blowing system				
(I) Has the Company established a concrete whistle-blowing programs, incentive measures and convenient reporting channels and appointed dedicated personnel or unit to handle reported matters?	V		(I) The Company has designated HR department responsible for internal communication effectively.	(I) No significant difference.
(II) Has the Company established standard operating procedures of whistle-blowing programs for investigations to receive reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?	V		(II) The Company has designated HR department to receive investigations of whistle-blowing programs and follow-up measures, and implement confidentiality mechanisms.	(II) No significant difference.
(III) Has the Company adopted measures to protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	V		(III) The Company has designated HR department to adopt measures to protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.	(III) No significant difference.
IV. Enhancement of information disclosure				
(I) Has the Company disclosed its ethical corporate management best practice principles and the effectiveness of promotion of ethical management policy on the Company websites and the Market Observation Post System (MOPS)?		V	(I) The Company has linked MOPS website and disclosed financial information on the Company Website (https://www.paradetech.com) as its basis of ethical corporate management.	(I) No significant difference.
V. If the Company has established its ethical corporate management best practice principles according to “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences of the implementation status: Not applicable.				
VI. Other important information to facilitate better understanding of the Company’s implementation of ethical corporate management (e.g., the Company invites the companies' commercial transaction counterparties attending the training, reviewing and revising its ethical management guidelines to emphasize on the resolution to implement ethical corporate management): None				

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

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

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

3.4.7 Major Resolutions of Shareholders’ Meeting and Board Meetings

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

Meetings	Date (Taiwan Time)	Major Resolutions	State of Implementation
Annual General Meeting of Members	06/18/2019	<ol style="list-style-type: none"> 1. To ratify the 2018 Business Report 2. To adopt the Company’s 2018 audited consolidated financial reports 3. To approve the 2018 profit distribution plan 4. To approve 2019 Employee Restricted Stock Awards Plan 5. To approve the amendment of the Company’s Amended and Restated Articles of Association 6. To approve the amendment of the Company’s procedures of acquisition or disposal of assets 7. To approve the amendment of the procedures for lending funds to other parties 8. To approve the amendment of the procedures for endorsement and guarantee 9. To re-elect the Directors (Independent Directors inclusive) of the Company’s Board of Directors 	<ol style="list-style-type: none"> 1. Approved 2. Approved 3. The record date for dividends distribution was September 1, 2019, and have paid the cash dividend on September 25, 2019. (cash dividend per share of NT\$12.31044592) 4. The record date for the first issued 2019 RSA of 682,050 shares was July 31, 2019. The record date for the second issued 2019 RSA of 14,300 shares was October 30, 2019. The record date for the third issued 2019 RSA of 9,200 shares was February 12, 2020. The record date for the fourth issued 2019 RSA of 44,450 shares was April 29, 2020. 5. Have implemented in accordance with the resolutions 6. Have implemented in accordance with the resolutions 7. Have implemented in accordance with the resolutions 8. Have implemented in accordance with the resolutions 9. List of Directors (Independent Directors inclusive) are Ji Zhao, Ming Qu, Cyrus Ying-Chun Tsui, Hao Chen, Jackie Yang, Darren Huang, Jen-Lin (Norman) Shen (Independent Directors), Dennis Lynn Segers (Independent Directors), Charlie Xiaoli Huang (Independent Directors).

(2) Major Resolutions of Board Meetings

Meetings	Date (Taiwan Time)	Major Resolutions
Board Meeting	02/13/2019	<ol style="list-style-type: none"> 1. Approval of the distribution of 2018 management bonus 2. Approval of non-executives Restricted Stock Award grant 3. Approval of repurchase and cancellation of restricted stock awards
Board Meeting	03/13/2019	<ol style="list-style-type: none"> 1. Approval of 2018 Draft Consolidated Financial Reports 2. Approval of Statement of Internal Control System 3. Re-election of Directors (Independent Directors inclusive) at Company's 2019 Annual General Meeting 4. Approval of nomination period of Independent Directors 5. Approval of proposed date, location, and agenda of the 2019 Annual General Meeting of Members 6. Approval of shareholder's proposal right in connection with 2019 Annual General Meeting 7. Approval of 2018 Profit Distribution Proposal 8. Approval of certain changes to the Company's memorandum and articles of association
Board Meeting	04/30/2019	<ol style="list-style-type: none"> 1. Approval of reviewed Consolidated Financial Report for the first quarter ended 3/31/2019 2. Nomination of Independent Directors nominees for re-election at Company's 2019 Annual General Meeting 3. Approval of non-executives Restricted Stock Award grant 4. Approval of repurchase and cancellation of restricted stock awards 5. Approval of allocation of 2018 employees' bonuses and Directors' remuneration 6. Review and approval of the shareholder's proposal 7. Approval of 2018 business report 8. Approval of 2019 Employee Restricted Stock Awards Plan 9. Approval of Independent Directors nominees for re-election at Company's 2019 Annual General Meeting 10. Approval of certain changes in the 2012 Employee Stock Option Plan 11. Approval of certain changes to Company's procedures of acquisition or disposal of assets 12. Approval of certain changes to Company's procedures for lending funds to other parties 13. Approval of certain changes to Company's procedures for endorsement and guarantee 14. Approval of "standard operating procedures of processing the request from Director(s)" 15. Additions and changes in agenda to be discussed in 2019 Annual General Meeting 16. Approval of changing of auditing and certifying CPA
Board Meeting	07/31/2019	<ol style="list-style-type: none"> 1. Approval of reviewed financial report for the first half of FY2019 2. Approval of amended signature authority lists of the Company, the US subsidiary and the Shanghai subsidiary 3. Approval of transfer of Treasury Shares to executives

Meetings	Date (Taiwan Time)	Major Resolutions
Board Meeting	07/31/2019	<ol style="list-style-type: none"> 4. Approval of non-executives Restricted Stock Award grant 5. Approval of executives Restricted Stock Award grant 6. Approval of 2018 Director remuneration allocation and distribution 7. Approval of 2018 employee bonus distribution 8. Approval of 2018 cash dividend declaration and distribution 9. Approval of the default dividend frequency and no distribution of quarterly for the first two quarters of 2019 10. Approval of updated the 2019 management bonus program 11. Approval of repurchase and cancellation of restricted stock awards
Board Meeting	10/30/2019	<ol style="list-style-type: none"> 1. Election of the Chainman and the Vice Chairman 2. Approval of the appointment of the Compensation Committee members 3. Approval of reviewed consolidated financial reports of the Company for the third quarter ended September 30, 2019 4. Approval of non-executives Restricted Stock Award grant 5. Approval of no distribution of quarterly dividend for the quarters of 2019 6. Approval of repurchase and cancellation of restricted stock awards 7. Approval of the internal audit plan for FY2020 8. Approval of the appointment of a representative to the annual general meeting of Parade Technologies Ireland
Board Meeting	12/05/2019	<ol style="list-style-type: none"> 1. Approval and ratification of compensation committee actions 2. Approval of Company budget for fiscal year 2020 3. Approval of terms of audit engagement with PricewaterhouseCoopers for FY 2020 financial audit and FY 2020 internal control audit 4. Approval of terms of tax compliance services engagement with PricewaterhouseCoopers LLC (Hong Kong and Taipei) for FY 2020
Board Meeting	02/12/2020	<ol style="list-style-type: none"> 1. Approval of the distribution of 2019 management bonus 2. Approval of non-executives Restricted Stock Award grant 3. Approval of repurchase and cancellation of restricted stock awards 4. Approval of bank account opening with bank of America in Ireland 5. Approval of bank account opening with Allied Irish bank in Ireland 6. Approval of certain changes to the Company's memorandum and articles of association
Board Meeting	03/11/2020	<ol style="list-style-type: none"> 1. Approval of 2019 Draft Taiwan Branch Office Financial Reports 2. Approval of 2019 Draft Consolidated Financial Reports 3. Approval of Statement of Internal Control System 4. Approval of proposed date, location, and agenda of the 2020 Annual General Meeting of Members 5. Approval of shareholder's proposal right in connection with 2020 Annual General Meeting 6. Approval of 2019 Profit Distribution Proposal 7. Approval of the amendment to the rules and procedures of the Board Director Meeting 8. Approval of the amendment to the Charter of the Audit Committee of the Board Directors

Meetings	Date (Taiwan Time)	Major Resolutions
Board Meeting	03/11/2020	9. Approval of the amendment to the rules and procedures for the operation of the Audit Committee of the Board Directors 10. Approval of the amendment to the Charter of the Compensation Committee of the Board Directors 11. Approval of the amendment to the rules and procedures for the operation of the Compensation Committee of the Board Directors 12. Approval of formation of subsidiary in Cayman Islands
Board Meeting	04/23/2020	1. Approval of waiver of seven-day prior notice 2. Approval of the adoption of “Procedures for Acquisition or Disposal of Assets, “Procedures for Lending Funds to Other Parties” and “Procedures for Endorsement and Guarantee” 3. Approval of Project Florida
Board Meeting	04/29/2020	1. Approval of reviewed Consolidated Financial Report for the first quarter ended 3/31/2020 2. Approval of non-executives Restricted Stock Award grant 3. Approval of repurchase and cancellation of restricted stock awards 4. Approval of allocation of 2019 employees’ bonuses and Directors’ remuneration 5. Review and approval of the shareholder's proposal 6. Approval of 2019 business report 7. Approval of 2020 Employee Restricted Stock Awards Plan 8. Approval of back-up of 2020 Annual General Meeting of Members 9. Approval of No Distribution of Quarterly Dividend for the First Quarter of 2020 10. Approval of certain changes to the Company’s memorandum and articles of association 11. Adoption of Rules and Procedures Governing the Board Performance Evaluation

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

3.4.8 Summary of the internal control system

- (1) Internal Control Statement: Please refer to page 68.
- (2) The certified public accountants' review report on the Company’s internal control systems: Please refer to pages 69-70.
- (3) Any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None

3.5 Status of Personnel Responsible for Preparing Financial Reports

A summary of resignations and dismissals, during the most recent fiscal year and up to the date of printing of the annual report, of persons connected with the Company's financial reports:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Sr. Vice President of Worldwide Sales	Stephen M. Donovan	2011.05.23	2020.01.01	Retirement

3.6 Information Regarding Independent Auditors

3.6.1 Auditors information and audit fees

Audit firm	CPA		Service period	Note
Pricewaterhouse Coopers, Taiwan	Hsiao-Tzu Chou	Hua-Ling Liang	01/01/2019~12/31/2019	None

Unit: NTD in Thousands

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

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

Unit: NTD in Thousands

Audit firm	CPA	Audit fees	Non-Audit fees					Service period	Note
			System design	Registration	Human resources	Others	subtotal		
Pricewaterhouse Coopers, Taiwan	Hsiao-Tzu Chou Hua-Ling Liang	7,787	-	-	-	3,205	3,205	1/1/2019-12/31/2019	Non-audit fee – Others refer to Internal control audit 1,236 thousands; Other consulting 1,196 thousands and TP consulting 773 thousands

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

3.6.4 Audit fees reduced more than 10% year over year: None

3.6.5 Information on replacement of certified public accountant: None (Due to the internal rotation and adjustment of PwC, Ms. Hsiao-Tzu Chou substituted for Mr. Chung-Hsi Lai in 2019)

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

None

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

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

Unit: Shares

Title	Name	Year 2019		April 17, 2020	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman and CEO	Ji Zhao (Note 2)	(97,500)	0	(27,000)	0
Vice Chairman and President	Ming Qu	(179,500)	0	(136,000)	0
Director	Jackie Yang	0	0	0	0
Director	Hao Chen	0	0	0	0
Director	Darren Huang	0	0	0	0
Director	Cyrus Ying-Chun Tsui	0	0	0	0
Independent Director	Dennis Lynn Segers	(27,000)	0	(9,000)	0
Independent Director	Jen-Lin (Norman) Shen	0	0	0	0
Independent Director	Charlie Xiaoli Huang	0	0	0	0
Chief Financial Officer	Judy Wang	(14,700)	0	(27,000)	0
Sr. Vice President of Worldwide Sales	Stephen M. Donovan (Note 3)	(2,750)	0	0	0
Sr. Vice President of Worldwide Sales	Peter Oaklander	0		0	
Executive Vice President of Marketing	Jingwu Jimmy Chiu	(39,100)	0	(45,000)	0
Executive Vice President of Product Development	Ding Lu	(66,100)	0	(45,000)	0
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo	(12,000)	0	(8,000)	0
Sr. Vice President of Operations	Randy D. Baker	(10,000)	0	0	0
Sr. Vice President & General Counsel	Yun Hwa Chou	6,600	0	0	0
Vice President of Operation & General Manager of Parade (TW)	KP Yang	(4,325)	0	(7,000)	0

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

Note 2: Exclusive of the changes of the shares in trust account.

Note 3: Mr. Stephen M. Donovan retired on January 1, 2020.

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

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

4/17/2020; Unit: Shares; %

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Labor Pension Fund (The New Fund)	3,218,783	4.03%	0	0.00%	0	0.00%	None	None	None
Ji Zhao	2,859,430	3.58%	0	0.00%	0	0.00%	None	None	Inclusive of shares in trust account of 794,972 shares
Ming Qu	2,637,735	3.30%	0	0.00%	0	0.00%	None	None	None
Swedbank Robur Globalfond	2,400,000	3.00%	0	0.00%	0	0.00%	None	None	None
Fubon Life Insurance	1,984,000	2.48%	0	0.00%	0	0.00%	None	None	None
Fubon Life Insurance (Representative: Richard M. Tsai)	0	0.00%	0	0.00%	0	0.00%	None	None	None
Morgan Stanley & Co. International Plc	1,785,800	2.23%	0	0.00%	0	0.00%	None	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Schroder International Selection Fund Emerging Asia	1,770,000	2.21%	0	0.00%	0	0.00%	None	None	None
Labor Retirement Fund (The Old Fund)	1,401,784	1.75%	0	0.00%	0	0.00%	None	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,209,732	1.51%	0	0.00%	0	0.00%	None	None	None
Ding Lu	1,124,332	1.41%	0	0.00%	0	0.00%	None	None	None

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

Unit: Shares; %

Investment	Ownership by Parade		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Parade (US)	10,000	100%	-	-	10,000	100%
Parade (Korea)	10,000	100%	-	-	10,000	100%
Parade (Ireland)	1	100%	-	-	1	100%
Parade (SH)	-	100%	-	-	-	100%
Parade (NJ)	-	100%	-	-	-	100%

Parade Technologies, Ltd.

Statement of Internal Control System

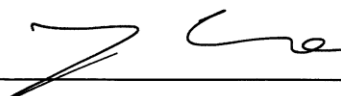
Date: March 11, 2020

Based on the findings of a self-assessment, Parade Technologies, Ltd. (herein below, the “Parade”) states the following with regard to its internal control system for the period of year 2019:

1. Parade is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. Parade has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of asset security), (2) the reporting should compliance with related regulations and with reliability, timeliness and transparency, and (3) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of Parade contains self-monitoring mechanisms, and Parade takes corrective actions whenever a deficiency is identified.
3. Parade evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Parade has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Parade believes that, at December 31, 2019, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, the reporting should compliance with related regulations and with reliability, timeliness and transparency, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of Parade’s Annual Report for the year 2019 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 11, 2020, with zero of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Parade Technologies, Ltd.

Ji Zhao,



Chairman & CEO

Parade Technologies Ltd.
Report of Independent Accountants on Internal Controls

We have audited management’s assessment, included in the accompanying Management’s Report on Internal Controls Over external financial reporting and assets safeguard, dated March 11, 2020, that Parade Technologies Ltd. (the “Company”) maintained effective internal controls over financial reporting and assets safeguard as of and for the year ended December 31, 2019. The Company’s management is responsible for maintaining effective internal controls over financial reporting and assets safeguard and for its assessment of the effectiveness of internal controls over financial reporting and assets safeguard. Our responsibility is to express an opinion on management’s assessment and an opinion on the effectiveness of the Company’s internal controls over financial reporting and assets safeguard based on our audit.

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

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

In our opinion, the Company maintained, in all material respects, effective internal controls over external financial reporting and assets safeguard as of and for the year ended December 31, 2019, based on the criteria of effective internal controls set forth in the “Regulations Governing Establishment of Internal Control Systems by Public Companies”. Also, in our opinion, management’s assessment that the Company maintained effective internal controls over external financial reporting and assets safeguard as of and for the year ended December 31, 2019, is fairly stated, in all material respects, based on the criteria of effective internal controls set forth in the “Regulations Governing Establishment of Internal Control Systems by Public Companies”.

Hsiao-Tzu Chou

Liang, Hua-Ling

for and on behalf of PricewaterhouseCoopers, Taiwan

March 11, 2020

For the convenience of readers and for information purpose only, the report of independent accountants on internal controls 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 report of independent accountants on internal controls shall prevail.

IV. Capital and Shares

4.1 Capital and Shares

4.1.1 Types of Shares

4/17/2020; Unit: Shares

Types of Shares	Authorized Share Amount				Remarks
	Outstanding Shares	Unissued Shares	Treasury Shares	Total	
Common Stock	79,707,637	70,037,063	255,300	150,000,000	None

4.1.2 Issued Shares

(1) Share capital formation:

Unit: Shares; Dollar

Date	Par Value	Authorized Shares		Actual Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Using assets other than cash as collateral for the payment of Shares	Others
2019/01/31	NTD 10	150,000,000	1,500,000,000	79,115,926	791,159,260	Conversion of options into new shares 101,246 common shares	None	None
2019/02/28	NTD 10	150,000,000	1,500,000,000	79,131,265	791,312,650	Conversion of options into new shares 15,339 common shares	None	None
2019/03/08	NTD 10	150,000,000	1,500,000,000	79,137,165	791,371,650	Issuance of RSAs into new shares 5,900 common shares	None	None
2019/03/25	NTD 10	150,000,000	1,500,000,000	79,115,095	791,150,950	Cancellation of RSAs 22,070 common shares	None	None
2019/03/31	NTD 10	150,000,000	1,500,000,000	79,129,936	791,299,360	Conversion of options into new shares 14,841 common shares	None	None
2019/05/02	NTD 10	150,000,000	1,500,000,000	79,130,391	791,303,910	Conversion of options into new shares 455 common shares	None	None
2019/05/22	NTD 10	150,000,000	1,500,000,000	79,230,791	792,307,910	Issuance of RSAs into new shares 100,400 common shares	None	None
2019/05/29	NTD 10	150,000,000	1,500,000,000	79,214,446	792,144,460	Cancellation of RSAs 16,345 common shares	None	None
2019/07/31	NTD 10	150,000,000	1,500,000,000	79,233,728	792,337,280	Conversion of options into new shares 19,282 common shares	None	None
2019/08/20	NTD 10	150,000,000	1,500,000,000	79,915,778	799,157,780	Issuance of RSAs into new shares 682,050 common shares	None	None
2019/08/31	NTD 10	150,000,000	1,500,000,000	79,930,858	799,308,580	Conversion of options into new shares 15,080 common shares	None	None
2019/09/05	NTD 10	150,000,000	1,500,000,000	79,920,783	799,207,830	Cancellation of RSAs 10,075 common shares	None	None

Date	Par Value	Authorized Shares		Actual Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Using assets other than cash as collateral for the payment of Shares	Others
2019/09/30	NTD 10	150,000,000	1,500,000,000	79,922,233	799,222,330	Conversion of options into new shares 1,450 common shares	None	None
2019/10/31	NTD 10	150,000,000	1,500,000,000	79,929,380	799,293,800	Conversion of options into new shares 7,147 common shares	None	None
2019/11/19	NTD 10	150,000,000	1,500,000,000	79,943,680	799,436,800	Issuance of RSAs into new shares 14,300 common shares	None	None
2019/11/22	NTD 10	150,000,000	1,500,000,000	79,916,030	799,160,300	Cancellation of RSAs 27,650 common shares	None	None
2019/11/30	NTD 10	150,000,000	1,500,000,000	79,918,030	799,180,300	Conversion of options into new shares 2,000 common shares	None	None
2019/12/31	NTD 10	150,000,000	1,500,000,000	79,920,452	799,204,520	Conversion of options into new shares 2,422 common shares	None	None
2020/01/31	NTD 10	150,000,000	1,500,000,000	79,960,927	799,609,270	Conversion of options into new shares 40,475 common shares	None	None
2020/02/29	NTD 10	150,000,000	1,500,000,000	79,974,521	799,745,210	Conversion of options into new shares 13,594 common shares	None	None
2020/03/04	NTD 10	150,000,000	1,500,000,000	79,983,721	799,837,210	Issuance of RSAs into new shares 9,200 common shares	None	None
2020/03/30	NTD 10	150,000,000	1,500,000,000	79,936,371	799,363,710	Cancellation of RSAs 47,350 common shares	None	None
2020/03/31	NTD 10	150,000,000	1,500,000,000	79,961,062	799,610,620	Conversion of options into new shares 24,691 common shares	None	None
2020/05/04	NTD 10	150,000,000	1,500,000,000	79,962,937	799,629,370	Conversion of options into new shares 1,875 common shares	None	Note 1 Note2

Note 1: Until the date of the annual report printed, the Company repurchased 250,000 shares of treasury stocks, and no shares were transferred to employees.

Note 2: Until the date of the annual report printed, the Company has repurchased 5,300 shares of restricted stock awards and will cancel 5,300 shares in May 2020.

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

4.1.3 Status of recent dispersal of shareholding

(1) Composition of Shareholders

4/17/2020; Unit: Persons/Shares

Shareholder Composition	Government Agencies	Financial Institutions	Other Institutional Investors	Natural Persons	Foreign Institutions and Foreign Persons	Treasury Shares	Total
Number of Shareholders	0	23	180	1,990	427	1	2,621
Shares Held	0	4,897,487	13,628,822	8,414,312	52,767,016	255,300	79,962,937
Shareholding Percentage	0.00%	6.12%	17.04%	10.52%	66.00%	0.32%	100.00%
Total of capital investments from PRC: 1,442,804 shares, percentage of shareholding: 1.80%							

(2) Distribution Profile of Share Ownership

Par Value for each share: NT\$10; 4/17/2020; Unit: Persons/Shares

Shareholder Ownership (Unit: Shares)	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	475	58,302	0.07%
1,000 to 5,000	1,434	2,495,149	3.12%
5,001 to 10,000	158	1,234,327	1.54%
10,001 to 15,000	82	1,040,000	1.30%
15,001 to 20,000	57	1,032,516	1.29%
20,001 to 30,000	79	2,030,393	2.54%
30,001 to 40,000	44	1,585,037	1.98%
40,001 to 50,000	39	1,784,518	2.23%
50,001 to 100,000	88	6,456,928	8.07%
100,001 to 200,000	78	11,394,232	14.25%
200,001 to 400,000	48	13,742,017	17.19%
400,001 to 600,000	15	6,964,330	8.71%
600,001 to 800,000	8	5,362,945	6.71%
800,001 to 1,000,000	5	4,676,829	5.85%
Exceed 1,000,001 shares	11	20,105,414	25.15%
Total	2,621	79,962,937	100.00%

(3) Major Shareholders:

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

4/17/2020

Name of Shareholders	Shares	Shares Held	Percentage of Shareholding
Labor Pension Fund (The New Fund)		3,218,783	4.03%
Ji Zhao (Note)		2,859,430	3.58%
Ming Qu		2,637,735	3.30%
Swedbank Robur Globalfond		2,400,000	3.00%
Fubon Life Insurance		1,984,000	2.48%
Morgan Stanley & Co. International Plc		1,785,800	2.23%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Schroder International Selection Fund Emerging Asia		1,770,000	2.21%
Labor Retirement Fund (The Old Fund)		1,401,784	1.75%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		1,209,732	1.51%
Ding Lu		1,124,332	1.41%

Note: 794,972 of shares are included in trust account

Directors' shares in trust account:

Title	Name	Trustee	Shares in Trust	% of outstanding shares
Chairman	Ji Zhao	The ZG Grantor Retain Annuity Trust	794,972	0.99

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

Unit: NTD; Shares in thousands

Item		Year 2018	Year 2019	1/1/2020 ~ 5/4/2020 (Note 5)	
Market Price Per Share	Highest	640	645	775	
	Lowest	364.5	431.5	524	
	Average	492.82	539.9	666.62	
Net Value Per Share	Before Distribution	123.82	141.33	130.62	
	After Distribution	111.33	126.06 (Note 4)	Note 4	
Basic Earnings Per Share	Weighted-Average Number of Shares	76,722	77,171	77,872	
	Earnings Per Share	25.67	31.54	8.00	
Diluted Earnings Per Share	Weighted-Average Number of Shares	79,859	79,309	79,965	
	Earnings Per Share	24.66	30.69	7.79	
Dividend Per Share	Cash Dividends	12.31044592	15.23 (Note 4)	—	
	Free Gratis Dividends	Retained Earnings Dividend	0	0	—
		Capital Surplus Dividend	0	0	—
	Accumulated Undistributed Dividends	0	0	—	
Rate of Return Analysis	Price/Earnings Ratio (Note 1)	19.95	17.49 (Note 4)	—	
	Price/Dividend Ratio (Note 2)	39.97	35.24 (Note 4)	—	
	Cash Dividend Yield (Note 3)	2.50%	2.84% (Note 4)	—	

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

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

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

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

Note 4: The cash dividend distribution will be resolved in the Annual General Meeting of Members on June 15, 2020.

Note 5: Net Value per share and Earnings per share data were based on the reviewed consolidated financial statements, and market price per share data was based on the data as of the printed date of 2019 Annual Report.

4.1.5 Company dividend policy and implementation status

(1) Company dividend policy

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

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

The Board adopted a proposal for 2019 profit distribution at its Meeting on March 11, 2020. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders’ Meeting on June 15, 2020.

	Unit: New Taiwan Dollar
Cash Dividends per common stock (NTD 15.23 per share)	1,216,886,608

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

According to Order No. 00371 announced by Securities and Futures Committee (“SFC”), dated February 1, 2000, it is not required to disclose the information that the Company does not compile or announce the 2020 financial forecast.

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

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

Unless otherwise provided in the Applicable Public Company Rules, where the Company makes profits before tax for the annual financial year, the Company shall appropriate (i) no less than [5%] of such annual profits before tax as employee bonus (the "Employee Bonus"), which shall be distributed in accordance with the incentive programme approved pursuant to Article 9 and may be distributed to employees of the Company and/or the employees of its Subsidiaries and (ii) a maximum of 2% additional Directors' remunerations. Notwithstanding the foregoing paragraph, if the Company has accumulated losses of the previous years, the Company shall set aside the amount of such accumulated losses prior to the allocation of the Employee Bonus and the above additional Directors' remunerations. Subject always to the laws of Cayman Islands, the Employee Bonus may be distributed in the form of cash and/or shares, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. For the avoidance of doubt, for the purpose of calculation of the above Employee Bonus and the additional Directors' remunerations, such "annual profits before tax" shall be without giving effect of the deduction and distribution of such Employee Bonus and the additional Directors' remunerations. The resolutions of Board of Directors regarding the distribution of the Employee Bonus in the preceding sentence shall be reported to the Members at the general meeting after such Board resolutions are passed.

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

The company estimates the amounts of employees' compensation and Directors' remuneration based on the distributable profit of current year for the year ended December 31, 2019, and the percentage of previous year payment. If the amount approved by Annual General Meeting of Members differs from the original estimation, the adjustment will be regarded as a change in accounting estimation and will be reflected in the statement of income in the year that the shareholder's Annual General Meeting is held.

(3) Information on any approval by the Board of Directors of distribution of compensation:

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

Unit: NTD

Items	Proposed by the Board of Directors		% of employees' stock bonus to net income	Diluted earning per share after estimating the employees' compensation and Directors' remuneration
	Cash	Shares		
Employees' compensation	162,768,839	-	-	30.69
Directors' remuneration	54,661,549	-	-	

The accrued employees' compensation and Directors' remuneration of 2019 are NT\$162,768,839 and NT\$54,661,549, respectively. There is no difference between the resolution and the expenses recognized in 2019.

- ② The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable because the Company does not distribute any employee compensation in stocks.

(4) The actual distribution of employee, Director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, Director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The employees' compensation of NTD 138,953,825 and Directors' remuneration of NTD 42,755,023 for 2018 as resolved at the meeting of Board of Directors on July 31, 2019 were in agreement with those amounts recognized in the 2018 consolidated financial statements. All of them have been executed.

4.1.8 Status of company buyback of corporate stocks:

The results of the 2018-2 Share Repurchase Plan are as below:

5/4/2020

Series	the second repurchase in year 2018
Board resolution date	10/12/2018 (Taiwan Time)
Purpose of repurchase	Transferring to the employees
The set repurchase period	Between 10/12/2018 and 12/11/2018
The actual repurchase period	Between 10/17/2018 and 10/25/2018
The set repurchase price range (Share)	NT\$282.50 to NT\$677.00
The actual repurchase price range (Share)	NT\$395.00 to NT\$411.00
Average price per share of repurchased shares	NT\$406.90
The set maximum repurchase shares	500,000 common stocks
Accumulated number of shares already repurchased	500,000 common stocks
Value spent on the repurchase	NT\$203,450,340
Accumulated number of shares already repurchased to the set maximum repurchase shares (%)	100
Number of shares transferring to the employees	250,000 shares
Accumulated number of shares already repurchased	250,000 shares
Accumulated percentage of repurchased shares to total number of shares issued (%)	0.31%

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

None

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

None

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

Items		Description	
Issuing Date		7/24/2012	
Issuance & Listing		Luxembourg Stock Exchange	
Total Amount (US\$)		58,620,160	
Offering Price Per GDR (US\$)		11.17	
Units Issued		5,252,000 units (Note)	
Underlying Securities		Outstanding Common Shares from Selling Shareholders	
Common Shares Represented		5,252,000 common stocks (Note)	
Rights & Obligations of GDR Holders		Follow the Prospectus	
Trustee		Not Applicable	
Depositary Bank		The Bank of New York Mellon	
Custodian Bank		Mega International Commercial Bank	
GDRs Outstanding		0 units	
Apportionment of Expenses for Issuance & Maintenance		Follow the agreement of Depositary Bank and Custodian Bank.	
Terms and Conditions in the Deposit Agreement & Custody Agreement		According to the agreement, the Company will provide the necessary public information to Depositary Bank, and Depositary Bank will inform the GDR Holders.	
Closing Price Per GDR (US\$)	2019	High	20.60
		Low	14.30
		Average	17.32
	1/1/2020~4/30/2020	High	25.66
		Low	17.28
		Average	21.92

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

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

4.5.1 Employee Stock Options:

5/4/2020

Types of Employee Stock Option Plan	2006 Employee Stock Option Plan	2012 Employee Stock Option Plan
Approval Date by The Securities and Futures Bureau	Not Applicable	4/6/2012
Issue (Grant) Date	Note 1	7/26/2012
Option Duration	The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.	The Options will expire at the end of the tenth year from the date of grant thereof (the "Term"). During the Term, the Option may not be transferred, pledged, donated or otherwise disposed of, except by inheritance.
Number of Options Granted	11,696,052	940,000
Percentage of Shares Exercisable to Outstanding Common Shares	14.63%	1.18%
Option Duration	Any Option granted hereunder shall be exercisable according to the specific contents hereof at such times and under such conditions as determined by the Administrator, and the Options shall exercise before expiration of such period.	The Options shall become exercisable for 50% of Options that can be vested after 2 years of the Grant Date, and 25% of Options are exercisable after each further year.
Source of Option Shares	Issue new shares	Issue new shares
Vesting Schedule and %	Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. An Option may not be exercised for a fraction of a Share. Except in the case of Options granted to officers, Directors and Consultants, Options shall become exercisable at a rate of no less than 20% per year over five (5) years from the date the Options are granted.	The Options shall become exercisable for 50% of Options that can be vested after 2 years of the Grant Date, and 25% of Options are exercisable after each further year.
Shares Exercised	11,554,292	454,150
Value of Shares Exercised	USD3,846,593.30	NTD104,924,522

Types of Employee Stock Option Plan	2006 Employee Stock Option Plan	2012 Employee Stock Option Plan
Canceled Shares	73,044	69,375
Unexercised Shares	68,716	416,475
Price of Unexercised Shares	<p>US\$1.22-US\$2.01 (according to Article 9 of the Company's 2006 Stock Plan, the per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:</p> <ol style="list-style-type: none"> 1. In the case of an Incentive Stock Option: <ol style="list-style-type: none"> (1) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant. (2) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant. 2. In the case of a Nonstatutory Stock Option: <ol style="list-style-type: none"> (1) granted to a Service Provider who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant. (2) granted to any other Service Provider, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant. 	NTD 215.0
Percentage of Shares Unexercised to Outstanding Common Shares	0.09%	0.52%
Impact to Shareholders' Equity	Financial statements are reported in accordance with GAAP. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 1.18% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.

Note 1: Historical issuance dates and numbers:

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

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

5/4/2020; Unit: shares; NTD Thousands

	Title	Name	Shares granted	% of granted shares to total issued shares	Shares exercised				Unexercised Shares (Note 1)			
					Shares	Exercised price per share (NTD)	Total exercised amount	% of shares exercised to total issued shares	Shares	Exercised price per share (NTD)	Total exercised amount	% of unexercised shares to total issued shares
Managements	Chief Executive Officer	Ji Zhao	1,217,250	1.52%	844,500	18.13~240	36,562	1.06%	339,750	37.71~215	72,115	0.42%
	President	Ming Qu										
	Chief Financial Officer	Judy Wang										
	Executive Vice President of Marketing	Jingwu Jimmy Chiu										
	Executive Vice President of Product Development	Ding Lu										
	Sr. Vice President of Worldwide Sales	Stephen M. Donovan (Note 2)										
	Vice President of Operation & General Manager of Parade (TW)	KP Yang										
Employees	Employee	Alan Yuen	663,968	0.83%	595,218	4.00~240	20,604	0.74%	68,750	37.71~215	10,514	0.09%
	Employee	BaoQuan Xu										
	Employee	Craig R. Wiley										
	Employee	Hyeog-Sang Shin										
	Employee	Jian Jiang										
	Employee	Jian Wang										
	Employee	Kwong Yuen Chung										
	Employee	Jian-Jin										
	Employee	Xin Jin										
	Employee	Yi-Ying Kuo										

Note 1: Price of unexercised shares is converted by adopting foreign exchange rate of US\$1=NT\$30.91

Note 2: Mr. Stephen M. Donovan retired on January 1, 2020.

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

4.5.4 Employee Restricted Stock Awards Plan:

5/4/2020

Types of Employee Restricted Stock Awards Plan	2015 Employee Restricted Stock Awards Plan	2016 Employee Restricted Stock Awards Plan
Approval Date by The Securities and Futures Bureau	7/15/2015	7/12/2016
Grant Date	7/29/2015	7/27/2016
New Shares Issuance Date	8/21/2015	8/18/2016
Issued Shares of Employee Restricted Stock Awards	400,000 shares	1,150,000 shares
Issue Price (NTD)	0	0
Percentage of Issued Shares to Outstanding Common Shares	0.50%	1.44%
Regulations for setting the terms and conditions of restricted stocks for employees	<p>The RSAs will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date the RSAs are granted to the grantee employee who continuously serves the Company to each corresponding anniversary.</p>	<p>(1) Non-management employees The RSAs granted to non-management employees will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date the RSAs are granted to the grantee non-management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(2) Management employees The RSAs granted to management employees will be vested at the equal rate of 25% per year over four (4) years from May 1, 2016. Each 25% will be vested on the anniversary of May 1, 2016 (i.e. April 30 of each year of 2017 to 2020) to the grantee management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>The chairman shall propose and submit the respective list of non-management employee and management employees to the Board of Directors of the Company for the approval and, in the case of any employee who serves as Director and/or officer, to the compensation committee of the Company for review and recommendation and then to the Board of Directors of the Company for final approval.</p>

Types of Employee Restricted Stock Awards Plan	2015 Employee Restricted Stock Awards Plan	2016 Employee Restricted Stock Awards Plan
Restrictions before the vesting conditions are fully satisfied	(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner. (2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).	
Custody of RSA Shares	In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.	
Effect in the event of any non-satisfaction of vesting conditions	If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.	
Cancellation RSA Shares	33,200 shares	108,425 shares
Vested RSA Shares	366,800 shares	929,825 shares
Unvested RSA Shares	0 shares	111,750 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares	0.00%	0.14%
Impact to Shareholders' Equity	Numbers of granted shares are only 0.50% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 1.44% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.

Types of Employee Restricted Stock Awards Plan	2017 Employee Restricted Stock Awards Plan				
Approval Date by The Securities and Futures Bureau	7/12/2017				
Grant Date	8/1/2017	12/8/2017	2/7/2018	4/26/2018	6/28/2018
New Shares Issuance Date	8/24/2017	12/28/2017	3/9/2018	5/18/2018	7/11/2018
Issued Shares of Employee Restricted Stock Awards	895,970 shares	14,900 shares	7,000 shares	5,000 shares	77,130 shares
Issue Price (NTD)	0	0	0	0	0
Percentage of Issued Shares to Outstanding Common Shares	1.12%	0.02%	0.01%	0.01%	0.10%
Regulations for setting the terms and conditions of restricted stocks for employees	<p>(1) Non-management employees</p> <p>(a) existing non-management employees: The RSAs granted to non-management employees who are not the new hired non-management employees (defined below) will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date of RSAs are granted to the grantee non-management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(b) new hired non-management employees: The RSAs granted to non-management employees whose on-board date is later than the date of the board meeting held in July of 2017 (the “new hired non-management employee”) will be vested at the equal rate of 25% per year over four (4) years from the on-board date. Each 25% will be vested on the anniversary of the on-board date to the grantee new hired non-management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(2) Management employees</p> <p>(a) existing management employees: The RSAs granted to management employees who are not the new hired management employees (defined below) will be vested at the equal rate of 25% per year over four (4) years from May 1, 2017. Each 25% will be vested on the anniversary of May 1, 2017 (i.e. April 30 of each year of 2018 to 2021) to the grantee management employee provide that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(b) new hired management employees: The RSAs granted to management employees whose on-board date is later than May 1, 2017 (the “new hired management employee”) will be vested at the equal rate of 25% per year over four (4) years from the on-board date. Each 25% will be vested on the anniversary of the on-board date to the grantee new hired management employee provide that such employee continuously serves the Company to each corresponding anniversary.</p> <p>The chairman shall propose and submit the respective list of non-management employee and management employees to the Board of Directors of the Company for the approval and, in the case of any employee who serves as Director and/or officer, to the compensation committee of the Company for review and recommendation and then to the Board of Directors of the Company for final approval.</p>				

Types of Employee Restricted Stock Awards Plan	2017 Employee Restricted Stock Awards Plan				
Restrictions before the vesting conditions are fully satisfied	(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner. (2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).				
Custody of RSA Shares	In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company’s instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.				
Effect in the event of any non-satisfaction of vesting conditions	If the vesting conditions are not fully satisfied, or in the event the employee’s employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.				
Cancellation RSA Shares	59,100 shares	1,650 shares	6,250 shares	1,500 shares	8,250 shares
Vested RSA Shares	536,320 shares	6,700 shares	750 shares	1,750 shares	18,632 shares
Unvested RSA Shares	300,550 shares	6,550 shares	0 share	1,750 shares	50,248 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares	0.38%	0.01%	0.00%	0.00%	0.06%
Impact to Shareholders’ Equity	Numbers of granted shares are only 1.12% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.	Numbers of granted shares are only 0.02% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.	Numbers of granted shares are only 0.10% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.

Types of Employee Restricted Stock Awards Plan	2018 Employee Restricted Stock Awards Plan			
Approval Date by The Securities and Futures Bureau	7/12/2018			
Grant Date	8/1/2018	10/31/2018	2/13/2019	4/30/2019
New Shares Issuance Date	8/22/2018	11/21/2018	3/8/2019	5/22/2019
Issued Shares of Employee Restricted Stock Awards	489,900 shares	3,800 shares	5,900 shares	100,400 shares
Issue Price (NTD)	0	0	0	0
Percentage of Issued Shares to Outstanding Common Shares	0.61%	0.00%	0.01%	0.13%
Regulations for setting the terms and conditions of restricted stocks for employees	<p>(1) Non-management employees</p> <p>(a) existing non-management employees: The RSAs granted to non-management employees who are not the new hired non-management employees (defined below) will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date of RSAs are granted to the grantee non-management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(b) new hired non-management employees: The RSAs granted to non-management employees whose on-board date is later than the date of the board meeting held on US Daylight Saving Time July 31, 2018 (the “new hired non-management employee”) will be vested at the equal rate of 25% per year over four (4) years from the board grant date. Each 25% will be vested on the anniversary of such board grant date to the grantee new hired non-management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(2) Management employees</p> <p>(a) existing management employees: The RSAs granted to management employees who are not the new hired management employees (defined below) will be vested at the equal rate of 25% per year over four (4) years from May 1, 2018. Each 25% will be vested on the anniversary of May 1, 2018 (i.e. April 30 of each year of 2019 to 2022) to the grantee management employee provide that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(b) new hired management employees: The RSAs granted to management employees whose on-board date is later than May 1, 2018 (the “new hired management employee”) will be vested at the equal rate of 25% per year over four (4) years from the board grant date. Each 25% will be vested on the anniversary of such board grant date to the grantee management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>The chairman shall propose and submit the respective list of non-management employee and management employees to the Board of Directors of the Company for the approval and, in the case of any employee who serves as Director and/or officer, to the compensation committee of the Company for review and recommendation and then to the Board of Directors of the Company for final approval.</p>			

Types of Employee Restricted Stock Awards Plan	2018 Employee Restricted Stock Awards Plan			
Restrictions before the vesting conditions are fully satisfied	(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner. (2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).			
Custody of RSA Shares	In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company’s instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.			
Effect in the event of any non-satisfaction of vesting conditions	If the vesting conditions are not fully satisfied, or in the event the employee’s employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.			
Cancellation RSA Shares	35,250 shares	0 share	1,200 share	2,600 share
Vested RSA Shares	169,775 shares	950 share	1,175 share	24,449 share
Unvested RSA Shares	284,875 shares	2,850 shares	3,525 shares	73,351 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares	0.36%	0.00%	0.00%	0.09%
Impact to Shareholders’ Equity	Numbers of granted shares are only 0.61% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.	Numbers of granted shares are only 0.00% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.	Numbers of granted shares are only 0.13% of total issued shares of outstanding common shares. The impact to shareholders’ equity will be gradually diluted.

Types of Employee Restricted Stock Awards Plan	2019 Employee Restricted Stock Awards Plan			
Approval Date by The Securities and Futures Bureau	7/12/2019			
Grant Date	7/31/2019	10/30/2019	2/12/2020	4/29/2020
New Shares Issuance Date	8/20/2019	11/19/2019	3/4/2020	Not yet
Issued Shares of Employee Restricted Stock Awards	682,050 shares	14,300 shares	9,200 shares	44,450 shares
Issue Price (NTD)	0	0	0	0
Percentage of Issued Shares to Outstanding Common Shares	0.85%	0.02%	0.01%	0.06%
Regulations for setting the terms and conditions of restricted stocks for employees	<p>The RSAs granted hereunder will be vested at the equal rate of 25% per year over four (4) years from the RSA vesting commencement date. Each 25% will be vested on the anniversary of the RSA vesting commencement date provided that such grantee employee continuously serves the Company or the subsidiary wholly owned by the Company to each corresponding anniversary.</p> <p>The chairman shall propose and submit the respective RSA vesting commencement date to the Board of Directors of the Company for the approval. The RSA vesting commencement date is not required to be the date when the RSA is granted, the date when the Board of Directors approves such grant, or the date when the grantee employee was on board.</p>			
Restrictions before the vesting conditions are fully satisfied	<p>(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner.</p> <p>(2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).</p>			
Custody of RSA Shares	<p>In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.</p>			
Effect in the event of any non-satisfaction of vesting conditions	<p>If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.</p>			
Cancellation RSA Shares	20,600 shares	0 share	0 share	0 share
Vested RSA Shares	95,250 shares	0 share	0 share	0 share
Unvested RSA Shares	566,200 shares	14,300 shares	9,200 shares	44,450 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares	0.71%	0.02%	0.01%	0.06%

Types of Employee Restricted Stock Awards Plan	2019 Employee Restricted Stock Awards Plan			
Impact to Shareholders' Equity	Numbers of granted shares are only 0.85% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.02% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.06% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.

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

5/4/2020; Unit: shares; NTD Thousands

	Title	Name	Shares obtained	% of obtained shares to total issued shares	Shares Vested				Unvested Shares			
					Shares	Issued price per share (NTD)	Total issued amount	% of shares vested to total issued shares	Shares	Issued price per share (NTD)	Total issued amount	% of unvested shares to total issued shares
Managements	Chief Executive Officer	Ji Zhao	1,681,000	2.10%	1,117,000	0	0	1.40%	521,250	0	0	0.65%
	President	Ming Qu										
	Chief Financial Officer	Judy Wang										
	Executive Vice President of Marketing	Jingwu Jimmy Chiu										
	Executive Vice President of Product Development	Ding Lu										
	Sr. Vice President of Worldwide Sales	Stephen M. Donovan (Note 1)										
	Sr. Vice President of Worldwide Sales	Peter Oaklander										
	Sr. Vice President of TrueTouch Business	Joseph D. Montalbo										
	Sr. Vice President of Operations	Randy D. Baker										
	Sr. Vice President & General Counsel	Yun Hwa Chou										
	Vice President of Operation & General Manager of Parade (TW)	KP Yang										
Employees	Employee	Yong-Nien Rao	254,300	0.32%	201,900	0	0	0.25%	52,400	0	0	0.07%
	Employee	Ney Christensen										
	Employee	Kany-Jen Liu										
	Employee	Yung-Hsiang Yen										
	Employee	Jian Chen										
	Employee	Kuowei Wu										
	Employee	Xiang Chen										
	Employee	Kwong Yuen Chung										
	Employee	You-Ben Yin										
	Employee	Jian Wang										

Note 1: Mr. Stephen M. Donovan retired on January 1, 2020.

4.6 Status of mergers and acquisitions

Parade held its press conference at Taipei Exchange on April 23, 2020 Taipei time. Parade Technologies Ltd. and its subsidiary, Pinchot Ltd., entered into the Agreement and Plan of Merger with Fresco Logic Inc. and Chih-Hung Investment Corporation, in its capacity as the holder representative, under which Parade's subsidiary, Pinchot Ltd., will merge Fresco Logic, Inc. for an aggregate consideration of US\$37.5 million in cash. The acquisition of Fresco Logic, Inc. will speed up Parade's roadmap development and execution in USB4 product line and beyond to provide cutting-edge high-speed products to our customers. The transaction is expected to close in the second quarter of 2020. The actual closing is subject to the completion of the closing conditions. As of the printing date of the 2019 annual report, this merge has not been completed.

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

None

4.8 Status of implementation of fund utilization plan

The solicitation of funds through stock offering or private placements of stock or plans have been accomplished for the preceding quarter to the date of the 2019 annual report printed.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1) Main Content of Business

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

(2) Summary of product revenue and percentage of sales

Unit: NTD in Thousands; %

Products	2019	
	Amount	Percentage (%)
DisplayPort Series	5,600,412	47.42
High-Speed Interface Solutions	4,235,181	35.86
Source Drivers	1,288,854	10.91
TrueTouch	686,145	5.81
Total	11,810,592	100.00

(3) Current Main Product Lines

1. Display Solutions

A. Embedded DisplayPort (eDP) Timing Controllers

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

B. DisplayPort LCD Timing Controllers

C. eDP Timing Controller with Embedded source Driver (TED) for Notebook

D. DisplayPort Format Converters

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

E. DisplayPort Transmitters and Receivers

F. Scaler with DisplayPort and HDMI inputs

2. High-Speed Interface Solutions

A. DisplayPort

- a. DisplayPort Repeater & Switch Products

- b. DisplayPort to HDMI/DVI Level Translator
 - B.SATA
 - a. SATA Gen 3.0 Repeaters
 - C.PCIe/SATA
 - a. PCIe/SATA Gen 3.0 combo Repeaters
 - b. PCIe Gen 3.0 Repeaters
 - c. PCIe Gen 4.0 Retimers
 - D.HDMI
 - a. HDMI Switch Products
 - b. HDMI 2.0 & 2.1 Jitter Cleaning Products
 - E.USB
 - a. USB 3.0 5G Repeaters/Redrivers
 - b. USB 3.1 10G Retimers
 - F.USB Type-C
 - a. USB 3.0 Type-C mux with DP alternate mode redriver
 - b. USB 3.1 Type-C retimer with DP alternate mode redriver
 - c. USB 3.1 Type-C retimer with DP alternate mode
- 3. Source Drivers
 - A.Scalable Intra Panel Interface (SIPI™) Source Drivers with features such as
 - a. 1026, 1152, 1446, 1452, or 1926 channels
 - b. 18/24-bit per pixel, data rate up to 2.2 Gbps, COG or COF
 - c. Programming Gamma
 - d. Full, half AVDD (Analog VDD), positive/negative AVDD
 - e. Supports 1:1 mux for a-Si panel and 1:2 or 1:3 mux for LTPS/Oxide panel
 - B.Integrated-Stream Protocol (iSP) Source Driver
- 4. TrueTouch & Touch and Display Driver Integration (TDDI)
 - A.TrueTouch Controllers
 - a. Single touch, two-finger touch and muti-touch for screen size from 1.5~10.1”
 - b. Passive stylus, wet finger tracking, water proofing
 - c. Charger noise immunity
 - B.Touch and Display Driver Integration (TDDI)
 - a. None interleave or interleave touch sensors
 - b. 1:3 or 1:6 mux on display driver
 - c. HD+ or FHD+ display resolution
- (4) Prospective New Products Development
 - 1. DisplayPort Based Solutions
 - A.Advanced eDP 1.4b timing controllers for higher resolutions, refresh rates & HDR
 - B.Advanced eDP timing controllers for OLED notebook panels

- C. Display Port to HDMI 2.1 Converter
- 2. High-Speed Interface Solutions
 - A. USB
 - a. USB 3.2 Jitter clean repeaters
 - b. Next Generation USB Type-C Switches
 - c. USB 4.0 retimers
 - B. DisplayPort
 - a. Next Generation DisplayPort repeaters
 - b. Next Generation DisplayPort switches
 - c. DisplayPort hub controllers
 - C. PCIe
 - a. Next Generation PCIe Retimers
- 3. Source Drivers
 - A. Source drivers with SIPI 2.0 (Scalable Intra Panel Interface) protocol and integrated with touch AFE channels
 - B. Next Generation eDP Tcon with Embedded source Driver (TED)
 - C. Touch and Tcon Embedded source Driver (tTED) for tablet or notebook panels
- 4. TrueTouch Controllers
 - A. Single touch, two-finger touch and multi-touch
 - B. Charger noise immunity
 - C. Water proofing/wet finger tracking/ stylus passive
 - D. Touch & Display Driver Integration (TDDI) with MIPI DSI interface
 - E. Source drivers with SIPI 2.0 protocol and integrated touch AFE channels
 - F. Touch and Tcon Embedded source Driver (tTED) for tablet or notebook panels

5.1.2 Industry Overview

(1) Current Markets

Parade is focusing on the mobile computing market, which includes notebooks, personal computers, tablets, and smartphones. Parade is also entering the server & datacenter markets with PCIe repeater & retimer products. There are four major market trends presenting significant challenges to many existing system and component suppliers. First, demand for ever-increasing bandwidth across digital interfaces used for video and/or data connectivity is placing new challenges on interface chip designs and driving the requirement for signal repeaters. Second, demand for higher display resolution and higher display refresh rate drives requirements for higher performance and better functionality in display controller and source driver chips used in LCD panels, which, in turn, drives a need for new architectures, higher integration, and new process technology into the display silicon chip market. The third challenge is the demand for increasing

system computation performance and greatly reduced power consumption, while still addressing the design requirements listed above, driven by sleeker/lighter system design with longer battery life. The forth one is the integration of touch solutions with display chips to significantly reduce the complexity of the total panel module manufacturing process and therefore to reduce the total display module BOM cost.

These trends are imposing disruptive changes on silicon architecture and component design requirements which are underpinning the growth of high-speed interface ICs, in particular high speed interfaces, display drivers, DisplayPort timing controllers and touch and display driver integration products for smartphone, tablet, & notebook markets.

High-Speed Interface Devices

High-speed digital interfaces operating at multi-gigabit rates are now the norm for external connectivity between two devices and for internal connectivity between two embedded functional components. Examples of popular external interfaces include DisplayPort, HDMI (High Definition Multimedia Interface) USB (Universal Serial Bus), SATA (Serial Advanced Technology Architecture), and Thunderbolt. For embedded applications, high-speed digital interfaces include PCI Express (PCIe), eDP (Embedded DisplayPort), as well as SATA and USB. Virtually all of these interface standards have doubled their data rate over the last five years, and the demand for increased bandwidth will continue in the similar trend.

PCIe was recently updated from a maximum interface data rate of 5Gbit/sec (Gen 2), 8Gbit/sec (Gen 3), 16Gbit/sec (Gen 4), 32Gbit/sec (Gen 5), & 64Gbit/sec (Gen 6). The USB Promotor Group released the next generation interface USB 3.1 which increases data rate from 5Gbit/sec to 10Gbit/sec, USB 3.2 doubles the data transfer rate with 2 ports of 10Gbit/sec per lane or 20Gbit/sec per connector, USB 4.0 increase the data transfer rate to 20Gbit/sec per lane or 40Gbit/sec per connector. DisplayPort is also increasing from 5.4Gbit/sec, 8.1Gbit/sec to 13.5Gbit/sec and 20Gbit/sec in DisplayPort 2.0 specification. HDMI 2.1 increases transfer speed to 12Gbit/sec. Moreover, Thunderbolt can reach 20Gbit/sec per lane with Thunderbolt 3 utilizing two lanes to achieve 40Gbit/sec. USB 4.0 can also support Displayport 2.0 and Thunderbolt 3 as legacy interfaces.

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

demanded by smaller, lighter systems with longer battery life.

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

Most of the digital interfaces introduced within the past decade, including USB, PCIe, SATA, HDMI, DisplayPort and eDP, use low voltage signaling that allows direct integration of the interface into system, display and peripheral chips. However, because of the very high data rates, a signal repeater device is often needed somewhere along the signal path, particularly for implementations using long PCB traces, long interconnect cables, or more complex topologies, such as the use of a docking station. Some older interfaces, including LVDS, DVI, HDMI 2.0 and the derivative standard MHL, often require dedicated interface devices to handle high voltage signaling, and repeaters are commonly required here as well.

Hence, while interface standards are increasing their data rates, CPU and GPU vendors, as well as contract manufacturers, will increasingly rely on high-speed interface ICs to ensure that their devices function reliably, consuming less power at reasonable cost. Recently, USB Type-C which merges USB3.1 traffic and DisplayPort display data as well as Thunderbolt on the single connector with power delivery capability dramatically improves high-speed communication efficiency and user experience. USB 4.0, leverage the same USB Type-C connector merge DisplayPort, Thunderbolt and native 20Gbit/sec data and video packets, will be next generation mainstream external interface for all desktop and portable computing devices. As such, industry demand for high-speed interface ICs can be expected to grow faster than the overall computing market.

Display Driver and Timing Controller requirements

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

LCD panels used in these embedded display systems include a display driver function known as a Timing Controller (Tcon) chip. The Tcon receives digital video from the system GPU, then controls the LCD panel timing, and outputs pixel data to another set of chips known as source drivers. Over the last decade or so, Tcons have been low

complexity devices, in general, produced on inexpensive, large geometry processes by low-margin, high volume chip vendors in Asia. However, changes in system requirements are now disrupting this established supply chain. Single chip eDP Tcon with Embedded Driver (TED) is a new market trend for high end notebook with very slim bottom bezel. Further more, market continue to demand thinner portable devices which driver to reduce thickness of LCD panel that create a new category of touch and Tcon Embedded Driver (tTED) which leverage the in-cell touch technology integrated with display panel and eliminate and extra touch sensor layer to make the overall panel thickness smaller.

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

The higher eDP data rates also support the trend to higher display resolutions, higher refresh rates mainly for gaming applications, and greater pixel depth for High Dynamic Range (HDR) video, meaning more bits per pixel. Without eDP this higher performance would be difficult, as the use of LVDS would result in unacceptably higher wire & pin counts, as well as high power dissipation.

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

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

Demands for even further reduction in system power add to the functional requirements of the Tcon. This includes a full frame “Panel Self Refresh” (PSR) or partial

“Panel Self Refresh” (PSR2) function that includes the use of a video frame buffer for an entire frame of the image or partial frame of the image within the eDP Tcon, enabling the GPU to shut down and save power during static (not changing) images. Image compression is also being added to the video interface, which means decompression is needed in the display. And there are other functions, including automatic backlight control and various video processing algorithms, such as contrast improvement and High Dynamic Range (HDR), to both reduce power and improve display color accuracy.

With eDP Tcon Embedded Driver (TED) technology, panel makers are able to reduce bottom bezel space by mounting the TED directly on the TFT glass. This simplifies the flexible PCB connection between the TFT glass and the traditional “Tcon Board” and reduces the “Tcon Board” PCB space, leaving only the LCD backlight driver & miscellaneous power circuitry. Due to the very challenging high-speed signal transmission loss on COG, there are significant challenges in high speed signaling for the eDP interface on the TED. Successful eDP TED development requires deep knowledge of high-speed interface technologies. An additional advantage of TED Chip On Glass (COG) is that it is capable of driving a Full HD LTPS display in landscape format with a single chip versus five or three, (depending on the TFT configuration) chips with the traditional discrete solutions. The new touch and Tcon Embedded Driver (tTED) further reduce the complexity by eliminate the “Touch Controller Board” to reduce PCB space and eliminate the extra touch sensor layer to reduce the overall thickness of touch and display panels.

(2) The upstream and downstream parts of the industry

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

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

1. Display driver and DisplayPort Timing Controller

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

Our eDP receiver performance and error-free robustness remains the highest.

Parade continues to lead the eDP Tcon market in unit volume and number of panel customers. In addition, we have introduced a few of generations of eDP version 1.4b devices, which include frame buffer memory for the PSR function. Those devices are in mass volume production and have been increasing the penetration in the traditional Notebook & 2-in-1 Tablet market.

Leveraging our leading technology of SERDES and DisplayPort, Parade has developed a point-to-point intra panel interface for use between the Tcon and LCD source drivers. Known as SIPI (Scalable Intra Panel Interface), it represents the industry's first point-to-point intra panel interface with embedded clocking. SIPI leverages Parade's SERDES and DisplayPort expertise. Parade now offers SIPI interface on most Tcon products, and has also introduced SIPI-based LCD source driver products. Used together, these new eDP Tcon and SIPI source driver products offer a competitive solution for thin and light high-resolution notebook or tablet LCD panels. The next generation of SIPI 2.0 interface has introduced a fast return channel from source driver back to eDP Tcon. SIPI 2.0 will enable next generation high resolution LCD panels with integrated in-cell touch and stylus functions. With our extensive knowledge of display controllers and display drivers, Parade extends our reach to the smartphone display market through the development of integrated display driver solutions (DDIs). In addition, we are leveraging our in-house touch technology to offer Touch and Display Driver Integration (TDDI) for the smartphone market.

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

2. High-Speed Interface Devices

Utilizing our experience in the area of SERDES (Serializer/Deserializer) design, Parade has played an important role in enabling these new high-speed data interfaces into the personal computer, tablet, and server markets. In particular this applies to DisplayPort, USB, SATA, HDMI, USB Type-C and PCI Express with interface solutions that include signal repeaters, retimers, format converters, muxes, switches and splitters. All of our devices in this category utilize proprietary embedding signal equalizer technology in the data receiver that removes signal distortion and further enhances the ability to achieve error-free signal recovery. The primary competitors in this market include Texas Instruments (TI), NXP, AS Media, Analogix, and Diodes.

Parade has sustained a large market share in this area by maintaining competitiveness in regards to time to market, signaling and EMI performance, power consumption, package size, quality, reliability, and pricing.

Parade has introduced new unique signal repeaters that, in addition to equalization, remove signal timing jitter introduced by adjacent signals or other digital functions within the video source. These “Jitter Cleaner” products target HDMI interconnect applications, which are particularly sensitive to timing jitter at the higher data rates specified by HDMI version 1.4, 2.0 and 2.1. The jitter cleaner products have enabled personal computer vendors to offer HDMI 1.4 at the full 3Gbit/sec interface rate to support Ultra HD (4K x 2K) displays at 24-bit RGB color format and 30Hz refresh rate, and 1080p 3D displays. We are now extending this unique technology further to the more advanced HDMI 2.0 market at the full 6Gbit/sec interface rate for UHD displays with up to 60Hz refresh rate. The new HDMI 2.1 repeater product cover 4K at 120Hz refresh rate for gaming application or 8K TVs. We also have a jitter cleaning level shifter, which is required for the Type 2 Dual-Mode DisplayPort cable adaptor, as defined by the new VESA (Video Electronics Standards Association) Dual-Mode DisplayPort standard that Parade helped to develop. Parade dominates in the area of cost effective HDMI jitter cleaning products for the computer or CE markets.

We continue to expand out DisplayPort interface devices, including repeaters, jitter cleaning repeaters, muxes, and demuxes that are widely used in Desktop computers, Monitors, all-in-one PCs, notebooks, tablets, and computer peripherals. Our offering of HDMI interface devices has grown with the addition of new repeaters, including those with jitter cleaning and ultra-low power consumption targeting notebooks and tables, as well as demuxes and switches. We have expanded our SATA/PCIe repeater product line to serve embedded hard disk drive and SSD (Solid State Drive) applications in the desktop and notebook markets. We also have expanded our USB & USB Type-C solutions with a new USB 3.1 retimer IC, USB Type-C retimer based switch ICs that are optimized for next generation desktop, smart phones, tablets and ultra mobile devices. The PCIe Gen4 create new opportunities for high speed retimers within the server platforms. We are offering x4 and x16 PCIe Gen 4 retimer products for server and datacenter applications.

We offer a full spectrum protocol converter product line. This includes new USB-C-to-HDMI 2.0 with HDR, DisplayPort-to-HDMI 2.0 with HDR and DisplayPort-to-VGA converters for cable adaptors, motherboards, and graphics cards; and eDP-to-LVDS converters for embedded display applications. These devices serve the growing number of GPUs and CPUs that no longer support VGA, LVDS and HDMI outputs, due to smaller process geometries, but instead support DisplayPort/eDP as the universal display interface. We also developed a MIPI

DSI-to-eDP converter to serve the conversion demand for high resolution panels. MegaChips & Realtek are major competitors for this device.

3. TrueTouch Controllers

Parade acquired the TrueTouch business from Cypress Semiconductor in August, 2015. We currently offer TrueTouch IC products to customers in the mobile, consumer and industrial markets. TrueTouch controllers can often be found in smartphones, tablets, smart watches, and digital cameras as well as printers, POS machines and mobile hot spots, etc. The competitors are Synaptics, Focaltech and Goodix etc. The touch technology has been evolving rapidly. We continue developing new touch technologies including Force touch products and highly integrated chips for our touch and display driver integrated (TDDI) product line.

5.1.3 Technology and R&D profile

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

Unit: NTD in Thousands; %		
Item	2019	2020 Q1
R&D expenses (A)	1,657,519	418,478
Net revenue (B)	11,810,592	2,961,629
(A) / (B)	14.03%	14.13%

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

Year	R&D Achievements
2018	DisplayPort 1.4 demux at 8.1Gbit/s with Jitter clean technology
	DisplayPort 1.4 to HDMI 2.0 converter supporting 4K & HDR
	1452-ch and 1926-ch SIPI source drivers
	TDDI with interleave touch sensors and 3-to-1 mux
	TDDI with interleave touch sensors and 6-to-1 mux
	OLED Display Driver Integration for smartphone
	Single chip TED for Full HD LTPS LCD panel
	4-lane PCIe Gen 4 retimer

Year	R&D Achievements
2019	16-lane PCIe Gen4 retimer
	USB-C linear redrivers for source side devices
	USB-C retimer mux for sink side devices
	Next Generation DisplayPort retimers, re-drivers, & muxes
	HDMI 2.1 retimer
	1926-ch SIPI source driver for COF
	New low power 1446-ch SIPI source drivers
	Cost optimized 1926-ch TED without PSR memory

5.1.4 Long- and Short-Term Business Development Plans

(1) Short-term business development plans

① R&D strategies and plans

Within the Display Solutions segment, we plan to introduce next generation embedded DisplayPort 1.4b timing controllers, source drivers with the SIPI interface, that supports high-resolution and/or high refresh rate display and Single Chip eDP Tcon Embedded Driver for notebook, portlifiante SIPI 2.0 solutions for touch and display integrated LCD panels, and next generation Smartphone Display Driver Chip. Within the High-Speed Interface segment, we plan to introduce next generation PCIe Gen5 retimer, DisplayPort-to-HDMI 2.1 converter, DisplayPort hub controller, and next generation DisplayPort and USB Type-C retimer devices, USB 3.1, USB 3.2, & USB 4.0 retimers. We are also continue developing the next generation integrated products with display driver and TrueTouch technologies for the smartphone market.

② Marketing strategies and plans

Our marketing strategy is to collaborate with top SOC vendors, major computer and smartphone OEMs and ODMs as well as LCD panel manufacturers by providing solutions that support high speed, advanced display and advanced touch technologies. We are actively participating and leading VESA DisplayPort and embedded DisplayPort standard development. Our marketing strategy also requires close collaboration with leading system vendors to provide standard-plus products. We also collaborate with leading CPU vendors to support next generation platform requirements on DisplayPort, PCIe, USB, USB-C, & HDMI interfaces and to provide leading LCD panel vendors with eDP Timing Controllers, SIPI Source Drivers, TED, DDI & TDDI devices and discrete TrueTouch controller that enhance system performance and optimize overall system and panel electronics power.

③ Production strategies and plans

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

④ Operation and financing strategies and plans

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

(2) Long-term business development plans

① R&D Strategies

The demand for high bandwidth, advanced display and touch technologies in mobile and server-related applications will continue to grow, therefore, our long-term strategy is to focus on developing high performance & low power SERDES, for high speed data and advanced display and touch technologies. We plan to invest in next generation SerDes, advanced timing controllers and display drivers and in integrating display and touch technologies for servers, smartphones, tablets and notebooks.

② Marketing Strategies

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

③ Production Strategies

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

④ Operations Strategies

We plan to use cash generated from our operations to invest in new technology and product development, as well as expand our sales, marketing and operations capabilities. Through a combination of marketing, production and product strategies, the company can significantly increase its overall operational efficiency, rapidly expand its business scale, and become a world-renowned IC design company. We will

enhance the risk control, and fulfill the operating goals of stability, high-efficiency and flexibility, in order to build up the sound financial structure. In addition, we will also develop our international vision and administration skills, training international professionals, to further enhance our position as a world-class company.

5.2 Market, Production and Sales Overviews

5.2.1 Market Analysis

(1) Revenue by Geographic Region

Unit: NTD in Thousands; %

Countries	2018		2019	
	Revenue	%	Revenue	%
Taiwan	2,897,698	27.96	3,922,799	33.21
China	3,055,350	29.48	3,782,646	32.03
Korea	3,434,714	33.14	2,643,108	22.38
Japan	938,228	9.05	1,401,966	11.87
Others	37,898	0.37	60,073	0.51
Total	10,363,888	100.00	11,810,592	100.00

(2) Market Share of Main Products and Services

Based on product applications, our ICs are classified into four segments: display solutions, high-speed interface devices, high speed converters and TrueTouch controllers. Products relating to display solutions are timing controllers, or eDP TCON, and source drivers. Products relating to the high-speed interface are repeaters, retimers, MUX, DeMUX, switches, level shifters. High speed converters are the converters for DisplayPort to HDMI1.4 DisplayPort to HDMI2.0 etc. TrueTouch products include Gen4, Gen5 and Gen6 devices, DDI and TDDI devices under development. While there was no official 3rd party market data describing market size and shares for the segments that we serve, we tried to make reasonable assessment based on collective industry data related to our product applications compared to our own sales. In 2019, we believe our sales of eDP T-CON still maintain the leading position in global market share; our sales of high-speed interface products also represent a leading position in the notebook market. We remain very focused on gaining TrueTouch market share.

(3) End Market Dynamics and Growth Potential

Parade's DisplayPort-based ICs, high-speed interface ICs and touch controller ICs, including DP/eDP Timing Controller, Converter, Repeater, Retimer, MUX, DeMUX,

Level Shifter, etc., are primarily used in portable computing applications such as desktops, LCD monitors, all-in-one computers, laptops, Tablet computers and smartphones.

The DisplayPort standard is compatible with a variety of industry standards. It is capable of replacing multiple adaptors and cables with a single connector and smaller form factor, providing better coding and data protection, and delivering a high-speed channel, supporting high definition video and providing total system power savings. Given all the benefits mentioned above, DisplayPort has quickly gained market traction since its introduction. Currently Intel, AMD and NVIDIA all have integrated DisplayPort into their Graphics ICs and DisplayPort already replace DVI and VGA and eDP replace LVDS. Large OEMs like HP, Dell, Apple, Lenovo, Asus, & Acer also fully embrace DisplayPort and/or eDP. Due to its special characteristics, such as low-voltage signaling and AC coupling, DisplayPort is ideal for shrinking process geometries. Currently, besides Parade, companies that support DisplayPort also include Intel, Mediatek, AMD, TI, NXP, Nvidia, Realtek, Samsung, Analogix, Qualcomm, Tyco Electronics, Keysights, and Unigraf. With broad supports from upstream manufactures to downstream OEM customers, DisplayPort & its derivative such as USB-C are become the primary interface standard for computing, monitoring, and smartphone devices.

According to Parade's estimates, the eDP Tcon penetration rate in Notebooks was over 95% in 2019. Parade also expects the eDP Tcon penetration rate in Notebook and reach near 100% in 2020.

(4) Competitive Niche

① Engineering Expertise

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

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

We have developed a proprietary equalizer and clock/data recovery technology that utilizes an adaptive approach to amplify and recover high-speed signals in a cost-effective manner while still maintaining low power. Because computers use standard FR4 PCBs, CPUs need to rely on equalizer and clock/data recovery based

solutions to maintain signal integrity for high-speed connectivity, which includes DisplayPort, SATA, PCIe, USB and HDMI. Our ability to integrate our proprietary technology into our DisplayPort as well as high-speed interface solutions is a significant competitive advantage.

We also developed a proprietary high-speed interface technology, SIPI, for intra-panel data transmission. The high-speed characteristics of SIPI demonstrate a unique capability to achieve speed performance on panel glass. Our source driver products based on the SIPI interface have gained market traction and are in mass production. SIPI technology plus leading position in eDP Tcon products provides us great competitive advantage in the display market.

③ Customer and Partner Relationships

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

④ DisplayPort Standard Leader

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

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

① Advantageous factors

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

② Disadvantageous factors and countermeasures

- A. Significant Competition – The semiconductor market is highly competitive and we expect significant competition for our Display and High-Speed Interface solutions in the future. Our strategy is to leverage our proprietary equalizer and clock and data recovery technology to develop higher performance, more highly integrated and lower cost products in the future to maintain our competitive advantage.
- B. Customer Concentration – The majority of our revenue is currently driven by the top computer OEMs who have been early adopters of the DisplayPort standard. However, as the DisplayPort market proliferates, we expect more and more computer OEMs and ODMs will adopt DisplayPort, and, as a result, our customer concentration will be reduced.

5.2.2 Key Product Applications and Manufacturing Processes

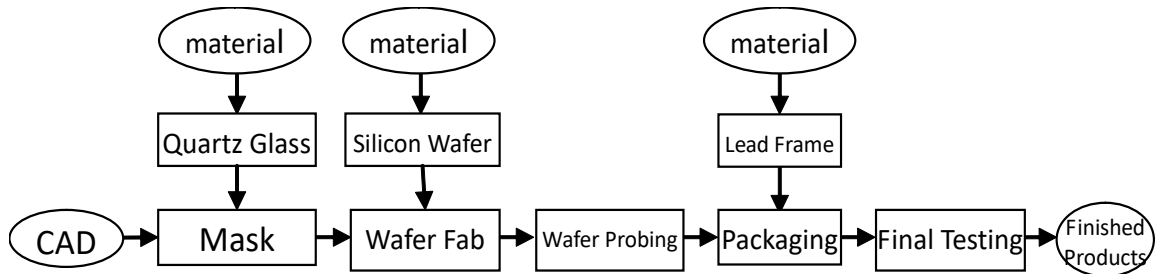
(1) Key Product applications

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

(2) Production Processes

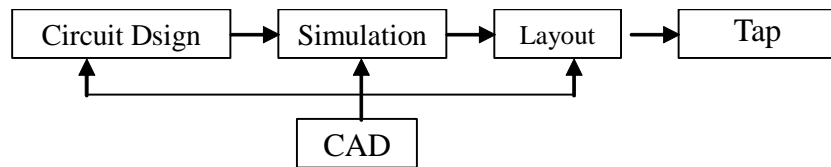
① Manufacturing process flow chart

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



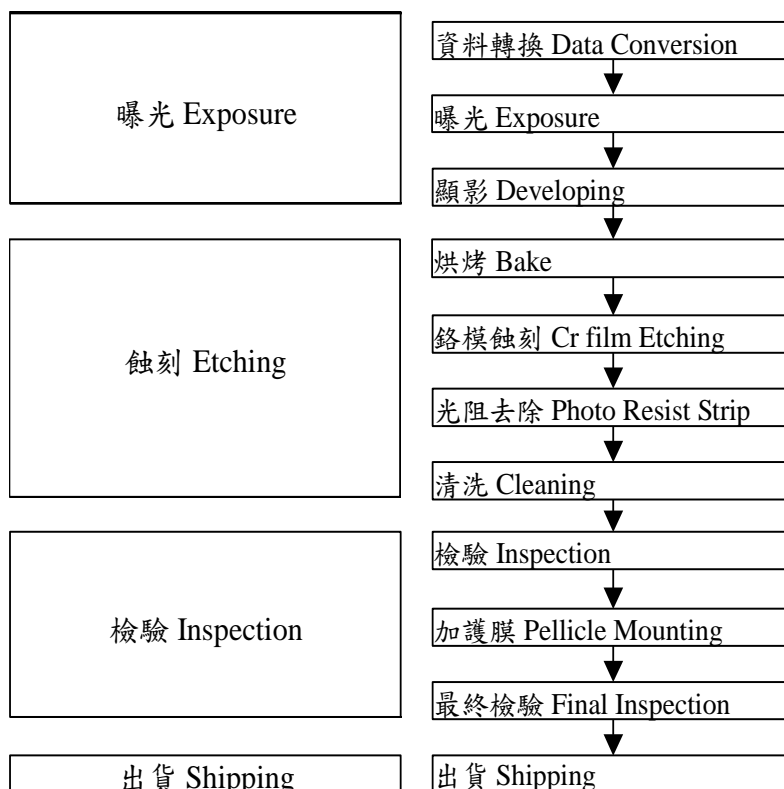
② Design process

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



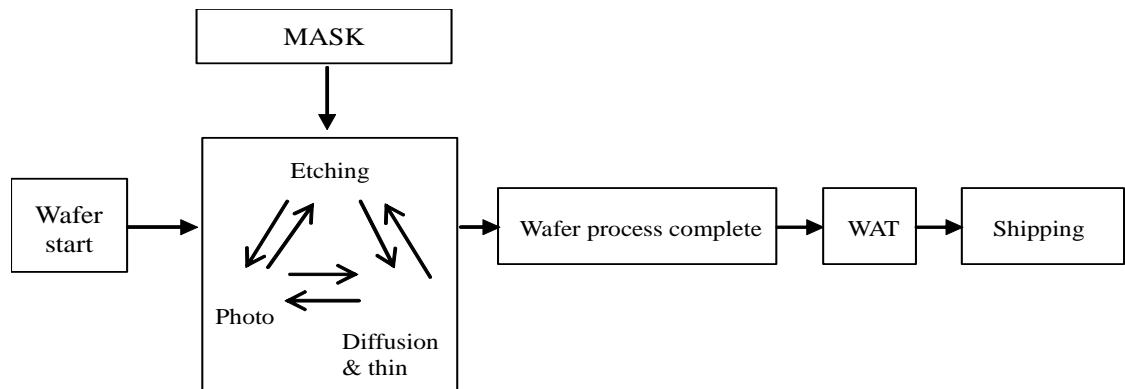
③ Mask process

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



④ Wafer Process

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



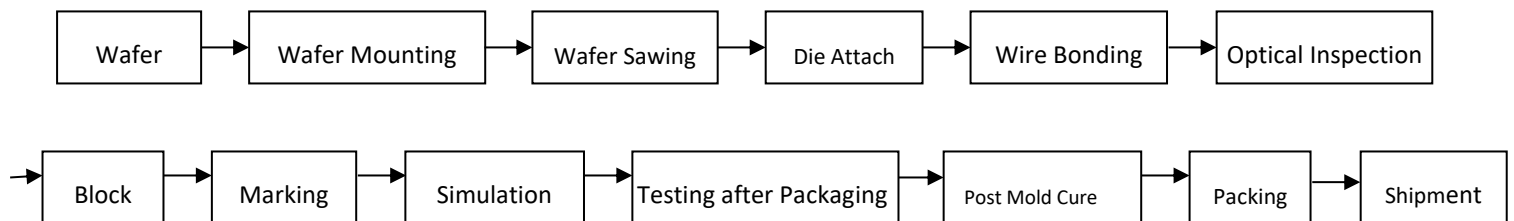
⑤ Testing process

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

⑥ Packaging process

Good dice are packaged according to actual demands. The packaging process is shown below:

Packaging Process



5.2.3 Major Raw Material Supply Situation

- (1) Major raw material: wafer
- (2) Major supplier: B Corporation
- (3) Market condition: B Corporation is a global semiconductor foundry company that provides advanced manufacturing services and fine quality. The output quantity and production coordination are in line with the expectations and development of the Company
- (4) Purchasing strategy:
 - ① Stable manufacturing process and higher yield can help the Company to effectively reduce cost, thus select suppliers with better product quality to benefit the Company.
 - ② Select the wafer foundry that has the best combination of quality, cost and production efficiency to invest, in accordance with the Company's manufacturing process demand.
 - ③ Regularly review on market supply and demand to discuss products market prices and review product quality and services with suppliers.

5.2.4 Major suppliers and customers

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

Unit: NTD in Thousands; %

Item	2018				2019				2020 Q1			
	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company
1	B Company	2,790,699	86	None	B Company	3,342,062	90	None	B Company	956,013	89	None
2	Others	460,139	14	—	Others	385,367	10	—	Others	124,224	11	—
	Net Purchases	3,250,838	100	—	Net Purchases	3,727,429	100	—	Net Purchases	1,080,237	100	—

Explanation on the changes of purchase amount and percentage:

The main raw material that the Company purchases are wafers. For the past two years and as of the first quarter of year 2020, the proportion of purchases from Company B was over 80% and the purchase amount from Company B is growing as Company sales growth. There is no change to the established long-term and stable purchase relationship with Company B as it is one of the largest wafer foundries in the world and possesses an advanced manufacturing technology and a favorable lead time schedule.

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

Unit: NTD in Thousands; %

Item	2018				2019				2020 Q1			
	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company
1	B	3,367,372	32	None	A	4,546,197	38	None	A	983,989	33	None
2	A	2,745,657	27	None	B	2,448,129	21	None	B	575,242	19	None
3	K	1,706,799	16	None	K	1,876,620	16	None	K	529,527	18	None
4					E	1,139,376	10	None	E	315,069	11	None
5	Others	2,544,060	25	—	Others	1,800,270	15	—	Others	557,802	19	—
	Net Sales	10,363,888	100	—	Net Sales	11,810,592	100	—	Net Sales	2,961,629	100	—

Explanation on the changes in customers:

In 2019, the Company's top four customers accounted for approximately 85% of our net operating revenues. These top four customers primarily consist of the distributors with who work to service the contract manufacturers for global brand end-customers as well as TFT-LCD panel producers who incorporate our chips as part of their display modules procured by the global brand end-customers. Since many of the global brand end-customers procure their panels from, and outsource the manufacturing of their products to, more than one panel producer and contract manufacturer, many different panel producers or contract manufacturers may purchase our chips either directly or via our distributors to meet the demand of the same global brand end-customer. As a result, the actual end-customers of our products (i.e. global brand end-customers) may account for an even greater percentage of our operating revenues, which would make our actual concentration of sales even higher. Utilizing our leading technology in display and high-speed interface, we directly work with a global brand system company to design in our products. This global brand system company has adopted our products. As high-speed interface and DP/eDP timing controllers are pretty new technology, it represents a major application shift in high-end electronic devices and consumer products. Due to the fact that the products introduced by the global brand system company were always leading the industry, our company has decided to have a close relationship with this global brand system company to develop our products, and have a high proportion of sales with it.

5.2.5 Production Volume and Value in the past 2 years

Unit: NTD in Thousands; Volume in Thousands

Main Products	2018			2019		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
DisplayPort Series	0	106,342	3,362,487	0	97,644	3,288,393
High-Speed Interface Solutions	0	229,118	1,713,098	0	269,619	2,023,232
Source Drivers	0	33,617	667,992	0	50,027	855,778
TrueTouch	0	40,489	401,341	0	44,210	443,573
Total	0	409,566	6,144,918	0	461,500	6,610,976

5.2.6 Sales Volume and Value in the past 2 years

Unit: NTD in Thousands; Volume in Thousands

Main Products	2018				2019			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
DisplayPort Series	0	0	105,058	5,625,529	0	0	98,864	5,600,412
High-Speed Interface Solutions	0	0	216,667	3,294,167	0	0	259,133	4,235,181
Source Drivers	0	0	31,283	690,373	0	0	49,992	1,288,854
TrueTouch	0	0	45,951	753,819	0	0	43,777	686,145
Total	0	0	398,959	10,363,888	0	0	451,766	11,810,592

Note: Overseas sales are sales outside Cayman Island.

5.3 Employees

5/4/2020

Year		2018	2019	2020 (As of 5/4)
Number of Employees	Sales/ Management Staff	169	182	182
	R&D	289	305	307
	Total	458	487	489
Average Age		38.01	38.85	39.08
Average Years of Service		6.12	6.48	6.69
Education (%)	Doctoral	2.84	2.46	2.25
	Master	49.56	47.43	47.65
	University & College	46.94	49.49	49.49
	High School	0.66	0.62	0.61
	Below High School	0	0	0

5.4 Information on Environmental Protection Expenditures

5.4.1 List any losses suffered by the Company in the most recent fiscal year and up to the annual report printing date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: The Company did not receive any fines from the Competent Authority for pollution and environmental violations.

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

5.5 Labor Relations

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

(1) Employee welfare

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

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

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

(2) Education and training

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

The employees training in 2019:

Unit: NTD

Items	Persons	Hours	Amounts
New Employee Training	63	158	0
Professional Training	11	136	80,757
Total	74	294	80,757

(3) Retirement systems and their implementation

The Company mainly operates in the United States, therefore follows the United States Social Security Program Rules, paying a part of salaries as Social Security Tax and Medicare/ Hospital tax. In addition, the Company provides individual employees 401K retirement plan. Employees can put their salaries into their 401K every month. The subsidiaries and branches in Taiwan, Hong Kong, China, Japan, Ireland and Korea follow the labor regulations of the country they located in. According to the Labor laws, each employee's monthly salary shall be contributed as labor pension by the employer so that could provide employees with safe and secure protection.

(4) Agreements between labor and management and labor protection

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

5.5.2 List any losses suffered by the Company in the most recent fiscal year and up to the annual report printing date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

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

5.6 Corporate Social Responsibility

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

5.6.1 Legal Compliance

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

5.6.2 Freedom of Employment

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

5.6.3 Treatment and Discrimination

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

5.6.4 Wages and Benefits

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

5.6.5 Health and Safety

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

5.6.6 Environment Standards

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

5.6.7 Communication

We routinely use many internal and external communication channels in our daily business. Open communication is strongly encouraged between employees, customers, management, and investors. We periodically disclose the achievement or policies to external

interest party through company web site, e-mail, or public announcement.

5.6.8 Moral Standards

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

5.6.9 Intellectual Property and Confidentiality

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

5.6.10 Conflict Minerals Statement

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

5.6.11 Stakeholder Engagement

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

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

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

5.7 Important Contracts

Nature of Contract	Contractor	Commencement and Termination Dates	Major Content	Restrictive Provisions
Supplier Agreement	A Company	08/01/2008 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Supplier Agreement	B Company	07/11/2011 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Supplier Agreement	B Company	05/06/2014 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Asset Purchase Agreement	L Company	06/09/2015	Purchase Business & Technology Assets	None
Service Agreement	L Company	06/09/2015 (May extend for each additional full year with mutual written agreements)	Manufacturing Service	None
License Agreement	O Company	08/01/2015 (Remain in force unless either party takes the initiative to terminate the contract)	Technology License	None
Agreement and Plan of Merger	Pinchot Ltd. and Fresco Logic, Inc.	04/22/2020 (Pacific Time) is the agreement date. Actual closing is subject to the completion of the closing conditions.	Cayman Subsidiary, Pinchot Ltd., merges Fresco Logic, Inc.	No non-customary restrictions

5.8 Other Matters Requiring Supplemental Information Disclosure

None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheets

(1) Condensed Balance Sheets – IFRSs

Unit: NTD in Thousands

Subject \ Year		Five-Year Financial Summary (Note 1)					3/31/2020 (Note 2)
		2015	2016	2017	2018	2019	
Current Assets		5,018,557	6,656,620	7,626,987	9,063,371	10,798,706	11,545,366
Property, plant and equipment, net		158,494	142,448	261,470	326,052	277,838	282,538
Right-of-use assets		0	0	0	0	181,543	168,721
Intangible Assets		2,989,576	2,979,491	2,640,450	2,560,397	2,374,609	2,338,795
Other Assets		75,116	79,413	63,038	84,625	139,912	144,374
Total Assets		8,241,743	9,857,972	10,591,945	12,034,445	13,772,608	14,479,794
Current Liabilities	Before Distribution	1,780,497	2,356,140	2,213,533	2,312,951	2,397,205	2,305,204
	After Distribution	2,162,394	3,051,884	3,179,132	3,293,702	(Note 3)	0
Long-term Liabilities		0	0	0	0	115,606	107,947
Total Liabilities	Before Distribution	1,780,497	2,356,140	2,213,533	2,312,951	2,512,811	2,413,151
	After Distribution	2,162,394	3,051,884	3,179,132	3,293,702	(Note 3)	0
Equity attributable to owners of the Company		6,461,246	7,501,832	8,378,412	9,721,494	11,259,797	12,066,643
Capital Stock		760,751	773,049	783,766	790,147	799,205	799,611
Capital Reserves		1,804,206	2,159,549	2,562,661	2,817,047	3,159,096	3,171,706
Retained Earnings	Before Distribution	3,663,574	4,638,207	5,874,547	6,879,370	8,333,982	8,958,168
	After Distribution	3,281,677	3,942,463	4,908,948	5,898,619	(Note 3)	0
Other Equity		281,120	-68,973	-842,562	-561,620	-930,761	-761,117
Treasury Stock		-48,405	0	0	-203,450	-101,725	-101,725
Non-control Equity		0	0	0	0	0	0
Total Stockholders' Equity	Before Distribution	6,461,246	7,501,832	8,378,412	9,721,494	11,259,797	12,066,643
	After Distribution	6,079,349	6,806,088	7,412,813	8,740,743	(Note 3)	0

Note 1: The financial information from 2015 to 2019 is derived from audited consolidated financial statements.

Note 2: The financial information for the year to date March 31, 2020 is derived from reviewed consolidated financial statements.

Note 3: The 2019 profit distribution proposal was proposed by the Company's Board, and will be effective upon the approval of the 2020 Annual General Meeting on June 15, 2020.

6.1.2 Condensed Income Statements

(1) Condensed Income Statements – IFRS

Unit: NTD in Thousands

Subject \ Year	Five-Year Financial Summary (Note 1)					1/1/2020~3/31/2020 (Note 2)
	2015	2016	2017	2018	2019	
Revenue	7,189,471	9,106,654	10,351,803	10,363,888	11,810,592	2,961,629
Gross Profit	2,900,218	3,739,420	4,187,189	4,298,744	5,043,611	1,321,776
Operating Income	1,209,906	1,486,581	1,968,522	1,951,803	2,398,084	647,211
Total Non-operating Income and Expenses	28,970	10,160	1,705	15,561	117,950	24,608
Income Before Income Tax	1,238,876	1,496,741	1,970,227	1,967,364	2,516,034	671,819
Net Income for the period from Continuing Operations	1,144,346	1,356,136	1,931,709	1,969,362	2,433,759	622,891
Discontinued Operation Loss	0	0	0	0	0	0
Net Income	1,144,346	1,356,136	1,931,709	1,969,362	2,433,759	622,891
Other Comprehensive Income (Currency translation differences of foreign operations)	206,425	-149,949	-592,223	280,377	-298,672	92,607
Total Comprehensive Income for the period	1,350,771	1,206,187	1,339,486	2,249,739	2,135,087	715,498
Net Income, attributable to owners of the Company	1,144,346	1,356,136	1,931,709	1,969,362	2,433,759	622,891
Net Income, attributable to non-owners of the Company	0	0	0	0	0	0
Comprehensive income, attributable to owners of the Company	1,350,771	1,206,187	1,339,486	2,249,739	2,135,087	715,498
Comprehensive income, attributable to non-owners of the Company	0	0	0	0	0	0
Basic Earnings per Share (NT\$) (Note 3)	15.30	18.04	25.49	25.67	31.54	8.00
Diluted Earnings per Share (NT\$) (Note 4)	15.00	17.58	24.55	24.66	30.69	7.79

Note 1: The financial information from 2015 to 2019 is derived from audited consolidated financial statements.

Note 2: The financial information for the year to date March 31, 2020 is derived from reviewed consolidated financial statements.

Note 3: Using the sum of outstanding common stocks, options and employee restricted stocks to calculate the numbers of outstanding shares from 2015 to the first quarter of 2020 were 74,806 thousand shares, 75,190 thousand shares, 75,793 thousand shares, 76,722 thousand shares, 77,171 thousand shares and 77,872 thousand shares.

Note 4: Using the sum of outstanding common stocks, options and employee restricted stocks to calculate the numbers of outstanding shares from 2015 to the first quarter of 2020 were 76,297 thousand shares, 77,124 thousand shares, 78,683 thousand shares, 79,859 thousand shares, 79,309 thousand shares and 79,965 thousand shares.

6.1.3 Auditors' opinions for the most recent five years and the first quarter on 2020

The names and audited/reviewed opinions of the attesting certified public accountant for the most recent five years and the first quarter of 2020:

Year	CPA Firm	Name of CPA	Audit / Review Opinions
2015	PricewaterhouseCoopers, Taiwan	Chou, Hsiao-Tzu/ Lai, Chung-Hsi	Unqualified Opinion Audit Report
2016	PricewaterhouseCoopers, Taiwan	Chou, Hsiao-Tzu/ Lai, Chung-Hsi	Unqualified Opinion Audit Report
2017	PricewaterhouseCoopers, Taiwan	Liang, Hua-Ling/ Lai, Chung-Hsi	Unqualified Opinion Audit Report
2018	PricewaterhouseCoopers, Taiwan	Liang, Hua-Ling/ Lai, Chung-Hsi	Unqualified Opinion Audit Report
2019	PricewaterhouseCoopers, Taiwan	Chou, Hsiao-Tzu/ Liang, Hua-Ling	Unqualified Opinion Audit Report
2020 Q1	PricewaterhouseCoopers, Taiwan	Chou, Hsiao-Tzu/ Liang, Hua-Ling	Unqualified Conclusion Review Report

6.2 Five-Year Financial Analysis

6.2.1 Financial Analysis – IFRS

Subject		Year		Five-Year Financial Analysis (Note 1)					1/1/2020~3/31/2020 (Note 2)
		2015	2016	2017	2018	2019			
Financial Structure %	Debts Ratio	21.60	23.90	20.89	19.21	18.24	16.66		
	Long-term Capital In % of Property, Plant and Equipment	4,076.65	5,266.36	3,204.34	2,981.57	4,094.25	4,309.00		
Liquidity %	Current Ratio (%)	281.86	282.52	344.56	391.85	450.47	500.83		
	Quick Ratio (%)	247.39	246.48	298.48	344.30	411.10	459.43		
	Times Interest Earned Ratio	0	485.85	0	0	0	0		
Operating Performance	Turnover of Receivable(Times)	6.15	6.53	6.70	6.98	9.05	9.15		
	Average Collection Days of Receivable	59.34	55.89	54.47	52.29	40.33	39.89		
	Turnover of Inventory (Times)	7.87	6.63	5.85	5.08	5.53	5.49		
	Turnover of Payable (Times)	8.22	6.43	7.10	6.97	7.69	8.03		
	Average Days of Sales	46.37	55.05	62.39	71.85	66.00	66.48		
	Turnover of Property, Plant and Equipment (Times)	51.29	60.52	51.25	35.28	39.11	42.28		
	Turnover of Total Assets (Times)	0.97	1.00	1.01	0.91	0.91	0.83		
Profitability	Return on Total Assets (%)	15.50	15.01	18.89	17.40	18.86	17.63		
	Return on Stockholders' Equity (%)	19.26	19.42	24.32	21.76	23.19	21.36		
	Earnings before Income Tax In (%) of Capital Stock	162.85	193.61	251.37	248.98	314.81	336.07		
	Profit Margin (%)	15.92	14.89	18.66	19.00	20.60	21.03		
	Basic Earnings per Share (NT\$) (Note 3)	15.30	18.03	25.49	25.67	31.54	8.00		
	Diluted Earnings Per Share (NT\$) (Note 4)	15.00	17.58	24.55	24.66	30.69	7.79		
Cash Flow	Cash Flow Ratio (%)	92.59	79.13	93.49	107.28	138.97	17.43		
	Cash Flow Adequacy Ratio (%)	294.03	291.66	236.53	225.84	254.52	260.58		
	Cash Flow Reinvestment Ratio (%)	19.13	19.20	15.86	15.03	21.65	3.18		
Leverage	Operating Leverage	1.12	1.20	1.15	1.17	1.20	1.16		
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00		

Note 1: The financial analysis from 2015 to 2019 is derived from audited consolidated financial statements.

Note 2: The financial analysis for the first quarter of 2020 is derived from reviewed consolidated financial statements.

Note 3: Using the sum of outstanding common stocks, options and employee restricted stocks to calculate the numbers of outstanding shares from 2015 to the first quarter of 2020 were 74,806 thousand shares, 75,190 thousand shares, 75,793 thousand shares, 76,722 thousand shares, 77,171 thousand shares and 77,872 thousand shares.

Note 4: Using the sum of outstanding common stocks, options and employee restricted stocks to calculate the numbers of outstanding shares from 2015 to the first quarter of 2020 were 76,297 thousand shares,

77,124 thousand shares, 78,683 thousand shares, 79,859 thousand shares, 79,309 thousand shares and 79,965 thousand shares.

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

1. Increase in Turnover of Property, Plant and Equipment (Times): Mainly due to the increase in Total Stockholders' Equity and decrease in Property, Plant and Equipment in 2019.
 2. Increase in Turnover of Receivable and decrease in Average Collection Days of Receivable: Due to the greatly increase in 2019 sales revenue and decrease in average receivables.
 3. Increase in Earnings before Income Tax In (%) of Capital Stock and Basic/Diluted Earnings Per Share: Mainly due to the increase in operating income and net income after tax.
 4. Increase in Cash Flow Ratio and Cash Flow Reinvestment Ratio: Mainly due to the increase in operating profit and causing the increase in cash from operations.
-

Financial Analysis Calculation Formula

1. Capital Structure

(1) Debts Ratio= Total Liabilities/ Total Assets

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

2. Repayment Ability

(1) Current Ratio= Current Assets/ Current Liabilities

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

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

3. Operating Efficiency

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

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

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

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

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

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

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

4. Earning Ability

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

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

(3) Profit Margin= Net Income/ Net Sales

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

5. Cash Flow

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

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

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

6. Degree of Leverage

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

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

6.3 Most Recent Year's Audit Committee's Report

Please refer to page 127.

6.4 Most Recent Year's Consolidated Financial Statements

Please refer to page 128~179.

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

Not Applicable.

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

None.

Audit Committee's Report

The Board of Directors has prepared the Company's 2019 Business Report, consolidated Financial Statements and proposal for allocation of profits. The CPA firm of PricewaterhouseCoopers was retained to audit Parade's consolidated Financial Statements and has issued an audit report relating to the consolidated Financial Statements. The Business Report, consolidated Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Parade Technologies, Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Parade Technologies, Limited.

Chairman of the Audit Committee: Norman Shen



April 29, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Parade Technologies, Ltd. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

Goodwill impairment

Description

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

To achieve the Group's roadmap for display and touch integration solutions and to improve the operational efficiency of the industry supply chain, the Group acquired Cypress Semiconductor Corp.'s TrueTouch® Mobile touchscreen business in 2015. The balance of goodwill arising from acquisitions as at December 31, 2019 was NT\$1,470,575 thousand.

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

How our audit addressed the matter

Our procedures in relation to the key audit matter included:

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

Inventory impairment losses

Description

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

Losses on inventories and allowances as at December 31, 2019 was NT\$1,184,957 thousand and NT\$241,173 thousand, respectively.

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

How our audit addressed the matter

Our procedures in relation to the key audit matter included:

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

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

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

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

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

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

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

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

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

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

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

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

Chou, Hsiao-Tzu

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 11, 2020

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

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	Notes	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 8,106,000	59	\$ 6,011,928	50
1170	Accounts receivable, net	6(2)	1,197,533	8	1,411,407	12
130X	Inventories, net	6(3)	943,784	7	1,099,789	9
1410	Prepayments		250,140	2	206,920	1
1470	Other current assets		301,249	2	333,327	3
11XX	Total current assets		<u>10,798,706</u>	<u>78</u>	<u>9,063,371</u>	<u>75</u>
Non-current assets						
1600	Property, plant and equipment, net	6(4)	277,838	2	326,052	3
1755	Right-of-use assets	6(5)	181,543	2	-	-
1780	Intangible assets	6(6)	2,374,609	17	2,560,397	21
1840	Deferred income tax assets	6(18)	113,956	1	59,772	1
1900	Other non-current assets		25,956	-	24,853	-
15XX	Total non-current assets		<u>2,973,902</u>	<u>22</u>	<u>2,971,074</u>	<u>25</u>
1XXX	TOTAL ASSETS		<u>\$ 13,772,608</u>	<u>100</u>	<u>\$ 12,034,445</u>	<u>100</u>

(Continued)

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY	Notes	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Current liabilities					
2170	Accounts payable	\$ 786,191	6	\$ 971,566	8
2200	Other payables	6(7) 738,687	5	625,103	5
2230	Current income tax liabilities	6(18) 616,281	4	491,583	4
2280	Lease liabilities - current	6(5) 65,937	1	-	-
2300	Other current liabilities	190,109	1	224,699	2
21XX	Total current liabilities	<u>2,397,205</u>	<u>17</u>	<u>2,312,951</u>	<u>19</u>
Non-current liability					
2580	Lease liabilities - non-current	6(5) 115,606	1	-	-
25XX	Non-current liabilities	<u>115,606</u>	<u>1</u>	<u>-</u>	<u>-</u>
2XXX	Total liabilities	<u>2,512,811</u>	<u>18</u>	<u>2,312,951</u>	<u>19</u>
Equity attributable to owners of the Company					
Share capital					
	6(10)				
3110	Ordinary shares	799,205	6	790,147	7
Capital reserves					
	6(11)				
3200	Capital reserves	3,159,096	23	2,817,047	23
Retained earnings					
	6(12)				
3310	Legal reserve	807,466	6	807,466	7
3320	Special reserve	8,324	-	246,657	2
3350	Unappropriated earnings	7,518,192	55	5,825,247	49
Other equity					
3400	Other equity	(930,761)	(7)	(561,620)	(5)
3500	Treasury shares	6(10) (101,725)	(1)	(203,450)	(2)
31XX	Equity attributable to owners of the Company	<u>11,259,797</u>	<u>82</u>	<u>9,721,494</u>	<u>81</u>
3XXX	Total equity	<u>11,259,797</u>	<u>82</u>	<u>9,721,494</u>	<u>81</u>
Significant events after the balance sheet date					
3X2X	TOTAL LIABILITIES AND EQUITY	<u>\$ 13,772,608</u>	<u>100</u>	<u>\$ 12,034,445</u>	<u>100</u>

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	Notes	2019		2018	
		Amount	%	Amount	%
4000 Revenue	6(14)	\$ 11,810,592	100	\$ 10,363,888	100
5000 Cost of goods sold	6(3)(16)(17)	(6,766,981)	(57)	(6,065,144)	(58)
5900 Gross profit		<u>5,043,611</u>	<u>43</u>	<u>4,298,744</u>	<u>42</u>
Operating expenses	6(16)(17) and 7				
6100 Sales and marketing expenses		(574,796)	(5)	(481,584)	(5)
6200 General and administrative expenses		(412,845)	(3)	(337,207)	(3)
6300 Research and development expenses		(1,657,519)	(14)	(1,528,150)	(15)
6450 Expected credit loss	12(3)	(367)	-	-	-
6000 Total operating expenses		<u>(2,645,527)</u>	<u>(22)</u>	<u>(2,346,941)</u>	<u>(23)</u>
6900 Operating income		<u>2,398,084</u>	<u>21</u>	<u>1,951,803</u>	<u>19</u>
Non-operating income and expenses					
7010 Other income	6(15)	108,174	1	16,227	-
7020 Other gains and losses		9,776	-	(666)	-
7000 Total non-operating income and expenses		<u>117,950</u>	<u>1</u>	<u>15,561</u>	<u>-</u>
7900 Income before income tax		<u>2,516,034</u>	<u>22</u>	<u>1,967,364</u>	<u>19</u>
7950 Income tax (expense) benefit	6(18)	(82,275)	(1)	1,998	-
8000 Net income for the year from continuing operations		<u>2,433,759</u>	<u>21</u>	<u>1,969,362</u>	<u>19</u>
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8361 Other comprehensive (loss) income, before tax, exchange differences on translation		(298,672)	(3)	280,377	3
8310 Components of other comprehensive (loss) income that will not be reclassified to profit or loss		<u>(298,672)</u>	<u>(3)</u>	<u>280,377</u>	<u>3</u>
8500 Total comprehensive income for the year		<u>\$ 2,135,087</u>	<u>18</u>	<u>\$ 2,249,739</u>	<u>22</u>
Net income, attributable to:					
8610 Owners of the Company		<u>\$ 2,433,759</u>	<u>21</u>	<u>\$ 1,969,362</u>	<u>19</u>
Comprehensive income attributable to:					
8710 Owners of the Company		<u>\$ 2,135,087</u>	<u>18</u>	<u>\$ 2,249,739</u>	<u>22</u>
Earnings per share					
9750 Basic earnings per share	6(13)	<u>\$</u>	<u>31.54</u>	<u>\$</u>	<u>25.67</u>
9850 Diluted earnings per share	6(13)	<u>\$</u>	<u>30.69</u>	<u>\$</u>	<u>24.66</u>

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to owners of the parent												
	Notes	Capital Reserves				Retained Earnings			Other Equity			Total	
		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
Year 2018													
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 2018		-	-	-	-	-	-	-	1,969,362	-	-	-	1,969,362
Other comprehensive loss for 2018		-	-	-	-	-	-	-	-	280,377	-	-	280,377
Total comprehensive income		-	-	-	-	-	-	-	1,969,362	280,377	-	-	2,249,739
Share-based compensation cost	6(9)	-	-	-	-	-	-	-	-	-	246,603	-	246,603
Exercise of employee stock options	6(9)(10)	1,354	16,524	(3,149)	-	-	-	-	-	-	-	-	14,729
Issuance of restricted stocks	6(9)	5,828	-	-	269,889	-	-	-	-	-	(275,717)	-	-
Vesting of restricted stocks		-	527,591	-	(527,591)	-	-	-	-	-	-	-	-
Cancellation of share-based compensation and related cash dividend recovered	6(9)(10)	(801)	-	-	(28,878)	-	-	-	1,060	-	29,679	-	1,060
Purchase of treasury shares	6(9)	-	-	-	-	-	-	-	-	-	-	(284,138)	(284,138)
Treasury shares reissued to employees	6(9)	-	-	-	-	-	-	-	-	-	-	80,688	80,688
Earnings appropriation	6(12)	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	193,171	-	(193,171)	-	-	-	-	-
Special reserve		-	-	-	-	-	238,333	(238,333)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(965,599)	-	-	-	-	(965,599)
Balance at December 31, 2018		\$ 790,147	\$ 1,937,262	\$ 124,014	\$ 719,348	\$ 36,423	\$ 807,466	\$ 246,657	\$ 5,825,247	\$ 33,721	(\$ 595,341)	(\$ 203,450)	\$ 9,721,494
Year 2019													
Balance at January 1, 2019		\$ 790,147	\$ 1,937,262	\$ 124,014	\$ 719,348	\$ 36,423	\$ 807,466	\$ 246,657	\$ 5,825,247	\$ 33,721	(\$ 595,341)	(\$ 203,450)	\$ 9,721,494
Net income for 2019		-	-	-	-	-	-	-	2,433,759	-	-	-	2,433,759
Other comprehensive loss for 2019		-	-	-	-	-	-	-	-	(298,672)	-	-	(298,672)
Total comprehensive income (loss)		-	-	-	-	-	-	-	2,433,759	(298,672)	-	-	2,135,087
Share-based compensation cost	6(9)	-	-	-	-	-	-	-	-	-	301,582	-	301,582
Exercise of employee stock options	6(9)(10)	1,793	24,541	(10,855)	-	-	-	-	-	-	-	-	15,479
Issuance of restricted stocks	6(9)	8,026	-	-	408,787	-	-	-	-	-	(416,813)	-	-
Vesting of restricted stocks		-	257,891	-	(257,891)	-	-	-	-	-	-	-	-
Cancellation of share-based compensation and related cash dividend recovered	6(9)(10)	(761)	-	-	(44,001)	-	-	-	1,604	-	44,762	-	1,604
Tax deduction exceeds cumulative share-based payment expenses		-	-	-	-	(36,423)	-	-	-	-	-	-	(36,423)
Treasury shares reissued to employees	6(9)	-	-	-	-	-	-	-	-	-	-	101,725	101,725
Earnings appropriation	6(12)	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve		-	-	-	-	-	(238,333)	238,333	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(980,751)	-	-	-	-	(980,751)
Balance at December 31, 2019		\$ 799,205	\$ 2,219,694	\$ 113,159	\$ 826,243	\$ -	\$ 807,466	\$ 8,324	\$ 7,518,192	(\$ 264,951)	(\$ 665,810)	(\$ 101,725)	\$ 11,259,797

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Income before income tax for the year		\$ 2,516,034	\$ 1,967,364
Adjustments			
Adjustments to reconcile profit or loss			
Depreciation (including the right-of-use assets)	6(4)(5)(16)	185,646	98,392
Amortization	6(6)(16)	302,058	249,138
Loss on disposal of equipment	6(4)	128	-
Share-based compensation cost	6(9)(17)	301,582	246,603
Interest income	6(15)	(105,793)	(8,277)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		179,875	194,400
Inventories		129,513	(46,871)
Prepayments		(48,205)	(86,098)
Other current assets		24,018	(99,780)
Changes in operating liabilities			
Accounts payable		(161,971)	179,368
Other payables		128,642	(8,755)
Other current liabilities		(29,177)	(29,672)
Cash inflow generated from operations		3,422,350	2,655,812
Interest received		105,674	8,356
Income tax paid		(35,845)	(182,618)
Net cash flows from operating activities		<u>3,492,179</u>	<u>2,481,550</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of equipment	6(4)	(76,972)	(157,413)
Acquisition of intangible assets	6(6)	(174,119)	(87,010)
(Increase) decrease in refundable deposits		(1,702)	276
Net cash flows used in investing activities		<u>(252,793)</u>	<u>(244,147)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from exercise of employee stock options		15,479	14,729
Repayment of the principal portion of lease liabilities	6(5)	(67,877)	-
Purchase of treasury shares	6(9)	-	(284,138)
Treasury shares reissued to employees	6(9)	101,725	80,688
Cash dividends paid	6(11)	(980,751)	(965,599)
Cash dividend recovered from cancellation of share-based compensation		1,604	1,060
Net cash flows used in financing activities		<u>(929,820)</u>	<u>(1,153,260)</u>
Effect of exchange rate changes on cash and cash equivalents		(215,494)	164,558
Net increase in cash and cash equivalents		2,094,072	1,248,701
Cash and cash equivalents at beginning of year		6,011,928	4,763,227
Cash and cash equivalents at end of year		<u>\$ 8,106,000</u>	<u>\$ 6,011,928</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 YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANIZATION

Parade Technologies, Ltd. (the “Company”) was established in the Cayman Islands on November 15, 2005. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the research and development, and marketing and sale of high-speed interface standards, touch controller and display processing integrated circuit chips for products used in computers, consumer electronics and display panels. The shares of the Company were authorized by the Financial Supervisory Commission, R.O.C. and have been traded on Taipei Exchange (formerly GreTai Securities Market) in the R.O.C. since September 13, 2011 (stock code:4966).

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 11, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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’

(a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use assets’ and a lease liabilities (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.

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use assets’ by \$174,919, increased ‘lease liability’ by \$174,919 with respect to the lease contracts of lessees on January 1, 2019.

(c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

- i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
- ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$12,198 was recognised for the year ended December 31, 2019.
- iv. The exclusion of initial direct costs for the measurement of ‘right-of-use assets’.
- v. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate, however, the effect is not material.

(e) The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 187,117
Less : Short-term leases	(12,198)
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 174,919</u>

(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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark	January 1, 2020

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

(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
Amendments to IAS 1, ‘Classification of liabilities as current or noncurrent’	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. These consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Parade Technologies, Ltd.	Parade Technologies, Inc.	Providing sales and marketing, general and administrative, and research and development services to the Company	100	100	-
Parade Technologies, Ltd.	Parade Technologies Korea, Ltd.	Providing sales and marketing, general and administrative services to the Company	100	100	-
Parade Technologies, Ltd.	Parade Technologies Ireland, Ltd.	Providing research and development services to the Company	100	100	-
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	100	100	-
Parade Technologies, Inc.	Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	100	100	-

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

(4)Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

(5)Classification of current and non-current items

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

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

- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

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

(6) Cash equivalents

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

(7) Accounts receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the standard cost method. The cost of finished goods and work in process comprises raw materials, other

direct costs and related production overheads. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

- A. Equipment is initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Subsequent measurement of equipment applies the cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. If a component is significant, it shall be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of equipment are as follows:

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

(12) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use assets and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low- value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
Lease payments are comprised of the fixed payments, less any lease incentives receivable.
The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use assets when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use assets is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use assets is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use assets.

(13) Intangible assets

A. Computer software

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

B. Goodwill

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

C. Other intangible assets

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

(14) Impairment of non-financial assets

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

B. The recoverable amounts of goodwill 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.

(15) 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.

(16) 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.

(17) 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. However, employees must return the dividends received if they resign before the vesting conditions are fully satisfied. 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. However, when employees resign before the vesting conditions are fully satisfied, the Group will redeem the restricted stocks without consideration and then retire them. After the restricted stocks were retired, the Group decreased 'Ordinary shares' and 'Other Equity-Unearned compensation'.

(18) 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.

(19) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(20) 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.

(21) 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.

(22) 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.

(23) Business combinations

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

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

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

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

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

None.

(2)Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

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

As of December 31, 2019, the Group recognized goodwill amounted to \$1,470,575.

B. Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was \$943,784.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 67	\$ 70
Checking accounts and bank deposits	<u>2,175,518</u>	<u>3,372,671</u>
	2,175,585	3,372,741
Cash equivalents		
Money market fund	33,608	34,232
Treasury bill	<u>5,896,807</u>	<u>2,604,955</u>
	<u>\$ 8,106,000</u>	<u>\$ 6,011,928</u>

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

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

(2) Accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Accounts receivable	\$ 1,197,533	\$ 1,411,407	\$ 1,555,625
Less: Allowance for doubtful accounts	-	-	-
	<u>\$ 1,197,533</u>	<u>\$ 1,411,407</u>	<u>\$ 1,555,625</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 1,147,854	\$ 1,319,853
60 days	49,679	91,554
90 days	-	-
91-180 days	-	-
181-360 days	-	-
over 360 days	-	-
	<u>\$ 1,197,533</u>	<u>\$ 1,411,407</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019, December 31, 2018 and January 1, 2018, accounts receivable are all from contracts with customers.

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

(3) Inventories

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 291,585	(\$ 115,804)	\$ 175,781
Work-in-process	429,224	(81,731)	347,493
Finished goods	464,148	(43,638)	420,510
	<u>\$ 1,184,957</u>	<u>(\$ 241,173)</u>	<u>\$ 943,784</u>
	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 336,226	(\$ 34,949)	\$ 301,277
Work-in-process	534,835	(95,818)	439,017
Finished goods	388,780	(29,285)	359,495
	<u>\$ 1,259,841</u>	<u>(\$ 160,052)</u>	<u>\$ 1,099,789</u>

The cost of inventories recognised as expense for the year:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Cost of goods sold	\$ 6,514,480	\$ 5,877,320
Loss on decline in market value	87,384	51,013
Others	165,117	136,811
	<u>\$ 6,766,981</u>	<u>\$ 6,065,144</u>

(4) Property, plant and equipment

The Group had no property and plant as of December 31, 2019 and 2018.

	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 579,009	\$ 54,754	\$ 110,958	\$ 744,721
Accumulated depreciation	(329,035)	(43,436)	(46,198)	(418,669)
	<u>\$ 249,974</u>	<u>\$ 11,318</u>	<u>\$ 64,760</u>	<u>\$ 326,052</u>
<u>Year ended December 31, 2019</u>				
Opening net book amount	\$ 249,974	\$ 11,318	\$ 64,760	\$ 326,052
Additions	60,519	6,528	9,925	76,972
Disposals	(101)	(27)	-	(128)
Depreciation charge	(96,299)	(6,140)	(15,330)	(117,769)
Net exchange differences	(5,456)	(321)	(1,512)	(7,289)
Closing net book amount	<u>\$ 208,637</u>	<u>\$ 11,358</u>	<u>\$ 57,843</u>	<u>\$ 277,838</u>
<u>At December 31, 2019</u>				
Cost	\$ 621,064	\$ 57,539	\$ 117,645	\$ 796,248
Accumulated depreciation	(412,427)	(46,181)	(59,802)	(518,410)
	<u>\$ 208,637</u>	<u>\$ 11,358</u>	<u>\$ 57,843</u>	<u>\$ 277,838</u>
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2018</u>				
Cost	\$ 420,852	\$ 51,299	\$ 108,545	\$ 580,696
Accumulated depreciation	(251,176)	(36,818)	(31,232)	(319,226)
	<u>\$ 169,676</u>	<u>\$ 14,481</u>	<u>\$ 77,313</u>	<u>\$ 261,470</u>
<u>Year ended December 31, 2018</u>				
Opening net book amount	\$ 169,676	\$ 14,481	\$ 77,313	\$ 261,470
Additions	153,111	3,703	599	157,413
Depreciation charge	(76,484)	(6,928)	(14,980)	(98,392)
Net exchange differences	3,671	62	1,828	5,561
Closing net book amount	<u>\$ 249,974</u>	<u>\$ 11,318</u>	<u>\$ 64,760</u>	<u>\$ 326,052</u>
<u>At December 31, 2018</u>				
Cost	\$ 579,009	\$ 54,754	\$ 110,958	\$ 744,721
Accumulated depreciation	(329,035)	(43,436)	(46,198)	(418,669)
	<u>\$ 249,974</u>	<u>\$ 11,318</u>	<u>\$ 64,760</u>	<u>\$ 326,052</u>

The above equipment is for self-use.

(5) Leasing arrangements – lessee

Effective 2019

A. The Group leases assets including buildings. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>At December 31, 2019</u>
	<u>Carrying amount</u>
Right-of-use assets- Buildings	<u>\$ 181,543</u>
	<u>For the year ended December 31, 2019</u>
	<u>Depreciation</u>
Right-of-use assets- Buildings	<u>\$ 67,877</u>

C. For the year ended December 31, 2019, the additions to right-of-use assets amounted to \$80,598.

D. The information on income and expense accounts relating to lease contracts is as follows:

<u>Items affecting profit or loss</u>	<u>For the year ended December 31, 2019</u>
Expense on short-term lease contracts	<u>\$ 21,234</u>

E. For the year ended December 31, 2019, the Group's total cash outflow for leases amounted to \$89,111.

(6) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>Patent and others</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 35,219	\$ 1,506,873	\$ 1,797,710	\$ 3,339,802
Accumulated amortization	(18,945)	-	(760,460)	(779,405)
	<u>\$ 16,274</u>	<u>\$ 1,506,873</u>	<u>\$ 1,037,250</u>	<u>\$ 2,560,397</u>
<u>Year ended December 31, 2019</u>				
Opening net book amount	\$ 16,274	\$ 1,506,873	\$ 1,037,250	\$ 2,560,397
Additions - acquired separately	27,713	-	146,406	174,119
Amortization charge	(7,200)	-	(294,858)	(302,058)
Net exchange differences	(1,031)	(36,298)	(20,520)	(57,849)
Closing net book amount	<u>\$ 35,756</u>	<u>\$ 1,470,575</u>	<u>\$ 868,278</u>	<u>\$ 2,374,609</u>
<u>At December 31, 2019</u>				
Cost	\$ 61,213	\$ 1,470,575	\$ 1,894,283	\$ 3,426,071
Accumulated amortization	(25,457)	-	(1,026,005)	(1,051,462)
	<u>\$ 35,756</u>	<u>\$ 1,470,575</u>	<u>\$ 868,278</u>	<u>\$ 2,374,609</u>

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

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.

(7) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Payroll, bonus and accrued vacation	\$ 301,001	\$ 206,703
Employees' compensation and directors' remuneration	246,587	215,991
Legal and professional fees	51,007	49,391
Commissions	49,577	46,439
Engineering expenses	29,054	27,635
Others	61,461	78,944
	<u>\$ 738,687</u>	<u>\$ 625,103</u>

(8) Pensions

Each subsidiary adopts a funded defined contribution pension plan in accordance with local regulations. Under the pension plan, subsidiaries contribute monthly an amount to an independent fund. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$103,731 and \$99,766, respectively.

(9) Share-based compensation expenses

A. The Board of Directors approved the stock compensation plan during 2006. The plan originally calls for issuing 3 million shares of employee stock options, which subsequently increased to 11,696 thousand shares, 11,396 thousand shares, 6,897 thousand shares, and 5,697 thousand shares with the approval of the Board of Directors in 2011, 2010, 2008, and 2007, respectively. Each share can

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

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

C. As of December 31, 2019, the Company's not fully exercised share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	Aug. 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. 27, 2016	1,150	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Aug. 1, 2017	896	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Dec. 8, 2017	15	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Feb. 7, 2018	7	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Apr. 26, 2018	5	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Jun. 28, 2018	77	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Aug. 1, 2018	490	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Oct. 31, 2018	4	4 years	Service years as stipulated in the contract

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee restricted stock awards plan (Note)	Feb. 13, 2019	6	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Apr. 30, 2019	100	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Jul. 31, 2019	682	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Oct. 30, 2019	14	4 years	Service years as stipulated in the contract

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

- (a) The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the restricted stocks awards (the “RSAs”), or otherwise dispose of the RSAs in any other manner.
- (b) All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian.
- (c) The restrictions (including but not limited to transfer restrictions and vesting conditions) applicable to any and all unvested RSAs (and any share derived from such RSAs for whatever reason, including share dividend, retained earnings capitalization, recapitalization, reserve capitalization and any cash distributed based on such RSAs for whatever reason, including cash dividend and distribution of capital reserve in the form of cash) shall equally apply to any share derived, directly or indirectly, from and cash distributed based on such unvested RSAs for whatever reason, including share dividend, retained earnings capitalization, recapitalization, reserve capitalization, cash dividend and distribution of capital reserve in the form of cash, and any interests.

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

	For the years ended December 31,			
	2019		2018	
	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	745	\$ 5.36	880	\$ 5.02
Options exercised	(179)	2.79	(135)	3.61
Options outstanding at end of period	<u>566</u>	5.82	<u>745</u>	5.36
Options exercisable at end of period	<u>566</u>		<u>745</u>	

E. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2019 and 2018 was \$536.78 and \$492.07 (in dollars), respectively.

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

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected price volatility	Expected vesting period (in years)	Expected dividend yield rate	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	Aug. 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. Please see Note 6(10) for the related information about the fair value of employee restricted ordinary shares issued by the Company.

H. The Company reissued 250 thousand treasury shares with repurchase price amounting to \$101,725 to its employees with the effective date set on July 31, 2019 in accordance with the Share Repurchase and Employee Incentive Plan. The subscription price of \$406.90 (in dollars) per share equals the average repurchase price per share. The fair value of the treasury shares reissued was measured based on the market price at the grant date.

I. The Company reissued 170 thousand treasury shares with repurchase price amounting to \$80,688 to its employees with the effective date set on August 1, 2018 in accordance with the Share Repurchase and Employee Incentive Plan. The subscription price of \$474.63 (in dollars) per share equals the average repurchase price per share. The fair value of the treasury shares reissued was measured based on the market price at the grant date.

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

	For the years ended December 31,	
	2019	2018
Equity-settled	\$ 301,582	\$ 246,603

(10) Share capital/ Treasury shares

A. As of December 31, 2019, the Company's authorized capital was \$1,500,000, consisting of 150 million shares of ordinary share, and the paid-in capital was \$799,205 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):

	For the years ended December 31,	
	2019	2018
At January 1	78,515	78,377
Employee stock options exercised	179	135
Employee restricted shares	803	583
Cancellation of share-based compensation	(76)	(80)
Share reacquisition (treasury shares)	-	(670)
Reissued to employees	250	170
At December 31	<u>79,671</u>	<u>78,515</u>

B. The Board of Directors during its meeting on July 31, 2019 and October 30, 2019 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on July 31, 2019 and October 30, 2019 respectively. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$517 and \$598 (in dollars) at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(9) for details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. Due to employee termination, reacquired share capital is \$189 as of December 31, 2019, including unretired share capital of \$161.

C. The Board of Directors during its meeting on August 1, 2018, October 31, 2018 and February 13, 2019 and April 30, 2019 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on August 1, 2018, October 31, 2018, February 13, 2019 and April 30, 2019, respectively. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$469.5, \$410, \$531 and \$523 (in dollars) at the grant date, respectively. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(9) for details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. Due to employee termination, reacquired share capital is \$386 as of December 31, 2019, including unretired share capital of \$103.

D. The Board of Directors during its meeting on August 1, 2017, December 8, 2017, February 7, 2018, April 26, 2018 and June 28, 2018 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on August 1, 2017, December 8, 2017, February 7, 2018, April 26, 2018 and June 28, 2018, respectively. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$437, \$548, \$552, \$437 and \$494 (in dollars) at the grant date, respectively. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(9) for details. Other than these

restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. Due to employee termination, reacquired share capital is \$751 as of December 31, 2019, including unretired share capital of \$134.

E. The Board of Directors during its meeting on July 27, 2016 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) 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(9) for details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. Due to employee termination, reacquired share capital is \$1,070 as of December 31, 2019, including unretired share capital of \$75.

F. The Board of Directors during its meeting on July 29, 2015 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on July 29, 2015. Each share will be issued without consideration. The decision of the fair value was based on the closing price of \$306.5 (in dollars) at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(9) for details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares. Due to employee termination, reacquired share capital is \$332 as of December 31, 2019. There are no unretired share capital.

G. Treasury shares

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

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	250	\$ 101,725

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

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

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

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the

three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within nine months of acquisition.

(11) Capital reserves

In accordance with the provisions of the Articles of Association and with the approval of the shareholders at the Annual General Meeting, the Board of Directors may capitalize any amount within the capital reserve account, including capital reserve - additional paid-in capital and capital redemption reserve. Further, the R.O.C. Securities and Exchange 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.

(12) 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 2019 and 2018. The appropriation of 2018 and 2017 earnings had been approved by the shareholders on June 18, 2019 and June 21, 2018, respectively.

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -		\$ 193,171	
Special reserve	(238,333)		238,333	
Cash dividends	980,751	\$ 12.41	965,599	\$ 12.32

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

E. On March 11, 2020, the Board of Directors proposed that total dividends for the distribution of earnings for the year 2019 was \$1,216,887 with cash dividends of \$15.23 (in Taiwan dollars) per share. As of March 11, 2020, the abovementioned 2019 earnings appropriation had not been approved by the shareholders.

F. For the information relating to employees’ compensation and directors’ remuneration, please refer to Note 6(17).

(13) Earnings per share

	For the year ended December 31, 2019		
	<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	\$ 2,433,759	77,171	\$ 31.54
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 2,433,759	77,171	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	413	
Employee compensation	-	347	
Employee restricted stocks	-	1,378	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 2,433,759	79,309	\$ 30.69

	For the year ended December 31, 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	\$ 1,969,362	76,722	\$ 25.67
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,969,362	76,722	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	472	
Employee compensation	-	421	
Employee restricted stocks	-	2,244	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,969,362</u>	<u>79,859</u>	<u>\$ 24.66</u>

(14) Operating revenue

Disaggregation of revenue from contracts with customers

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

	For the year ended December 31, 2019				
	<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	<u>\$ 5,600,412</u>	<u>\$ 4,235,181</u>	<u>\$ 1,288,854</u>	<u>\$ 686,145</u>	<u>\$ 11,810,592</u>
	For the year ended December 31, 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	<u>\$ 5,625,529</u>	<u>\$ 3,294,167</u>	<u>\$ 753,819</u>	<u>\$ 690,373</u>	<u>\$ 10,363,888</u>

(15) Other income

	For the years ended December 31,	
	2019	2018
Interest income :		
Interest income from bank deposits	\$ 838	\$ 2,238
Interest income from Cash equivalents-Money	207	201
Interest income from Cash equivalents-Treasury bill	104,748	5,838
Total interest income	105,793	8,277
Other income-others	2,381	7,950
	<u>\$ 108,174</u>	<u>\$ 16,227</u>

(16) Expenses by nature

	For the years ended December 31,	
	2019	2018
Employee benefit expenses	\$ 1,958,050	\$ 1,673,171
Depreciation and amortization charges on equipment and intangible assets	487,704	347,530
Engineering expenses	254,032	259,202
Legal and professional expenses	48,084	44,048
Commission expenses	33,513	40,472
Operating lease payments	21,234	133,079
Other expenses	85,710	83,032
Total manufacturing and operating expenses	<u>\$ 2,888,327</u>	<u>\$ 2,580,534</u>

(17) Employee benefit expenses

	For the years ended December 31,	
	2019	2018
Wages and salaries	\$ 1,386,395	\$ 1,173,991
Employee compensation costs	301,582	246,603
Pension costs	103,731	99,766
Other personnel expenses	166,342	152,811
	<u>\$ 1,958,050</u>	<u>\$ 1,673,171</u>

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

B. In accordance with the provisions of the amended Articles of Association approved by the shareholders on June 21, 2016, where the Company makes profits before tax for the annual financial year, the Company shall appropriate no less than 5% of such annual profits before tax as employees' compensation, which shall be distributed in accordance with the incentive programme approved by majority of the meeting of Board of Directors attended by two-thirds or more of all the Directors and may be distributed to employees of the Company and its subsidiaries and a maximum of 2% as additional directors' remuneration.

C. The estimated amounts of employees' compensation were \$162,769 and \$138,954 and of directors' remuneration were \$54,662 and \$42,755 for the years ended December 31, 2019 and 2018, respectively. The employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current year for the year ended December 31, 2019, and the percentage of previous year payment. Employees' compensation and directors' remuneration of 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements, 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.

(18) Income tax

A. Components of income tax expense (benefit):

	For the years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 199,939	\$ 162,929
Prior year income tax overestimation	(63,480)	(143,849)
Total current tax	<u>136,459</u>	<u>19,080</u>
Deferred tax:		
Origination and reversal of temporary differences	(54,184)	(21,078)
Income tax expense (benefit)	<u>\$ 82,275</u>	<u>(\$ 1,998)</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 424,372	\$ 330,877
Effects from items disallowed by tax regulation	(278,617)	(189,026)
Prior year income tax overestimation	(63,480)	(143,849)
Income tax expense (benefit)	<u>\$ 82,275</u>	<u>(\$ 1,998)</u>

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

	2019		
	January 1	Recognized in profit or loss	December 31
Deferred tax assets			
- Temporary differences:			
Accrued vacation	\$ 4,272	\$ 266	\$ 4,538
Depreciation	1,083	1,583	2,666
Share-based compensation expense	(14,795)	31,189	16,394
Others	(173)	190	17
Investment tax credit	69,385	20,956	90,341
	<u>\$ 59,772</u>	<u>\$ 54,184</u>	<u>\$ 113,956</u>

	2018		
	January 1	Recognized in profit or loss	December 31
Deferred tax assets			
- Temporary differences:			
Accrued vacation	\$ 3,907	\$ 365	\$ 4,272
Depreciation	441	642	1,083
Share-based compensation expense	(5,988)	(8,807)	(14,795)
Others	(925)	752	(173)
Investment tax credit	41,259	28,126	69,385
	<u>\$ 38,694</u>	<u>\$ 21,078</u>	<u>\$ 59,772</u>

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

Qualifying items	December 31, 2019	
	Unused tax credits	Unrecognized deferred tax assets
Federal tax - Research and development	\$ 1,654	\$ -
Federal tax - Research and development	8,184	-
Federal tax - Research and development	12,891	-
Federal tax - Research and development	18,829	-
Federal tax - Research and development	26,156	-
Federal tax - Research and development	22,627	-
	<u>\$ 90,341</u>	<u>\$ -</u>

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

(19) Operating leases

Effective 2018

The Group leases office spaces under non-cancelable operating lease agreements. These leases have expiring terms between 2 to 5 years, and all these lease agreements are renewable at the end of the lease period. Part of rental is increased every year to reflect market rental rates. The Group recognized rental expense of \$133,079 for these leases in profit or loss for the year ended December 31, 2018.

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

	<u>December 31, 2018</u>
Not later than one year	\$ 67,898
Later than one year but not later than five years	119,219
Later than five years	-
	<u>\$ 187,117</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 328,583	\$ 228,792
Share-based compensation expenses	150,549	111,722
	<u>\$ 479,132</u>	<u>\$ 340,514</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

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

See Note 6(12).

12. OTHERS

(1) Consolidated balance sheets as of December 31, 2019 and 2018 and consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018 in functional currency

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF US DOLLARS)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents	\$ 270,380	59	\$ 195,701	50
Accounts receivable, net	39,944	8	45,944	12
Inventories, net	31,481	7	35,800	9
Prepayments	8,344	2	6,736	1
Other current assets	10,048	2	10,850	3
Total current assets	<u>360,197</u>	<u>78</u>	<u>295,031</u>	<u>75</u>
Non-current assets				
Property, plant and equipment, net	9,267	2	10,614	3
Right-of-use assets	6,055	2	-	-
Intangible assets	79,207	17	83,346	21
Deferred income tax assets	3,801	1	1,946	1
Other non-current assets	866	-	809	-
Total non-current assets	<u>99,196</u>	<u>22</u>	<u>96,715</u>	<u>25</u>
TOTAL ASSETS	<u>\$ 459,393</u>	<u>100</u>	<u>\$ 391,746</u>	<u>100</u>
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable	\$ 26,224	6	\$ 31,626	8
Other payables	24,640	5	20,348	5
Current income tax liabilities	20,556	4	16,002	4
Lease liabilities - current	2,199	1	-	-
Other current liabilities	6,341	1	7,315	2
Total current liabilities	<u>79,960</u>	<u>17</u>	<u>75,291</u>	<u>19</u>
Non-current liabilities				
Lease liabilities - non-current	3,856	1	-	-
Total non-current liabilities	<u>3,856</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>83,816</u>	<u>18</u>	<u>75,291</u>	<u>19</u>
Equity attributable to owners of the Company				
Share capital				
Ordinary shares	26,313	6	26,021	7
Capital reserves				
Capital reserves	103,824	23	92,873	24
Retained earnings				
Legal reserve	26,376	6	26,376	7
Special reserve	275	-	8,530	2
Unappropriated earnings	245,024	53	189,680	48
Other equity				
Other equity	(22,939)	(5)	(20,433)	(5)
Treasury shares	(3,296)	(1)	(6,592)	(2)
Equity attributable to owners of the Company	<u>375,577</u>	<u>82</u>	<u>316,455</u>	<u>81</u>
Total equity	<u>375,577</u>	<u>82</u>	<u>316,455</u>	<u>81</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 459,393</u>	<u>100</u>	<u>\$ 391,746</u>	<u>100</u>

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF US DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	2019		2018	
	Amount	%	Amount	%
Revenues	\$ 382,050	100	\$ 343,145	100
Cost of goods sold	(218,882)	(57)	(200,850)	(58)
Gross profit	163,168	43	142,295	42
Operating expenses				
Sales and marketing expenses	(18,597)	(5)	(15,968)	(5)
General and administrative expenses	(13,360)	(3)	(11,180)	(3)
Research and development expenses	(53,625)	(14)	(50,673)	(15)
Expected credit loss	(12)	-	-	-
Total operating expenses	(85,594)	(22)	(77,821)	(23)
Operating income	77,574	21	64,474	19
Non-operating income and expenses				
Other income	3,496	1	534	-
Other gains and losses	316	-	(28)	-
Total non-operating income and expenses	3,812	1	506	-
Income before income tax	81,386	22	64,980	19
Income tax (expense) benefit	(2,649)	(1)	78	-
Net income for the year from continuing operations	78,737	21	65,058	19
Other comprehensive income (loss)				
Components of other comprehensive (loss) income that will be reclassified to profit or loss				
Currency translation differences of foreign operations	(307)	-	(838)	-
Components of other comprehensive (loss) income that will be reclassified to profit or loss	(307)	-	(838)	-
Total comprehensive income for the year	\$ 78,430	21	\$ 64,220	19
Net income attributable to:				
Owners of the Company	\$ 78,737	21	\$ 65,058	19
Comprehensive income attributable to:				
Owners of the Company	\$ 78,430	21	\$ 64,220	19
Earnings per share				
Basic earnings per share	\$	1.02	\$	0.85
Diluted earnings per share	\$	0.99	\$	0.81

(2) Capital management

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

(3) Financial risk of financial instruments

A. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (such as foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

B. Significant financial risks and degrees of financial risks

(a) Market risk

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

	December 31, 2019		
	Foreign Currency		Book Value
	Amount	Exchange	Book Value
	(In thousands)	Rate	(in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	\$ 1,922	6.980	\$ 13,415

December 31, 2018

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

Based on the foreign currency quoted position held by the Group as of December 31, 2019 and 2018, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase by \$576 and \$728, respectively.

iii. The exchange loss (gain) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to (\$12,467) and (\$1,420), 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. If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Group used timely information to assess the default possibility of accounts receivable. The Group's expected credit loss rate of accounts receivable as of December 31, 2019 and 2018 are as follows:

	Never occurred loss (Note)		
	Not past due	Up to 60 days	Up to 90 days
		past due	past due
<u>At December 31, 2019</u>			
Expected loss rate			0.5%
Total book value	\$ 1,147,854	\$ 49,679	\$ -
Loss allowance	\$ -	\$ -	\$ -

	Never occurred loss (Note)		
	91~180 days	181~360 days	Up to 360 days
	<u>At December 31, 2019</u>		
Expected loss rate	1%~5%	50%~75%	100%
Total book value	\$ -	\$ -	\$ -
Loss allowance	\$ -	\$ -	\$ -

	Occurred loss	Total	
	<u>At December 31, 2019</u>		
	Expected loss rate	100%	
Total book value	\$ -	\$ 1,197,533	
Loss allowance	\$ -	\$ -	

	Never occurred loss (Note)		
	Not past due	Up to 60 days	Up to 90 days
		past due	past due
<u>At December 31, 2018</u>			
Expected loss rate			0.5%
Total book value	\$ 1,319,853	\$ 91,554	\$ -
Loss allowance	\$ -	\$ -	\$ -

	Never occurred loss (Note)		
	91~180 days	181~360 days	Up to 360 days
	<u>At December 31, 2018</u>		
Expected loss rate	1%~5%	50%~75%	100%
Total book value	\$ -	\$ -	\$ -
Loss allowance	\$ -	\$ -	\$ -

	Occurred loss	Total	
	<u>At December 31, 2018</u>		
	Expected loss rate	100%	
Total book value	\$ -	\$ 1,411,407	
Loss allowance	\$ -	\$ -	

Note: Based on past experience, it has been shown that the defaults of these customers have been extremely low, so the expected credit losses are measured at a single loss rate based on the past due dates. The amount of allowance for doubtful accounts were not significant, so the Group had not recognized related impact as at December 31, 2019 and 2018, respectively.

vii. Movements in relation to the Group applying the approach to provide loss allowance for accounts receivable are as follows:

	<u>2019</u>	<u>2018</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ -	\$ -
Provision for impairment	367	-
Write-offs	(367)	-
At December 31	<u>\$ -</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market fund and treasury bill, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Group held money market funds of \$33,608 and \$34,232, and treasury bills of \$5,896,807 and \$2,604,955 at December 31, 2019 and 2018, respectively, which are expected to immediately generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 786,191	\$ -
Other payables	738,687	-
Lease liability	65,937	115,606
<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 971,566	\$ -
Other payables	625,103	-

(4) Fair value information

A. The different levels of inputs to valuation techniques used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. There were no financial instruments measured at fair value recognized at December 31, 2019 and 2018.

C. For the years ended December 31, 2019 and 2018, 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.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

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

A. Loans granted during the year ended December 31, 2019: None.

B. Endorsements and guarantees provided during the year ended December 31, 2019: None.

C. Marketable securities held as at December 31, 2019 (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2019: None.

E. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2019: None.

F. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2019: None.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended December 31, 2019: None.

H. Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as at December 31, 2019: None.

I. Derivative financial instruments undertaken during the year ended December 31, 2019: None.

J. Significant inter-company transactions for the year ended December 31, 2019: Please refer to table 1.

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

Please refer to table 2.

(3) Disclosure information on indirect investments in Mainland China

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

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

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

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

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

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

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

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

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Board of Directors, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

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

(3) Reconciliation for segment profit (loss)

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

(4) Revenue information by category

See Note 6(14).

(5) Revenue information by geographic area

Revenue information by geographic area for the years ended December 31, 2019 and 2018 are as follows:

A. Revenue

	For the years ended December 31,	
	2019	2018
Taiwan	\$ 3,922,799	\$ 2,897,698
China	3,782,646	3,055,350
South Korea	2,643,108	3,434,714
Japan	1,401,966	938,228
Others	60,073	37,898
	<u>\$ 11,810,592</u>	<u>\$ 10,363,888</u>

B. Non-current assets

	December 31, 2019	December 31, 2018
China	\$ 69,596	\$ 74,017
Taiwan	9,881	14,284
South Korea	3,326	3,879
Others	2,777,143	2,819,122
	<u>\$ 2,859,946</u>	<u>\$ 2,911,302</u>

(6) Information on major customers

The major customers for the years ended December 31, 2019 and 2018 are set forth below:

Customer	For the year ended December 31, 2019	
	Sales	%
A	\$ 4,546,197	38
B	2,448,129	21
K	1,876,620	16
E	1,139,376	10
	<u>\$ 10,010,322</u>	<u>85</u>

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
SIGNIFICANT INTER-COMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

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	\$ 821,879	In accordance with the agreement, depend on the financial condition of the paying firm	7%
			(1)	Other payables	86,732	In accordance with the agreement, depend on the financial condition of the paying firm	1%
		Parade Technologies Korea, Ltd.	(1)	Service expense	28,674	In accordance with the agreement, depend on the financial condition of the paying firm	0%
			(1)	Other payables	2,071	In accordance with the agreement, depend on the financial condition of the paying firm	0%
		Parade Technologies Ireland, Ltd.	(1)	Service expense	41,123	In accordance with the agreement, depend on the financial condition of the paying firm	0%
			(1)	Other payables	2,711	In accordance with the agreement, depend on the financial condition of the paying firm	0%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	530,119	In accordance with the agreement, depend on the financial condition of the paying firm	4%
			(1)	Other payables	249,628	In accordance with the agreement, depend on the financial condition of the paying firm	2%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	235,565	In accordance with the agreement, depend on the financial condition of the paying firm	2%
			(1)	Other payables	81,044	In accordance with the agreement, depend on the financial condition of the paying firm	1%

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

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at 12/31/2019			Net income of the investee	Investment income recognized by the Company	Footnote
				Balance as at 12/31/2019	Balance as at 1/1/2019	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	\$ 38,974	\$ 38,974	10,000	100	\$ 1,302,191	\$ 132,805	\$ 132,805	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	\$ 1,499	\$ 1,499	10,000	100	\$ 14,119	\$ 1,161	\$ 1,161	
The Company	Parade Technologies Ireland, Ltd.	Ireland	Providing research and development services to the Company	\$ -	\$ -	1	100	\$ 14,344	\$ 2,397	\$ 2,397	

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

7.1 Financial Status

Unit: NTD in Thousands

Subject \ Year	2018	2019	Difference	
			Amount	%
Current Assets	9,063,371	10,798,706	1,735,335	19.15
Non-current Assets	2,971,074	2,973,902	2,828	0.10
Total Assets	12,034,445	13,772,608	1,738,163	14.44
Current Liabilities	2,312,951	2,397,205	84,254	3.64
Non-current Liabilities	-	115,606	115,606	-
Total Liabilities	2,312,951	2,512,811	199,860	8.64
Share Capital	790,147	799,205	9,058	1.15
Capital Reserves	2,817,047	3,159,096	342,049	12.14
Retained Earnings	6,879,370	8,333,982	1,454,612	21.14
Other Equity	-561,620	-930,761	-369,141	65.73
Treasury Stock	-203,450	-101,725	101,725	-50.00
Total Equity	9,721,494	11,259,797	1,538,303	15.82
<p>(I) Description of major variations of accounting subjects (Accounting subjects fluctuate over 20% from previous year, and such change in amount exceeds NT 10 million dollars):</p> <ol style="list-style-type: none"> 1. Retained Earnings: Mainly due to 2019 revenue growth lead to increase of profits. 2. Other Equity: Mainly due to the difference of exchange rate on currency translation of foreign operations financial reports between 2018 and 2019. 3. Treasury Stock: Mainly due to transfer a part of the shares of repurchasing the Company's shares to employees. <p>(II) Variations of accounting items do not have a significant impact on the Company's financial condition.</p>				

7.2 Operating Results

Unit: NTD in Thousands

Subject \ Year	2018	2019	Change in Amount	% Change
Revenue	10,363,888	11,810,592	1,446,704	13.96
Cost of Goods Sold	6,065,144	6,766,981	701,837	11.57
Gross Profit	4,298,744	5,043,611	744,867	17.33
Operating Expenses	2,346,941	2,645,527	298,586	12.72
Operating Income	1,951,803	2,398,084	446,281	22.87
Total Non-operating Income and Expenses	15,561	117,950	102,389	657.98
Income Before Income Tax	1,967,364	2,516,034	548,670	27.89
Income Tax Benefit (Expense)	1,998	-82,275	-84,273	-4217.87
Net Income for the Year from Continuing Operations	1,969,362	2,433,759	464,397	23.58
Other Comprehensive Income (Loss)	280,377	-298,672	-579,049	-206.53
Total Comprehensive Income for the Year	2,249,739	2,135,087	-114,652	-5.10
<p>(I) Description of major variations of accounting items (Accounting subjects fluctuate over 20% from previous year, and such change in amount exceeds NT 10 million dollars):</p> <ol style="list-style-type: none"> 1. Total Non-operating Income and Expenses: Mainly due to increase in interest revenue in 2019. 2. Operating Income, Income Before Income Tax and Net Income for the Year from Continuing Operations: Mainly due to increase in 2019 revenue and causing the operating income, income before income tax and net income for the year from continuing operations increase. 3. Income Tax Benefit (Expense): Mainly due to decrease in the prior year income tax overestimation and causing the income tax increase. 4. Other Comprehensive Income (Loss): Mainly due to the difference of exchange rate on currency translation of foreign operations financial reports between 2018 and 2019. <p>(II) Expected sales performance for next year with references; Main factors contribute to the Company's sales forecast in terms of the continuous growth/ decline:</p> <p>As the demand for higher image transmission bandwidth and data transmission amount constantly increasing, the data rate for many well know high-speed interface such as DP, SATA, PCIe, HDMI and USB constantly more to more faster. That cause strong demand for high-speed technologies to solve high-speed transmission problems. Those are benefit the Company revenue growth for its high-speed interface ICs and Display ICs.</p> <p>(III) Potential impact on the company's financial and sales performance in the future: No significant impact.</p>				

7.3 Cash Flows

(1) Analysis of the Change in Cash Flow in 2019:

Unit: NTD in Thousands

Initial Cash Balance (1)	Cash Flows from Operating Activities for the Year (2)	Cash Flows from Investing and Financing Activities for the Year (3)	Cash Surplus (Shortfall) (1)+(2)+(3)	Remedy for Cash Shortfall	
				Investment Plan	Financial Plan
6,011,928	3,492,179	-1,398,107	8,106,000	0	0

Analysis of the Change in Cash Flow in 2019:

- ① Net cash inflow of operating activities of NTD 3,492,179 thousands mainly results from the operating profit.
- ② Net cash outflow of investing activities of NTD 252,793 thousands mainly due to the acquisition of equipments and intangible assets.
- ③ Net cash outflow of financing activities of NTD 929,820 thousands mainly due to the distribution of cash dividend.
- ④ Cash outflow for results from exchange rate adjustment of NTD 215,494 thousands.

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

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

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

There will be no liquidity problems for the coming year for the Company expects that the continuous cash inflow of operating activities in 2020 is enough to cover the cash outflow of financing and investing activities.

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

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

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

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

The company is focused on its core business operations.

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

Investee Enterprises	2019 Investment Profit (NTD in Thousands)	Reason	Improvement Plan
Parade (US)	132,805	Providing sales and marketing, general and administrative, and research and development services to the Company. 2019 revenue from the parent company for the services provided is NTD 821,879 thousands, and net income is NTD 132,805 thousands.	None
Parade (Korea)	1,161	Providing sales and marketing, general and administrative services to the Company. 2019 revenue from the parent company for the services provided is NTD 28,674 thousands, and net income is NTD 1,161 thousands.	None
Parade (Ireland)	2,397	Providing research and development services to the Company. 2019 revenue from the parent company for the services provided is NTD 41,123 thousands, and net income is NTD 2,397 thousands.	None
Parade (SH)	15,584	Providing research and development services to the Company. 2019 revenue from the parent company for the services provided is NTD 530,119 thousands, and net income is NTD 15,584 thousands.	None
Parade (NJ)	5,061	Providing research and development services to the Company. 2019 revenue from the parent company for the services provided is NTD 235,565 thousands, and net income is NTD 5,061 thousands.	None

3. Investment plans for the coming year:

On March 11, 2020, Parade Board of Directors resolved to set up a subsidiary, Pinchot Ltd., in Cayman Islands with its own funds of US\$ 50,000 thousands.

7.6 Risk Management

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

- (1) Interest rate changes:

The Company's interest earnings for the year 2018 and 2019 are NTD 8,277 thousands and NTD 105,793 thousands respectively, accounting for 0.08% and 0.90% of total net earnings, which is insignificant. There were no interest expenses for 2018 and 2019, and it is fair to say that changes in interest rate do not have major influence on the Company. If future operating needs require the obtainment of bank loans, both interest expense and the influence of interest rate changes on the Company will increase. The Company will constantly monitor the changes in interest rates in order to reduce the effects of interest rate changes on the profits and losses of the Company.

- (2) Exchange rate changes:

The main purchasing and selling of the Company is denominated in United States Dollars ('USD'). The account receivable and account payable from selling and purchasing transactions may cancel out each other, creating a natural hedge effect. The Company's foreign exchange (loss) or gain for 2018 and 2019 are NTD (763) thousands and NTD 9,834 thousands respectively, accounting for (0.01)% and 0.08% of total operating revenue, which has limited influence on the Company's profits and losses.

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

- (3) Inflation

The Company's profits and losses have not been significantly influenced by inflation in the past. If inflation increases the cost of purchasing, the Company will make adequate adjustments to the selling price, hence inflation should not have major influence

on the Company. In addition, the Company will refer to economic figures and reports from government and research institutes on regular and irregular basis, and review and organize the relevant information in order to provide reference to management level for making decisions.

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

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

3. Future R&D projects and estimated costs:

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

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

The Company’s R&D expenses for 2018 and 2019 accounts for 14.74% and 14.03% of total operating revenue. Depending on future product development projects, the Company will continue to invest in R&D resources for R&D projects in 2020.

4. Both home and abroad, changes in major political policies and laws with effect on the Company's business and financials, and response measures:

The Company is registered at the Cayman Islands. The subsidiary Parade (US) provides sales and marketing, general and administrative, and research and development services to the Company. Parade (NJ) and Parade (SH) located in China provide research and development services to the Company. And the Company has the subsidiaries in Korea and Ireland, and the branch offices in Hong Kong, Taiwan, Japan, Washington, Beijing and Shenzhen, and products eventually reaching the United States, Europe, and other developed countries. The Cayman Islands has financial services as its main economic activity, United States and Mainland China are both major economic bodies in the world, Korea is the big export country for 3C electronic products (computers, communication, and consumer electronics) and automobile, and Hong Kong has the world's freest economy, hence the economic development and political environment of the regions mentioned above are relatively stable. About China, just as previously stated, the changes in the China labor laws from 2008 were not a material effects to the Company. The high-speed video transmission interface chips and touch controller developed and sold by the Company are found in 3C products, and are categorized as consumer products and not special permission or restricted businesses. Furthermore, the Cayman Islands passed The International Tax Co-operation (Economic Substance, ES) Law on 27 December 2018 (the "ES Law") and additional Regulations and Guidance version 1.0 were issued on 22 February 2019 and amended by Guidance version 2.0 on 30 April 2019. The more details please refer to 2.5 Risk Factors. In addition to the above instructions, the implementation of various operations of the Company are in accordance with international and local political policies and law provisions, but the changes in political policies or law provisions in the above region will not influence the Company's financials or business operations significantly. In addition, the Company will constantly monitor changes in major political policies or law provisions from home or abroad, in order to take appropriate response measures when necessary.

5. Technology and industry changes affecting the Company's business and financials, and response measures:

Due to the short life expectancy and high replacement rate of electronic consumer products, the Company will constantly monitor technological changes in the industry, control market demand, make active adjustments to product functionality, and evaluate other factors that might influence the operation of the Company. If the Company is unable to control the market pulse, future industry changes, or development trends, the Company will be unable to release products that will meet market needs, and might cause adverse effects to the Company operation.

The designated marketing department is in charge of the market planning and researching, consistently monitor the industry changes and adjust products functions to meet

the market needs. From the most recent year till the printing date of the annual report, the Company has not experienced any major technology or industry changes.

6. Changes in corporate image with influence to corporate crisis control and response measures:

Since the Company's establishment, the running of the business has always been upheld on the principles of honesty and professionalism. Enhancing the internal management of the Company and improving the quality of management with the introduction of external Directors, the Company's corporate governance is becoming more universal, broad-scaled, and institutionalized. From the most recent year till the printing date of the annual report, there has not been major change to the corporate image of the Company.

7. Expected benefits from merging and possible risks and response measures:

Parade held its press conference at Taipei Exchange on April 23, 2020 Taipei time. Parade Technologies Ltd. and its subsidiary, Pinchot Ltd., entered into the Agreement and Plan of Merger with Fresco Logic Inc. and Chih-Hung Investment Corporation, in its capacity as the holder representative, under which Parade's subsidiary, Pinchot Ltd., will merge Fresco Logic, Inc. for an aggregate consideration of US\$37.5 million in cash. The acquisition of Fresco Logic, Inc. will speed up Parade's roadmap development and execution in USB4 product line and beyond to provide cutting-edge high-speed products to our customers. The transaction is expected to close during the second quarter of 2020. The actual closing is subject to the completion of the closing conditions. As of the printing date of the 2019 annual report, this merge has not been completed.

8. Predicted benefits from warehouse expansion and possible risks and response measures:

Our company is an IC design company that adopts the fabless business model. Until this day, there has not been plans of warehouse expansion from the Company, thus the risks are not applicable.

9. Risks from concentrated purchasing and selling of goods, and response measures:

(1) Concentrated purchase of goods:

Our company is a fabless IC design company with concentrated purchases from the second largest wafer foundry in the world, B Company, and the Company is mainly located in the middle of the semiconductor value chain. In order for IC design companies to obtain a reliable and stable capacity, and also consider the process technology, quality yield, capacity sufficiency, delivery cooperation, and various other factors, they tend to maintain a close and long-term relationship with specific semiconductor foundry. If the cooperating semiconductor foundry has insufficient capacity, the Company might experience risks of supply shortages or delay on delivery of goods. Due to the risks

mentioned above, besides maintaining a good cooperative relationship with the semiconductor foundry, the Company will not rule out the possibility of seeking cooperation from other manufacturers.

(2) Concentrated selling

Although the top 3 customers in 2018 and 2019 accounted for over 70% of total revenue, but none of these customers' purchases exceeded 40% of total revenue. In order to explore and reach more customers, our sales strategy is to distribute our products through distributors, however, we can also deal with the end-customers under their needs. The Company builds its customer relationship with renowned OEM/ODM vendors through Design-in and indirect sales, such like Foxconn, Quanta, Compal, Wistron, Inventec, ASUS, Hisense and LCFC. Many worldwide renowned vendors of PC and Consumer electronic products are also our customers since the Company participates in their product design, therefore our customers will purchase our products at the mass production stage, and under this sales model, our high-speed transmission and display products, are widely adopted by worldwide renowned manufacturers. The high-speed transmission and display belongs to advanced technique, which is mainly used in high-end electronic products, since these renowned manufacturer's products differ from their competitors and the Company chose to work with them so closely, the Company's sales are also concentrated in these customers. Besides maintaining good relationships with our customers, the Company will continue the development of new products and actively exploring new customer base in order to avoid the risks of concentrated selling.

10. Directors, supervisors, or major shareholders with shares exceeding 10% of total shares outstanding, the effects, risks, and response measures on the Company from substantial transfer or renewal of share equity:

From the most recent year till the printing date of the annual report, no such incident has occurred.

11. Controlling rights changes in the Company and its effects, risks, and response measures.

The most recent year till the printing date of the annual report, there were no controlling rights changes in the Company. The Company has enhanced its corporate governance measures, introduced Independent Directors, and established auditing councils in order to raise overall shareholder rights protection. The Company relies heavily on the professional managers for the running of daily operations. Currently we have an outstanding team of professional managers that has contributed substantially to the operating performance of the Company, and this system looks to gain continuous support from the shareholders in the future, so if control rights changed, it should not have significant negative influence on the various managing and operating advantages of the Company.

12. Other significant risks and response measures:.

- (1) The influence and risks on the Company with the management team or R&D personnel leaving the Company:

As a professional IC design company, talents are one of the most vital assets to the Company, as talented R&D personnel are hard to come by, the Company might be adversely affected if the management team or R&D personnel decides to leave the Company. Therefore, besides establishing a good communication channel with our employees, we also provide employees with an environment for learning and growth in order to build their sense of belonging and cohesion. In order to reduce employee turnover rate, the Company also introduced employee share option schemes to attract and keep professional talents in the Company, and also to allow higher management to participate in performance-based reward systems.

- (2) Special situations with possibilities of insufficient protection

The Company operation faces numerous risks and dangers such as malfunction, damages, or abnormality to machinery and equipments, late delivery of equipment, capacity restrictions, labor strikes, fire, natural disasters such as earthquakes or typhoon, environmental disasters or occupational disasters, all of which could have adverse effects on the Company's operations. There is insurance on the Company's fixed assets, and some of the Company's suppliers have also taken out insurance on the Company's inventory, but even with all the insurance, it is still possible that under some situations they might not provide sufficient protection against all the uncertainties. If the Company suffers losses as a result, the Company's operations might be adversely affected.

- (3) Shareholder rights protection

There are numerous differences on regulations between the Company Law of Cayman Islands and the Company Law of the Republic of China. Although alterations has been made to the Company's memorandum according to the 'Investors' Rights Protection' from the Taiwan Stock Exchange, but there are still many differences between the laws regulating company operation in the two countries. Investors should not compare and apply the rights protection of investing in Taiwan to that of investing in a company of Cayman Islands. Investors should fully understand and consult with professionals regarding shareholder rights protection when investing in a company of the Cayman Islands.

- (4) Intellectual property rights

As an IC design company, talented R&D personnel and R&D intellectual property are important assets of the Company. Once the intellectual property is infringed, not only affect the Company's products and sales, but also time and spendings to take legal actions in order to defend the Company's interest, which may be harmful to the Company's operations.

The Company is not aware of any charge of intellectual property violation from third parties, however, this kind of accusation is not that rare in high-tech industry. In the future, the Company may still be accused of violating other's intellectual property, whether evidences are enough or not. Any single charge may affects The Company's reputation, financial status, business and sales, and may also generate a high legal fee, harming the Company's operations.

13. Litigation and non-litigation matters

The most recent two years till the printing date of the annual report, conclusive judgment or major litigations, non-litigations, administrative disputes, whose outcome might have major influence on shareholder rights or the price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and status on the current proceedings: None.

14. Directors, supervisors, managers, and shareholder with shares exceeding 10% of all outstanding shares of the Company, from the most recent two years till the printing date of the annual report with conclusive judgment or proceedings litigations, non-litigations, or administrative disputes with outcomes that might have major influence on shareholder rights or price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and the status on current proceedings: None.

15. Information Security Risk

With the advancement of technology, the emergence of new technologies and the hacking of viruses, information security faces more challenges. In the information security risk control, the Company has established relevant operational methods for the use of computerized information systems to implement internal control systems and maintain information security policies. In terms of technology and system, various security measures are introduced to reduce threats and conduct risk management, including:

- (1)The server and personal computer will install anti-virus software to protect against viruses and malicious programs and protect the security of the computer.
- (2)The client installs the supervision software and blocks the connection of the USB storage device for the specific department.
- (3)For the internet network, build a hardware firewall to control the traffic and applications of the network.
- (4)Centralized management of the specific host, regular data backup, and annual data recovery exercises.

At the same time, the internal and external audit of the information security cycle are carried

out every year to ensure the effectiveness of the management system and comply with the statutory requirements. Therefore, the information security risks are not a major operational risk of the Company.

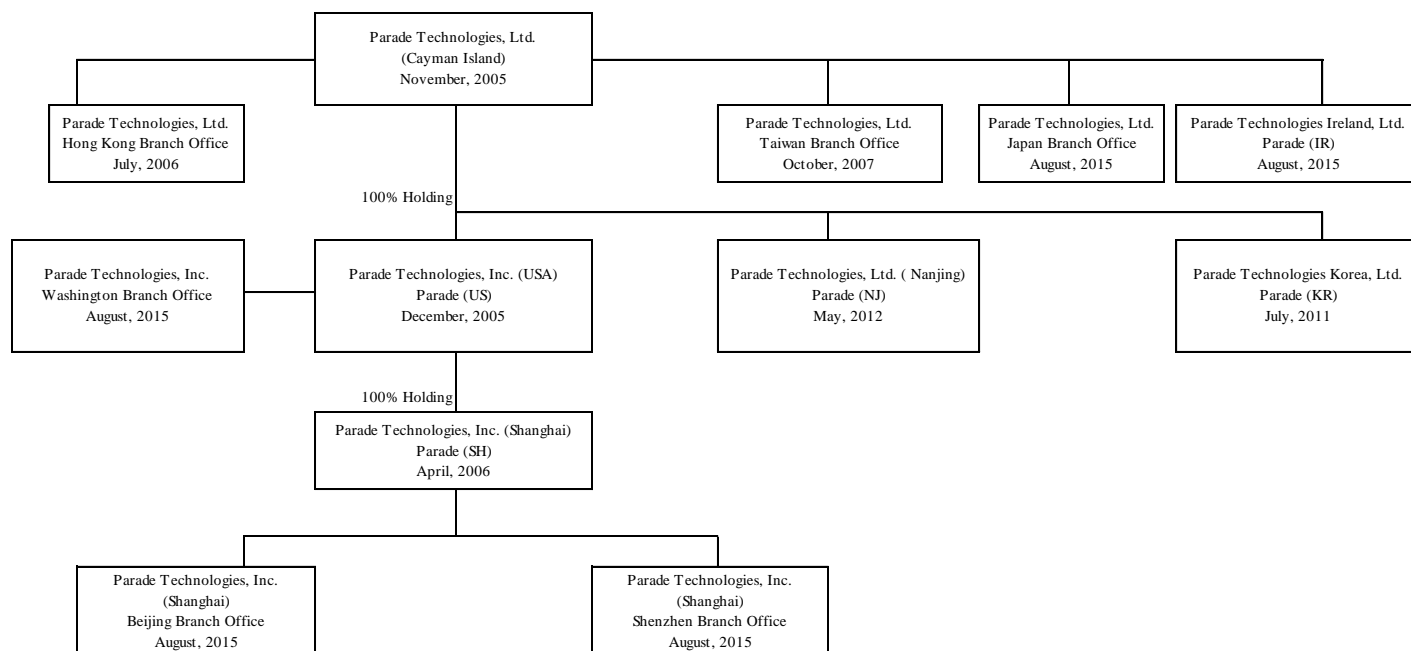
7.7 Other Significant Events

None

VIII. Special Disclosures

8.1 Summary of Affiliated Companies for the most recent fiscal year

8.1.1 Affiliated Companies Chart



8.1.2 The relationship between the Company and its affiliates', mutual shareholding ratio, shares and amount of actual investments

12/31/2019; Unit: USD in Thousands

Name of affiliates	Relationship	Held by the Company			Holds the Company		
		% of Shareholding	Holding Shares	Investment \$ (in thousands)	% of Shareholding	Holding Shares	Investment \$ (in thousands)
Parade (US)	Subsidiary of the Company	100%	10,000 shares	USD 1,300	0	0	0
Parade (Korea)	Subsidiary of the Company	100%	10,000 shares	USD 50	0	0	0
Parade (Ireland)	Subsidiary of the Company	100%	1 share	EUR 1 (Dollar)	0	0	0
Parade (SH)	Subsidiary of Parade (US)	100%	-	USD 1,300	0	0	0
Parade (NJ)	Subsidiary of the Company	100%	-	USD 2,000	0	0	0

8.1.3 Affiliated Companies Basic Information

12/31/2019; Unit: USD in Thousands

Company	Date of Incorporation	Investment Amounts	Business Activities	Accounting method	Relationship
Parade (US)	2005	USD 1,300	Providing sales and marketing, general and administrative, and research and development services to the Company	Equity method	Subsidiary of the Company
Parade (Korea)	2011	USD 50	Providing sales and marketing, general and administrative services to the Company	Equity method	Subsidiary of the Company
Parade (Ireland)	2015	EUR 1 (Dollar)	Providing research and development services to the Company	Equity method	Subsidiary of the Company
Parade (SH)	2006	USD 1,300	Provides research and development services to the Company	Equity method	Subsidiary of Parade (US)
Parade (NJ)	2012	USD 2,000	Providing research and development services to the Company	Equity method	Subsidiary of the Company

Note 1: The major business activities of the affiliates are its primary operating businesses.

Note 2: Please refer to cover page of this annual report for the address of each affiliate.

8.1.4 In accordance with the Company Law provides that the provisions of 369-3 is presumed to have control and affiliation, to expose (a) is the same corporate shareholder, the presumption of the main reasons, the corporate name, ownership situation, date of establishment, address, and paid-up capital amount of that principal place of business project. (b) is a natural person shareholder of the same, and its constructive reasons, the names and holdings of the case:

None

8.1.5 The investment to the Company and its subsidiaries of Directors, supervisors and presidents of the affiliates :

12/31/2019; Unit: shares ; %

Name of affiliates	Title	Name or Representative	Shareholding	
			Shares	%
Parade (US)	Chief Executive Officer & Chairman	Parade Technologies, Ltd. (Representative: Ji Zhao)	10,000	100
	President	Ming Qu	-	-
Parade (Korea)	Chairman	Parade Technologies, Ltd. (Representative: Ji Zhao)	10,000	100
Parade (Ireland)	Chairman	Parade Technologies, Ltd. (Representative: Ji Zhao)	1	100
	Director	Denis Ellis	-	-

Name of affiliates	Title	Name or Representative	Shareholding	
			Shares	%
Parade (SH)	Chairman	Parade Technologies, Inc. (Representative: Ji Zhao)	-	-
	Director	Ming Qu	-	-
	Director	Jackie Yang	-	-
	Director	Hao Chen	-	-
	Supervisor	Ding Lu	-	-
	President	Jian Wang	-	-
Parade (NJ)	Chairman	Parade Technologies, Ltd. (Representative: Ji Zhao)	-	-
	Director	Ming Qu	-	-
	Supervisor	Ding Lu	-	-
	President	Jianping Qi	-	-

8.1.6 Affiliated Companies Operating Status

12/31/2019; Unit: NTD in Thousands

Company	Total Capital	Total Assets	Total Liability	Net Worth	Revenue	Profit	Net income	EPS (Note)
Parade (US)	38,974	1,339,349	37,158	1,302,191	821,879	53,485	132,805	-
Parade (Korea)	1,499	15,614	1,495	14,119	28,674	1,365	1,161	-
Parade (Ireland)	0	15,507	1,163	14,344	41,123	2,869	2,397	-
Parade (SH)	38,974	468,718	94,860	373,858	530,119	26,682	15,584	-
Parade (NJ)	59,960	179,883	36,250	143,633	235,565	11,857	5,061	-

Note: There is no EPS disclosure for the affiliated companies financial statements. EPS is calculated on the Company's consolidated financial statements.

8.1.7 Affiliates consolidated financial statements: Please refer to this annual report page 128 to page 179 consolidated financial statements.

8.1.8 Affiliates Reports : None

8.2 Most recent fiscal year and up to the date of annual report printed, issuance of private placement of securities

None

8.3 Most recent fiscal year and up to the date of annual report printed, acquisition or disposal of the Company's shares by its affiliates

None

8.4 Explanation for material difference from the provisions for the protection of shareholders' rights

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
<p>On the subject of convention and resolution of shareholders meeting and with respect to extraordinary shareholders' meeting convened by the shareholders holding no less than three percentage (3%) of the total number of the issued Shares of the Company for at least one (1) year, if the Board of Director fails to convene a meeting within fifteen days after the shareholder so request, the shareholder may, after obtaining an approval from the competent authority, convene an extraordinary shareholders' meeting on its own initiative.</p>	<p>Article 28 of the Company's current Articles of Association does not require prior approval from the competent authority for the extraordinary shareholders' meeting convened by such shareholders.</p>	<p>According to Cayman lawyers, there is no statutory provision regarding convention of shareholders meeting under the Cayman Companies Law.</p> <p>Given the above, the Company's current Articles of Association do not require prior approval from the competent authority. Article 28 of the Company's Articles of Associations provide that "... If the Board does not within fifteen (15) days from the date of the deposit of the requisition dispatch the notice to convene an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting, provided that if the extraordinary general meeting will be held outside the ROC, an application shall be submitted by such requisitionists to the GTSM or the TSE for its prior approval...."</p>
<p>The Articles shall adopt the electronic transmission as one of the methods for exercising the voting power. When the Company convenes the general meeting, the shareholder may exercise the voting power in writing or by way of electronic transmission; provided however that, in the event that the general meeting is to be held outside Taiwan, the Company shall specify in the notice of the general meeting that the votes may be exercised in writing or by way of electronic transmission.</p>	<p>The Company's current Articles of Association do not have relevant provisions.</p>	<p>The Company's Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Further, this requirement applies to the foreign company the shares of which are listed on or after January 1, 2016 and thus is inapplicable to the Company.</p> <p>Nevertheless, the Company's Articles of Associations provides that the Board shall allow the voting power of a Member at a general meeting to be exercised by way of electronic transmission if the size of the Company, number and types of Members or other matters meets the threshold set forth in the Applicable Public Company Rules. According to the letter order (Ref. Chin Kuan, Cheng-Chiao-Tzu No. 1060000381) dated January 18, 2017,</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		issued by the Financial Supervisory Commission (R.O.C), commencing from January 1, 2018, all the listing companies shall adopt the electronic transmission as one of the methods for exercising the voting power. The Company will follow and adopt the electronic transmission accordingly.
The candidates nomination mechanism applies to the Directors, not only the Independent Directors	According to the Company's current Articles of Association, the candidates nomination mechanism applies to Independent Directors and not to other non-Independent Directors.	The Company's Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Further, this requirement applies to the foreign company the shares of which are newly listed and thus is inapplicable to the Company, the shares of which have been listed since 2011. The Company has proposed to amend the Memorandum and Articles in 2020 annual general meeting of members, among others, applying the candidates nomination mechanism to all the Directors.
Certain proposals involving material rights of the shareholders shall be adopted by a majority of the shareholders at a shareholders' meeting attended by two-thirds or more of the total number of the outstanding shares. If the total number of shares represented by the shareholders present at the shareholders' meeting is less than two-thirds of the total outstanding shares, such proposals may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of the outstanding shares.	Article 1 defines "Special Resolution" as a special resolution under Cayman Company Act and Supermajority Resolution as a special resolution under Taiwan laws. Article 24 and other relevant articles provide the required resolution process.	According to Cayman lawyers, under Cayman Island laws, a "special resolution" (a " Special Resolution ") should be passed by a majority of not less than two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. The proposals in the checklist for the protection of shareholders' right only require a resolution adopted by a majority of the shareholders at a shareholders' meeting attended by two-thirds or more of the total number of the outstanding shares, which does not meet the voting threshold of the Special Resolution under Cayman laws. According to Cayman lawyers, the

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		<p>requirement of a Special Resolution is compulsory and any resolution passed by members by a lower majority percentage than is required for a Special Resolution will be null and void under the Cayman Companies Law.</p> <p>To compromise the different requirements, the special resolution under Taiwan Company Act is defined as "Supermajority Resolution" under the Company's Articles. To the extent permitted under Cayman Companies Law, Article 24(e) provides that proposals listed in checklist for the protection of shareholders' rights shall be subject to the Supermajority Resolution.</p> <p>According to Article 24(e) of the Company's Articles, the following matters shall be subject to Supermajority Resolution</p> <ol style="list-style-type: none"> 1. to effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed; 2. to effect any merger (other than a Cayman Merger) or spin-off of the Company; 3. to enter into, amend, or terminate any contract for lease of the Company's business in whole, or for delegation of management of the Company's business to others, or for regular joint operation with others; 4. to transfer its business or assets, in whole or in any essential part; or 5. to acquire or assume the whole business or assets of another person, which has a material effect on the Company operation.

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		<p>According to Cayman laws, the following matters shall be subject to Special Resolution and shall be provided in the articles:</p> <ol style="list-style-type: none"> 1. to alter or add to these Articles (Article 24(c)(iii) and Article 134) ; 2. any modification or alteration in these Articles which is prejudicial to the rights of holders of preferred shares (Article 12); 3. The Cayman Companies Law provides that only Cayman Islands companies can be merged or consolidated. This is different from the “merger” permitted under the ROC Company Act, Enterprise Merger and Acquisition Act and other applicable laws. Therefore, Article 24(e) precludes Cayman merger to comply with Cayman laws. 4. Article 24(f) provides that liquidations with different cause requires different voting threshold. According to Cayman Company Laws, the shareholders of the company may pass an ordinary resolution requiring a company to be wound up voluntarily because the company is unable to pay its debts as they fall due. ; the shareholders of the company shall pass a Special Resolution requiring the company to be wound up voluntarily due to other causes. <p>Article 24(g) provides that private placement requires Supermajority Resolution. According to Cayman lawyer's understanding, “private placements” means the Company obtaining subscriptions for, or the sale of, shares, options, warrants, Rights or other securities of a company listed in the</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		Republic of China by the listed company itself or an intermediary of the listed company primarily from or to specific investors selected or approved by such listed company or such intermediary under the Taiwanese law. There is no provision under such laws and regulations of the Cayman Islands as applicable to the Company that govern "private placements"
The remedy available to minority shareholders if the shareholders' meeting fail to resolve to remove Directors who has, in the course of performing his/her duties, committed any act resulting in material damages to the Company.	This matter is provided under Article 108 of the Company's current Articles of Association.	The judgment of removal of a Director rendered by the Taipei District Court is not enforceable under Cayman Islands. Except for a monetary judgment which meets all the following conditions, the judgment imposed on a Cayman company rendered by Taiwan court is not enforceable in Cayman islands: the judgment is given by a foreign court of competent jurisdiction; the judgment imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given the judgment is final the judgment is not in respect of taxes, a fine or a penalty; and the judgment was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.
The qualification requirements, composition, election, termination, the exercise of authority and relevant matters of the Director, Independent Director, compensation committee, audit committee or supervisor shall be in accordance with the securities laws and rules of the Republic of China.	Current Articles of Association are promulgated in accordance with the checklist of the protection of shareholders' rights effective as of listing. The wording therein is not exactly the same.	As for the Director: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. As for the Independent Director: Article 74 provides "...Independent Directors shall maintain independence and shall not have direct or indirect interests in the

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		<p>Company other than as permitted under the Applicable Public Company Rules.”</p> <p>As for the compensation committee: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Actually, the Company has set up the compensation committee before the Company was listed and the qualification requirements, the exercise of authority and the relevant matters are set forth in accordance with the securities laws and rules of the Republic of China.</p> <p>As for the audit committee: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Actually, the Company has set up the audit committee before the Company was listed and the qualification requirements, the exercise of authority and the relevant matters are set forth in accordance with the securities laws and rules of the Republic of China.</p> <p>As for the supervisor: the Company has audit committee and thus supervisor relevant provisions are not applicable.</p>
<p>1. The company's Directors shall have the loyalty and shall exercise the due care of a good administrator in performing his/her duty; and if he/she has acted in breach of the above, he/she shall be liable for the damages incurred by the company there-from. If the breaching director acts for him/herself or any third party, subject to the shareholders' resolution any profit generated from such act shall be deemed profits of the company.</p>	<p>The Company's current Articles of Association do not have exactly the same wording.</p>	<p>The Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. In addition, according to Cayman lawyers, at all times all Directors owe fiduciary duties to the company at common law.</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
<p>2. If the company's Director has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally with the company, for the damage to such other person.</p> <p>3. Acting within the scope of their duties, the managerial officer or the supervisor shall bear the same liability of damages as the company's Directors.</p>		
<p>Where an entity acts as a shareholder of a company, its authorized representative may be elected as a Director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be elected or serve as the Director and supervisor of the company.</p>	<p>The Company's current Articles of Association do not have this provision.</p>	<p>The Company does not establish the position of supervisor, thus there is no such situation in which an entity shareholder's representative is elected or serves as Director and supervisor concurrently.</p>
<p>The Checklist for Protecting Shareholders of Foreign Issuer has been amended in January of 2020, incorporating a certain of requirements relevant to shareholders' rights, such as the mechanism to make payment to the dissenting shareholder to purchase the shares held by such dissenting shareholders, etc.</p>	<p>The Company's Articles of Association effective as of the date hereof do not have relevant provisions.</p>	<p>The Company's board has resolved to amend the Company's memorandum and articles of association by adding the provisions newly added to the checklist of protection of shareholders' rights in January of 2020 and proposed such amendment to the 2020 annual general meeting for approval.</p>

8.5 Other Necessary Supplements

The statement or promised items from the company's registration (application) for offering and issuance of securities, and the current state of the fulfillment

The statement or promised items	The current state of the fulfillment
<p>It was promised that the issuable units of 11,396,052 units of 2006 Stock Option Plan which was still effective when the Company IPO, except for the additional 300,000 units approved on 2011 Board of Directors meeting and to be approved in the 2011 annual general meeting, will not to be increased to protect the shareholders' rights.</p> <p>The un-exercisable units of the 2006 Stock Option Plan (the remained 5,925,352 units plus 300,000 additional units) shall not to be adjusted to increase the units or decrease the set exercised price in any case.</p>	<p>No departure.</p>
<p>Promise to make an addition in the "Procedures for Acquisition or Disposal of Assets" that "The Company shall not give up to fund Parade(US), while Parade(US) shall not give up to fund Parade(US) in the future. In case the Company needs to give up to fund the above-mentioned companies or to dispose them on strategic alliance consideration or such decision is agreed by Taiwan Gretai Securities Market (GTSM), it's necessary to be approved on special resolution by the Board of Directors. The material information announcement on MOPS is also required as well as filing to GTSM when the procedure is amended."</p>	<p>Amended and resolved in the annual general meeting ("AGM") on May 17, 2011.</p>
<p>Designate a dedicated unit to be in charge of implementing Parade (US) and Parade (SH) internal auditing at least once a year.</p>	<p>The Company designated internal auditor to implement Parade (US) and Parade (SH) internal auditing periodically.</p>

- 8.6 If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, including all items of Significant information Press Conference listed in Article 11, paragraph 1 of the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report
1. Parade held its press conference at Taipei Exchange on April 23, 2020 beginning at 3:00 pm Taipei time and announced Parade and its subsidiary, Pinchot Ltd., entered into the Agreement and Plan of Merger with Fresco Logic Inc. and Chih-Hung Investment Corporation, in its capacity as the holder representative.
 2. Parade held its press conference at Taipei Exchange on April 23, 2020 beginning at 3:00 pm Taipei time and announced the Board of Directors of Pinchot, Ltd. approved the merger with Fresco Logic, Inc. and the execution of the Agreement and plan of merger. Pinchot Ltd. Plans to Merge Fresco Logic, Inc. for an aggregate consideration of US\$37.5 million in cash. The acquisition of Fresco Logic, Inc. will speed up Parade's roadmap development and execution in USB4 product line and beyond to provide cutting-edge high-speed products to our customers. The transaction is expected to close during the second quarter of 2020. The actual closing is subject to the completion of the closing conditions. As of the printing date of the 2019 annual report, this merge has not been completed.