

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**  
**SEPTEMBER 30, 2020 AND 2019**

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF  
INDEPENDENT ACCOUNTANTS AS OF SEPTEMBER 30, 2020 AND 2019  
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## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Parade Technologies, Ltd. and subsidiaries (the “Group”) as at September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months then ended, and the related consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers” and International Accounting Standard 34, ‘Interim Financial Reporting’, as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

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

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

### ***Conclusion***

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the financial position of the Group as at September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers” and International Accounting Standard 34, ‘Interim Financial Reporting’, as endorsed by the Financial Supervisory Commission.

Chou, Hsiao-Tzu

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

October 28, 2020

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

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

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
 (THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019 ARE REVIEWED, NOT AUDITED)

ASSETS		Notes	September 30, 2020		December 31, 2019		September 30, 2019	
			Amount	%	Amount	%	Amount	%
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 7,893,836	51	\$ 8,106,000	59	\$ 7,230,564	54
1170	Accounts receivable, net	6(2)	1,761,246	11	1,197,533	8	1,563,373	11
130X	Inventories, net	6(3)	1,119,095	7	943,784	7	960,219	7
1410	Prepayments		325,790	2	250,140	2	235,264	2
1470	Other current assets		511,837	3	301,249	2	373,108	3
11XX	<b>Total current assets</b>		<u>11,611,804</u>	<u>74</u>	<u>10,798,706</u>	<u>78</u>	<u>10,362,528</u>	<u>77</u>
<b>Non-current assets</b>								
1600	Property, plant and equipment, net	6(4)	370,459	3	277,838	2	275,580	2
1755	Right-of-use assets	6(5)	149,293	1	181,543	2	206,356	1
1780	Intangible assets	6(6)(14)	3,291,791	21	2,374,609	17	2,495,704	19
1840	Deferred income tax assets	6(19)	186,643	1	113,956	1	81,654	1
1900	Other non-current assets		26,285	-	25,956	-	26,344	-
15XX	<b>Total non-current assets</b>		<u>4,024,471</u>	<u>26</u>	<u>2,973,902</u>	<u>22</u>	<u>3,085,638</u>	<u>23</u>
1XXX	<b>TOTAL ASSETS</b>		<u>\$ 15,636,275</u>	<u>100</u>	<u>\$ 13,772,608</u>	<u>100</u>	<u>\$ 13,448,166</u>	<u>100</u>

(Continued)

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019 ARE REVIEWED, NOT AUDITED)

LIABILITIES AND EQUITY	Notes	September 30, 2020		December 31, 2019		September 30, 2019	
		Amount	%	Amount	%	Amount	%
<b>Current liabilities</b>							
2170	Accounts payable	\$ 1,056,122	7	\$ 786,191	6	\$ 875,382	6
2200	Other payables	799,615	5	738,687	5	609,445	5
2230	Current income tax liabilities	626,055	4	616,281	4	571,853	4
2280	Lease liabilities - current	57,827	-	65,937	1	67,029	-
2300	Other current liabilities	235,961	2	190,109	1	211,045	2
21XX	<b>Total current liabilities</b>	<u>2,775,580</u>	<u>18</u>	<u>2,397,205</u>	<u>17</u>	<u>2,334,754</u>	<u>17</u>
<b>Non-current liability</b>							
2580	Lease liabilities - non-current	91,466	-	115,606	1	139,327	1
25XX	<b>Non-current liabilities</b>	<u>91,466</u>	<u>-</u>	<u>115,606</u>	<u>1</u>	<u>139,327</u>	<u>1</u>
2XXX	<b>Total liabilities</b>	<u>2,867,046</u>	<u>18</u>	<u>2,512,811</u>	<u>18</u>	<u>2,474,081</u>	<u>18</u>
Equity attributable to owners of the Company							
Share capital							
3110	Ordinary shares	807,581	5	799,205	6	799,222	6
Capital reserves							
3200	Capital reserves	4,144,850	27	3,159,096	23	3,207,043	24
Retained earnings							
3310	Legal reserve	807,466	5	807,466	6	807,466	6
3320	Special reserve	264,951	2	8,324	-	8,324	-
3350	Unappropriated earnings	8,594,888	55	7,518,192	55	6,886,101	51
Other equity							
3400	Other equity	( 1,850,507)	( 12)	( 930,761)	( 7)	( 632,346)	( 4)
3500	Treasury shares	-	-	( 101,725)	( 1)	( 101,725)	( 1)
31XX	<b>Equity attributable to owners of the Company</b>	<u>12,769,229</u>	<u>82</u>	<u>11,259,797</u>	<u>82</u>	<u>10,974,085</u>	<u>82</u>
3XXX	<b>Total equity</b>	<u>12,769,229</u>	<u>82</u>	<u>11,259,797</u>	<u>82</u>	<u>10,974,085</u>	<u>82</u>
Significant events after the balance sheet date							
3X2X	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 15,636,275</u>	<u>100</u>	<u>\$ 13,772,608</u>	<u>100</u>	<u>\$ 13,448,166</u>	<u>100</u>

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

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)  
(UNAUDITED)

	Notes	For the three months ended September 30,				For the nine months ended September 30,				
		2020		2019		2020		2019		
		Amount	%	Amount	%	Amount	%	Amount	%	
4000	Revenue	6(15)	\$ 4,421,777	100	\$ 3,165,157	100	\$ 11,016,325	100	\$ 8,879,034	100
5000	Cost of goods sold	6(3)	( 2,475,915)	( 56)	( 1,805,971)	( 57)	( 6,140,454)	( 56)	( 5,123,556)	( 58)
5900	Gross profit		<u>1,945,862</u>	<u>44</u>	<u>1,359,186</u>	<u>43</u>	<u>4,875,871</u>	<u>44</u>	<u>3,755,478</u>	<u>42</u>
	Operating expenses	6(17)(18) and 7								
6100	Sales and marketing expenses		( 188,851)	( 5)	( 149,079)	( 5)	( 491,905)	( 5)	( 427,884)	( 5)
6200	General and administrative expenses		( 136,635)	( 3)	( 107,113)	( 3)	( 381,245)	( 3)	( 299,942)	( 3)
6300	Research and development expenses		( 484,243)	( 11)	( 421,915)	( 13)	( 1,356,986)	( 12)	( 1,231,941)	( 14)
6450	Expected credit loss	12(3)	-	-	( 367)	-	-	-	( 367)	-
6000	Total operating expenses		( 809,729)	( 19)	( 678,474)	( 21)	( 2,230,136)	( 20)	( 1,960,134)	( 22)
6900	Operating income		<u>1,136,133</u>	<u>25</u>	<u>680,712</u>	<u>22</u>	<u>2,645,735</u>	<u>24</u>	<u>1,795,344</u>	<u>20</u>
	Non-operating income and expenses									
7100	Interest income	6(16)	1,682	-	30,809	1	27,482	-	81,601	1
7010	Other income		17	-	1,177	-	3,032	-	1,197	-
7020	Other gains and losses		( 4,256)	-	5,384	-	( 4,207)	-	4,474	-
7000	Total non-operating income and expenses		( 2,557)	-	37,370	1	26,307	-	87,272	1
7900	<b>Income before income tax</b>		<u>1,133,576</u>	<u>25</u>	<u>718,082</u>	<u>23</u>	<u>2,672,042</u>	<u>24</u>	<u>1,882,616</u>	<u>21</u>
7950	Income tax expense	6(19)	( 51,404)	( 1)	( 35,891)	( 1)	( 123,416)	( 1)	( 80,274)	( 1)
8000	<b>Net income for the period from continuing operations</b>		<u>1,082,172</u>	<u>24</u>	<u>682,191</u>	<u>22</u>	<u>2,548,626</u>	<u>23</u>	<u>1,802,342</u>	<u>20</u>
	<b>Other comprehensive income (loss)</b>									
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>									
8361	Other comprehensive income (loss), before tax, exchange differences on translation		( 237,274)	( 5)	( 24,545)	( 1)	( 394,277)	( 3)	90,458	1
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss		( 237,274)	( 5)	( 24,545)	( 1)	( 394,277)	( 3)	90,458	1
8500	<b>Total comprehensive income for the period</b>		<u>\$ 844,898</u>	<u>19</u>	<u>\$ 657,646</u>	<u>21</u>	<u>\$ 2,154,349</u>	<u>20</u>	<u>\$ 1,892,800</u>	<u>21</u>
	Net income, attributable to:									
8610	Owners of the Company		<u>\$ 1,082,172</u>	<u>24</u>	<u>\$ 682,191</u>	<u>22</u>	<u>\$ 2,548,626</u>	<u>23</u>	<u>\$ 1,802,342</u>	<u>20</u>
	Comprehensive income attributable to:									
8710	Owners of the Company		<u>\$ 844,898</u>	<u>19</u>	<u>\$ 657,646</u>	<u>21</u>	<u>\$ 2,154,349</u>	<u>20</u>	<u>\$ 1,892,800</u>	<u>21</u>
	Earnings per share									
9750	Basic earnings per share	6(13)	<u>\$ 13.80</u>		<u>\$ 8.86</u>		<u>\$ 32.58</u>		<u>\$ 23.58</u>	
9850	Diluted earnings per share	6(13)	<u>\$ 13.52</u>		<u>\$ 8.67</u>		<u>\$ 31.77</u>		<u>\$ 22.97</u>	

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(UNAUDITED)

Notes	Equity attributable to owners of the parent											Total
	Ordinary shares	Capital reserves			Retained earnings			Other equity				
		Paid-in capital in excess of ordinary shares	Capital reserve from employee stock options	Capital reserve from restricted stocks	Capital reserve - others	Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences of foreign operations	Unearned compensation	Treasury shares	
<b>For the nine months ended September 30, 2019</b>												
	\$ 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
	-	-	-	-	-	-	-	1,802,342	-	-	-	1,802,342
	-	-	-	-	-	-	-	-	90,458	-	-	90,458
	-	-	-	-	-	-	-	1,802,342	90,458	-	-	1,892,800
	-	-	-	-	-	-	-	-	-	223,663	-	223,663
6(9)(10)	1,677	22,468	( 9,921 )	-	-	-	-	-	-	-	-	14,224
6(9)	7,883	-	-	400,379	-	-	-	-	-	( 408,262 )	-	-
	-	148,147	-	( 148,147 )	-	-	-	-	-	-	-	-
6(9)(10)	( 485 )	-	-	( 22,930 )	-	-	-	930	-	23,415	-	930
6(9)	-	-	-	-	-	-	-	-	-	-	101,725	101,725
	-	-	-	-	-	( 238,333 )	-	238,333	-	-	-	-
6(12)	-	-	-	-	-	-	-	( 980,751 )	-	-	-	( 980,751 )
	\$ 799,222	\$ 2,107,877	\$ 114,093	\$ 948,650	\$ 36,423	\$ 807,466	\$ 8,324	\$ 6,886,101	\$ 124,179	(\$ 756,525)	(\$ 101,725)	\$ 10,974,085
<b>For the nine months ended September 30, 2020</b>												
	\$ 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
	-	-	-	-	-	-	-	2,548,626	-	-	-	2,548,626
	-	-	-	-	-	-	-	-	( 394,277 )	-	-	( 394,277 )
	-	-	-	-	-	-	-	2,548,626	( 394,277 )	-	-	2,154,349
6(9)(18)	-	172,025	-	-	-	-	-	-	-	281,771	-	453,796
6(9)(10)	1,351	24,853	( 11,339 )	-	-	-	-	-	-	-	-	14,865
6(9)	7,630	-	-	807,825	-	-	-	-	-	( 815,455 )	-	-
	-	312,884	-	( 312,884 )	-	-	-	-	-	-	-	-
6(9)(10)	( 605 )	-	-	( 7,610 )	-	-	-	1,584	-	8,215	-	1,584
6(9)	-	-	-	-	-	-	-	-	-	-	101,725	101,725
	-	-	-	-	-	256,627	-	( 256,627 )	-	-	-	-
6(12)	-	-	-	-	-	-	-	( 1,216,887 )	-	-	-	( 1,216,887 )
	\$ 807,581	\$ 2,729,456	\$ 101,820	\$ 1,313,574	\$ -	\$ 807,466	\$ 264,951	\$ 8,594,888	(\$ 659,228)	(\$ 1,191,279)	\$ -	\$ 12,769,229

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



**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**  
**(UNAUDITED)**

	Notes	For the nine months ended September 30,	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax for the period		\$ 2,672,042	\$ 1,882,616
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including the right-of-use assets)	6(4)(5)	143,258	141,965
Amortization	6(6)	201,697	203,579
Expected credit loss	12(3)	-	367
Loss on disposal of equipment	6(4)	-	128
Share-based compensation cost	6(9)(18)	453,796	223,663
Interest income	6(16)	( 27,482 )	( 81,601 )
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		( 598,864 )	( 137,631 )
Inventories		( 203,014 )	151,026
Prepayments		( 82,992 )	( 26,189 )
Other current assets		( 171,270 )	( 36,297 )
Changes in operating liabilities			
Accounts payable		293,008	( 106,304 )
Other payables		82,611	( 22,168 )
Other current liabilities		51,432	( 15,994 )
Cash inflow generated from operations		2,814,222	2,177,160
Interest received		27,263	81,509
Income tax paid		( 221,470 )	( 25,885 )
Income tax received		12	-
Net cash flows from operating activities		<u>2,620,027</u>	<u>2,232,784</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6(4)	( 190,817 )	( 43,085 )
Acquisition of intangible assets	6(6)	( 117,841 )	( 112,205 )
Increase in refundable deposits		( 1,090 )	( 1,232 )
Acquisition of subsidiaries	6(14)	( 1,112,458 )	-
Net cash flows used in investing activities		<u>( 1,422,206 )</u>	<u>( 156,522 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from exercise of employee stock options		14,865	14,224
Repayment of the principal portion of lease liabilities	6(5)	( 48,834 )	( 47,229 )
Treasury shares reissued to employees	6(9)	101,725	101,725
Cash dividends paid	6(12)	( 1,216,887 )	( 980,751 )
Cash dividend recovered from cancellation of share-based compensation		1,584	930
Net cash flows used in financing activities		<u>( 1,147,547 )</u>	<u>( 911,101 )</u>
Effect of exchange rate changes on cash and cash equivalents		( 262,438 )	53,475
Net (decrease) increase in cash and cash equivalents		( 212,164 )	1,218,636
Cash and cash equivalents at beginning of period		8,106,000	6,011,928
Cash and cash equivalents at end of period		<u>\$ 7,893,836</u>	<u>\$ 7,230,564</u>

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

1. HISTORY AND ORGANIZATION

Parade Technologies, Ltd. (the “Company”) was established in the Cayman Islands on November 15, 2005. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the research and development, and marketing and sale of high-speed interface standards, touch controller and display processing integrated circuit chips for products used in computers, consumer electronics and display panels. The shares of the Company were authorized by the Financial Supervisory Commission, R.O.C. and have been traded 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 October 28, 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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments 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 reform’	January 1, 2020

Amendment to IFRS 16, ‘Covid-19-related rent concessions’ June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021

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

(3) IFRSs issued by International Accounting Standards Board ("IASB") but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements are prepared by the Group in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, 'Interim financial reporting', as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

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

Investor	Subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Parade Technologies, Ltd.	Parade Technologies, Inc.	Providing sales and marketing, general and administrative, and research and development services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies Korea, Ltd.	Providing sales and marketing, general and administrative services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies Ireland, Ltd.	Providing research and development services to the Company	100	100	100	Note 1

Investor	Subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	100	100	100	-
Parade Technologies, Ltd.	Pinchot Ltd.	Providing administrative services to the Company	100	-	-	Note 2
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Chongqing)	Providing research and development services to the Company	100	-	-	Note 3
Parade Technologies, Inc.	Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	100	100	100	-

Note 1: In order to comply with local regulations, Parade Technologies Ireland, Ltd. should be recognized as a branch and renamed as Parade Technologies, Ireland Branch. The Company is in the process of amending its business registration in 2020.

Note 2: Pinchot Ltd. was established on March 19, 2020. The Board of Directors approved the merger with Fresco Logic Inc. and signed the merger contract and related plan on April 23, 2020. Pinchot Ltd. was the surviving entity after the merger with Fresco Logic Inc., and Fresco Logic Inc. was the dissolved entity after the merger.

Note 3: Established on June 1, 2020.

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. 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

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.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(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.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

(19) Share capital

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

(20) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(21) Revenue recognition

The Group manufactures and sells high-speed interfacing chips, touch and serial products of DisplayPort. Revenue is measured at the fair value of the consideration received or receivable net of value-added tax, returns and rebates for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(22) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(23) Business combinations

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

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

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

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

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

None.

### (2) Critical accounting estimates and assumptions

#### A. Impairment assessment of goodwill

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

As of September 30, 2020, the Group recognized goodwill amounted to \$2,146,324.

#### 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 September 30, 2020, the carrying amount of inventories was \$1,119,095.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand	\$ 67	\$ 67	\$ 68
Checking accounts and bank deposits	<u>3,205,267</u>	<u>2,175,518</u>	<u>1,740,620</u>
	3,205,334	2,175,585	1,740,688
Cash equivalents			
Money market fund	32,768	33,608	34,744
Treasury bill	<u>4,655,734</u>	<u>5,896,807</u>	<u>5,455,132</u>
	<u>\$ 7,893,836</u>	<u>\$ 8,106,000</u>	<u>\$ 7,230,564</u>

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

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

### (2) Accounts receivable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts receivable	\$ 1,761,246	\$ 1,197,533	\$ 1,563,740
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>( 367)</u>
	<u>\$ 1,761,246</u>	<u>\$ 1,197,533</u>	<u>\$ 1,563,373</u>

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Not past due	\$ 1,643,668	\$ 1,147,854	\$ 1,315,927
60 days	117,558	49,679	247,446
90 days	-	-	-
91-180 days	20	-	367
181-360 days	-	-	-
over 360 days	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,761,246</u>	<u>\$ 1,197,533</u>	<u>\$ 1,563,740</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2020, December 31, 2019 and September 30, 2019, accounts receivable are all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,411,407.

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

(3) Inventories

September 30, 2020			
	Cost	Allowance	Book value
Raw materials	\$ 358,213	(\$ 97,536)	\$ 260,677
Work-in-process	817,853	( 91,946)	725,907
Finished goods	167,991	( 35,480)	132,511
	<u>\$ 1,344,057</u>	<u>(\$ 224,962)</u>	<u>\$ 1,119,095</u>
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
	<u>\$ 1,184,957</u>	<u>(\$ 241,173)</u>	<u>\$ 943,784</u>
September 30, 2019			
	Cost	Allowance	Book value
Raw materials	\$ 354,952	(\$ 92,135)	\$ 262,817
Work-in-process	448,316	( 98,137)	350,179
Finished goods	393,011	( 45,788)	347,223
	<u>\$ 1,196,279</u>	<u>(\$ 236,060)</u>	<u>\$ 960,219</u>

The cost of inventories recognised as expense for the period:

	For the three months ended September 30,	
	2020	2019
Cost of goods sold	\$ 2,437,368	\$ 1,761,068
Gain on reversal of decline in market value	( 14,725)	-
Others	53,272	44,903
	<u>\$ 2,475,915</u>	<u>\$ 1,805,971</u>
	For the nine months ended September 30,	
	2020	2019
Cost of goods sold	\$ 6,000,176	\$ 4,916,658
Loss on decline in market value	-	73,991
Gain on reversal of decline in market value	( 10,099)	-
Others	150,377	132,907
	<u>\$ 6,140,454</u>	<u>\$ 5,123,556</u>

(4) Property, plant and equipment

The Group had no property and plant as of September 30, 2020, December 31, 2019 and September 30, 2019.

	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 621,064	\$ 57,539	\$ 117,645	\$ 796,248
Accumulated depreciation	( 412,427)	( 46,181)	( 59,802)	( 518,410)
	<u>\$ 208,637</u>	<u>\$ 11,358</u>	<u>\$ 57,843</u>	<u>\$ 277,838</u>
<u>Nine months ended September 30, 2020</u>				
Opening net book amount	\$ 208,637	\$ 11,358	\$ 57,843	\$ 277,838
Additions	186,610	4,207	-	190,817
Acquired from business combinations	2,271	529	2,401	5,201
Depreciation charge	( 79,183)	( 4,404)	( 10,837)	( 94,424)
Net exchange differences	( 7,625)	( 138)	( 1,210)	( 8,973)
Closing net book amount	<u>\$ 310,710</u>	<u>\$ 11,552</u>	<u>\$ 48,197</u>	<u>\$ 370,459</u>
<u>At September 30, 2020</u>				
Cost	\$ 790,780	\$ 59,722	\$ 117,712	\$ 968,214
Accumulated depreciation	( 480,070)	( 48,170)	( 69,515)	( 597,755)
	<u>\$ 310,710</u>	<u>\$ 11,552</u>	<u>\$ 48,197</u>	<u>\$ 370,459</u>
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 579,009	\$ 54,754	\$ 110,958	\$ 744,721
Accumulated depreciation	( 329,035)	( 43,436)	( 46,198)	( 418,669)
	<u>\$ 249,974</u>	<u>\$ 11,318</u>	<u>\$ 64,760</u>	<u>\$ 326,052</u>
<u>Nine months ended September 30, 2019</u>				
Opening net book amount	\$ 249,974	\$ 11,318	\$ 64,760	\$ 326,052
Additions	35,920	4,954	2,211	43,085
Disposals	( 102)	( 26)	-	( 128)
Depreciation charge	( 78,670)	( 4,615)	( 11,451)	( 94,736)
Net exchange differences	887	( 45)	465	1,307
Closing net book amount	<u>\$ 208,009</u>	<u>\$ 11,586</u>	<u>\$ 55,985</u>	<u>\$ 275,580</u>
<u>At September 30, 2019</u>				
Cost	\$ 613,224	\$ 58,846	\$ 113,122	\$ 785,192
Accumulated depreciation	( 405,215)	( 47,260)	( 57,137)	( 509,612)
	<u>\$ 208,009</u>	<u>\$ 11,586</u>	<u>\$ 55,985</u>	<u>\$ 275,580</u>

The above equipment is for self-use.



(5) Leasing arrangements — lessee

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

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Right-of-use assets- Buildings	<u>\$ 149,293</u>	<u>\$ 181,543</u>	<u>\$ 206,356</u>
	<u>For the three months ended September 30,</u>		
	<u>2020</u>		<u>2019</u>
	<u>Depreciation</u>		<u>Depreciation</u>
Right-of-use assets- Buildings	<u>\$ 15,065</u>	<u>\$</u>	<u>16,599</u>
	<u>For the nine months ended September 30,</u>		
	<u>2020</u>		<u>2019</u>
	<u>Depreciation</u>		<u>Depreciation</u>
Right-of-use assets- Buildings	<u>\$ 48,834</u>	<u>\$</u>	<u>47,229</u>

C. For the nine months ended September 30, 2020 and 2019, the additions to right-of-use assets amounted to \$21,485 and \$80,883, respectively.

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

	<u>For the three months ended September 30,</u>	
<u>Items affecting profit or loss</u>	<u>2020</u>	<u>2019</u>
Expense on short-term lease contracts	<u>\$ 3,877</u>	<u>\$ 5,784</u>
	<u>For the nine months ended September 30,</u>	
<u>Items affecting profit or loss</u>	<u>2020</u>	<u>2019</u>
Expense on short-term lease contracts	<u>\$ 12,903</u>	<u>\$ 17,440</u>

E. For the nine months ended September 30, 2020 and 2019, the Group's total cash outflow for leases amounted to \$61,737 and \$64,670, respectively.

(6) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>Patent and others</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 61,213	\$ 1,470,575	\$ 1,894,283	\$ 3,426,071
Accumulated amortization	( 25,457)	-	( 1,026,005)	( 1,051,462)
	<u>\$ 35,756</u>	<u>\$ 1,470,575</u>	<u>\$ 868,278</u>	<u>\$ 2,374,609</u>
<u>Nine months ended September 30, 2020</u>				
Opening net book amount	\$ 35,756	\$ 1,470,575	\$ 868,278	\$ 2,374,609
Additions - acquired separately	7,314	-	110,527	117,841
Additions - acquired through business combinations	581	733,271	355,560	1,089,412
Amortization charge	( 7,547)	-	( 194,150)	( 201,697)
Net exchange differences	( 1,026)	( 57,522)	( 29,826)	( 88,374)
Closing net book amount	<u>\$ 35,078</u>	<u>\$ 2,146,324</u>	<u>\$ 1,110,389</u>	<u>\$ 3,291,791</u>
<u>At September 30, 2020</u>				
Cost	\$ 67,243	\$ 2,146,324	\$ 2,295,739	\$ 4,509,306
Accumulated amortization	( 32,165)	-	( 1,185,350)	( 1,217,515)
	<u>\$ 35,078</u>	<u>\$ 2,146,324</u>	<u>\$ 1,110,389</u>	<u>\$ 3,291,791</u>
	<u>Software</u>	<u>Goodwill</u>	<u>Patent and others</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 35,219	\$ 1,506,873	\$ 1,797,710	\$ 3,339,802
Accumulated amortization	( 18,945)	-	( 760,460)	( 779,405)
	<u>\$ 16,274</u>	<u>\$ 1,506,873</u>	<u>\$ 1,037,250</u>	<u>\$ 2,560,397</u>
<u>Nine months ended September 30, 2019</u>				
Opening net book amount	\$ 16,274	\$ 1,506,873	\$ 1,037,250	\$ 2,560,397
Additions - acquired separately	25,194	-	87,011	112,205
Amortization charge	( 4,723)	-	( 198,856)	( 203,579)
Net exchange differences	143	15,697	10,841	26,681
Closing net book amount	<u>\$ 36,888</u>	<u>\$ 1,522,570</u>	<u>\$ 936,246</u>	<u>\$ 2,495,704</u>
<u>At September 30, 2019</u>				
Cost	\$ 60,667	\$ 1,522,570	\$ 1,901,221	\$ 3,484,458
Accumulated amortization	( 23,779)	-	( 964,975)	( 988,754)
	<u>\$ 36,888</u>	<u>\$ 1,522,570</u>	<u>\$ 936,246</u>	<u>\$ 2,495,704</u>

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

(7) Other payables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Payroll, bonus and accrued vacation	\$ 362,930	\$ 301,001	\$ 226,421
Employees' compensation and directors' remuneration	264,200	246,587	195,383
Commissions	45,939	49,577	43,909
Legal and professional fees	35,589	51,007	48,615
Engineering expenses	33,817	29,054	13,435
Others	57,140	61,461	81,682
	<u>\$ 799,615</u>	<u>\$ 738,687</u>	<u>\$ 609,445</u>

(8) Pensions

Each subsidiary adopts a funded defined contribution pension plan in accordance with local regulations. Under the pension plan, subsidiaries contribute monthly an amount to an independent fund. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2020 and 2019 were \$15,824, \$25,654, \$64,597 and \$78,661, 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 September 30, 2020, 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	Jan. 20, 2011	1,090	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)	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
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
Employee restricted stock awards plan (Note)	Feb. 12, 2020	9	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Apr. 29, 2020	45	4 years	Service years as stipulated in the contract
Employee restricted stock awards plan (Note)	Jul. 29, 2020	709	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 nine months ended September 30,			
	2020		2019	
	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	566	\$ 5.82	745	\$ 5.36
Options exercised	(135)	3.69	(168)	2.73
Options outstanding at end of period	<u>431</u>	5.34	<u>577</u>	5.86
Options exercisable at end of period	<u>431</u>		<u>577</u>	

E. The weighted-average stock price of stock options at exercise dates for the nine months ended September 30, 2020 and 2019 was \$855.53 and \$520.38 (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	Jan. 20, 2011	-	US\$1.220	70%	6.25	-	2.78%	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 250 thousand treasury shares with repurchase price amounting to \$101,725 to its employees with the effective date set on July 29, 2020 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.
- J. Expenses incurred on share-based compensation transactions are as follows:

	<u>For the three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Equity-settled	<u>\$ 297,176</u>	<u>\$ 90,942</u>
	<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Equity-settled	<u>\$ 453,796</u>	<u>\$ 223,663</u>

(10) Share capital/ Treasury shares

- A. As of September 30, 2020, the Company's authorized capital was \$1,500,000, consisting of 150 million shares of ordinary share, and the paid-in capital was \$807,581 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares, and excluding treasury shares):

	<u>For the nine months ended September 30, 2020</u>			
	<u>Unrestricted shares</u>	<u>Restricted shares</u>	<u>Treasury shares</u>	<u>Total</u>
At January 1	78,042	1,879	( 250)	79,671
Employee stock options exercised	135	-	-	135
Employee restricted shares	-	763	-	763
Satisfied vesting conditions of options	764	( 764)	-	-
Cancellation of share-based compensation	-	( 61)	-	( 61)
Reissued to employees	-	-	250	250
At September 30	<u>78,941</u>	<u>1,817</u>	<u>-</u>	<u>80,758</u>

	For the nine months ended September 30, 2019			
	<u>Unrestricted shares</u>	<u>Restricted shares</u>	<u>Treasury shares</u>	<u>Total</u>
At January 1	77,164	1,851	( 500)	78,515
Employee stock options exercised	168	-	-	168
Employee restricted shares	-	788	-	788
Satisfied vesting conditions of options	695	( 695)	-	-
Cancellation of share-based compensation	-	( 49)	( 49)	( 49)
Reissued to employees	-	-	250	250
At September 30	<u>78,027</u>	<u>1,895</u>	<u>( 250)</u>	<u>79,672</u>

- B. The Board of Directors during its meeting on July 29, 2020 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on July 20, 2020. Each share will be issued without consideration. The decision on the fair value was based on the closing price of \$1,095 (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 \$8 as of September 30, 2020, including unretired share capital of \$8.
- C. The Board of Directors during its meeting on July 31, 2019, October 30, 2019 February 13, 2020 and April 29, 2020 adopted a resolution to issue employee restricted ordinary shares (see Note 6(9)) with the effective date set on July 31, 2019, October 30, 2019 February 13, 2020 and April 29, 2020, respectively. Each share will be issued without consideration. The decision on the fair value was based on the closing price of \$517, \$598, \$691 and \$728 (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 \$255 as of September 30, 2020, including unretired share capital of \$12.
- D. 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 on 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 \$420 as of September 30, 2020, including unretired share capital of \$8.

- E. 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 on 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 \$785 as of September 30, 2020, including unretired share capital of \$5.
- F. The Board of Directors during its meeting on July 27, 2016 adopted a resolution to issue employee restricted ordinary shares with the effective date set on July 27, 2016. Each share will be issued without consideration. The decision on the fair value was based on the closing price of \$298 (in dollars) at the grant date. The employee restricted ordinary shares issued are fully vested and are not subject to stockholders' right restrictions. The rights and obligations attached to these shares issued are the same as other issued ordinary shares. Due to employee termination, reacquired share capital is \$1,092 as of September 30, 2020. There are no unretired share capital.

G. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (there were no treasury shares as at September 30,2020):

		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

  

		September 30, 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

- (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 five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(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. The Company passed the amendments to the Articles of Association by resolution of the shareholders' meeting held on June 15, 2020. At the close of each of the half fiscal year, the Board may resolve to distribute profits or allocate losses; provided, however, that any distribution of profits by way of capitalization of distributable dividends shall be subject to the Supermajority Resolution.
- B. In accordance with the amended 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. The Company may distribute to the Members, in the form of cash, all or a portion of its Dividend and/or statutory reserve by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, and shall subsequently report such distribution to the Members at the general meeting.
- C. 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.
- D. 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.

E. The Company recognized dividends distributed to owners for the years 2020 and 2019. The appropriation of 2019 and 2018 earnings had been approved by the shareholders on June 15, 2020 and June 18, 2019, respectively.

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -		\$ -	
Special reserve	256,627		( 238,333)	
Cash dividends	1,216,887	\$ 15.23	980,751	\$ 12.41

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

F. On October 28, 2020, the Board of Directors approved to set aside \$157,004 of the special reserve for the first half year of 2020. After deducting the special reserve, total dividends for the distribution of earnings was \$733,641 with cash dividends of \$9.17 (in Taiwan dollars) per share.

(13) Earnings per share

	For the three months ended September 30, 2020		
	Amount after tax	Weighted-average ordinary shares outstanding (in thousands)	Earnings per share (in NT dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,082,172	78,437	\$ 13.80
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,082,172	78,437	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	352	
Employee compensation	-	157	
Employee restricted stocks	-	1,072	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 1,082,172	80,018	\$ 13.52

For the three months ended September 30, 2019			
	<u>Amount after tax</u>	<u>Weighted-average ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 682,191	76,980	\$ 8.86
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 682,191	76,980	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	395	
Employee compensation	-	218	
Employee restricted stocks	-	1,055	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 682,191</u>	<u>78,648</u>	<u>\$ 8.67</u>

For the nine months ended September 30, 2020			
	<u>Amount after tax</u>	<u>Weighted-average ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 2,548,626	78,229	\$ 32.58
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 2,548,626	78,229	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	388	
Employee compensation	-	253	
Employee restricted stocks	-	1,360	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,548,626</u>	<u>80,230</u>	<u>\$ 31.77</u>

	For the nine months ended September 30, 2019		
	<u>Amount after tax</u>	<u>Weighted-average ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,802,342	76,436	\$ 23.58
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,802,342	76,436	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock option	-	416	
Employee compensation	-	338	
Employee restricted stocks	-	1,280	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 1,802,342	78,470	\$ 22.97

(14) Business combinations

A. On June 1, 2020, the Group acquired 100% of the share capital of Fresco Logic, Inc. for US\$ 37,169 thousands in cash and obtained the control over Fresco Logic, Inc.. The Company has High-speed interfacing chips technology. As a result of the acquisition, the Group is expected to increase its presence in these markets.

B. The following table (expressed in thousands of US dollars) summarises the consideration paid for Fresco Logic, Inc. and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>June 1, 2020</u>
Purchase consideration	
Cash paid	\$ 37,169
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	2,257
Accounts receivable	609
Inventories	313
Other current assets	264
Property, plant and equipment	192
Intangible assets	12,000
Other non-current assets	35
Accounts payable	( 938)
Other accounts payable	( 1,605)
Other current liabilities	( 706)
Total identifiable net assets	<u>12,421</u>
Goodwill	<u>\$ 24,748</u>

C. The fair value of the acquired identifiable intangible assets of US\$12,000 thousands is provisional pending receipt of the final valuations for those assets.

D. If Fresco Logic, Inc. had been consolidated from January 1, 2020, the consolidated statement of comprehensive income would show operating revenue of \$11,121,509 (US\$373,548 thousands) and profit before income tax of \$2,577,678 (US\$86,659 thousands).

(15) Operating revenue

Disaggregation of revenue from contracts with customers

The Group operates business only in a single industry. The Group derives revenue from the transfer of goods over at a point in time in the following major product lines and geographical regions:

	<u>For the three months ended September 30, 2020</u>				
	<u>Serial products of DisplayPort</u>	<u>High-speed interfacing chips</u>	<u>Source Driver</u>	<u>Serial products of TrueTouch</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 2,140,876</u>	<u>\$ 1,573,848</u>	<u>\$ 443,173</u>	<u>\$ 263,880</u>	<u>\$ 4,421,777</u>
	<u>For the three months ended September 30, 2019</u>				
	<u>Serial products of DisplayPort</u>	<u>High-speed interfacing chips</u>	<u>Source Driver</u>	<u>Serial products of TrueTouch</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 1,446,157</u>	<u>\$ 1,207,908</u>	<u>\$ 358,636</u>	<u>\$ 152,456</u>	<u>\$ 3,165,157</u>

	For the nine months ended September 30, 2020				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from external customer contracts	\$ 5,308,365	\$ 3,770,744	\$ 1,303,714	\$ 633,502	\$ 11,016,325
	For the nine months ended September 30, 2019				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from external customer contracts	\$ 4,219,101	\$ 3,235,724	\$ 916,462	\$ 507,747	\$ 8,879,034

(16) Interest income

	For the three months ended September 30,	
	2020	2019
Interest income from bank deposits	\$ 249	\$ 158
Interest income from Cash equivalents- Money market fund	50	54
Interest income from Cash equivalents-Treasury bill	1,383	30,597
	<u>\$ 1,682</u>	<u>\$ 30,809</u>
	For the nine months ended September 30,	
	2020	2019
Interest income from bank deposits	\$ 649	\$ 663
Interest income from Cash equivalents- Money market fund	150	155
Interest income from Cash equivalents-Treasury bill	26,683	80,783
	<u>\$ 27,482</u>	<u>\$ 81,601</u>

(17) Expenses by nature

	For the three months ended September 30,	
	2020	2019
Employee benefit expenses	\$ 696,812	\$ 498,844
Depreciation and amortization charges on equipment and intangible assets	123,429	117,445
Engineering expenses	53,499	64,042
Legal and professional expenses	15,213	12,531
Commission expenses	16,881	8,272
Operating lease payments	3,877	5,784
Other expenses	17,417	25,560
Total manufacturing and operating expenses	<u>\$ 927,128</u>	<u>\$ 732,478</u>

	For the nine months ended September 30,	
	2020	2019
Employee benefit expenses	\$ 1,772,227	\$ 1,450,352
Depreciation and amortization charges on equipment and intangible assets	344,955	345,544
Engineering expenses	189,369	189,247
Legal and professional expenses	51,913	33,755
Commission expenses	38,153	25,126
Operating lease payments	12,903	17,440
Other expenses	44,918	62,719
Total manufacturing and operating expenses	<u>\$ 2,454,438</u>	<u>\$ 2,124,183</u>

(18) Employee benefit expenses

	For the three months ended September 30,	
	2020	2019
Wages and salaries	\$ 521,603	\$ 352,008
Employee compensation costs	125,151	90,942
Pension costs	15,824	25,654
Other personnel expenses	34,234	30,240
	<u>\$ 696,812</u>	<u>\$ 498,844</u>

	For the nine months ended September 30,	
	2020	2019
Wages and salaries	\$ 1,285,104	\$ 1,019,200
Employee compensation costs	281,771	223,663
Pension costs	64,597	78,661
Other personnel expenses	140,755	128,828
	<u>\$ 1,772,227</u>	<u>\$ 1,450,352</u>

- A. In accordance with the provisions of the amended Articles of Association approved by the shareholders, 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.
- B. The estimated amounts of employees' compensation were \$64,215, \$41,535, \$168,433 and \$117,668 and of directors' remuneration were \$24,699, \$15,486, \$58,238 and \$40,805 for the three months and nine months ended September 30, 2020 and 2019, respectively. The employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current year for the nine months ended September 30, 2020, and the percentage of previous year payment. Employees' compensation and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 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.

(19) Income tax

Components of income tax expense:

	<u>For the three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the period	\$ 89,779	\$ 56,995
Prior year income tax overestimation	( 7,365)	( 16,015)
Total current tax	<u>82,414</u>	<u>40,980</u>
Deferred tax:		
Origination and reversal of temporary differences	( 31,010)	( 5,089)
Income tax expense	<u>\$ 51,404</u>	<u>\$ 35,891</u>
	<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the period	\$ 218,230	\$ 149,755
Prior year income tax overestimation	( 22,127)	( 47,599)
Total current tax	<u>196,103</u>	<u>102,156</u>
Deferred tax:		
Origination and reversal of temporary differences	( 72,687)	( 21,882)
Income tax expense	<u>\$ 123,416</u>	<u>\$ 80,274</u>



## 7. RELATED PARTY TRANSACTIONS

### (1) Significant transactions and balances with related parties

None.

### (2) Key management compensation

	For the three months ended September 30,	
	2020	2019
Salaries and other short-term employee benefits	\$ 169,593	\$ 83,575
Share-based compensation expenses	54,939	43,587
	<u>\$ 224,532</u>	<u>\$ 127,162</u>
	For the nine months ended September 30,	
	2020	2019
Salaries and other short-term employee benefits	\$ 349,952	\$ 234,913
Share-based compensation expenses	144,176	113,382
	<u>\$ 494,128</u>	<u>\$ 348,295</u>

A. Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, employees' compensation, directors' remuneration, rewards and travel or transportation allowances, etc.

B. Share-based compensation expenses represent the compensation costs accounted for under IFRS 2.

## 8. PLEGGED 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 September 30, 2020, December 31, 2019 and September 30, 2019 and consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019 in functional currency

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

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(EXPRESSED IN THOUSANDS OF US DOLLARS)

(CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019 ARE REVIEWED, NOT AUDITED)

ASSETS	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	%	Amount	%	Amount	%
<b>Current assets</b>						
Cash and cash equivalents	\$ 271,266	51	\$ 270,380	59	\$ 232,943	54
Accounts receivable, net	60,524	11	39,944	8	50,367	11
Inventories, net	38,457	7	31,481	7	30,935	7
Prepayments	11,195	2	8,344	2	7,579	2
Other current assets	17,589	3	10,048	2	12,020	3
<b>Total current assets</b>	<u>399,031</u>	<u>74</u>	<u>360,197</u>	<u>78</u>	<u>333,844</u>	<u>77</u>
<b>Non-current assets</b>						
Property, plant and equipment, net	12,731	3	9,267	2	8,878	2
Right-of-use assets	5,130	1	6,055	2	6,648	1
Intangible assets	113,120	21	79,207	17	80,403	19
Deferred income tax assets	6,414	1	3,801	1	2,631	1
Other non-current assets	903	-	866	-	849	-
<b>Total non-current assets</b>	<u>138,298</u>	<u>26</u>	<u>99,196</u>	<u>22</u>	<u>99,409</u>	<u>23</u>
<b>TOTAL ASSETS</b>	<u>\$ 537,329</u>	<u>100</u>	<u>\$ 459,393</u>	<u>100</u>	<u>\$ 433,253</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 36,293	7	\$ 26,224	6	\$ 28,202	6
Other payables	27,478	5	24,640	5	19,634	5
Current income tax liabilities	21,514	4	20,556	4	18,423	4
Lease liabilities - current	1,987	-	2,199	1	2,159	-
Other current liabilities	8,109	2	6,341	1	6,799	2
<b>Total current liabilities</b>	<u>95,381</u>	<u>18</u>	<u>79,960</u>	<u>17</u>	<u>75,217</u>	<u>17</u>
<b>Non-current liabilities</b>						
Lease liabilities - non-current	3,143	-	3,856	1	4,489	1
<b>Total non-current liabilities</b>	<u>3,143</u>	<u>-</u>	<u>3,856</u>	<u>1</u>	<u>4,489</u>	<u>1</u>
<b>Total liabilities</b>	<u>98,524</u>	<u>18</u>	<u>83,816</u>	<u>18</u>	<u>79,706</u>	<u>18</u>
<b>Equity attributable to owners of the Company</b>						
<b>Share capital</b>						
Ordinary shares	26,597	5	26,313	6	26,313	6
<b>Capital reserves</b>						
Capital reserves	137,325	27	103,824	23	105,418	24
<b>Retained earnings</b>						
Legal reserve	26,376	5	26,376	6	26,376	6
Special reserve	8,577	1	275	-	275	-
Unappropriated earnings	280,752	52	245,024	53	224,283	52
<b>Other equity</b>						
Other equity	( 40,822)	( 8)	( 22,939)	( 5)	( 25,822)	( 5)
<b>Treasury shares</b>						
	-	-	( 3,296)	( 1)	( 3,296)	( 1)
<b>Equity attributable to owners of the Company</b>	<u>438,805</u>	<u>82</u>	<u>375,577</u>	<u>82</u>	<u>353,547</u>	<u>82</u>
<b>Total equity</b>	<u>438,805</u>	<u>82</u>	<u>375,577</u>	<u>82</u>	<u>353,547</u>	<u>82</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 537,329</u>	<u>100</u>	<u>\$ 459,393</u>	<u>100</u>	<u>\$ 433,253</u>	<u>100</u>

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

	For the three months ended September 30,				For the nine months ended September 30,			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Revenues</b>	\$ 150,146	100	\$ 101,447	100	\$ 370,049	100	\$ 285,870	100
<b>Cost of goods sold</b>	( 84,072)	( 56)	( 57,883)	( 57)	( 206,272)	( 56)	( 164,963)	( 58)
<b>Gross profit</b>	<u>66,074</u>	<u>44</u>	<u>43,564</u>	<u>43</u>	<u>163,777</u>	<u>44</u>	<u>120,907</u>	<u>42</u>
<b>Operating expenses</b>								
Sales and marketing expenses	( 6,413)	( 5)	( 4,778)	( 5)	( 16,516)	( 5)	( 13,776)	( 5)
General and administrative expenses	( 4,640)	( 3)	( 3,433)	( 3)	( 12,797)	( 3)	( 9,656)	( 3)
Research and development expenses	( 16,443)	( 11)	( 13,523)	( 13)	( 45,539)	( 12)	( 39,663)	( 14)
Expected credit loss	-	-	( 12)	-	-	-	( 12)	-
<b>Total operating expenses</b>	<u>( 27,496)</u>	<u>( 19)</u>	<u>( 21,746)</u>	<u>( 21)</u>	<u>( 74,852)</u>	<u>( 20)</u>	<u>( 63,107)</u>	<u>( 22)</u>
<b>Operating income</b>	<u>38,578</u>	<u>25</u>	<u>21,818</u>	<u>22</u>	<u>88,925</u>	<u>24</u>	<u>57,800</u>	<u>20</u>
<b>Non-operating income and expenses</b>								
Interest income	58	-	987	1	915	-	2,625	1
Other income	-	-	37	-	101	-	38	-
Other gains and losses	( 145)	-	173	-	( 143)	-	142	-
<b>Total non-operating income and expenses</b>	<u>( 87)</u>	<u>-</u>	<u>1,197</u>	<u>1</u>	<u>873</u>	<u>-</u>	<u>2,805</u>	<u>1</u>
<b>Income before income tax</b>	38,491	25	23,015	23	89,798	24	60,605	21
Income tax expense	( 1,745)	( 1)	( 1,150)	( 1)	( 4,142)	( 1)	( 2,583)	( 1)
<b>Net income for the period from continuing operations</b>	<u>36,746</u>	<u>24</u>	<u>21,865</u>	<u>22</u>	<u>85,656</u>	<u>23</u>	<u>58,022</u>	<u>20</u>
<b>Other comprehensive income (loss)</b>								
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
Currency translation differences of foreign operations	317	-	( 369)	-	387	-	( 255)	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>317</u>	<u>-</u>	<u>( 369)</u>	<u>-</u>	<u>387</u>	<u>-</u>	<u>( 255)</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>\$ 37,063</u>	<u>24</u>	<u>\$ 21,496</u>	<u>22</u>	<u>\$ 86,043</u>	<u>23</u>	<u>\$ 57,767</u>	<u>20</u>
<b>Net income attributable to:</b>								
Owners of the Company	<u>\$ 36,746</u>	<u>24</u>	<u>\$ 21,865</u>	<u>22</u>	<u>\$ 85,656</u>	<u>23</u>	<u>\$ 58,022</u>	<u>20</u>
<b>Comprehensive income attributable to:</b>								
Owners of the Company	<u>\$ 37,063</u>	<u>24</u>	<u>\$ 21,496</u>	<u>22</u>	<u>\$ 86,043</u>	<u>23</u>	<u>\$ 57,767</u>	<u>20</u>
<b>Earnings per share</b>								
<b>Basic earnings per share</b>	<u>\$ 0.47</u>		<u>\$ 0.28</u>		<u>\$ 1.09</u>		<u>\$ 0.76</u>	
<b>Diluted earnings per share</b>	<u>\$ 0.46</u>		<u>\$ 0.28</u>		<u>\$ 1.07</u>		<u>\$ 0.74</u>	

(2) Capital management

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

(3) Financial 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

Foreign exchange 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:

	September 30, 2020		
	Foreign Currency		
	Amount	Exchange	Book Value
	(In thousands)	Rate	(in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	\$ 546	6.817	\$ 3,722

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

September 30, 2019			
Foreign Currency			
	Amount	Exchange	Book Value
	(In thousands)	Rate	(in RMB thousands)
(Foreign currency: functional currency)			
Financial assets - monetary items			
USD:RMB	\$ 246	7.069	\$ 1,739

Based on the foreign currency quoted position held by the Group as of September 30, 2020 and 2019, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase by \$159 and \$76, respectively.

- iii. The exchange loss (gain) arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2020 and 2019 amounted to \$3,220, (\$6,474), \$3,184 and (\$6,068), respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients. 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. 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 following indicators are used to determine whether the credit impairment has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. 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.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures.
- viii. The Group applies the simplified approach to estimate expected credit loss of refundable deposits. The amount is immaterial. Therefore, the Group did not recognize expected credit loss at September 30, 2020, December 31, 2019 and September 30, 2019.
- ix. 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 September 30, 2020, December 31, 2019 and September 30, 2019 are as follows:

	Never occurred loss (Note)		
	Not past due	Up to 60 days past due	Up to 90 days past due
<u>At September 30, 2020</u>			
Expected loss rate			0.5%
Total book value	\$ 1,643,668	\$ 117,558	\$ -
Loss allowance	\$ -	\$ -	\$ -

	Never occurred loss (Note)		
	91~180 days past due	181~360 days past due	Up to 360 days past due
<u>At September 30, 2020</u>			
Expected loss rate	1%~5%	50%~75%	100%
Total book value	\$ 20	\$ -	\$ -
Loss allowance	\$ -	\$ -	\$ -

	Occurred loss	Total
	<u>At September 30, 2020</u>	
Expected loss rate	100%	
Total book value	\$ -	\$ 1,761,246
Loss allowance	\$ -	\$ -

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

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

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

	Never occurred loss (Note)		
	Not past due	Up to 60 days past due	Up to 90 days past due
<u>At September 30, 2019</u>			
Expected loss rate			0.5%
Total book value	\$ 1,315,927	\$ 247,446	\$ -
Loss allowance	\$ -	\$ -	\$ -

	Never occurred loss (Note)		
	91~180 days past due	181~360 days past due	Up to 360 days past due
<u>At September 30, 2019</u>			
Expected loss rate	1%~5%	50%~75%	100%
Total book value	\$ -	\$ -	\$ -
Loss allowance	\$ -	\$ -	\$ -

	Occurred loss	Total
<u>At September 30, 2019</u>		
Expected loss rate	100%	
Total book value	\$ 367	\$ 1,563,740
Loss allowance	\$ 367	\$ 367

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 September 30, 2020, December 31, 2019 and September 30, 2019.

x. Movements in relation to the Group applying the approach to provide loss allowance for accounts receivable has no change for the nine months ended as of September 30, 2020 and 2019.

(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, 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 \$32,768, \$33,608 and \$34,744, and treasury bills of \$4,655,734, \$5,896,807 and \$5,455,132 as at September 30, 2020, December 31, 2019 and September 30, 2019, 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 into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>September 30, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 1,056,122	\$ -
Other payables	799,615	-
Lease liability	57,827	91,466
<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 786,191	\$ -
Other payables	738,687	-
Lease liability	65,937	115,606
<u>September 30, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 875,382	\$ -
Other payables	609,445	-
Lease liability	67,029	139,327



(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 as at September 30, 2020, December 31, 2019 and September 30, 2019.

C. For the nine months ended September 30, 2020 and 2019, 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 nine months ended September 30, 2020: None.

B. Endorsements and guarantees provided during the nine months ended September 30, 2020: None.

C. Marketable securities held as at September 30, 2020 (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 nine months ended September 30, 2020: None.

E. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the nine months ended September 30, 2020: None.

F. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the nine months ended September 30, 2020: None.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the nine months ended September 30, 2020: None.

H. Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as at September 30, 2020: None.

I. Derivative financial instruments undertaken during the nine months ended September 30, 2020: None.

J. Significant inter-company transactions for the nine months ended September 30, 2020: 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.

(4) Disclosure information on major shareholders

There is no shareholder holding greater than 5% stake in the Company at September 30, 2020.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

(3) Reconciliation for segment profit (loss)

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
SIGNIFICANT INTER-COMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Parade Technologies, Ltd.	Parade Technologies, Inc.	(1)	Service expense	\$ 747,909	In accordance with the agreement, depend on the financial condition of the paying firm	7%
			(1)	Other payables	108,573	In accordance with the agreement, depend on the financial condition of the paying firm	1%
		Parade Technologies Korea, Ltd.	(1)	Service expense	18,327	In accordance with the agreement, depend on the financial condition of the paying firm	0%
			(1)	Other payables	2,048	In accordance with the agreement, depend on the financial condition of the paying firm	0%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	403,228	In accordance with the agreement, depend on the financial condition of the paying firm	4%
			(1)	Other payables	243,782	In accordance with the agreement, depend on the financial condition of the paying firm	2%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	187,534	In accordance with the agreement, depend on the financial condition of the paying firm	2%
			(1)	Other payables	96,783	In accordance with the agreement, depend on the financial condition of the paying firm	1%
		Parade Technologies, Ltd. (Chongqing)	(1)	Service expense	5,500	In accordance with the agreement, depend on the financial condition of the paying firm	0%
			(1)	Other payables	1,006	In accordance with the agreement, depend on the financial condition of the paying firm	0%
		Pinchot Ltd.	(1)	Intangible assets	1,068,115	In accordance with the agreement, depend on the financial condition of the paying firm	7%

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

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

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

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

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at 9/30/2020			Net income of the investee	Investment income recognized by the Company	Footnote
				Balance as at 9/30/2020	Balance as at 1/1/2020	Number of shares	Ownership (%)	Book value			
The Company	Parade Technologies, Inc.	United States	Providing sales and marketing, general and administrative, and research and development services to the Company	\$ 37,830	\$ 37,830	10,000	100	\$ 1,595,306	\$ 124,001	\$ 124,001	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	\$ 1,455	\$ 1,455	10,000	100	\$ 15,486	\$ 718	\$ 718	
The Company	Parade Technologies Ireland, Ltd.	Ireland	Providing research and development services to the Company	\$ -	\$ -	1	100	\$ -	\$ -	\$ -	
The Company	Pinchot Ltd.	Cayman	Providing administrative services to the Company	\$ 29	\$ -	1,000	100	\$ 29	\$ -	\$ -	

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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 1/1/2020	Amount remitted to Mainland China during the period	Amount remitted back to Taiwan during the period	Accumulated amount of remittance to Mainland China as of 9/30/2020	Net income of the investee	Ownership held by the Company (%)	Investment income recognized by the Company for the period	Book value of investments in Mainland China as of 9/30/2020	Accumulated amount of investment income remitted back to Taiwan as of 9/30/2020	Footnote
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	\$ 37,830	1	\$ -	\$ -	\$ -	\$ -	\$ 5,275	100	\$ 5,275	\$ 418,872	\$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	58,200	2	-	-	-	-	1,514	100	1,514	164,639	-	
Parade Technologies, Ltd. (Chongqing)	Providing research and development services to the Company	14,550	2	-	-	-	-	( 93)	100	( 93)	14,574	-	
				Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)									
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of 9/30/2020</u>	<u>Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA) (Note 2)</u>	<u>Investment by the Commission of MOEA (Note 2)</u>										
The Company	\$ -	\$ -	\$ -										

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

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

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

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