PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2021 AND 2020

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS AS AT JUNE 30, 2021 AND 2020
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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Parade Technologies, Ltd. and subsidiaries (the "Group") as at June 30, 2021 and December 31, 2020, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2021, as well as the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and December 31, 2020, and its consolidated financial performance for the three months and six months ended June 30, 2021, and its consolidated cash flows for the six months ended June 30, 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the six months ended June 30, 2020, were reviewed by us. 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.

Key audit matters

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

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

Goodwill impairment assessment

Description

Refer to Note 4(14) (impairment of non-financial assets), Note 5(2) (critical accounting estimates and assumptions) and Note 6(6) (intangible assets) to the consolidated financial statements where the goodwill impairment has been discussed. The balance of goodwill arising from the acquisition as at June 30, 2021 was NT$2,068,796 thousand.

The Group periodically performs impairment assessments on goodwill at the end of each year. Such assessments are based on cash generating units identified through operating segments and the Group uses 5-year cash flow forecasts prepared by the management to determine the recovery amount of cash generating units. The Group performs impairment indication assessments of goodwill in the interim period. Since the amount is material, and afore-mentioned assessments in the interim period consider several internal and external sources of information and involve management's subjective judgement. Therefore, the goodwill impairment assessment is a key audit matter of the current period.

How our audit addressed the matter

Our procedures in relation to the key audit matter included:

1. Obtained asset impairment indication assessment documents prepared by the Group's management and reviewed the authorization procedures for the assessment documents.
2. Tested the reasonable of the supporting documents in relation to the internal and external sources of information listed in the management assessment documents.

Inventory impairment losses

Description

Refer to Note 4(10) (inventories), Note 5(2) (critical accounting estimates and assumptions) and Note 6(3) (inventories) to the consolidated financial statements where the inventory impairment losses have been discussed.

Losses on inventories and allowances as at June 30, 2021 was NT$1,915,381 thousand and NT$231,304 thousand, respectively. The rapid changes in the technology of the industries in which the Group is involved and the net realizable value used in the evaluation of obsolete inventories often involve subjective judgements and therefore highly uncertain estimates. Inventories are measured at the lower of cost and net realizable value. The impact of inventories and its allowance for diminution in value has a significant impact on the financial statements. Therefore, the loss on inventories and allowances assessment is a key audit matter of the current period.

How our audit addressed the matter

Our procedures in relation to the key audit matter included:

1. Checked whether the valuation of inventory impairment losses adopted the understanding of the nature of the industry, and ensured that the accounting policy is consistent with the comparable period.
2. Understood the Group's inventory control procedures and sent the inventory confirmation letters in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
3. Verified the appropriateness of the logic for evaluating the inventory aging report to confirm that the report information is consistent with the Group's policies.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Chou, Hsiao-Tzu   Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

August 4, 2021

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

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2020 WAS REVIEWED, NOT AUDITED)

			June 30, 2021		December 31, 2020		June 30, 2020	
	ASSETS	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 7,949,466	44	$ 8,519,679	51	$ 8,075,953	52
1170	Accounts receivable, net	6(2)	1,637,799	9	1,578,725	10	1,707,712	11
130X	Inventories, net	6(3)	1,684,077	9	1,615,012	10	985,135	6
1470	Other current assets		649,767	4	484,108	3	368,725	3
11XX	**Total current assets**		11,921,109	66	12,197,524	74	11,137,525	72
	Non-current assets							
1600	Property, plant and equipment, net	6(4)	453,465	3	366,648	2	302,529	2
1755	Right-of-use assets	6(5)	264,360	1	249,796	2	148,839	1
1780	Intangible assets	6(6)(19)	3,178,062	18	3,211,223	19	3,363,513	22
1840	Deferred income tax assets	6(17)	226,142	1	190,661	1	155,633	1
1900	Other non-current assets	6(7)	2,059,345	11	352,725	2	368,985	2
15XX	**Total non-current assets**		6,181,374	34	4,371,053	26	4,339,499	28
1XXX	**TOTAL ASSETS**		$ 18,102,483	100	$ 16,568,577	100	$ 15,477,024	100

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PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2020 WAS REVIEWED, NOT AUDITED)

			June 30, 2021		December 31, 2020		June 30, 2020	
	LIABILITIES AND EQUITY	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2170	Accounts payable		$ 1,026,922	6	$ 1,240,882	8	$ 864,510	6
2200	Other payables	6(8)	2,020,870	11	1,706,070	10	2,137,572	14
2230	Current income tax liabilities	6(17)	728,350	4	527,976	3	562,223	4
2280	Lease liabilities - current	6(5)	94,628	-	75,801	-	57,378	-
2300	Other current liabilities		111,645	1	160,159	1	242,992	1
21XX	**Total current liabilities**		3,982,415	22	3,710,888	22	3,864,675	25
	Non-current liability							
2580	Lease liabilities - non-current	6(5)	169,732	1	173,995	1	91,461	1
25XX	**Non-current liabilities**		169,732	1	173,995	1	91,461	1
2XXX	**Total liabilities**		4,152,147	23	3,884,883	23	3,956,136	26
	Equity attributable to owners of the Company							
	Share capital	6(11)						
3110	Ordinary shares		808,705	4	807,803	5	800,100	5
	Capital reserves	6(12)						
3200	Capital reserves		4,281,780	24	4,152,210	26	3,201,278	21
	Retained earnings	6(13)						
3310	Legal reserve		1,011,400	6	807,466	5	807,466	5
3320	Special reserve		765,651	4	421,955	3	264,951	2
3350	Unappropriated earnings		9,390,705	52	8,661,514	52	7,512,564	49
	Other equity							
3400	Other equity		(2,168,732)	(12)	(1,999,547)	(13)	(963,746)	(7)
3500	Treasury shares	6(11)	(139,173)	(1)	(167,707)	(1)	(101,725)	(1)
31XX	**Equity attributable to owners of the Company**		13,950,336	77	12,683,694	77	11,520,888	74
3XXX	**Total equity**		13,950,336	77	12,683,694	77	11,520,888	74
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 18,102,483	100	$ 16,568,577	100	$ 15,477,024	100

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)
(THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 WERE REVIEWED, NOT AUDITED)

			For the three months ended June 30,				For the six months ended June 30,			
			2021		2020		2021		2020	
	Items	Notes	Amount	%	Amount	%	Amount	%	Amount	%
4000	Revenue	6(14)	$ 4,903,589	100	$ 3,632,919	100	$ 9,247,242	100	$ 6,594,548	100
5000	Cost of goods sold	6(3)(15)(16)	(2,567,624)	(52)	(2,024,686)	(56)	(4,953,859)	(54)	(3,664,539)	(56)
5900	Gross profit		2,335,965	48	1,608,233	44	4,293,383	46	2,930,009	44
	Operating expenses	6(15)(16) and 7								
6100	Sales and marketing expenses		(232,457)	(5)	(156,612)	(4)	(428,040)	(5)	(303,054)	(4)
6200	General and administrative expenses		(165,030)	(3)	(134,965)	(4)	(306,493)	(3)	(244,610)	(4)
6300	Research and development expenses		(534,076)	(11)	(454,265)	(12)	(1,030,638)	(11)	(872,743)	(13)
6000	Total operating expenses		(931,563)	(19)	(745,842)	(20)	(1,765,171)	(19)	(1,420,407)	(21)
6900	Operating income		1,404,402	29	862,391	24	2,528,212	27	1,509,602	23
	Non-operating income and expenses									
7100	Interest income		393	-	1,261	-	1,392	-	25,800	-
7010	Other income		1,019	-	2,183	-	3,079	-	3,015	-
7020	Other gains and losses		(4,618)	-	812	-	(19,565)	-	49	-
7000	Total non-operating income and expenses		(3,206)	-	4,256	-	(15,094)	-	28,864	-
7900	**Income before income tax**		1,401,196	29	866,647	24	2,513,118	27	1,538,466	23
7950	Income tax expense	6(17)	(140,170)	(3)	(23,084)	(1)	(218,433)	(2)	(72,012)	(1)
8000	**Net income for the period from continuing operations**		1,261,026	26	843,563	23	2,294,685	25	1,466,454	22
	Other comprehensive income (loss)									
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8361	Other comprehensive loss, before tax, exchange differences on translation		(329,003)	(7)	(249,610)	(7)	(298,618)	(3)	(157,003)	(2)
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		(329,003)	(7)	(249,610)	(7)	(298,618)	(3)	(157,003)	(2)
8500	**Total comprehensive income for the period**		$ 932,023	19	$ 593,953	16	$ 1,996,067	22	$ 1,309,451	20
	Net income attributable to:									
8610	Owners of the Company		$ 1,261,026	26	$ 843,563	23	$ 2,294,685	25	$ 1,466,454	22
	Comprehensive income attributable to:									
8710	Owners of the Company		$ 932,023	19	$ 593,953	16	$ 1,996,067	22	$ 1,309,451	20
	Earnings per share									
9750	Basic earnings per share	6(18)	$	15.98	$	10.81	$	29.12	$	18.81
9850	Diluted earnings per share	6(18)	$	15.62	$	10.54	$	28.42	$	18.33

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2020 WAS REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent												
			Capital Reserves					Retained Earnings			Other Equity			
	Notes	Ordinary shares	Paid-in capital in excess of ordinary shares	Capital reserve from treasury share transactions	Capital reserve from employee stock options	Capital reserve from restricted stocks	Capital reserve - others	Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences of foreign operations	Unearned compensation	Treasury shares	Total
For the six months ended June 30, 2020														
Balance at January 1, 2020		$ 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
Net income for the period		-	-	-	-	-	-	-	-	1,466,454	-	-	-	1,466,454
Other comprehensive loss for the period		-	-	-	-	-	-	-	-	-	(157,003)	-	-	(157,003)
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	1,466,454	(157,003)	-	-	1,309,451
Exercise of employee stock options	6(10)(11)	885	17,224	-	(7,634)	-	-	-	-	-	-	-	-	10,475
Issuance of restricted stocks	6(10)(11)	537	-	-	-	38,180	-	-	-	-	-	(38,717)	-	-
Vesting of restricted stocks		-	182,016	-	-	(182,016)	-	-	-	-	-	-	-	-
Adjustment of turnover rate of restricted stocks		-	-	-	-	(6,115)	-	-	-	-	-	6,115	-	-
Cancellation of restricted stocks ordinary shares and related cash dividend recovered	6(11)	(527)	-	-	-	527	-	-	-	1,432	-	-	-	1,432
Share-based compensation cost	6(10)(16)	-	-	-	-	-	-	-	-	-	-	156,620	-	156,620
Earnings appropriation	6(13)													
Special reserve		-	-	-	-	-	-	-	256,627	(256,627)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	(1,216,887)	-	-	-	(1,216,887)
Balance at June 30, 2020		$ 800,100	$ 2,418,934	$ -	$ 105,525	$ 676,819	$ -	$ 807,466	$ 264,951	$ 7,512,564	($ 421,954)	($ 541,792)	($ 101,725)	$11,520,888
For the six months ended June 30, 2021														
Balance at January 1, 2021		$ 807,803	$ 2,562,171	$ 172,025	$ 101,332	$ 1,308,393	$ 8,289	$ 807,466	$ 421,955	$ 8,661,514	($ 922,654)	($ 1,076,893)	($ 167,707)	$12,683,694
Net income for the period		-	-	-	-	-	-	-	-	2,294,685	-	-	-	2,294,685
Other comprehensive loss for the period		-	-	-	-	-	-	-	-	-	(298,618)	-	-	(298,618)
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	2,294,685	(298,618)	-	-	1,996,067
Exercise of employee stock options	6(10)(11)	340	6,770	-	(3,074)	-	-	-	-	-	-	-	-	4,036
Issuance of restricted stocks	6(10)(11)	860	-	-	-	107,519	-	-	-	-	-	(108,379)	-	-
Vesting of restricted stocks		-	244,217	-	-	(244,217)	-	-	-	-	-	-	-	-
Adjustment of turnover rate of restricted stocks		-	-	-	-	(19,833)	-	-	-	-	-	19,833	-	-
Cancellation of restricted stocks ordinary shares and related cash dividend recovered	6(11)	(298)	-	-	-	298	-	-	-	1,203	-	-	-	1,203
Share-based compensation cost	6(10)(16)	-	-	14,949	-	-	-	-	-	-	-	217,979	-	232,928
Tax deduction exceeds cumulative share-based payment expenses		-	-	-	-	-	22,941	-	-	-	-	-	-	22,941
Purchase of treasury shares	6(11)	-	-	-	-	-	-	-	-	-	-	-	(281,882)	(281,882)
Treasury shares reissued to employees	6(10)(11)	-	-	-	-	-	-	-	-	-	-	-	310,416	310,416
Earnings appropriation	6(13)													
Legal reserve		-	-	-	-	-	-	203,934	-	(203,934)	-	-	-	-
Special reserve		-	-	-	-	-	-	-	343,696	(343,696)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	(1,019,067)	-	-	-	(1,019,067)
Balance at June 30, 2021		$ 808,705	$ 2,813,158	$ 186,974	$ 98,258	$ 1,152,160	$ 31,230	$ 1,011,400	$ 765,651	$ 9,390,705	($ 1,221,272)	($ 947,460)	($ 139,173)	$13,950,336

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2020 WAS REVIEWED, NOT AUDITED)

	Notes	For the six months ended June 30, 2021	For the six months ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax for the period		$ 2,513,118	$ 1,538,466
Adjustments			
Adjustments to reconcile profit or loss			
Depreciation (including the right-of-use assets)	6(4)(5)	133,706	94,237
Amortization	6(6)	210,683	127,289
Loss on disposal of equipment	6(4)	1,776	-
Share-based compensation cost	6(10)(16)	232,928	156,620
Interest income		(1,392)	(25,800)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(93,442)	(524,159)
Inventories		(104,223)	(52,370)
Other current assets		(141,559)	(22,487)
Changes in operating liabilities			
Accounts payable		(186,946)	87,498
Other payables		50,543	190,622
Other current liabilities		(45,027)	55,102
Cash inflow generated from operations		2,570,165	1,625,018
Interest received		1,392	25,715
Income tax paid		(56,326)	(211,067)
Income tax received		53	12
Net cash flows from operating activities		2,515,284	1,439,678
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(4)	(173,444)	(84,169)
Acquisition of intangible assets	6(6)	(2,292)	(934)
Increase in refundable deposits	6(7)	(1,847,422)	(955)
Increase in other prepayments		(110,926)	(149,754)
Acquisition of business combinations	6(19)	-	(1,112,458)
Net cash flows used in investing activities		(2,134,084)	(1,348,270)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of employee stock options		4,036	10,475
Cash dividends paid	6(13)	(733,641)	-
Repayment of the principal portion of lease liabilities	6(5)	(56,844)	(33,769)
Purchase of treasury shares	6(11)	(281,882)	-
Treasury shares reissued to employees	6(10)	310,416	-
Cash dividend recovered from cancellation of share-based compensation		1,203	1,432
Net cash flows used in financing activities		(756,712)	(21,862)
Effect of exchange rate changes		(194,701)	(99,593)
Net decrease in cash and cash equivalents		(570,213)	(30,047)
Cash and cash equivalents at beginning of period		8,519,679	8,106,000
Cash and cash equivalents at end of period		$ 7,949,466	$ 8,075,953

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 WERE REVIEWED, NOT AUDITED)

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 reported to the Board of Directors on August 4, 2021.

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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021(Note)

Note：Earlier application from January 1, 2021 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	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 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 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) <u>Basis of preparation</u>

A. The 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) <u>Basis of consolidation</u>

A. Basis for preparation of consolidated financial statements:

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

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Investor	Subsidiary	Main business activities	June 30, 2021	December 31, 2020	June 30, 2020	Description
Parade Technologies, Ltd.	Parade Technologies, Inc.	Providing sales and marketing, general and administrative, and research and development services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies Korea, Ltd.	Providing sales and marketing, general and administrative services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies Ireland, Ltd.	Providing research and development services to the Company	-	100	100	Note 1

Investor	Subsidiary	Main business activities	Ownership (%) June 30, 2021	December 31, 2020	June 30, 2020	Description
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	100	100	Note 2
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Chongqing)	Providing research and development services to the Company	100	100	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. The Company completed its business registration.

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: Parade Technologies, Ltd. (Chongqing) was 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) <u>Classification of current and non-current items</u>

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. Treasury bills 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.

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. Equipment applies cost model and is depreciated using the straight-line method to allocate its cost over its estimated useful live. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must 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	2 ~ 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. Mask

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

D. Patent and other intangible assets

Separately acquired intangible assets are stated at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Related intangible assets have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 7 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 or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

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 in a period and should be recognised 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) Employee share-based payment

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:

(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 increased 'Capital reserve from restricted stocks'.

(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 recognised 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

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

(21) Revenue recognition

A. The Group designs and sells high-speed interfacing chips, touch and serial products of DisplayPort. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract. Other current liability is recognised for expected price rebate payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(22) Business combinations

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

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

(23) 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.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

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

As of June 30, 2021, the Group recognized goodwill amounting to $2,068,796.

B. Evaluation of inventories

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

As of June 30, 2021, the carrying amount of inventories was $1,684,077.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	$ 67	$ 68	$ 66
Checking accounts and bank deposits	5,887,761	4,561,213	2,801,918
	5,887,828	4,561,281	2,801,984
Cash equivalents			
Treasury bill	2,061,638	3,958,398	5,273,969
	$ 7,949,466	$ 8,519,679	$ 8,075,953

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

	June 30, 2021	December 31, 2020	June 30, 2020
Accounts receivable	$ 1,637,799	$ 1,578,725	$ 1,707,712
Less: Allowance for doubtful accounts	-	-	-
	$ 1,637,799	$ 1,578,725	$ 1,707,712

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

	June 30, 2021	December 31, 2020	June 30, 2020
Not past due	$ 1,542,074	$ 1,402,783	$ 1,543,414
60 days	95,725	175,942	164,298
90 days	-	-	-
91-180 days	-	-	-
181-360 days	-	-	-
over 360 days	-	-	-
	$ 1,637,799	$ 1,578,725	$ 1,707,712

The above ageing analysis was based on past due date.

B. As of June 30, 2021, December 31, 2020 and June 30, 2020, accounts receivable was all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to $1,197,533.

C. As at June 30, 2021, December 31, 2020 and June 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was $1,637,799, $1,578,725 and $1,707,712, respectively.

D. Information relating to credit risk of accounts receivable is provided in Note 12(3).

(3) Inventories

	June 30, 2021		
	Cost	Allowance	Book value
Raw materials	$ 342,166	($ 135,106)	$ 207,060
Work-in-process	888,594	(17,736)	870,858
Finished goods	684,621	(78,462)	606,159
	$ 1,915,381	($ 231,304)	$ 1,684,077

	December 31, 2020		
	Cost	Allowance	Book value
Raw materials	$ 421,015	($ 109,454)	$ 311,561
Work-in-process	899,709	(62,578)	837,131
Finished goods	514,456	(48,136)	466,320
	$ 1,835,180	($ 220,168)	$ 1,615,012

	June 30, 2020		
	Cost	Allowance	Book value
Raw materials	$ 264,895	($ 107,720)	$ 157,175
Work-in-process	627,631	(91,117)	536,514
Finished goods	336,483	(45,037)	291,446
	$ 1,229,009	($ 243,874)	$ 985,135

The cost of inventories recognised as expense for the period:

	For the three months ended June 30,	
	2021	2020
Cost of goods sold	$ 2,491,527	$ 1,972,919
Loss on decline in market value	15,997	-
Others	60,100	51,767
	$ 2,567,624	$ 2,024,686

	For the six months ended June 30,	
	2021	2020
Cost of goods sold	$ 4,823,729	$ 3,562,808
Loss on decline in market value	15,997	4,626
Others	114,133	97,105
	$ 4,953,859	$ 3,664,539

(4) Property, plant and equipment

The Group had no property and plant as at June 30, 2021, December 31, 2020 and June 30, 2020.

	Machinery and equipment	Office equipment	Leasehold improvements	Total
At January 1, 2021				
Cost	$ 817,274	$ 59,453	$ 117,522	$ 994,249
Accumulated depreciation	(506,863)	(47,970)	(72,768)	(627,601)
	$ 310,411	$ 11,483	$ 44,754	$ 366,648
Six months ended June 30, 2021				
Opening net book amount	$ 310,411	$ 11,483	$ 44,754	$ 366,648
Additions	134,441	8,587	30,416	173,444
Disposals	-	(49)	(1,727)	(1,776)
Depreciation charge	(64,688)	(3,713)	(8,461)	(76,862)
Net exchange differences	(6,958)	(166)	(865)	(7,989)
Closing net book amount	$ 373,206	$ 16,142	$ 64,117	$ 453,465
At June 30, 2021				
Cost	$ 934,946	$ 66,243	$ 135,618	$ 1,136,807
Accumulated depreciation	(561,740)	(50,101)	(71,501)	(683,342)
	$ 373,206	$ 16,142	$ 64,117	$ 453,465

	Machinery and equipment	Office equipment	Leasehold improvements	Total
At January 1, 2020				
Cost	$ 621,064	$ 57,539	$ 117,645	$ 796,248
Accumulated depreciation	(412,427)	(46,181)	(59,802)	(518,410)
	$ 208,637	$ 11,358	$ 57,843	$ 277,838
Six months ended June 30, 2020				
Opening net book amount	$ 208,637	$ 11,358	$ 57,843	$ 277,838
Additions	82,224	1,945	-	84,169
Acquired from business combinations	2,271	529	2,401	5,201
Depreciation charge	(50,394)	(2,872)	(7,202)	(60,468)
Net exchange differences	(3,442)	(104)	(665)	(4,211)
Closing net book amount	$ 239,296	$ 10,856	$ 52,377	$ 302,529
At June 30, 2020				
Cost	$ 693,114	$ 57,229	$ 118,300	$ 868,643
Accumulated depreciation	(453,818)	(46,373)	(65,923)	(566,114)
	$ 239,296	$ 10,856	$ 52,377	$ 302,529

The above equipment is for self-use.

(5) Leasing arrangements－lessee

A. The Group leases offices. 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:

	June 30, 2021	December 31, 2020	June 30, 2020
	Carrying amount	Carrying amount	Carrying amount
Offices	$ 264,360	$ 249,796	$ 148,839

	For the three months ended June 30,	
	2021	2020
	Depreciation	Depreciation
Offices	$ 34,840	$ 21,348

	For the six months ended June 30,	
	2021	2020
	Depreciation	Depreciation
Offices	$ 56,844	$ 33,769

C. For the six months ended June 30, 2021 and 2020, the additions to right-of-use assets were $74,450 and $4,185, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the three months ended June 30,	
Items affecting profit or loss	2021	2020
Expense on short-term lease contracts	$ 627	$ 4,569

	For the six months ended June 30,	
Items affecting profit or loss	2021	2020
Expense on short-term lease contracts	$ 1,794	$ 9,026

E. For the six months ended June 30, 2021 and 2020, the Group's total cash outflow for leases were $58,638 and $42,794, respectively.

(6) Intangible assets

	Software	Goodwill	Mask	Patent and others	Total
At January 1, 2021					
Cost	$ 66,254	$ 2,100,595	$ 681,602	$ 1,626,208	$ 4,474,659
Accumulated amortization	(34,241)	-	(473,187)	(756,008)	(1,263,436)
	$ 32,013	$ 2,100,595	$ 208,415	$ 870,200	$ 3,211,223
Six months ended June 30, 2021					
Opening net book amount	$ 32,013	$ 2,100,595	$ 208,415	$ 870,200	$ 3,211,223
Inward transfer	-	-	245,530	-	245,530
Additions - acquired separately	2,292	-	-	-	2,292
Reclassifications	-	14,965	-	(14,965)	-
Amortization charge	(5,151)	-	(122,950)	(82,582)	(210,683)
Net exchange differences	(650)	(46,764)	(5,886)	(17,000)	(70,300)
Closing net book amount	$ 28,504	$ 2,068,796	$ 325,109	$ 755,653	$ 3,178,062
At June 30, 2021					
Cost	$ 67,133	$ 2,068,796	$ 909,592	$ 1,576,876	$ 4,622,397
Accumulated amortization	(38,629)	-	(584,483)	(821,223)	(1,444,335)
	$ 28,504	$ 2,068,796	$ 325,109	$ 755,653	$ 3,178,062

	Software	Goodwill	Mask	Patent and others	Total
At January 1, 2020					
Cost	$ 61,213	$ 1,470,575	$ 542,185	$ 1,352,098	$ 3,426,071
Accumulated amortization	(25,457)	-	(394,212)	(631,793)	(1,051,462)
	$ 35,756	$ 1,470,575	$ 147,973	$ 720,305	$ 2,374,609
Six months ended June 30, 2020					
Opening net book amount	$ 35,756	$ 1,470,575	$ 147,973	$ 720,305	$ 2,374,609
Inward transfer	-	-	52,688	-	52,688
Additions - acquired separately	934	-	-	-	934
Additions - acquired through business combinations	581	733,271	-	355,560	1,089,412
Amortization charge	(5,022)	-	(47,695)	(74,572)	(127,289)
Net exchange differences	(395)	(17,168)	(1,789)	(7,489)	(26,841)
Closing net book amount	$ 31,854	$ 2,186,678	$ 151,177	$ 993,804	$ 3,363,513
At June 30, 2020					
Cost	$ 61,950	$ 2,186,678	$ 587,894	$ 1,691,873	$ 4,528,395
Accumulated amortization	(30,096)	-	(436,717)	(698,069)	(1,164,882)
	$ 31,854	$ 2,186,678	$ 151,177	$ 993,804	$ 3,363,513

A. Details of amortization of intangible assets are as follows:

	For the three months ended June 30,			
	2021		2020	
Operating costs	$	92,554	$	23,566
Selling expenses		-		4
Administrative expenses		55		119
Research and development expenses		42,773		41,022
	$	135,382	$	64,711

	For the six months ended June 30,			
	2021		2020	
Operating costs	$	122,950	$	47,696
Selling expenses		1		13
Administrative expenses		94		279
Research and development expenses		87,638		79,301
	$	210,683	$	127,289

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The Group is identified as one cash-generating unit. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period.

The recoverable amount of the cash-generating unit calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are budgeted gross margin, weighted average growth rates, and discount rates.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

(7) Other non-current assets

	June 30, 2021		December 31, 2020		June 30, 2020	
Refundable deposits	$	1,880,524	$	33,839	$	26,608
Prepaid mask		178,821		318,886		342,377
	$	2,059,345	$	352,725	$	368,985

The refundable deposits resulted from a Letter of Intent with its key supplier. The Company has strengthened its cooperative relationship with the key supplier and obtained capacity support to meet the Company's future operating needs.

(8) Other payables

	June 30, 2021	December 31, 2020	June 30, 2020
Cash dividends payable	$ 1,019,067	$ 733,641	$ 1,216,887
Employees' compensation and directors' remuneration	486,061	342,113	350,187
Payroll, bonus and accrued vacation	332,248	461,802	327,616
Commissions	69,066	49,928	46,700
Legal and professional fees	36,707	33,935	54,431
Engineering expenses	23,345	19,518	72,285
Others	54,376	65,133	69,466
	$ 2,020,870	$ 1,706,070	$ 2,137,572

(9) Pensions

Each subsidiary adopts a funded defined contribution pension plan in accordance with local regulations. Under the pension plan, subsidiaries contribute monthly an amount to an independent fund. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the three months and six months ended June 30, 2021 and 2020 were $38,731, $20,022, $69,563 and $42,611, respectively.

(10) Share-based payment

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. For the six months ended June 30, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	Aug. 9, 2010	397	10 years	1 ~ 5 years service
Employee stock options	Jan. 20, 2011	1,090	10 years	1 ~ 5 years service
Employee stock options	Mar. 9, 2011	110	10 years	1 ~ 5 years service
Employee stock options	Apr. 28, 2011	22	10 years	1 ~ 5 years service
Employee stock options	Jun. 13, 2011	521	10 years	1 ~ 5 years service
Employee stock options	Jul. 26, 2012	940	10 years	2 ~ 4 years service
Treasury stock transferred to employees	Jul. 31, 2019	250	1 year	1 year service
Treasury stock transferred to employees	Jul. 29, 2020	250	1 year	1 year service
Treasury stock transferred to employees	Apr. 28, 2021	200	1 year	1 year service
Treasury stock transferred to employees	Apr. 28, 2021	58		Vested immediately
Restricted stocks to employees (Note)	Jul. 27, 2016	1,150	4 years	4 years service
Restricted stocks to employees (Note)	Aug. 1, 2017	896	4 years	4 years service
Restricted stocks to employees (Note)	Dec. 8, 2017	15	4 years	4 years service
Restricted stocks to employees (Note)	Feb. 7, 2018	7	4 years	4 years service
Restricted stocks to employees (Note)	Apr. 26, 2018	5	4 years	4 years service
Restricted stocks to employees (Note)	Jun. 28, 2018	77	4 years	4 years service
Restricted stocks to employees (Note)	Aug. 1, 2018	490	4 years	4 years service
Restricted stocks to employees (Note)	Oct. 31, 2018	4	4 years	4 years service
Restricted stocks to employees (Note)	Feb. 13, 2019	6	4 years	4 years service
Restricted stocks to employees (Note)	Apr. 30, 2019	100	4 years	4 years service
Restricted stocks to employees (Note)	Jul. 31, 2019	682	4 years	4 years service
Restricted stocks to employees (Note)	Oct. 30, 2019	14	4 years	4 years service
Restricted stocks to employees (Note)	Feb. 12, 2020	9	4 years	4 years service
Restricted stocks to employees (Note)	Apr. 29, 2020	45	4 years	4 years service

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Restricted stocks to employees (Note)	Jul. 29, 2020	709	4 years	4 years service
Restricted stocks to employees (Note)	Oct. 28, 2020	5	4 years	4 years service
Restricted stocks to employees (Note)	Feb. 03,2021	8	4 years	4 years service
Restricted stocks to employees (Note)	Apr. 28, 2021	78	4 years	4 years service

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 as follows:

	For the six months ended June 30			
	2021		2020	
	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	410	$ 6.63	566	$ 5.82
Options exercised	(34)	4.22	(88)	3.94
Options outstanding at end of period	376	6.85	478	5.46
Options exercisable at end of period	376		478	

E. The weighted-average stock price of stock options at exercise dates for the six months ended June 30, 2021 and 2020 was $1,299.15 and $732.50 (in dollars), respectively.

F. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		June 30, 2021		June 30, 2020	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in US dollars)	No. of shares (in thousands)	Exercise price (in US dollars)
Jan. 20, 2011	Jan. 20, 2021	-	$ -	55	$ 1.22
Apr. 28, 2011	Apr. 28, 2021	-	-	1	1.22
Jun. 13, 2011	Jun. 13, 2021	-	-	12	2.01
Jul. 26, 2012	Jul. 26, 2022	376	6.852	410	6.852

G. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected price volatility	Expected option life (in years)	Expected dividend	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	Aug. 9, 2010	-	US$0.587	85%	6.25	-	2.00%	US$0.587
Employee stock options	Jan. 20, 2011	-	US$1.220	70%	6.25	-	2.78%	US$1.220
Employee stock options	Mar. 9, 2011	-	US$1.220	70%	6.25	-	2.78%	US$1.220
Employee stock options	Apr. 28, 2011	-	US$1.220	70%	6.25	-	2.23%	US$1.220
Employee stock options	Jun. 13, 2011	-	US$2.010	70%	6.25	-	2.23%	US$2.010
Employee stock options	Jul. 26, 2012	NT$338.5	NT$338.5	48%	6.375	-	1.06%	NT$159.84

H. Please see Note 6(11) for the related information about the fair value of restricted stocks to employees issued by the Company.

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 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.

J. 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.

K. The Company reissued 258 thousand treasury shares with repurchase price amounting to $310,416 to its employees with the effective date set on April 28, 2021 in accordance with the Share

Repurchase and Employee Incentive Plan. The subscription price of $1,202.11 (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.

L. Expenses incurred on share-based payment transactions are shown below:

	For the three months ended June 30,	
	2021	2020
Equity-settled	$ 122,274	$ 75,534

	For the six months ended June 30,	
	2021	2020
Equity-settled	$ 232,928	$ 156,620

(11) Share capital/ Treasury shares

A. As at June 30, 2021, the Company’s authorized capital was $1,500,000, consisting of 150 million shares of ordinary stock, and the paid-in capital was $808,705 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	For the six months ended June 30, 2021			
	Unrestricted shares	Restricted shares	Treasury shares	Total
At January 1	78,969	1,812	(156)	80,625
Exercise of employee stock options	34	-	-	34
Issuance of restricted stocks	-	86	-	86
Vesting of restricted stocks	396	(396)	-	-
Cancellation of restricted stocks ordinary shares	-	(30)	-	(30)
Purchase of treasury shares	-		(218)	(218)
Treasury stock reissued to employees	-	-	258	258
At June 30	79,399	1,472	(116)	80,755

	For the six months ended June 30, 2020			
	Unrestricted shares	Restricted shares	Treasury shares	Total
At January 1	78,042	1,879	(250)	79,671
Exercise of employee stock options	88	-	-	88
Issuance of restricted stocks	-	54	-	54
Vesting of restricted stocks	439	(439)	-	-
Cancellation of restricted stocks ordinary shares	-	(53)	-	(53)
At June 30	78,569	1,441	(250)	79,760

B. The Board of Directors during its meetings on July 29, 2020, October 28, 2020, February 3, 2021 and April 28, 2021 adopted a resolution to issue employee restricted ordinary shares (see Note 6(10)) with the effective date set on July 29, 2020, October 28, 2020, February 3, 2021 and April 28, 2021. Each share will be issued without consideration. The decision on the fair value was based on the closing prices of $1,095, $1,130, $1,270 and $1,260 (in dollars), respectively, at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(10) 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 $135 as of June 30, 2021, including unretired share capital of $30.

C. The Board of Directors during its meetings on July 31, 2019, October 30, 2019, February 12, 2020 and April 29, 2020 adopted a resolution to issue employee restricted ordinary shares (see Note 6(10)) with the effective date set on July 31, 2019, October 30, 2019, February 12, 2020 and April 29, 2020, respectively. Each share will be issued without consideration. The decision on the fair value was based on the closing prices of $517, $598, $691 and $728 (in dollars), respectively, at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(10) 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 $351 as of June 30, 2021, including unretired share capital of $23.

D. The Board of Directors during its meetings on August 1, 2018, October 31, 2018, February 13, 2019 and April 30, 2019 adopted a resolution to issue employee restricted ordinary shares (see Note 6(10)) 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 prices of $469.5, $410, $531 and $523 (in dollars), respectively, at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(10) 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 $533 as of June 30, 2021, including unretired share capital of $7.

E. The Board of Directors during its meetings 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(10)) 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 prices of $437, $548, $552, $437 and $494 (in dollars), respectively, at the grant date. The employee restricted ordinary shares issued are subject to stockholders' right restrictions, please see Note 6(10) 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 $824 as of June 30, 2021, including unretired share capital of $16.

F. The Board of Directors during its meetings on July 27, 2016 adopted a resolution to issue employee restricted ordinary shares (see Note 6(10)) 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 prices 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 June 30, 2021, there is 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:

		June 30, 2021		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	
The Company	To be reissued to employees	116	$	139,173

		December 31, 2020		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	
The Company	To be reissued to employees	156	$	167,707

		June 30, 2020		
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.

(12) 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.

(13) 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 provisions of the Articles of Association, if there are profits after the final settlement of account of a year, the Company after its losses have been offset and at the time of allocating surplus profits, may first set aside 10% of the annual profits as statutory reserve until the statutory reserve amounts to the authorized capital, and may appropriate a portion of the annual profits as special reserve required by Applicable Public Company Rules or government authorities. Thereafter, having considered the financial, business and operational factors, the Board may propose and specify no less than 10% of any remaining annual profits after the above plus, at the Board's sole discretion, a certain percent of accumulated retained earnings to be distributed as dividends. Cash dividend shall not be less than 10% of the total dividends declared. 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. (a) The Company recognized dividends distributed to owners for the year of 2019. The appropriation of 2019 earnings had been approved by the shareholders on June 15, 2020.

	2019	
	Amount	Dividends per share (in dollars)
Legal reserve	$ -	
Special reserve	256,627	
Cash dividends	1,216,887	$ 15.23

(b) The Company recognized dividends distributed to owners for the first half year of 2020. The appropriation of the first half year of 2020 earnings had been approved by the Board of Directors on October 28, 2020.

	First half year of 2020	
	Amount	Dividends per share (in dollars)
Legal reserve	$ -	
Special reserve	157,004	
Cash dividends	733,641	$ 9.17

(c) The Company recognized dividends distributed to owners for the second half year of 2020. The appropriation of the second half year of 2020 earnings had been approved by the Board of Directors on April 28, 2021.

	Second half year of 2020	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 203,934	
Special reserve	343,696	
Cash dividends	1,019,067	$ 12.61

The appropriation of 2020 earnings had been passed the legal threshold by the shareholders electronic voting.

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

(14) Operating revenue

Disaggregation of revenue from contracts with customers

The Group has only one reportable operating segment. The Group derives revenue from the following major product lines:

	For the three months ended June 30, 2021				
	Serial products of DisplayPort	High-speed interfacing	Source Driver	Serial products of TrueTouch	Total
Revenue from contracts with customers	$ 2,152,920	$ 1,752,847	$ 746,948	$ 250,874	$ 4,903,589

	For the three months ended June 30, 2020				
	Serial products of DisplayPort	High-speed interfacing	Source Driver	Serial products of TrueTouch	Total
Revenue from external customer contracts	$ 1,787,974	$ 1,121,750	$ 481,183	$ 242,012	$ 3,632,919

	For the six months ended June 30, 2021				
	Serial products of DisplayPort	High-speed interfacing	Source Driver	Serial products of TrueTouch	Total
Revenue from contracts with customers	$ 4,014,213	$ 3,376,214	$ 1,367,248	$ 489,567	$ 9,247,242

	For the six months ended June 30, 2020				
	Serial products of DisplayPort	High-speed interfacing	Source Driver	Serial products of TrueTouch	Total
Revenue from external customer contracts	$ 3,167,489	$ 2,196,896	$ 860,541	$ 369,622	$ 6,594,548

(15) Expenses by nature

	For the three months ended June 30,	
	2021	2020
Employee benefit expenses	$ 775,389	$ 568,889
Depreciation and amortization charges on equipment and intangible assets	209,991	116,363
Engineering expenses	42,368	71,329
Commission expenses	18,047	11,394
Legal and professional expenses	10,830	22,544
Expense on short-term lease contracts	627	4,569
Other expenses	17,707	10,956
Total manufacturing and operating expenses	$ 1,074,959	$ 806,044

	For the six months ended June 30,	
	2021	2020
Employee benefit expenses	$ 1,432,898	$ 1,075,415
Depreciation and amortization charges on equipment and intangible assets	344,389	221,526
Engineering expenses	104,478	135,870
Commission expenses	30,738	21,272
Legal and professional expenses	23,161	36,700
Expense on short-term lease contracts	1,794	9,026
Other expenses	31,860	27,501
Total manufacturing and operating expenses	$ 1,969,318	$ 1,527,310

(16) Employee benefit expenses

	For the three months ended June 30,	
	2021	2020
Wages and salaries	$ 552,754	$ 410,587
Employee compensation costs	122,274	75,534
Pension costs	38,731	20,022
Other personnel expenses	61,630	62,746
	$ 775,389	$ 568,889

	For the six months ended June 30,	
	2021	2020
Wages and salaries	$ 1,019,832	$ 769,663
Employee compensation costs	232,928	156,620
Pension costs	69,563	42,611
Other personnel expenses	110,575	106,521
	$ 1,432,898	$ 1,075,415

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. For the three months and six months ended June 30, 2021 and 2020, employees' compensation was accrued at $88,586, $54,522, $135,204 and $104,218, respectively; directors' remuneration was accrued at $30,408, $18,814, $54,082 and $33,539, respectively. The aforementioned amounts were recognised in salary expenses.

For the six months ended June 30, 2021, the employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current year as of the end of reporting period, and the percentage of previous year payment.

For 2020, the employees' compensation and directors' remuneration resolved at the meeting of Board of Directors amounted to $230,744 and $80,405, respectively. The employees' compensation will be distributed in the form of cash. The directors' remuneration difference of $151 between the amounts resolved at the Board meeting and the amounts recognised in the 2020 financial statements, mainly resulting from the difference between accrual amount and resolution amount by the Board of Directors.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(17) Income tax

Components of income tax expense:

	For the three months ended June 30, 2021	For the three months ended June 30, 2020
Current tax:		
Current tax on profits for the period	$ 149,829	$ 67,401
Prior year income tax underestimation (overestimation)	622	(7,234)
Total current tax	150,451	60,167
Deferred tax:		
Origination and reversal of temporary differences	(10,281)	(37,083)
Income tax expense	$ 140,170	$ 23,084

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Current tax:		
Current tax on profits for the period	$ 253,285	$ 128,451
Prior year income tax underestimation (overestimation)	629	(14,762)
Total current tax	253,914	113,689
Deferred tax:		
Origination and reversal of temporary differences	(35,481)	(41,677)
Income tax expense	$ 218,433	$ 72,012

(18) Earnings per share

	For the three months ended June 30, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 1,261,026	78,914	$ 15.98
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 1,261,026	78,914	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	323	
Employees' compensation	-	158	
Restricted stocks to employees	-	1,340	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 1,261,026	80,735	$ 15.62

	For the three months ended June 30, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 843,563	78,034	$ 10.81
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 843,563	78,034	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	428	
Employees' compensation	-	177	
Restricted stocks to employees	-	1,373	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 843,563	80,012	$ 10.54

	For the six months ended June 30, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 2,294,685	78,808	$ 29.12
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 2,294,685	78,808	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	327	
Employees' compensation	-	219	
Restricted stocks to employees	-	1,378	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 2,294,685	80,732	$ 28.42

	For the six months ended June 30, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in NT dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 1,466,454	77,955	$ 18.81
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 1,466,454	77,955	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	384	
Employees' compensation	-	250	
Restricted stocks to employees	-	1,432	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 1,466,454	80,021	$ 18.33

(19) 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:

	June 1, 2020
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	11,500
Other non-current assets	35
Accounts payable	(938)
Other accounts payable	(1,562)
Other current liabilities	(706)
Total identifiable net assets	11,964
Goodwill	$ 25,205

C. If Fresco Logic. Inc. had been consolidated from January 1, 2020, the consolidated statement of comprehensive income would show operating revenue of $6,699,732(US$223,402 thousands) and profit before income tax of $1,444,102(US$48,168 thousands).

(20) Supplemental cash flow information

Financing activities with no cash flow effects

	For the six months ended June 30,	
	2021	2020
Cash dividends payable	$ 1,019,067	$ 1,216,887

(21) Changes in liabilities from financing activities

	2021	2020
	Lease liabilities	Lease liabilities
At January 1	$ 249,796	$ 181,543
Changes in cash flow from financing activities	(56,844)	(33,769)
Impact of changes in foreign exchange rate	(3,042)	(3,119)
Changes in other non-cash items	74,450	4,184
At June 30	$ 264,360	$ 148,839

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the three months ended June 30,	
	2021	2020
Salaries and other short-term employee benefits	$ 146,768	$ 105,032
Share-based compensation expenses	62,160	49,200
	$ 208,928	$ 154,232

	For the six months ended June 30,	
	2021	2020
Salaries and other short-term employee benefits	$ 273,613	$ 180,359
Share-based compensation expenses	115,084	89,237
	$ 388,697	$ 269,596

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

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

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Consolidated balance sheets as of June 30, 2021, December 31, 2020 and June 30, 2020 and consolidated statements of comprehensive income for the three months and six months ended June 30, 2021 and 2020 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
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020
(EXPRESSED IN THOUSANDS OF US DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2020 WAS REVIEWED, NOT AUDITED)

	June 30, 2021		December 31, 2020		June 30, 2020	
ASSETS	Amount	%	Amount	%	Amount	%
Current assets						
Cash and cash equivalents	$ 285,336	44	$ 299,146	51	$ 272,560	52
Accounts receivable, net	58,787	9	55,433	10	57,635	11
Inventories, net	60,448	9	56,707	10	33,248	6
Other current assets	23,322	4	16,998	3	12,444	3
Total current assets	427,893	66	428,284	74	375,887	72
Non-current assets						
Property, plant and equipment, net	16,277	3	12,874	2	10,211	2
Right-of-use assets	9,489	1	8,771	2	5,023	1
Intangible assets	114,072	18	112,754	19	113,516	22
Deferred income tax assets	8,117	1	6,694	1	5,253	1
Other non-current assets	73,918	11	12,385	2	12,453	2
Total non-current assets	221,873	34	153,478	26	146,456	28
TOTAL ASSETS	$ 649,766	100	$ 581,762	100	$ 522,343	100
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	$ 36,860	6	$ 43,570	8	$ 29,177	6
Other payables	70,978	11	58,599	10	70,442	14
Current income tax liabilities	26,143	4	18,538	3	18,975	4
Lease liabilities - current	3,397	1	2,662	-	1,936	-
Other current liabilities	4,007	1	5,624	1	8,201	1
Total current liabilities	141,385	23	128,993	22	128,731	25
Non-current liabilities						
Lease liabilities - non-current	6,092	1	6,109	1	3,087	1
Total non-current liabilities	6,092	1	6,109	1	3,087	1
Total liabilities	147,477	24	135,102	23	131,818	26
Equity attributable to owners of the Company						
Share capital						
Ordinary shares	26,636	4	26,604	5	26,343	5
Capital reserves						
Capital reserves	142,358	22	137,586	23	105,244	20
Retained earnings						
Legal reserve	33,380	5	26,376	5	26,376	5
Special reserve	25,468	4	13,657	2	8,577	2
Unappropriated earnings	310,855	48	284,514	49	246,310	47
Other equity						
Other equity	(31,453)	(5)	(36,108)	(6)	(19,029)	(4)
Treasury shares	(4,955)	(1)	(5,969)	(1)	(3,296)	(1)
Equity attributable to owners of the Company	502,289	77	446,660	77	390,525	74
Total equity	502,289	77	446,660	77	390,525	74
TOTAL LIABILITIES AND EQUITY	$ 649,766	101	$ 581,762	100	$ 522,343	100

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

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

(THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 WERE REVIEWED, NOT AUDITED)

	For the three months ended June 30,				For the six months ended June 30,			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenues	$ 175,254	100	$ 121,543	100	$ 328,361	100	$ 219,903	100
Cost of goods sold	(91,767)	(52)	(67,738)	(56)	(175,878)	(54)	(122,200)	(56)
Gross profit	83,487	48	53,805	44	152,483	46	97,703	44
Operating expenses								
Sales and marketing expenses	(8,308)	(5)	(5,239)	(4)	(15,202)	(5)	(10,103)	(4)
General and administrative expenses	(5,898)	(3)	(4,516)	(4)	(10,884)	(3)	(8,157)	(4)
Research and development expenses	(19,088)	(11)	(15,198)	(12)	(36,591)	(11)	(29,096)	(13)
Total operating expenses	(33,294)	(19)	(24,953)	(20)	(62,677)	(19)	(47,356)	(21)
Operating income	50,193	29	28,852	24	89,806	27	50,347	23
Non-operating income and expenses								
Interest income	14	-	15	-	49	-	857	1
Other income	36	-	101	-	109	-	101	-
Other gains and losses	(165)	-	27	-	(692)	-	2	-
Total non-operating income and expenses	(115)	-	143	-	(534)	-	960	1
Income before income tax	50,078	29	28,995	24	89,272	27	51,307	24
Income tax expense	(5,009)	(3)	(772)	(1)	(7,768)	(2)	(2,397)	(1)
Net income for the period from continuing operations	45,069	26	28,223	23	81,504	25	48,910	23
Other comprehensive income								
Components of other comprehensive income that will be reclassified to profit or loss								
Currency translation differences of foreign operations	286	-	140	-	618	-	70	-
Components of other comprehensive income that will be reclassified to profit or loss	286	-	140	-	618	-	70	-
Total comprehensive income for the period	$ 45,355	26	$ 28,363	23	$ 82,122	25	$ 48,980	23
Net income attributable to:								
Owners of the Company	$ 45,069	26	$ 28,223	23	$ 81,504	25	$ 48,910	23
Comprehensive income attributable to:								
Owners of the Company	$ 45,355	26	$ 28,363	23	$ 82,122	25	$ 48,980	23
Earnings per share								
Basic earnings per share	$ 0.57		$ 0.36		$ 1.03		$ 0.63	
Diluted earnings per share	$ 0.56		$ 0.35		$ 1.01		$ 0.61	

(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 instruments by category

	June 30, 2021	December 31, 2020	June 30, 2020
Financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	$ 7,949,466	$ 8,519,679	$ 8,075,953
Accounts receivable, net	1,637,799	1,578,725	1,707,712
Guarantee deposits paid	1,880,524	33,839	26,608
	$ 11,467,789	$ 10,132,243	$ 9,810,273

	June 30, 2021	December 31, 2020	June 30, 2020
Financial liabilities			
Financial liabilities at amortised cost			
Accounts payable	$ 1,026,922	$ 1,240,882	$ 864,510
Guarantee deposits received	-	8,413	50,231
	$ 1,026,922	$ 1,249,295	$ 914,741
Lease liability	$ 264,360	$ 249,796	$ 148,839

B. 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.

C. 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:

	June 30, 2021		
	Foreign Currency Amount (in RMB thousands)	Exchange Rate	Book Value (in USD thousands)
(Foreign currency:functional currency)			
Financial assets - monetary items			
RMB:USD	$ 2,996	0.155	$ 464

	December 31, 2020		
	Foreign Currency Amount (in RMB thousands)	Exchange Rate	Book Value (in USD thousands)
(Foreign currency:functional currency)			
Financial assets - monetary items			
RMB:USD	$ 3,031	0.153	$ 464

	June 30, 2020		
	Foreign Currency Amount (in RMB thousands)	Exchange Rate	Book Value (in USD thousands)
(Foreign currency:functional currency)			
Financial assets - monetary items			
RMB:USD	$ 1,741	0.141	$ 246

Based on the foreign currency quoted position held by the Group as of June 30, 2021 and 2020, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase by $129 and $73, respectively.

iii. Total exchange loss (gain), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2021 and 2020 amounted to $3,932, ($1,548), $15,616 and ($36), 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. The default occurs when the contract payments are past due over 360 days.

iv. 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.

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 used timely information to assess the default possibility of accounts receivable. The Group's expected credit loss rate is 50%~75% for the 181~360 days past due accounts receivable and 100% for the up to 360 days past due accounts receivable. Based on past experience, it has been shown that the defaults of these customers have been extremely low. The amount of allowance for doubtful accounts were not significant, so the Group had not recognized related impact as at June 30, 2021, December 31, 2020 and June 30, 2020.

ix. Movements in relation to the Group applying the approach to provide loss allowance for accounts receivable had no change for the six months ended as of June 30, 2021 and 2020.

(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 treasury bills of $2,061,638, $3,958,398 and $5,273,969 as at June 30, 2021, December 31, 2020 and June 30, 2020, 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.

June 30, 2021	Less than 1 year	Between 1 year and 5 years
Non-derivative financial liabilities		
Accounts payable	$ 1,026,922	$ -
Other payables	2,020,870	-
Lease liability	94,628	169,732

December 31, 2020	Less than 1 year	Between 1 year and 5 years
Non-derivative financial liabilities		
Accounts payable	$ 1,240,882	$ -
Other payables	1,706,070	-
Lease liability	75,801	173,995

June 30, 2020	Less than 1 year	Between 1 year and 5 years
Non-derivative financial liabilities		
Accounts payable	$ 864,510	$ -
Other payables	2,137,572	-
Lease liability	57,378	91,461

(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. 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, accounts payable and other payables, reasonably approximates their fair value.

C. There were no financial and non-financial instruments measured at fair value recognized as at June 30, 2021, December 31, 2020 and June 30, 2020.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

A. Loans granted during the six months ended June 30, 2021: None.

B. Endorsements and guarantees provided during the six months ended June 30, 2021: None.

C. Marketable securities held as at June 30, 2021 (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital during the six months ended June 30, 2021: None.

E. Acquisition of real estate properties exceeding $300 million or 20% of the Company’s paid-in capital during the six months ended June 30, 2021: None.

F. Disposal of real estate properties exceeding $300 million or 20% of the Company’s paid-in capital during the six months ended June 30, 2021: None.

G. Purchases from or sales to related parties exceeding $100 million or 20% of the Company’s paid-in capital during the six months ended June 30, 2021: None.

H. Receivables from related parties exceeding $100 million or 20% of the Company’s paid-in capital as at June 30, 2021: None.

I. Derivative financial instruments undertaken during the six months ended June 30, 2021: None.

J. Significant inter-company transactions s for the six months ended June 30, 2021: 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: Please refer to table 1.

(4) Disclosure information on major shareholders

There is no shareholder holding greater than 5% stake in the Company at June 30, 2021.

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) Measurement of segment information

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

(3) Information about segment profit or loss, assets and liabilities

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

(4) Reconciliation for segment income (loss)

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Parade Technologies, Ltd.	Parade Technologies, Inc.	(1)	Service expense	$ 615,785	In accordance with the agreement, depend on the financial condition of the paying firm	7%
			(1)	Other payables	111,645	In accordance with the agreement, depend on the financial condition of the paying firm	1%
		Parade Technologies Korea, Ltd.	(1)	Service expense	11,455	In accordance with the agreement, depend on the financial condition of the paying firm	0%
			(1)	Other payables	2,080	In accordance with the agreement, depend on the financial condition of the paying firm	0%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	340,619	In accordance with the agreement, depend on the financial condition of the paying firm	4%
			(1)	Other payables	337,033	In accordance with the agreement, depend on the financial condition of the paying firm	2%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	168,850	In accordance with the agreement, depend on the financial condition of the paying firm	2%
			(1)	Other payables	114,756	In accordance with the agreement, depend on the financial condition of the paying firm	1%
		Parade Technologies, Ltd. (Chongqing)	(1)	Service expense	10,989	In accordance with the agreement, depend on the financial condition of the paying firm	0%
			(1)	Other receivables	1,353	In accordance with the agreement, depend on the financial condition of the paying firm	0%

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

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at 6/30/2021	Initial investment amount: Balance as at 1/1/2021	Shares held as at 6/30/2021: Number of shares	Shares held as at 6/30/2021: Ownership (%)	Shares held as at 6/30/2021: Book value	Net profit of the investee for the six-month period ended 6/30/2021 (Note 2(2))	Investment income recognised by the Company for the six-month period ended 6/30/2021 (Note 2(3))	Footnote
The Company	Parade Technologies, Inc.	United States	Providing sales and marketing, general and administrative, and research and development services to the Company	$ 36,218	$ 36,218	10,000	100.00	$ 1,912,718	$ 114,336	$ 114,336	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	1,393	1,393	10,000	100.00	17,261	478	478	
The Company	Parade Technologies Ireland, Ltd.	Ireland	Providing research and development services to the Company	-	-	-	0.00	-	-	-	Note 3
The Company	Pinchot Ltd.	Cayman	Providing administrative services to the Company	28	28	1,000	100.00	28	-	-	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at 6/30/2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the six-month period ended 6/30/2021' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the six-month period ended 6/30/2021' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: In order to comply with local regulations, Parade Technologies Ireland, Ltd. should be recognized as a branch. The Company completed its business registration in 2021.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of 1/1/2021	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the six-month period ended 6/30/2021: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the six-month period ended 6/30/2021: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of 6/30/2021	Net loss of investee as of 6/30/2021	Ownership held by the Company (direct or indirect)	Investment loss recognised by the Company for the six-month period ended 6/30/2021	Book value of investments in Mainland China as of 6/30/2021	Accumulated amount of investment income remitted back to Taiwan as of 6/30/2021	Footnote
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	$ 36,218	1	$ -	$ -	$ -	$ -	($ 3,964)	100.00	($ 3,964)	$ 468,489	$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	55,720	2	-	-	-	-	(854)	100.00	(854)	193,589	-	
Parade Technologies, Ltd. (Chongqing)	Providing research and development services to the Company	13,930	2	-	-	-	-	(291)	100.00	(291)	14,584	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of 6/30/2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)(Note 2)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	$ -	$ -	$ -

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

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

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

(3) Others

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.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.