PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF

INDEPENDENT ACCOUNTANTS AS OF DECEMBER 31, 2019 AND 2018

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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 Amount	%	December 31, 2018 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**		10,798,706	78	9,063,371	75
	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**		2,973,902	22	2,971,074	25
1XXX	**TOTAL ASSETS**		$ 13,772,608	100	$ 12,034,445	100

(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 Amount	%	December 31, 2018 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**		2,397,205	17	2,312,951	19
	Non-current liability					
2580	Lease liabilities - non-current	6(5)	115,606	1	-	-
25XX	**Non-current liabilities**		115,606	1	-	-
2XXX	**Total liabilities**		2,512,811	18	2,312,951	19
	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**		11,259,797	82	9,721,494	81
3XXX	**Total equity**		11,259,797	82	9,721,494	81
	Significant events after the balance sheet date	11				
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 13,772,608	100	$ 12,034,445	100

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

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

			2019		2018	
		Notes	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**		5,043,611	43	4,298,744	42
	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**		(2,645,527)	(22)	(2,346,941)	(23)
6900	**Operating income**		2,398,084	21	1,951,803	19
	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**		117,950	1	15,561	-
7900	**Income before income tax**		2,516,034	22	1,967,364	19
7950	Income tax (expense) benefit	6(18)	(82,275)	(1)	1,998	-
8000	**Net income for the year from continuing operations**		2,433,759	21	1,969,362	19
	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**		(298,672)	(3)	280,377	3
8500	**Total comprehensive income for the year**		$ 2,135,087	18	$ 2,249,739	22
	Net income, attributable to:					
8610	Owners of the Company		$ 2,433,759	21	$ 1,969,362	19
	Comprehensive income attributable to:					
8710	Owners of the Company		$ 2,135,087	18	$ 2,249,739	22
	Earnings per share					
9750	**Basic earnings per share**	6(13)	$	31.54	$	25.67
9850	**Diluted earnings per share**	6(13)	$	30.69	$	24.66

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											
			Capital Reserves				Retained Earnings			Other Equity			
	Notes	Ordinary shares	Paid-in capital in excess of ordinary shares	Capital reserve from employee stock options	Capital reserve from restricted stocks	Capital reserve - others	Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences of foreign operations	Unearned compensation	Treasury shares	Total
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
CASH FLOWS FROM OPERATING ACTIVITIES			
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		3,492,179	2,481,550
CASH FLOWS FROM INVESTING ACTIVITIES			
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		(252,793)	(244,147)
CASH FLOWS FROM FINANCING ACTIVITIES			
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		(929,820)	(1,153,260)
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		$ 8,106,000	$ 6,011,928

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:

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

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

IFRS 16, ‘Leases’

(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	$ 174,919

(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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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:

			Ownership (%)		
Investor	Subsidiary	Main business activities	December 31, 2019	December 31, 2018	Description
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) <u>Share capital</u>

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) <u>Dividends</u>

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) <u>Revenue recognition</u>

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

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

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

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

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

	December 31, 2019	December 31, 2018
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	-	-
	$ 1,197,533	$ 1,411,407

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

	December 31, 2019		
	Cost	Allowance	Book value
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
	$ 1,184,957	($ 241,173)	$ 943,784

	December 31, 2018		
	Cost	Allowance	Book value
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
	$ 1,259,841	($ 160,052)	$ 1,099,789

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2019	Year ended December 31, 2018
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
	$ 6,766,981	$ 6,065,144

(4) Property, plant and equipment

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

	Machinery and equipment	Office equipment	Leasehold improvements	Total
At January 1, 2019				
Cost	$ 579,009	$ 54,754	$ 110,958	$ 744,721
Accumulated depreciation	(329,035)	(43,436)	(46,198)	(418,669)
	$ 249,974	$ 11,318	$ 64,760	$ 326,052
Year ended December 31, 2019				
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	$ 208,637	$ 11,358	$ 57,843	$ 277,838
At December 31, 2019				
Cost	$ 621,064	$ 57,539	$ 117,645	$ 796,248
Accumulated depreciation	(412,427)	(46,181)	(59,802)	(518,410)
	$ 208,637	$ 11,358	$ 57,843	$ 277,838

	Machinery and equipment	Office equipment	Leasehold improvements	Total
At January 1, 2018				
Cost	$ 420,852	$ 51,299	$ 108,545	$ 580,696
Accumulated depreciation	(251,176)	(36,818)	(31,232)	(319,226)
	$ 169,676	$ 14,481	$ 77,313	$ 261,470
Year ended December 31, 2018				
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	$ 249,974	$ 11,318	$ 64,760	$ 326,052
At December 31, 2018				
Cost	$ 579,009	$ 54,754	$ 110,958	$ 744,721
Accumulated depreciation	(329,035)	(43,436)	(46,198)	(418,669)
	$ 249,974	$ 11,318	$ 64,760	$ 326,052

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:

	At December 31, 2019
	Carrying amount
Right-of-use assets- Buildings	$ 181,543

	For the year ended December 31, 2019
	Depreciation
Right-of-use assets- Buildings	$ 67,877

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:

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

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

(6) Intangible assets

	Software	Goodwill	Patent and others	Total
At January 1, 2019				
Cost	$ 35,219	$ 1,506,873	$ 1,797,710	$ 3,339,802
Accumulated amortization	(18,945)	-	(760,460)	(779,405)
	$ 16,274	$ 1,506,873	$ 1,037,250	$ 2,560,397
Year ended December 31, 2019				
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	$ 35,756	$ 1,470,575	$ 868,278	$ 2,374,609
At December 31, 2019				
Cost	$ 61,213	$ 1,470,575	$ 1,894,283	$ 3,426,071
Accumulated amortization	(25,457)	-	(1,026,005)	(1,051,462)
	$ 35,756	$ 1,470,575	$ 868,278	$ 2,374,609

	Software	Goodwill	Patent and others	Total
At January 1, 2018				
Cost	$ 23,089	$ 1,459,783	$ 1,666,816	$ 3,149,688
Accumulated amortization	(15,502)	-	(493,736)	(509,238)
	$ 7,587	$ 1,459,783	$ 1,173,080	$ 2,640,450
Year ended December 31, 2018				
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	$ 16,274	$ 1,506,873	$ 1,037,250	$ 2,560,397
At December 31, 2018				
Cost	$ 35,219	$ 1,506,873	$ 1,797,710	$ 3,339,802
Accumulated amortization	(18,945)	-	(760,460)	(779,405)
	$ 16,274	$ 1,506,873	$ 1,037,250	$ 2,560,397

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

	December 31, 2019	December 31, 2018
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
	$ 738,687	$ 625,103

(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	566	5.82	745	5.36
Options exercisable at end of period	566		745	

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	79,671	78,515

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		
	Amount after tax	Weighted-average ordinary shares outstanding (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 2,433,759	77,171	$ 31.54
Diluted earnings per share			
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		
	Amount after tax	Weighted-average ordinary shares outstanding (in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 1,969,362	76,722	$ 25.67
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 1,969,362	76,722	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	472	
Employee compensation	-	421	
Employee restricted stocks	-	2,244	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 1,969,362	79,859	$ 24.66

(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				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from external customer contracts	$ 5,600,412	$ 4,235,181	$ 1,288,854	$ 686,145	$ 11,810,592

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

(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
	$ 108,174	$ 16,227

(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	$ 2,888,327	$ 2,580,534

(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
	$ 1,958,050	$ 1,673,171

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	136,459	19,080
Deferred tax:		
Origination and reversal of temporary differences	(54,184)	(21,078)
Income tax expense (benefit)	$ 82,275	($ 1,998)

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)	$ 82,275	($ 1,998)

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
	$ 59,772	$ 54,184	$ 113,956

	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
	$ 38,694	$ 21,078	$ 59,772

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

	December 31, 2019		
Qualifying items	Unused tax credits	Unrecognized deferred tax assets	Expiry year
Federal tax - Research and development	$ 1,654	$ -	December 31, 2034
Federal tax - Research and development	8,184	-	December 31, 2035
Federal tax - Research and development	12,891	-	December 31, 2036
Federal tax - Research and development	18,829	-	December 31, 2037
Federal tax - Research and development	26,156	-	December 31, 2038
Federal tax - Research and development	22,627	-	December 31, 2039
	$ 90,341	$ -	

	December 31, 2018		
Qualifying items	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
	$ 69,385	$ -	

(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:

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

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

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

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)

	December 31, 2019		December 31, 2018	
ASSETS	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	360,197	78	295,031	75
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	99,196	22	96,715	25
TOTAL ASSETS	$ 459,393	100	$ 391,746	100
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	79,960	17	75,291	19
Non-current liabilities				
Lease liabilities - non-current	3,856	1	-	-
Total non-current liabilities	3,856	1	-	-
Total liabilities	83,816	18	75,291	19
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	375,577	82	316,455	81
Total equity	375,577	82	316,455	81
TOTAL LIABILITIES AND EQUITY	$ 459,393	100	$ 391,746	100

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 Amount (In thousands)	Exchange Rate	Book Value (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 (In thousands)		Exchange Rate	Book Value (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 past due	Up to 90 days past due
At December 31, 2019			
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
At December 31, 2019			
Expected loss rate	1%~5%	50%~75%	100%
Total book value	$ -	$ -	$ -
Loss allowance	$ -	$ -	$ -

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

	Never occurred loss (Note)		
	Not past due	Up to 60 days past due	Up to 90 days past due
At December 31, 2018			
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
At December 31, 2018			
Expected loss rate	1%~5%	50%~75%	100%
Total book value	$ -	$ -	$ -
Loss allowance	$ -	$ -	$ -

	Occurred loss	Total
At December 31, 2018		
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:

	2019	2018
	Accounts receivable	Accounts receivable
At January 1	$ -	$ -
Provision for impairment	367	-
Write-offs	(367)	-
At December 31	$ -	$ -

(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.

December 31, 2019	Less than 1 year	Between 1 year and 5 years
Non-derivative financial liabilities		
Accounts payable	$ 786,191	$ -
Other payables	738,687	-
Lease liability	65,937	115,606

December 31, 2018	Less than 1 year	Between 1 year and 5 years
Non-derivative financial liabilities		
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
	$ 11,810,592	$ 10,363,888

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
	$ 2,859,946	$ 2,911,302

(6) Information on major customers

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

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

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

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: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
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 Technogies 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 INVESTEES (NOT INCLUDING INVESTEES IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at 12/31/2019					
Investor	Investee	Location	Main business activities	Balance as at 12/31/2019	Balance as at 1/1/2019	Number of shares	Ownership (%)	Book value	Net income of the investee	Investment income recognized by the Company	Footnote
The Company	Parade Technologies, Inc.	United States	Providing sales and marketing, general and administrative, and research and development services to the Company	$ 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 Technogies Ireland, Ltd.	Ireland	Providing research and development services to the Company	$ -	$ -	1	100	$ 14,344	$ 2,397	$ 2,397	

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance to Mainland China as of 1/1/2019	Amount remitted to Mainland China during the year	Amount remitted back to Taiwan during the year	Accumulated amount of remittance to Mainland China as of 12/31/2019	Net income of the investee	Ownership held by the Company (%)	Investment income recognized by the Company for the year	Book value of investments in Mainland China as of 12/31/2019	Accumulated amount of investment income remitted back to Taiwan as of 12/31/2019	Footnote
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	$ 38,974	1	$ -	$ -	$ -	$ -	$ 15,584	100	$ 15,584	$ 373,858	$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	59,960	2	-	-	-	-	5,061	100	5,061	143,633	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of 12/31/2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 2)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
The Company	$ -	$ -	$ -

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

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

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

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