



Stock Code : 4966

# **Parade Technologies, Ltd. 2021 Annual Report**

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

**Parade Technologies, Ltd.**

**Printed on May 1, 2022**

**Notice to Readers:**

The reader is advised that 2021 Annual Report has been prepared originally in Chinese. The English version is directly translated from Chinese version.

## I. Spokesperson and deputy spokesperson

Spokesperson's name: Ji Zhao  
Tel: 408-329-5540

Title: Chairman  
Email: [ir@paradetech.com](mailto:ir@paradetech.com)

Deputy spokesperson  
Name: Yo-Ming Chang  
Tel: 886-2-2627-9109

Title: Director of Finance  
Email: [ir@paradetech.com](mailto:ir@paradetech.com)

## II. Company Information

### 1. Head office

Name: Parade Technologies, Ltd. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 408-329-5540  
Address: P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands

### 2. Headquarter and US Subsidiary

Name: Parade Technologies, Inc. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 408-329-5540  
Address: 2720 Orchard Parkway, San Jose, CA 95134

### 3. Korea Subsidiary

Name: Parade Technologies Korea, Ltd. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 82-31-714-7990  
Address: Sungok Blvd 5F, 262, Hwangsaeul-ro, Sunae-Dong, Bundang-gu, Seongnam-si, Gyeonggi-do, 13595, Korea

### 4. Nanjing Subsidiary

Name: Parade Technologies, Ltd. (Nanjing) Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-25-5235-6901  
Address: 2F, Building B, No. 36 Tulip Road, Yu Hua Tai District, Nanjing, 210012 China

### 5. Shanghai Subsidiary

Name: Parade Technologies, Inc. (Shanghai) Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-21-5169-6318  
Address: 16F, 24F & 25F Xinyuan Technology Square, 418 Gui Ping Road, Shanghai 200233, China

### 6. Hong Kong Branch Office

Name: Parade Technologies, Ltd.  
Hong Kong Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 852-2763-9776  
Address: Unit 1905, 19/F., Futura Plaza, 111-113 How Ming Street, Kwun Tong, Kowloon, Hong Kong

### 7. Taiwan Branch Office

Name: Parade Technologies, Ltd.  
Taiwan Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 886-2-2627-9109  
Address: 14F., No. 335, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan

### 8. Japan Branch Office

Name: Parade Technologies, Ltd.  
Japan Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 81-44-712-0507  
Address: 3F, No. 300, River Stone Dai-3 Building, 2-11-8, Mizonokuchi, Takatsu-ku, Kawasaki-shi, Kanagawa, 213-0001 Japan

### 9. Ireland Branch Office

Name: Parade Technologies, Ireland Branch Website: [www.paradetech.com](http://www.paradetech.com) Tel: 353-021-4358568  
Address: Bldg. 1000, Unit 1302, City Gate, Mahon, T12W7CV, Cork

### 10. Washington Branch Office

Name: Parade Technologies, Inc.  
Washington Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 425-954-8168  
Address: 20700 44th Ave West, Suite 300, Lynnwood WA 98036

### 11. Beijing Branch Office

Name: Parade Technologies, Inc. (Shanghai)  
Beijing Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-10-8286-2766  
Address: Units 1110, Block C, South Tower, 2 Academy Road (S.), Raycom Info Center, Hai Dian District, Beijing, China

### 12. Shenzhen Branch Office

Name: Parade Technologies, Inc. (Shanghai)  
Shenzhen Branch Office Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-755-2640-8835  
Address: Room 801, Building 3, Tower 2, Dachong Business Center, the crossing of Shen Nan Avenue and Tong Gu Road, Nanshan District, Shenzhen, China

13. Cayman Subsidiary  
 Name: Pinchot Ltd. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 408-329-5540  
 Address: P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
14. Chongqing Subsidiary  
 Name: Parade Technologies, Ltd. Website: [www.paradetech.com](http://www.paradetech.com) Tel: 86-23-6882-8391  
 (Chongqing)  
 Address: Building 1-12, Kangtian Xi Jin Hui. No.60 Kecheng Road, High-tech Zone, Chongqing, China
15. Oregon Branch Office  
 Name: Parade Technologies, Inc. Oregon Website: [www.paradetech.com](http://www.paradetech.com) Tel: 1-503-533-8900  
 Branch Office  
 Address: 12655 SW Center Street, Suite 230 Beaverton, OR 97005

### III. Litigation and non-litigated agent

Name: Yo-Ming Chang Title: Director of Finance  
 Tel: 886-2-2627-9109 Email: [ir@paradetech.com](mailto:ir@paradetech.com)

### IV. Directors

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

Note: Please refer to page 27-29 for education and qualification of Directors and Independent Directors.

### V. Stock Transfer Agent

Name: Transfer Agency Department of CTBC Bank Co., Ltd Website: <https://ecorp.ctcbank.com/cts/index.jsp>  
 Address: 5F. No. 83, Chungching S. Road, Section 1, Taipei, Taiwan R.O.C. Tel: 886-2-6636-5566

### VI. Auditors

Auditors: Hsiao-Tzu Chou, Hua-Ling Liang  
 Firm: PricewaterhouseCoopers, Taiwan Website: <http://www.pwc.tw>  
 Address: 27F, International Trade Building, 333 Keelung Road, Section 1, Taipei, Taiwan 110 R.O.C. Tel: 886-2-2729-6666

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

Name: Luxembourg Stock Exchange Website: <http://www.bourse.lu>

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

## Table of Contents

<b>I.</b>	<b>Letter to Shareholders .....</b>	<b>1</b>
<b>II.</b>	<b>Company Profile .....</b>	<b>4</b>
	2.1 Date of Incorporation .....	4
	2.2 Company Information .....	4
	2.3 Company Overview .....	4
	2.4 Company History .....	5
	2.5 Risk Factors .....	8
<b>III.</b>	<b>Corporate Governance .....</b>	<b>25</b>
	3.1 Company Organization System.....	25
	3.2 Directors and Supervisors .....	27
	3.3 Management Team.....	38
	3.4 Corporate Governance .....	44
	3.5 Status of Personnel Responsible for Preparing Financial Reports .....	72
	3.6 Information Regarding Independent Auditors .....	72
	3.7 The Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated companies of such accounting firm, the name and position of the person, and the period during which the position was held. ....	73
	3.8 Changes in shareholding of Directors, supervisors, officers and major shareholders holding more than 10% shares for the most recent year to the date of the annual report printed.....	74
	3.9 Information on the relationship between the Company's top 10 shareholders and their spouse or relatives within two degrees of consanguinity. ....	75
	3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its Directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company .....	76
<b>IV.</b>	<b>Capital and Shares .....</b>	<b>80</b>
	4.1 Capital and Shares.....	80
	4.2 Status of issue and private placement of "corporate bonds" (including overseas corporate bonds).....	88
	4.3 Status of issue and private placement of "preferred shares" .....	89
	4.4 Status of participation in the issue and private placement of "overseas depositary receipts" .....	89
	4.5 Status of issue and private placement of employee stock warrants and employee restricted stock awards .....	90
	4.6 Status of issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: .....	103
	4.7 Status of implementation of fund utilization plan .....	103
<b>V.</b>	<b>Operational Highlights .....</b>	<b>104</b>
	5.1 Business Activities .....	104
	5.2 Market, Production and Sales Overviews .....	116
	5.3 Employees.....	125

5.4	Information on Environmental Protection Expenditures.....	126
5.5	Labor Relations.....	126
5.6	Cyber Security Management.....	128
5.7	Corporate Social Responsibility.....	130
5.8	Important Contracts .....	132
5.9	Other Matters Requiring Supplemental Information Disclosure.....	132
<b>VI.</b>	<b>Financial Information .....</b>	<b>133</b>
6.1	Five-Year Financial Summary .....	133
6.2	Five-Year Financial Analysis.....	136
6.3	Most Recent Year's Audit Committee's Report .....	138
6.4	Most Recent Year's Consolidated Financial Statements.....	138
6.5	Most Recent Year's the parent company only financial statements.....	138
6.6	Up to the most recent fiscal year and the date of publication, if there are any financial difficulties among the Company and its affiliates, impacts on the Company's financial conditions shall be indicated .....	138
<b>VII.</b>	<b>Review of Financial Status, Operating Results and Risk Management .....</b>	<b>194</b>
7.1	Financial Status.....	194
7.2	Operating Results.....	195
7.3	Cash Flows.....	196
7.4	The impact of any material capital expenditures over the most recent fiscal year upon the Company's financial and operating condition.....	196
7.5	The Company's policy for the most recent fiscal year on investments in other companies, the main causes for profit/losses resulting therefrom, plans for improvement, and investment plans for the coming year.....	196
7.6	Risk Management .....	198
7.7	Other Significant Events .....	204
<b>VIII.</b>	<b>Special Disclosures .....</b>	<b>205</b>
8.1	Summary of Affiliated Companies for the most recent fiscal year .....	205
8.2	Most recent fiscal year and up to the date of annual report printed, issuance of private placement of securities .....	208
8.3	Most recent fiscal year and up to the date of annual report printed, acquisition or disposal of the Company's shares by its affiliates.....	208
8.4	Explanation for material difference from the provisions for the protection of shareholders' rights.....	208
8.5	Other Necessary Supplements .....	213
8.6	If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, including all items of Significant information Press Conference listed in Article 11, paragraph 1 of the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEx Listed Securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	214

## **I. Letter to Shareholders**

Dear Shareholders,

The global shortage of semiconductor capacity was a dominant factor in our industry since late 2020. The world-wide economy had a strong recovery after the initial COVID-19 pandemic lock-down. As a result of increased sales of electronics devices, demand for integrated circuit (IC) products soared. Like many of our peers, we experienced strong demand that overwhelmed our wafer manufacturing, IC assembling and testing capacities throughout the year. The fight to gain extra capacity was the major focus for our teams. Parade worked hard and successfully. Consequently, we delivered another outstanding year. The execution of our 2021 annual plan was good. In 2021, we achieved new records in both revenue and net income. The revenue and net income in 2021 were US\$714.33 million or NT\$19.99 billion and US\$187.44 million or NT\$5.24 billion, respectively.

It was clear to us in the middle of 2020 that the severe semiconductor capacity shortage would come. We would need to invest in wafer manufacturing capacity to protect our business and support our growth. Since then, we reached several wafer manufacture expansion agreements with our partners. These agreements call for advanced cash payments to secure long-term wafer capacity guarantees along with new capacity expansions via our partners. Some of these agreements effectively supported our business growth in 2021. We foresee that these investments are crucial for Parade's growth in coming years.

While our operation teams were very busy obtaining extra wafer capacity, our engineering teams worked hard to re-design and re-qualify high volume products for different FABs. As a result, many important products are capable of being manufactured in multiple FABs which significantly mitigates the potential shortage risk.

On the other hand, Parade kept its growth momentum in the high-speed interface market in 2021. This was the result of the rapid adoption of high-speed standards in PC, tablets and other electronics systems. HDMI 2.0, USB 3.1 and 3.2 and PCI Gen 4 became mainstream standards. Parade's rich high-speed product portfolio, developed for all such applications, scored many design wins and achieved a large market share. The successful acquisition of Fresco Logic in 2020 increases our market coverage and allows us to offer USB HUB and PD controller technologies and devices as additions in our high-speed product portfolio.

We continue to advance our high-speed technologies. We successfully introduced our USB 4 (40Gbps) re-timer product and designed it into key customer systems. On the other hand, the integrated solutions of USB 3.1 (10Gbps) HUB from Fresco Logic and our high-speed convertor gain broad market traction. To meet demand for cutting-edge high-speed technology, we have advanced our development to PCI-Gen 5 (32Gbps) and USB 5 (80Gbps) re-timer technologies and products for server and high-end PC markets.

As automotive and electrical vehicles (EV) require large computing power and advanced displays, high-speed devices will play significant roles in achieving such functionalities. Parade focuses on such market opportunities by providing automotive grade high-speed devices and by developing automotive specific products. We achieved several critical automotive design wins. We expect that Parade's solutions will gain increased adoption in the automotive market.

Parade has been well recognized as holding the leadership position of embedded DisplayPort (eDP) Tcon in panel industry. Parade eDP-Tcons are powering many advanced panels with high resolution, high refresh rate, and high dynamic range (HDR). These advanced eDP-Tcon devices require high-speed technology on glass, where Parade has unique and proven high-speed technologies. Our eDP-Tcon also supports various advanced panel technologies including AMOLED and mini-LED. While offering advanced and competitive eDP-Tcon solutions for the general market, we also develop customized eDP-Tcon products for the advanced displays of the leading global brands. We have been working with panel industry leaders to advance display technologies and products to new heights. After the successful introduction of highly integrated TED (**Tcon-Embedded Driver**) products, we have been developing tTED (**touch-Tcon-Embedded-Driver**) devices and TTcon (**Touch-Tcon**) products to continue increasing the level of integration. Our 1<sup>st</sup> tTED device not only enables touch function on mid-size panels but also supports styluses which have gained more traction in the end market.

Parade's SIPI LCD source driver gained market share in 2021. The robustness of SIPI interface and high-speed performance won customer designs especially in high-end systems. In addition, our strategy to bundle the sale of our high-speed SIPI source drivers and leading eDP-Tcon provides significant value and advantages to our customers. With such a high-speed SIPI source driver and our advanced eDP-Tcon, we have been winning the market. We further advanced our SIPI technology to SIPI 2.0 to enable touch analog-front-end (AFE) and source driver integration for TSD (**Touch-Source-Driver**) devices. We believe that such TSD devices coupled with our TTcon will provide a total solution for touch enabled LCD panels and allow us to win the market in the coming years.

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

Moreover, it is an emerging trend that automotive and EV customers would like to adopt the touch display with high resolution, high dynamic range, and highly integrated display chips. Parade's advanced display technologies become ideal to address their needs. We are very excited to engage with those new customers with great opportunities. We believe that automotive display market is one of the unique opportunities to expand our business.

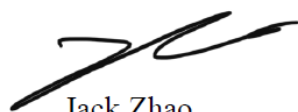
Parade's consolidated net income in 2021 was US\$187.44 million (NT\$5.24 billion), an increase of 57.58% from US\$118.95 million (NT\$3.51billion) in 2020. Earnings per diluted share in 2021 were US\$2.32 (NT\$64.79), an increase of 56.76% from US\$1.48 (NT\$43.73) in 2020. Gross profit margin in 2021 was 47.68% compared to 44.05% in 2020 while operating profit margin was 29.17%, up from 24.12% the prior year.

We continue to focus on our employees and intellectual property. High-quality engineering talent is critical to our success. We are committed to recruiting and investing in our employees to build up corporate organization and to execute our product roadmap. As of December 31, 2021, Parade has 670 employees, up 89 from 2020. Out of 670 employees, 436 were engaged in research, development and related engineering. We hold 264 granted patents and have 37 patent applications pending at the end of the year 2021.

We are glad to deliver our growth and strong financial results. We are confident that our leadership, strategy, technologies, and market opportunities will lead to continued growth for

our business. We believe Parade is well-positioned to generate favorable results for our shareholders.

We appreciate the support from all of our shareholders!

A stylized, handwritten signature in black ink, appearing to be 'JZ' or similar, positioned above the printed name.

Jack Zhao  
Chairman  
April 27, 2022



## **II. Company Profile**

### **2.1 Date of Incorporation**

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

### **2.2 Company Information**

Parade Technologies, Inc., the US subsidiary, was established in Santa Clara, California, the heart of Silicon Valley in December 2005, serving as our headquarter and assisting the Company's R&D and administration. To expand the scale of R&D, in 2006 Parade started a research center in Shanghai and established a branch office in Hong Kong as our main sales location. Given the advantages in vertical integration in Taiwan's well-developed IC industry, the Taiwan branch office was established in 2007, responsible for the Company's production development and customer services. In July 2011, the Korea subsidiary was established as a sales and customer support center. In May 2012, Parade also set up a R&D center in Nanjing. In August 2015, Parade had completed its acquisition of Cypress's TrueTouch Mobile business, and set up the branch offices in Ireland, Japan, Washington, Beijing and Shenzhen. The Company set up a Cayman subsidiary, Pinchot Ltd., in April 2020, and to speed up Parade's roadmap development and execution in USB4 product line and beyond to provide cutting-edge high-speed products to our customers, Pinchot Ltd. had a merger plan of Fresco Logic, Inc. and completed the merger in June 2020. During this period, to cope with the expansion of the operation scale after the merger, set up the branch offices in Oregon in May 2020, and set up a subsidiary in Chongqing in June 2020. For more details of the Company's organization chart, please refers to section 8.1 "Summary of Affiliated Companies".

### **2.3 Company Overview**

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

Parade's management team has many years of industry experience and has hence developed a strong grasp on the direction of next generation display, touch and high-speed interface

standards. Taking advantage of engineering talents and operational efficiency globally, the Company aims to minimize the response time to the newest customer specification, perform instant Spec-In and Design-in, and provide comprehensive design solutions as well as customer support platform for our customers.

## 2.4 Company History

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

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

Year	Key Events
FY 2015	Established Parade Technologies, Inc. (Shanghai) Shenzhen Branch Office ('Parade (SZ)')
	TrueTouch Integrated chips targeting smartphone and tablets
FY2016	eDP timing controllers (Tcons) for AMOLED panels support eDP 1.4b and resolutions up to 3200 x 1800
	PCIe Gen3 ReDrivers at 8Gb/s
	DisplayPort 1.4 Jitter Clean Repeater at 8.1Gb/s
	Touch and Display Driver Integrated product for smartphone
FY2017	eDP timing controller and source driver chip for UHD self-refresh A-SI/ OXIDE/ LTPS LCD panels
	10 Gb/s USB-C retiming products supporting USB 3.1 and DisplayPort 1.4 for USB-C interface
FY2018	DisplayPort 1.4 demux at 8.1Gbit/s with Jitter clean technology
	DisplayPort 1.4 to HDMI 2.0 converter supporting 4K & HDR
	1452-ch and 1926-ch SIPI source drivers
	TDDI with interleave touch sensors and 3-to-1 mux
	TDDI with interleave touch sensors and 6-to-1 mux
	OLED Display Driver Integration for smartphone
	Single chip TED for Full HD LTPS LCD panel
	4-lane PCIe Gen 4 retimer
FY2019	16-lane PCIe Gen4 retimer
	USB-C linear redrivers for source side devices
	USB-C retimer mux for sink side devices
	Next Generation DisplayPort retimers, re-drivers, & muxes
	HDMI 2.1 retimer
	1926-ch SIPI source driver for COF
	New low power 1446-ch SIPI source drivers
	Cost optimized 1926-ch TED without PSR memory
FY2020	Established the Cayman subsidiary, Pinchot, Ltd. (Abbreviate to 'Pinchot')
	Established Parade Technologies, Inc. Oregon Branch Office ('Parade (Oregon)')
	Pinchot Completed the Merger of Fresco Logic, Inc. in June 2020
	Establishment of Chongqing subsidiary, Parade Technologies, Ltd. (Chongqing) (Abbreviate to 'Parade (CQ)')
	USB-C linear redriver for tablet/smartphone
	Next Generation USB-C retimers for source side devices
	New DP repeater, mux, & demux with retimer capability
	New eDP PSR Tcon for HDR gaming display
	New eDP PSR Tcon for 4K HDR display
	New 1926-ch SIPI source drivers for 4K display

Year	Key Events
FY2020	New 1500-ch SIPI source driver for gaming display
	New 1446-ch SIPI sources drivers to minimized bottom bezel
	Touch Controller for Flexible OLED panels
FY2021	USB4 Gen3x2 Retimer
	Next Generation USB-C retimers & Redrivers for source side devices
	New DP repeater, mux, & demux with retimer capability
	Integrated USB hub and DP to HDMI 2.0 converter
	DP to HDMI 2.1 converter
	PCIe Gen5 Retimer for servers and data centers
	New Touch integrated eDP PSR Tcon for display with in-cell touch/stylus
	New touch integrated Tcon with Embedded Driver with PSR & HDR functions
	New 1926-ch SIPI source drivers for 4K display
	New 1532-ch SIPI source driver for gaming display
	New 1446-ch SIPI sources drivers to minimized bottom bezel
	New SIPI 2.0 integrated Touch and Source Driver (TSD) for in-cell LCD panels

## 2.5 Risk Factors

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

### (1) Country of Incorporation: The Cayman Islands

#### I. Changes in economic and political environment

The Cayman Islands is located 268 kilometers northwest of Jamaica and 640 kilometers south of Miami in the Caribbean Seas. The Cayman Islands is a British Overseas Territory with George Town as the capital. The Cayman Islands is politically stable with English as the official language. The Islands' main source of income arises from its financial service industry and tourism industry. The Cayman Islands is a tax-neutral domicile, it is currently one of the primary financial centers in the world. Over the years, the government of the Cayman Islands has been actively promoting its reputation in offshore financial operations with the signing of the Mutual Legal Assistance Treaty with United States and Great Britain since 1990. This treaty was aimed at preventing international crime organizations from dealing illegally through the country's financial system. The Cayman Islands has experienced long periods of political stability, and as one of the primary financial centers in the world, changes in the economic or political environment will not have major influence on the overall operation of the

Company.

## II. Foreign exchange control, taxation and related Act

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

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

- (A) No business operations of exempted companies are permitted within Cayman Islands.
- (B) No exempted companies are permitted to offer shares or bonds to public of the Cayman Islands. Exempted companies are also not permitted to acquire ownership of land on Cayman Islands.
- (C) The Companies Law of the Cayman Islands does not require companies to hold Annual General Meetings (AGM). Companies should refer to the article of association with issues regarding the holding of AGM and Board of Directors meetings. The Company's Articles of Association provide that the AGM shall be held within 6 months after close of each fiscal year. The Company's Article of Incorporation also states that the time and location of the AGM will be decided at the Board of Directors meeting. Unless otherwise specified by law, the annual general meeting will be held in the Republic of China (ROC).
- (D) In order to issue new shares, resolution needs to be reached at the Board of Directors meeting or shareholders meeting. The article of association limits the amount of newly issued shares to within the authorized capital amount. The issuance of new shares shall be approved by the majority of the Directors present at a meeting attended by 2/3 or more of the total Directors.
- (E) Exempted companies are not required to provide stock ledger for public viewing, or submit shareholder details to Cayman Islands' Registry of Companies. The Company's article of association states that the Board of Directors will provide stock ledgers at the Company registry (if applicable) and the office of stock transfer agent in the Republic of China, or any locations within or outside the Cayman Islands that

- is deemed necessary. The share ledger will contain shareholder details, the amount of shares held by each shareholder, and any other details required by the law.
- (F) Exempted companies may apply to the government of Cayman Islands for a certificate of tax exemption. For the initial application of this document, the validation period is 20 years, and application for renewal can be made before the expiration date.
  - (G) Exempted companies may apply to withdraw registration and relocate company registration to another country.
  - (H) Exempted companies may register as ‘Exempted Limited Duration Company’. Exempted limited duration company requires at least 2 shareholders, and the maximum validation period is 30 years.
  - (I) Concerning the rights of minority shareholders, there exist differences between the laws of the Cayman Islands and that of Republic of China or other judicial areas. The Company has made alterations to the article of association in order to protect the rights of investors in Taiwan. The alterations were made in accordance with ROC Securities and Exchange Act, Company Act, requisitions from competent authorities to the extent permitted by laws and regulations of the Cayman Islands.
  - (J) Unless permission is granted, the Company name may not contain the following titles: ‘Bank’, ‘Trust’, ‘Mutual Fund’, ‘Insurance’, ‘Royal’, ‘Imperial’, ‘Empire’, ‘Assurance’, ‘Building Society’, or ‘Reinsurance’. The registration document must be written in English.
  - (K) Cayman registered company shall pay annual fees and file tax return on a timely basis for maintaining the standing.
  - (L) Cayman registered company shall be subject to the laws and regulations of the United Nations.

Summarizing the above, due to open foreign exchange policy adopted by the Cayman Islands, there is no related control restrictions, and should not have major influence on the capital allocation of the Company. Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands. The undertaking is for a period of twenty years from 22 November 2005. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company. In terms of laws and regulations, The Company will follow the rules set out in the Company’s article of association and the Companies Law (2021 Revision) of Cayman Islands. Concerning the rights of minority shareholders, there exist

differences between the laws of Cayman Islands and that of the ROC or other judicial areas. The Company has made alterations to the article of association in order to protect the rights of investors in Taiwan. The alterations were made in accordance with ROC Securities and Exchange Act, Company Act, and all within the limits set forth by laws and regulations of the Cayman Islands. Although alterations to the Company article of association have been made, the degree of shareholder rights protection might still be different when compared to that of companies in the ROC. Please refer to section 8.4 of the annual report for details regarding the exercise of shareholder rights. The section only provides a summary of the laws and regulations applicable to the exempted company. If investors would like to more understand the impact to the operation of the Company and the impact to the investors under the detailed rules and restrictions provided by the Cayman laws and regulations and common laws, we suggest the investors should consult the professional advisors.

The Cayman Islands passed The International Tax Co-operation (Economic Substance, ES) Law on 27 December 2018 (the "ES Law") and additional Regulations and Guidance version 1.0 were issued on 22 February 2019 and amended by Guidance version 2.0 on 30 April 2019, and the by Guidance version 3.0 on 13 July 2020, respectively. The ES Law requires certain entities incorporated or registered in the Cayman Islands (i.e. the "Relevant Entities" defined in ES Law) and carrying on specified activities (i.e. the "Relevant Activities" as defined in ES Law) to satisfy an economic substance test in relation to that relevant activity. It is expected that certain important practical aspects of the economic substance requirements are likely to be further clarified by additional Regulations and Guidance to be introduced by the Cayman Islands from time to time. The impact on the Company's finance and operations is limited so far. However, given the possibility of the additional regulations and guidance to be introduced, the precise impact will need to be further explored and evaluated. The Company is, and will continue, to seek legal advice from its Cayman counsel so as to comply with the ES Law.

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

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

- (A) is given by a foreign court of competent jurisdiction;
- (B) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;
- (C) is final;
- (D) is not in respect of taxes, a fine or a penalty; and



(E) is not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

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

## (2) United States

### I. Changes in economic and political environment

The U.S. overall economic growth was much stronger than expected in 2019 and was in the longest economic expansion in United States history, but upward pace was slower than previous two years, according to Bureau of Economic Analysis of U.S. Department of Commerce (BEA) news released on Jan.30, 2020. In the first quarter, economic growth accelerated on a big boost from inventories and export surplus even though offset slowdowns in consumer and business expenditure, the growth pace still contributed GDP increased at a 3.2% annual rate instead of the 2.3% as previous reported. In the second quarter, the U.S. economy growth decelerated to 2.0% even though consumer expenditure rose 4.3%, business investment slumped 5.5% as result of the global economic slowdown and trading conflict between the U.S. and China weighed on the U.S. economy. In third quarter, as resilient consumer expenditure, which comprises more than two-thirds of U.S. economic activity, had growth 2.2% in comparison to the last quarter, this helped offset weakness in business investment and export. This also contributed GDP growth to 2.1% in the third quarter. In fourth quarter, the U.S. economy grew 2.1% which reflected positive contributions from consumer expenditure, export, housing investment, and government spending while were partly offset by decelerated in business investment. In all, the U.S. GDP grew 2.3% because of decelerated in business investment, resulting in the slowest growth in three years.

In 2020, the COVID-19 pandemic was severely impact global economic activity and result the U.S. accounted for the biggest slice of global economy pie in 2019 contracted at its worst performance since 1947. As quarterly analysis, GDP shrank 5% in the first quarter due to the decline in personal consumption expenditure and business investment. As for the second quarter, a number of state governments issued “stay at home” order in mid-March due to the impact of the COVID-19 epidemic. This cause a large number of business were forced to shut down, and the entire U.S. economy nearly stagnated in April. Until May, the states gradually release the “stay at home” restrictions, the economy slowly toward an upturn. In economy stagnated period, personal consumption and business

spending fell sharply, dragging the second quarter of GDP to a 31.4% fallen. As surge in consumer expenditure and business investment due to the states resume the economic activity delaying from pandemic. GDP accelerated at a 33.4% annualized pace in the third quarter. However, the ongoing impact of COVID-19 pandemic and economic restriction in the fourth quarter sluggish in the consumer expenditure but were offset by increasing in business investment, business fix investment and residential investment, the GDP increased at a rate of 4.1% in the fourth quarter. As the COVID-19 pandemic depressed consumer spending, export, business investment, nonresidential fixed investment, according to Bureau of Economic Analysis of U.S. Department of Commerce (BEA) news released on Jan. 28, 2021, the U.S. GDP declined 3.5% in 2020.

In 2021, the U.S. GDP increased 5.7% in contrast to a decrease of 3.4% in 2020, according to BEA news released on Jan.27, 2022. This GDP growth is also the strongest growth since 1984 (7.2%). As quarterly analysis, per BEA news released on April 30, 2021, GDP increased 6.4% in the first quarter as the US government massive fiscal stimulus and rapid vaccination easing anxiety over COVID-19 which have resulted in a faster economic rebound in the US compared to its global rivals, also fueling consumers spending and bring the biggest increase in economic growth since 1984. As for the second quarter, GDP accelerated only slightly to 6.7% compared to the first quarter contributing from the lingering effects of fiscal and monetary stimulus, strong consumer and business demand rose, but offsetting by the shortage of workers and raw material supply. In the third quarter, the GDP grew at 2.3% as the delta variant peaked which dragging the economic growth, and led consumer spending, the largest component of U.S. GDP comprising about two-thirds of overall economic activity, slowdown to only 2% growth. In the fourth quarter, benefiting from increasing of consumer spending and business investment brought GDP a 6.9% upward.

According to International Monetary Fund (“IMF”) report on January 25, 2022, in 2022, as interest rate rises after government fiscal stimulate fade and inflation impacts the consumer spending, the U.S. GDP is estimated to have a 4% growth which is slower than previous year. The Company specializes in the production of IC for digital image display products, touch, and product applications that are found in tablets, notebooks and LCD monitors. Our main customers assemble the products in Asia and distribute them around the world. The United States is the world’s leading market for consumers’ products, so the demand for consumer electronics products will be influenced by consumers’ purchasing power.

## II. Foreign exchange control, taxation and related Act

The US financial system has become a mature and complete financial body after long periods of evolving. Its currency market is the most developed currency market in the world, providing the most convenient platform for international financial transactions. The buying and selling of foreign currency in the United States is no longer restricted by

foreign exchange controls, and the group's US operation has not encountered risks resulted from foreign exchange controls. With concerns to risks related to law and tax regulations, the group's US operation has not encountered any changes to the Company financials as a result of changes in law or tax regulations, but future changes in related laws or tax policies might have adverse effects on the Company financials. If investors would like to more understand the impact to the operation of the Company and the impact to the investors under the detailed rules and restrictions provided by the US laws and regulations and common laws, we suggest investors should consult the professional advisors.

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

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

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

- (a) It is a judgment for tax;
- (b) The judgment was related to fine, amercement, or other similar penalties;
- (c) It is a judgment regarding divorce, duties for raising, alimony or the relationship of other kinship; and
- (d) Whereas, the judgments regarding divorce, duties for raising, alimony or the relationship of other kinship shall not exclude the occasion that such judgments are recognized by the California courts in accordance with the Section 1723 of the Act.

(B) An action to recognize a judgment from the ROC shall be commenced within the earlier of the time during which the judgment is effective in the ROC or 10 years from the date that the judgment became effective in the ROC (Unless ROC law regulates a shorter effective period). The court of California shall not recognize a foreign-country judgment if any of the following applies:

- (a) The judgment was rendered under a judicial system that does not provide impartial tribunals or procedures compatible with the requirements of due process of law.
- (b) The foreign court did not have personal jurisdiction over the defendant, or jurisdiction over the subject matter.

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

(A) The defendant in the proceeding in the foreign court did not receive notice of the

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

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

### (3) China

#### I. Changes in economic and political environment

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

Due to the impact of COVID-19 pandemic in 2020, China's final consumer expenditure, which was counted to 54.5% to GDP this year, dropped 0.5% over the previous year. In spite of the value added of the primary industry, investment, and the net exports of goods and services up by 3%, 2.6%, and 0.7% respectively, as consumer expenditure was still the driver of China economy, contributed GDP slow growth over the previous year. According to China National Bureau of Statistics public released on January 19, 2021, GDP was only up 2.3% and was the lowest GDP since 1976, but this was few uptrend economies in the world under this pandemic.

In 2021, even though faced the unpredictable global economic environment, China still made the highest 8.1% GDP growth rate it has experienced in a decade, according to China National Bureau of Statistics public released on January 17, 2022. The GDP of first four quarter in 2021 was 18.3%, 7.9%, 4.9% and 4.0%. Among them, due to the low base figure that was set in early 2020 with GDP declined 6.8% and thereafter a rapid vaccination easing anxiety over COVID-19, showing GDP a significant growth in the first quarter of 2021. In addition, the economic momentum eases in the following quarters which also resulting the GDP growth rate declined accordingly. As industrial production rose steadily through the end of the year offset the downward of consumer spending, but consumer spending which accounts more than half China GDP declined in the following three quarters resulting the downward trending in the following quarters.

In 2022, as the new Omicron COVID-19 variant spread, shrinking in consumer spending and real estate investment, International Monetary Fund ("IMF") and World Bank predicted, respectively, growth in China are 4.8% and 4.4%, both of which are in the growth trend. Even though the limited growth rate, the estimated growth is still favorable to the market demand of electronic devices and positive to our business. Parade Technologies, Inc. (SH), Parade Technologies, Ltd. (NJ) and Parade Technologies, Ltd. (CQ) are the research and development centers with no production or sale operations, therefore, changes in China's political environment will have relatively low impact to the Company. Notwithstanding the foregoing, considering the "zero-covid" policy adopted by China and the Shanghai lockdown in March of 2022, the duration of such zero-covid policy and the scale of lock-down are uncertain and unpredictable. If the policy lasts longer than expected or more cities enforce lockdown measures, the Company's operation may be impacted.

## II. Foreign exchange control, taxation and related Act

In China, the exchange of Renminbi (RMB) for foreign currency is still restricted. The main regulations for foreign exchange control of China are "Regulations on the Foreign Exchange System of the People's Republic of China" and "Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions". According to relevant regulations, foreign currency is prohibited for circulation and shall not be quoted for pricing or settlement in the territory of the People's Republic of China (PRC). All foreign

exchange receipts of domestic entities shall be repatriated, and according to regulations, sold to the designated foreign exchange banks or upon approval, deposited into a foreign exchange account. In addition, valid documents and commercial bills must be provided in order to engage in the sale and purchase of foreign currency with designated foreign exchange banks. Foreign funded enterprises obtaining permission to exchange RMB for foreign currency under the current account (includes the distribution of dividends to foreign investors) must provide documents related to the transaction. For RMB exchange under the capital account such as offshore direct investment or the offering or trading of securities and financial derivatives, registration at the Administration of Exchange Control is required. Laws and regulations also require permission to be obtained from competent authority or apply for a filing; procedures to obtain permission or filing should be done before the foreign currency registration. For foreign currency exchange under the capital account such as obtaining loans or withdrawing investment from China, permission from relevant foreign exchange controlling bodies should be obtained, and registration at the Administration of Exchange Control is also required.

On the 1<sup>st</sup> of January 2008, the Chinese government initiated the “Labor Contract Law” and “The Implementing Notes of China’s Labor Contract Law”, effective from the 18<sup>th</sup> of September 2008, and were revised and implemented in 2013. The new law aims to protect the legitimate rights and interests of the workers and improve the labor system by specifying the rights and obligations of both parties to the labor contract. The following relates to relevant employment regulations, and will increase costs for corporations when employment or the labor contract is illegally terminated:

- (A) The economic compensation shall be paid to workers according to the number of years he has worked for the employer by the rate of one month's salary for each full year he worked.
- (B) During the probation period, the salary of a worker shall not be lower than the minimum salary for the same position of the same employer or lower than 80 percent of the wage as stipulated in the labor contract, nor may it be lower than the minimum wage of the locality where the entity is situated.
- (C) If the worker has worked for an uninterrupted term of ten years for the employer, or entered into two consecutive labor contracts with fixed period with the employer, the employer shall enter into the indefinite labor contract with such worker unless such worker would like to enter into a labor contract with a fixed period again.
- (D) If an employer fails to enter into an indefinite labor contract with a worker pursuant to the relevant laws and regulations, the employer shall pay the worker double amount of his monthly salary since the time that they shall enter into the indefinite labor contract according to laws and regulations.
- (E) If an employer fails to enter into a labor contract in written form with a worker since the date of one month after the onboard date (but prior to the date of 1<sup>st</sup> anniversary of

the onboard date), the employer shall pay the worker double amount of his monthly salary.

- (F) If an employer employs someone who has not duly terminated employment or the labor contract with the previous employer, the employer and such worker shall be jointly and severally liable to compensate the losses incurred by such previous employer therefrom.

On the 16<sup>th</sup> of March 2007, Mainland China passed an enterprise taxation law, the “Law of the People's Republic of China on Income Tax of Enterprises with Foreign Investment and Foreign Enterprises” and second time amended on December 29, 2018, applying a tax rate of 25% to all taxable income of foreign enterprises and also putting an end to 20 years of preferential tax treatment for foreign enterprises. The law became effective from the 1<sup>st</sup> of January 2008, which increased restrictions on preferential tax treatments and focused the policy on benefiting certain industries, abolished the tax preferential for foreign investors and the tax exemptions on distributable profits. When companies in the Mainland distribute earnings to foreign investors, a dividend tax rate of 10% (institutional investors) and 20% (individual investors) will be deducted.

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

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

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

In accordance with “Provisions of the Supreme Court on Recognition and Enforcement of the Civil Judgments of Courts of the Taiwan Region” (the “Provisions”) as announced on June 29, 2015 and effectively from July 1, 2015, a party to the civil judgment of a court of the Taiwan Region may, in accordance with the Provisions, apply to the people’s court for recognition and enforcement of the civil judgment of the relevant court of the Taiwan Region as an applicant. For the purpose for the Provisions, the term of “civil judgment of courts of the Taiwan Region” shall include the effective civil

judgments, rulings, settlement transcripts, mediation transcripts, and payment orders issued by courts of the Taiwan Region, among others. A case involving an application for recognition of the civil judgment of a court of the Taiwan Region shall be accepted by the intermediate people's court or a special people's court at the place where the applicant is domiciled or habitually resides, the respondent is domiciled or habitually resides, or the relevant property is located. According to the Provisions, the civil judgment of courts of the Taiwan Region will not be recognized in any of the following events:

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

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

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

#### (4) Hong Kong

##### I. Changes in economic and political environment

The Hong Kong Special Administrative Region is located in the heart of the East-Asian region. On 1<sup>st</sup> of July 1997, due to changes in the country's constitution, Hong Kong became "The Hong Kong Special Administrative Region of the People's Republic of China". The People's Republic of China enacted "The Basic Law" to establish Hong Kong as a special administrative region, and follows the principles of "one country, two system"



by maintaining the capitalist system that was embedded before sovereign rights were transferred. At the same time, The Basic Law also regulates the methods of managing the Special Administrative Region in the next 50 years by promising not to apply the socialist system and policies to Hong Kong. According to The Basic Law, Hong Kong is authorized to exercise high degree of autonomy and enjoy executive, legislative, and independent judicial power and even that of final adjudication. The executive authority and legislature of the Hong Kong Special Administrative Region shall be composed of permanent residents of Hong Kong, while maintaining its status as a free port, independent taxation territory, and a global financial center.

On the economy, Hong Kong remains as an international center for commerce, trade, and finance. In 2019, Hong Kong GDP contracted 1.2% and was the first time in a decade, as continue weak global market growth and uncertain trade tensions between the US and China, as well as travel service were dragged by the decline in tourist arrivals and slumping in consumer spending in fourth quarter. Hong Kong's economy was sharply downward by the COVID-19 pandemic with GDP shrinking by 6.1% in 2020, the lowest rate on record, according to economic analysis report by the Government of the Hong Kong Special Administrative Region. GDP slowed by 9.1% and 9% respectively in the first two quarters, due to slump in imports and exports, sluggish consumer expenditure and stagnant investment. The third quarter, with increased domestic and foreign demand, the economy picked up significantly, GDP decline to -3.6%. The economy continued to recover in the fourth quarter with strengthened in exports of goods and financial markets booming. The GDP decline narrowed to -3% in the last quarter. As a result, the GDP declined 6.1% in 2020.

In 2021, the GDP expanded by 6.4% after having experienced a deep recession in the previous two years, rebounding sharply from a 6.5% contraction in 2020, according to Census and Statistics Department, Hong Kong. In the first half of 2021, the economy upturn reflected improvements in private consumption, fixed investment and exports. In addition, thanks to rebound of global demand and bring a significant rise on exports and imports of goods and services than the second half year of 2020, contributing GDP with 8% and 7.6% growth of the first two quarters. In the third quarter, accompanying with the further revival of global economic activity and stable local epidemic situation, the GDP shows a 5.5% moderate growth. Turning to the fourth quarter, the GDP advanced by 4.8% which moderating from a 5.5% expansion in the previous quarter. It was the fourth straight quarter of expansion in the economy, but the weakest growth in the sequence, as both slow growth in household spending, public spending and fixed investment.

Hong Kong economy is expected to return to growth in 2022, even with the pandemic uncertainty. As the feasibility of the government's various measures and consumer price inflation will likely upward, Hong Kong's GDP is expected to grow by 3% in 2022 per IMF forecasts.

## II. Foreign exchange control, taxation and related Act

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

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

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

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

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

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

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

(The above list is not exhaustive.)

In addition, when considering the recognition of civil judgment, the court of Hong Kong will adopt international principles under the common law and the procedural

examination, which includes but is not restricted to:

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

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

## (5) Taiwan

### I. Changes in economic and political environment

Taiwan is a democratic country that has thrived in the area of political power and civil liberty, and was also ranked highly on the political freedom index by the Freedom House. According to an evaluation by the IMD world competitiveness report in 2021 on 64 countries in the world, Taiwan was ranked 8th out of 64 countries, up three places than previous year, the best ranking since 2013. The IMD four criteria are including economic performance, government efficiency, business efficiency, and infrastructure. Taiwan ranking are all upward. In the indicators of economic performance, Taiwan receiving high ranking in domestic economy and economic complexity due to GDP rose, export diversify and unique commodities. These let Taiwan's economic complexity, which was included in the ranking for the first time, to rank in second place, and improve the domestic economic performance ranking to third. These move Taiwan's economic performance to rank in sixth places. In the indicators of government efficiency, upward ranking on government budget surplus to GDP and debt to GDP contribute the government efficiency ranking to eighth place. In the indicators of business efficiency, the ranking is up to seventh place due to the labor force growth and healthy financial market. As for the infrastructure, it is up one place due to the progress on medical, environment and education. In the aforementioned four criteria, economic performance and business efficiency were ranked up three and five place respectively from last year. Taiwan also was ranking 3th in economic performance among Asia-Pacific countries and ranking 1th place in the world competitive among the nations over 20 million populations. In addition, despite the global coronavirus pandemic, Taiwan was able to maintain high economic

growth due to successful measures against the spread of the virus, according to Directorate-General of Budget, Accounting and Statistics, Executive Yuan released, the annual growth rate of GDP amounted to 6.45% in 2021.

Although the epidemic is difficult to predict in 2022, the impact on the global economy has been slowed. Meanwhile, as the high demand IC on 5G, automotive electronics, high-performance computing and the Internet of Things, it is expected to drive economic growth and consumption improvement, and the Directorate-General of Budget, Accounting and Statistics, Executive Yuan released, estimates that Taiwan's GDP will grow by 4.42% in 2022.

## II. Foreign exchange control, taxation and related Act

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

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

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

The Company has a Taiwan branch and shall comply with the ROC Company Act and other applicable ROC laws and regulations. This section only provides a summary of

the laws and regulations with respect to the foreign exchange and taxation. If investors would like to more understand the impact to the operation of the Company and the impact to the investors under the detailed rules and restrictions provided by the ROC laws and regulations, we suggest the investors should consult the professional advisors.

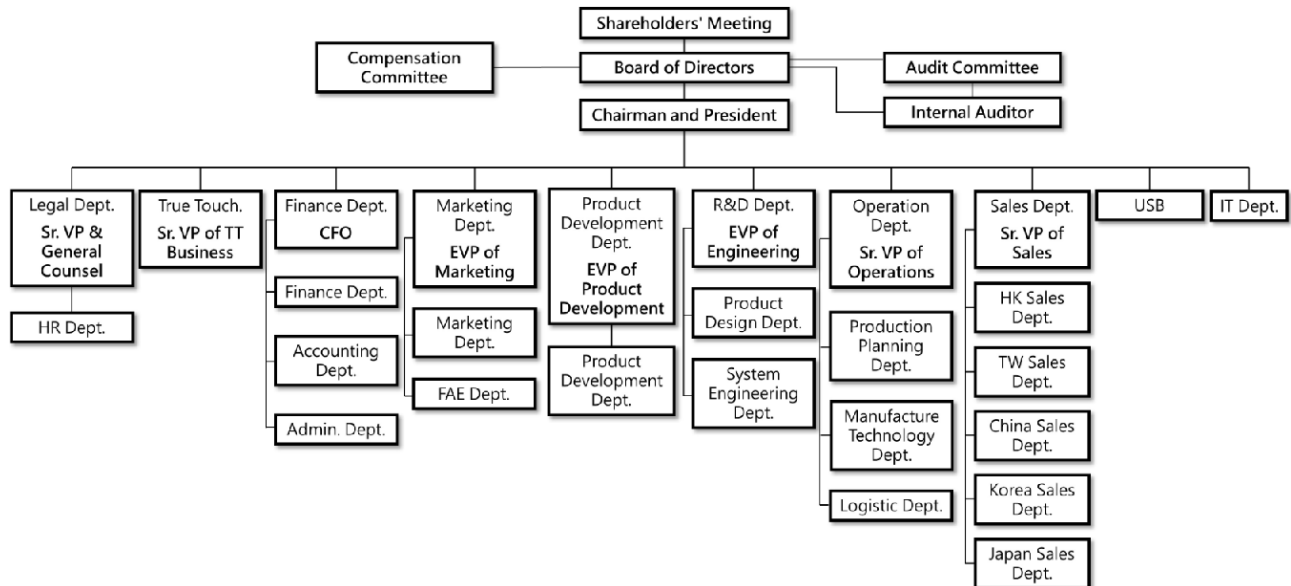
### III. Recognition and enforcement of the final civil judgment obtained in the ROC courts

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

### III. Corporate Governance

#### 3.1 Company Organization System

##### 3.1.1 Organizational Structure



##### 3.1.2 Main Corporate Functions

Department	Functions
Chairman, President	In accordance with resolutions from the Board of Directors, determine company operating principles, policies, goals, and operating plans. Present the operating plan to the Board of Directors, and produce operating outcomes and financials reports at each stage of the plan. Responsible for planning, execution, and coordination of company sales operations. Manage the production and R&D functions, and command and monitor the execution of related department matters in order to achieve the operating goals of the Company.
Internal Audit	Examine and evaluate the internal control system, operation, and flaws in the management regulation, and adequately provide improvement suggestions and reviews in order to maintain effective implementation of management regulations and also to assist the Board of Directors on the auditing of company internal regulations and the executions.

Department	Functions
Legal	Functions related to the Company's legal, personnel, establishment of policy and procedures, and to provide the optimal strategy for company management.
True Touch	Responsible for planning, execution, and coordination of true touch business operations. Manage the marketing functions, command and monitor the execution of related department matters in order to achieve the Company goals of operations.
Finance	Functions related to the Company's finance, accounting, equity, treasury and asset management, establishment of policy and procedures, and to provide the optimal strategy for company management.
Marketing	Plan and promote marketing strategies, and collect information on the market and its trend in order to develop new products and technologies.
Operations	Responsible for tracking the progress on chips manufacturing and testing by semiconductor foundries and assembly and test foundries, and manage other outsourcing matters.
Research and Development	Responsible for product development design, circuit layout, and verification. Also responsible for the integration, examination, application, and management of patent cases.
Product Development	Responsible for product development design, circuit layout, and verification. Also responsible for the integration, examination, application, and management of patent cases.
Sales	Responsible for product sales, customer services, and market development.
IT	Responsible for information systems, software maintenance, ERP system planning, information technology support and maintenance.
USB	Responsible for planning, execution, and coordination of USB business operations. Manage the marketing functions, command and monitor the execution of related department matters in order to achieve the Company goals of operations.

## 3.2 Directors and Supervisors

### 3.2.1 Board of Directors

4/17/2022; Unit: Shares; %

Title	Nationality or Location Registered	Name	Gender age	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	USA	Ji Zhao	M 51~60	11/15/2005	06/18/2019	3 years	3,046,930 (note 1)	3.85%	2,074,430 (note 2)	2.55%	0	0.00%	0	0.00%	EE PhD of University of California Irvine VP of Engineering at Cerdelinx Technologies President of Parade (US)	CEO & Chairman of Parade (US) Chairman of Parade (SH) Chairman of Parade (NJ) Chairman of Parade (KR) Chairman of Parade (CQ) Director of Pinchot Ltd.	None	None	None	None
Vice Chairman	USA	Ming Qu	M 51~60	11/15/2005	06/18/2019	3 years	2,844,235	3.59%	2,023,735	2.49%	0	0.00%	0	0.00%	EE PhD of Texas A&M University CTO at Cerdelinx Technologies	President of the Company President & Executive Vice President of Engineering of Parade (US) Director of Parade (SH) Director of Parade (NJ) Director of Parade (CQ) President of Parade (CQ) Director of Pinchot Ltd.	None	None	None	None
Director	P.R.C.	Hao Chen	M 51~60	12/15/2010	06/18/2019	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor degree of Huazhong University of Science and Technology General Manager of Legend Advanced System Ltd. East China	Vice Chairman of Legend Capital Director of Parade (SH)	None	None	None	None
Director	R.O.C.	Darren Huang	M 51~60	08/08/2007	06/18/2019	3 years	295,007	0.37%	238,007	0.29%	0	0.00%	0	0.00%	MBA of University of Michigan, Ann Arbor Bachelor degree of National Chiao Tung University of Science and Technology	Chairman and Head of Strategy Development Office of GCS Holdings, Inc. Representative of Corporate Director of GCS Device Technologies, Co., Ltd. Director of Amulaire Thermal Tech. Director of Tcera Corporation Independent Director of Egis Technology Inc. Independent Director of MIKOBEAUTE Independent Director of ALi Co. Director of Unikorn Semiconductor Corporation Chairman of Shanghai Galasemi Co., Ltd. Director of InnoCare Optoelectronics Corp.	None	None	None	None



Title	Nationality or Location Registered	Name	Gender age	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship			Note	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Director	USA	Cyrus Ying-Chun Tsui	M 71~80	07/24/2007	06/18/2019	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	BSEE of University of Southern California Chairman & CEO of Lattice Semiconductor	None	None	None	None	None	
Director	R.O.C.	Jackie Yang	M 51~60	12/29/2005	06/18/2019	3 years	171,155	0.22%	153,155	0.19%	0	0.00%	0	0.00%	MBA of University of Missouri-Columbia Senior Vice President at UMC Capital  Managing Director of Translink Capital Director of Parade (SH) Director of Reed Semiconductor Corporation Director of Point Robotics Medtech Inc. Director of XConn Technologies Holdings, Ltd. Director of X2 Power Technologies Limited Director of Shenzhen Immotor Technology Co. Ltd. Legal Representative Director of GrandTech C.G. Systems Inc. Director of DCard Holdings Ltd. Director of Pakal Technologies, Inc. Director of Axonne, Inc. Director of UBiAi International (Cayman) Limited Legal Representative Director of iWEECARE Independent Director of GCS Holdings, Inc.	None	None	None	None	None	
Independent Director	USA	Dennis Lynn Segers	M 61~70	01/03/2007	06/18/2019	3 years	108,004	0.14%	54,004	0.07%	0	0.00%	0	0.00%	BSEE of Texas A&M University Director, CEO and president of Tabula, Inc. CEO of Matrix Semiconductor Chairman of the Board, Senior VP of Xilinx, Inc. Director & Chairman-Emerging Company CEO Council at Global Semiconductor Alliance.	an adjunct lecturer of Santa Clara University Director of Flip Electronics	None	None	None	None	None
Independent Director	R.O.C.	Jen-Lin (Norman) Shen	M 61~70	10/20/2010	06/18/2019	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Economics at National Chung Hsin University CFO of Motech Industries, Inc. Director, CFO & SVP of Systex Corporation Independent Director of Coland Holdings Limited.	Independent Director of Parpro Corporation	None	None	None	None	None

Title	Nationality or Location Registered	Name	Gender age	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	USA	Charlie Xiaoli Huang	M 51~60	10/20/2010	06/18/2019	3 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD of Carnegie Mellon University General Manager of OpenPOWER China, of IBM Executive Vice President and General Manager of System & Verification Group of Cadence Design Systems, Inc.CEO of CadMOS Design Technology	CEO & Director of Shenzhen Giga Design Automation Co., Ltd.	None	None	None	None

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

Note 2: 704,972 of shares currently held are included in trust account.

Directors' shares in trust account:

Title	Name	Trustee	Shares in Trust	% of outstanding shares
Chairman	Ji Zhao	The ZG Grantor Retain Annuity Trust	704,972	0.87%

3.2.2 Major shareholders of the institutional shareholders: None.

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

3.2.4 Professional qualifications and independence analysis of Directors and Supervisors:

Criteria Name	Professional Qualifications and Experiences	Independence Situation (Note)	Concurrently Serving as an Independent Director at Other Public Companies
Ji Zhao	Dr. Zhao received his Ph.D. in EE from the University of California, Irvine, and M.S. and B.S. degrees from Shanghai Jiaotong University. Mr. Zhao has over 20 years of experience in the semiconductor industry. Prior to joining Parade, Dr. Zhao served as the VP of Engineering at a company that he co-founded, Cerdelinx Technologies, which was acquired by Lattice Semiconductor in 2002. Prior to Cerdelinx, Dr. Zhao served in various management positions at Cypress Semiconductor, National Semiconductor, and Trident Microsystems. Mr. Zhao does not have any conditions defined in Article 30 of the Company Law.	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 2,074,430 share and 2.55% Other qualifying conditions for independence are as follows: (4)(5) (6)(7)(8)(9)(10)(11)(12)	0
Ming Qu	Dr. Qu received his Ph.D. in EE from Texas A&M University, and M.S. and B.S. degrees from Shanghai Jiaotong University. Dr. Qu has over 20 years of semiconductor industry experience and served as Chief Technology Officer at Cerdelinx, which he co-founded prior to Parade. Previously he held various positions at National Semiconductor and Sandcraft, Inc. Mr. Qu does not have any conditions defined in Article 30 of the Company Law.	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 2,023,735 shares and 2.49% Other qualifying conditions for independence are as follows: (4)(5) (6)(7)(8)(9)(10)(11)(12)	0
Hao Chen	Mr. Chen graduated from Huazhong University of Science and Technology with a Bachelor's degree in Computer Science. Mr. Chen is the Vice Chairman of Legend Capital. He is focused on IT investment for almost two decades. Mr. Chen joined Legend Group in 1992, and served as Head of Business Planning. He served as General Manager of Legend Advanced System Ltd. (LAS) East China and then Vice President of LAS. Mr. Chen has been working in IT industry for over 15 years, with solid experience in business management and operations, and has established extensive network with industry regulators, the government, and large corporations. Mr. Chen does not have any conditions defined in Article 30 of the Company Law.	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 0 share and 0.00% Other qualifying conditions for independence are as follows: (1)(3) (4)(5)(6)(7)(8)(9)(10)(11)(12)	0

Criteria Name	Professional Qualifications and Experiences	Independence Situation (Note)	Concurrently Serving as an Independent Director at Other Public Companies
Darren Huang	<p>Mr. Huang holds an MBA from University of Michigan, Ann Arbor and a Mechanical Engineering degree from National Chiao Tung University, Taiwan.</p> <p>Mr. Huang has served since 2002 as Partner of AsiaVest Partners, a leading venture capital firm investing in private companies in the Greater China Region. Prior to AsiaVest, Mr. Huang worked with Crimson Ventures, Icare Asia and InveStar Venture Capital. Currently, Mr. Huang is the Chairman and Head of Strategy Development Office of GCS Holdings, Inc., a representative of Corporate Director of GCS Device Technologies, Co., Ltd., a Director of Amulaire Thermal Tech., a Director of Tcera Corporation, an Independent Director of Egis Technology Inc., an Independent Director of MIKOBEAUTE, an Independent Director of ALi Co., a Director of Unikorn Semiconductor Corporation, the Chairman of Shanghai Galasemi Co., Ltd., and a Director of InnoCare Optoelectronics Corp..</p> <p>Mr. Huang does not have any conditions defined in Article 30 of the Company Law.</p>	<p>As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 238,007 shares and 0.29%</p> <p>Other qualifying conditions for independence are as follows: (1)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)</p>	3
Cyrus Ying-Chun Tsui	<p>Mr. Tsui received his BSEE degree from University of Southern California.</p> <p>Mr. Tsui was the Chairman and CEO of Lattice Semiconductor Corporation from 1988 to 2005. Mr. Tsui has held technical and managerial positions in the semiconductor industry for over 25 years, and has worked in the programmable logic industry since its inception. Prior to Lattice, Mr. Tsui was Corporate VP and GM of the Programmable Logic Division of AMD, and VP and GM of the Commercial Products Division of Monolithic Memories Inc.</p> <p>Mr. Tsui does not have any conditions defined in Article 30 of the Company Law.</p>	<p>As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 0 share and 0.00%</p> <p>Other qualifying conditions for independence are as follows: (1)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)</p>	0
Jackie Yang	<p>Mr. Yang received his MBA degree from University of Missouri, Columbia and B.S. degree in Mechanical Engineering from National Tsinghua University, Taiwan.</p> <p>Mr. Yang is the Managing Director of Translink Capital, a Director of Reed Semiconductor Corporation, a Director of Point Robotics Medtech Inc., a Director of XConn Technologies Holdings, Ltd., a Director of X2 Power Technologies Limited, a Director of Shenzhen Immotor Technology Co. Ltd., a Legal Representative Director of GrandTech C.G. Systems Inc., a Director of DCard Holdings Ltd., a Director of Pakal Technologies, Inc., a Director of Axonne, Inc., a Director of UBIAi International (Cayman) Limited, a Legal Representative Director of iWEECARE, and an Independent Director of GCS Holdings, Inc.. Prior to these experiences, Mr. Yang was a Senior Vice President at UMC Capital and was responsible for UMC's investment activities in the United States and China. Mr. Yang started his venture career at InveStar Capital in 1996, where he specialized in semiconductor and telecommunication companies.</p> <p>Mr. Yang does not have any conditions defined in Article 30 of the Company Law.</p>	<p>As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 153,155 shares and 0.19%</p> <p>Other qualifying conditions for independence are as follows: (1)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)</p>	1

Criteria Name	Professional Qualifications and Experiences	Independence Situation (Note)	Concurrently Serving as an Independent Director at Other Public Companies
Dennis Lynn Segers	Mr. Segers received a BS Electrical Engineering degree from Texas A&M University. Mr. Segers was Chairman of the Board at Xilinx from 2015 to 2022. Previously, Mr. Segers served as the Chairman of the GSA Emerging Company CEO Council, CEO of Tabula, Inc, senior vice president and general manager of the FPGA product groups at Xilinx. Mr. Segers began his career at Mostek Corporation as a product development engineer for Mostek's 16K DRAMs. Mr. Segers is currently a Director of Flip Electronics and an adjunct lecturer at Santa Clara University, where he teaches managerial accounting related courses. Mr. Segers is the Audit Committee member of the Company and has accounting or finance expertise. And Mr. Segers does not have any conditions defined in Article 30 of the Company Law.	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 54,004 shares and 0.07% Amount of remuneration for providing commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years: NTD 0 Other qualifying conditions for independence are as follows: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0
Jen-Lin (Norman) Shen	Mr. Shen received a Master of Economics degree from National Chung Hsin University. Mr. Shen was an Independent Director of Coland Holdings Limited. And Mr. Shen was the Chief Financial Officer of Motech Industries, Inc. between 2008 and 2010. Prior to Motech, Mr. Shen has held various senior management positions including positions at Systex Corporation, Taiwan Semiconductor Mfg. Co., Ltd, Fubon Commercial Bank, Yuan Foong Yu Paper Mfg., Co., Ltd. and Bank of America, Taipei. Mr. Shen is currently an Independent Director of Parpro Corporation. Mr. Shen is the Audit Committee member of the Company and has accounting or finance expertise. And Mr. Shen does not have any conditions defined in Article 30 of the Company Law.	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 0 share and 0.00% Amount of remuneration for providing commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years: NTD 0 Other qualifying conditions for independence are as follows: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	1
Charlie Xiaoli Huang	Dr. Huang holds Bachelor of Science degrees in Electrical Engineering and Computer Science from Shanghai Jiao Tong University, and an MSEE and Ph.D. in Electrical Engineering from Carnegie Mellon University. Dr. Huang is the CEO and Director of Shenzhen Giga Design Automation Co., Ltd. Dr. Huang served as GM and VP of IBM between 2015 and 2017, and prior to 2015 served as Executive Vice President and General Manager, System & Verification Group of Cadence Design Systems. Dr. Huang joined Cadence in 2001 through the acquisition of CadMOS, where he was co-founder and CEO. Prior to co-founding CadMOS, he was vice president of R&D at EPIC Design Technology and later became Vice President of R&D in the EPIC Technology Group of Synopsys. As an entrepreneur and technologist, he has more recently held leadership positions overseeing R&D, marketing, strategic investment, and mergers and acquisition. Mr. Huang does not have any conditions defined in Article 30 of the Company Law.	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 0 share and 0.00% Amount of remuneration for providing commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years: NTD 0 Other qualifying conditions for independence are as follows: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0

Note: If Directors and Supervisors have been met any of the following criteria during the two years term of office and prior to being elected. :

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a Director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an Independent Director of the Company,

its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary;

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

### 3.2.5 Diversity and Independence of Board of Directors:

#### (1) Diversity of Board of Directors

The Company respects the policy of Directors diversity. In order to improve the composition of the Board of Directors and strengthen its functions, the selection of Directors is based on a comprehensive consideration of their basic background (such as age, nationality, etc.), industry experience and professional capabilities (such as accounting and finance, business management, crisis management, etc.). The specific diversity management objectives are not limited by gender, race and nationality, and the main consideration is the professional ability and background required for the Company's operation. The diversity status of the current Directors is as follows.

Board Members Title/Name		Diversity Dimensions		Basic Background						Experiences				Professional Skills										
				Nationality	Gender	Served as employee of the Company	Age			Independent Director Tenure			Semiconductor Industry	Computer and Peripheral Equipment Industry	Biotechnology and Medical Industry	Automotive Industry	Operational Judgments	Accounting and Financial Analysis	Business Management	Crisis Management	Industry Knowledge	International Market View	Leadership and Decision-making	Risk Management
							51 - 60	61 - 70	71 - 80	3 years or less	3 to 9 years	9 years or more												
Chairman	Ji Zhao	USA	Male	V	V					V				*	⊙	*	*	*	*	*	*	*		
Vice Chairman	Ming Qu	USA	Male	V	V					V				*	⊙	*	*	*	*	*	*	*		
Director	Hao Chen	P.R.C	Male		V					V				*	⊙	*	*	*	*	*	*	*		
Director	Darren Huang	R.O.C	Male		V					V		V	V	*	⊙	*	*	*	*	*	*	⊙		
Director	Cyrus Ying- Chun Tsui	USA	Male				V		V	V				*	⊙	*	*	*	*	*	*	*		
Director	Jackie Yang	R.O.C	Male		V				V	V	V	V	V	*	⊙	*	*	*	*	*	*	⊙		
Independent Director	Dennis Lynn Segers	USA	Male			V			V	V				*	*	*	*	*	*	*	*	*		
Independent Director	Jen-Lin (Norman) Shen	R.O.C	Male			V			V	V	V			*	*	*	*	*	*	⊙	*	*		
Independent Director	Charlie Xiaoli Huang	USA	Male		V				V	V				*	⊙	*	*	*	*	*	*	⊙		

Note: \*possess the experience, knowledge and expertise;◎possess partial experience, knowledge and expertise

The specific management objectives of the board diversity and their achievement status are as follows:

Diversity management objectives	Achievement Status
It is advisable that the number of the Directors who concurrently serve as the managers of the Company should not exceed one-third of the board seats.	Done
Adequate and diverse professional knowledge and skills	Done
The number of Independent Directors exceeds one-third of the board seats	Planning
At least one female Director of the Board members	Planning

## (2) Independence of Board of Directors

The Company's Board of Directors is currently set at 9 Directors, 3 of whom are Independent Directors. Independent Directors make up one-third of Board of Directors seats. The qualifications, shareholdings, part-time restrictions, nomination and selection of Independent Director candidates was handled in accordance with the relevant laws and regulations such as the Securities and Exchange Act, and Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. To confirm that Independent Directors continue to meet the independence criteria, the Company obtained the Declarations of the Independent Directors (upon election) in 2019 and obtained the Declarations of the Independent Directors (during the term of office) in 2021.

Provisions for avoiding conflict of interest are stated in the Rules and Procedures of Board of Directors Meetings of the Company. If an interested party relationship exists between any Director, or a juristic person the Director represents, and any agenda item, the Director shall declare and disclose the essential contents of such interest but may not participate in discussion of or voting on that agenda item, and shall abstain from themselves during discussion of and voting on that item, and may not act as proxy of another Director to exercise voting rights on that matter.

All Directors and Independent Directors of the Company have no spouse relationship or familial relationship within the second degree of kinship. None of the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act exist among the Directors and Independent Directors. Except for Chairman Ji Zhao and Vice Chairman Ming Qu, who are deemed non-independent as they respectively serve as Chief Executive Officer of Parade (US) and President of the Company and Parade (US), the remaining 7 Directors, including 4 Directors and 3 Independent Directors, have provided constructive opinions to the Company in accordance with their independent business judgments, which enables the Board of Directors of the Company to fulfill its supervisory function.



### 3.2.6 Remuneration of Directors and Independent Directors

4/27/2022; Unit: NTD in Thousands; %

Title		Name	Remuneration								Total Remuneration (A+B+C+D), and Total Remuneration as a % of Net Income		Relevant remuneration received by Directors who are also employees								Total Compensation (A+B+C+D+E+F+G), and Total Compensation as a % of Net Income		Compensation Paid to Directors from Nonconsolidated Affiliates or Parent Company
			Base Compensation (A)		Severance Pay and Pension (B)		Directors' Remuneration (C) (Note 1)		Allowances (D)				Compensation, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Bonuses (G) (Note 1)						
			The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	The Company	Companies in the Consolidated Financial Report	
Directors	Chairman	Ji Zhao	0	0	0	0	46,346	46,346	672	672	47,018 0.90%	47,018 0.90%	0	304,800	0	0	5,165	0	5,165	0	52,183 1.00%	356,983 6.81%	
	Vice Chairman	Ming Qu																					
	Director	Hao Chen																					
	Director	Darren Huang																					
	Director	Cyrus Ying-Chun Tsui																					
	Director	Jackie Yang																					
Independent Directors	Independent Director	Dennis Lynn Segers	0	0	0	0	40,167	40,167	812	812	40,979 0.78%	40,979 0.78%	0	0	0	0	0	0	0	0	40,979 0.78%	40,979 0.78%	None
	Independent Director	Jen-Lin (Norman) Shen																					
	Independent Director	Charlie Xiaoli Huang																					

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

\*In addition to the above table, the Directors' remuneration for providing services (such as a consultant for non-employees of the parent company/ financial report of all companies/ reinvested enterprise, etc.) to the Companies in the Consolidated Financial Report: None.

Note 1: On April 27, 2022, the Board of Directors resolved to report the allocation of 2021 employees' cash bonuses and the Directors' remuneration to 2022 Annual General Meeting on June 15, 2022.

Compensation Table

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

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

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

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

### 3.3 Management Team

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

4/17/2022; Unit: Shares; %

Title	Nationality or Location Registered	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	USA	Ji Zhao	M	11/15/2005	2,074,430 (Note 2)	2.55%	0	0.00%	0	0.00%	EE PhD of University of California Irvine VP of Engineering at Cerdelinx Technologies President of Parade (US)	CEO & Chairman of Parade (US) Chairman of Parade (SH) Chairman of Parade (NJ) Chairman of Parade (KR) Chairman of Parade (CQ) Director of Pinchot Ltd.	None	None	None	None
President	USA	Ming Qu	M	11/15/2005	2,023,735	2.49%	0	0.00%	0	0.00%	EE PhD of Texas A&M University CTO at Cerdelinx Technologies	President & Executive Vice President of Engineering of Parade (US) Director of Parade (SH) Director of Parade (NJ) Director of Parade (CQ) President of Parade (CQ) Director of Pinchot Ltd.	None	None	None	None
Chief Financial Officer	USA	Judy Wang	F	02/22/2007	147,162	0.18%	0	0.00%	0	0.00%	MBA of San Jose State University of California California CPA Senior Director of Opnext Inc.	Chief Financial Officer of Parade (US)	None	None	None	None
Executive Vice President of Marketing	USA	Jingwu Jimmy Chiu	M	11/21/2005	909,829	1.12%	0	0.00%	0	0.00%	MS of Texas A&M University AVP of XGI and Trident Microsystems	Executive Vice President of Marketing of Parade (US)	None	None	None	None

Title	Nationality or Location Registered	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Executive Vice President of Product Development	USA	Ding Lu	M	12/12/2005	870,332	1.07%	0	0.00%	0	0.00%	EE PhD of Colorado State University Engineering Director at XGI and Trident Microsystems	Supervisor of Parade (SH) Supervisor of Parade (NJ) Supervisor of Parade (CQ) Executive Vice President of Product Development of Parade (US)	None	None	None	None
Sr. Vice President of Worldwide Sales	USA	Peter Oaklander	M	09/09/2019	70,000	0.09%	0	0.00%	0	0.00%	BSEE of the Rochester Institute of Technology and an MBA with emphasis on Asia business of the Northwestern Kellogg /HKUST program Sr. Vice President of Intersil Sr. Vice President of ST-Ericsson	Sr. Vice President of Sales of Parade (US)	None	None	None	None
Sr. Vice President of TrueTouch Business	USA	Joseph D. Montalbo	M	08/31/2015	48,000	0.06%	0	0.00%	0	0.00%	BEEE of the Cooper Union in New York VP of TrueTouch Business Unit at Cypress Semiconductor VP & GM of LV MOSFETs and Power MCM's at Fairchild Semiconductor SVP at Synaptics CEO of Pixim Inc.	Sr. Vice President of TrueTouch Business of Parade (US)	None	None	None	None
Sr. Vice President of Operations	USA	Randy D. Baker	M	02/08/2016	27,000	0.03%	0	0.00%	0	0.00%	Executive MBA of Stanford General Manager of Lattice Semiconductor	Sr. Vice President of Operations of Parade (US)	None	None	None	None

Title	Nationality or Location Registered	Name	Gender	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experiences	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Sr. Vice President & General Counsel	USA	Yun Hwa Chou	F	07/05/2017	82,200	0.10%	0	0.00%	0	0.00%	JD from Santa Clara University Sr. VP of Global Management and General Counsel at OmniVision Technologies a corporate attorney at Coudert Brothers and Heller Ehrman, White and McCauliff	Sr. Vice President, General Counsel of Parade (US)	None	None	None	None
Vice President of Operation & General Manager of Parade (TW)	R.O.C.	KP Yang	M	03/01/2010	5,351	0.01%	0	0.00%	0	0.00%	MSEE of University of Michigan, Ann Arber Director of UMC Taiwan	General Manager of Parade (TW)	None	None	None	None

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

Note 2: 704,972 of shares held are included in trust account.

### 3.3.2 Compensation of President and Vice Presidents

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

4/27/2022; Unit: NTD in Thousands; %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowances (C)		Employees' Bonuses (D) (Note 2)				Total Compensation (A+B+C+D) and a % of Net Income		Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates
		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
Chairman	Ji Zhao	0	93,528	0	0	0	625,575	19,371	0	19,371	0	19,371	738,474	None
President	Ming Qu													
Chief Financial Officer	Judy Wang													
Executive Vice President of Marketing	Jingwu Jimmy Chiu													
Executive Vice President of Product Development	Ding Lu													
Sr. Vice President of Worldwide Sales	Peter Oaklander													
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo													
Sr. Vice President of Operations	Randy D. Baker													
Sr. Vice President & General Counsel	Yun Hwa Chou													
Vice President of Operation & General Manager of Parade (TW)	KP Yang													
												0.37%	14.08%	

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

Note 2: On April 27, 2022, the Board of Directors resolved to report the allocation of 2021 employees' cash bonuses to 2022 Annual General Meeting on June 15, 2022.

Compensation Table

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

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

### 3.3.3 Names of executives distributing employees' bonuses:

4/27/2022; Unit: NTD in Thousands; %

Title	Name	In Stock (Fair Market Value)	In Cash	Total	% of net income after tax
Chairman	Ji Zhao	-	19,371	19,371	0.37
President	Ming Qu				
Chief Financial Officer	Judy Wang				
Executive Vice President of Marketing	Jingwu Jimmy Chiu				
Executive Vice President of Product Development	Ding Lu				
Sr. Vice President of Worldwide Sales	Peter Oaklander				
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo				
Sr. Vice President of Operations	Randy D. Baker				
Sr. Vice President & General Counsel	Yun Hwa Chou				
Vice President of Operation & General Manager of Parade (TW)	KP Yang				

Note 1: On April 27, 2022, the Board of Directors resolved to report the allocation of 2021 employees' cash bonuses to 2022 Annual General Meeting on June 15, 2022.

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

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

Unit: NTD in Thousands; %

Item	Year 2020		Year 2021	
	Amount	%	Amount	%
Remuneration of Directors, President and Vice Presidents	688,089	19.63%	878,062	16.74%
The Company's Consolidated Net Income	3,505,796	100.00%	5,244,507	100.00%



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

- ① Remuneration of Directors corresponds to the Directors' service and value to the business operations, the result of Board performance review, financial indicators (such as consolidated revenue and operating income) and with reference to the salary level of industry standards. The criteria for evaluating the performance of the individual board members are understanding of company goals and missions, Director's understanding of their duties and responsibilities, participation in the Company's operation, internal relation maintenance and communications, specialty of Directors and continued knowledge development, and internal control.
- ② Remuneration of President and Vice Presidents is based on the overall consideration of their participation in the Company's operations and their performance, with reference to remuneration given to in prior years and the payment level for positions of the same nature in the industry. The performance evaluation criteria include their position, corporate responsibilities, contributions to the business operations, financial indicators (such as consolidated revenue and operating income), comprehensive management indicators (such as the achievement of practicing and upholding the Company's core values, and leadership and management skills), and other special contributions, etc.
- ③ In accordance with the amended Articles of Association, 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 and a maximum of 2% as additional directors' remuneration.

### 3.4 Corporate Governance

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

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

The Board of Directors held 6 meetings in 2021. The attendance of Directors is as below:

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

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

Other matters that require reporting:

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

- ① the matters listed in Article 14-3 of Securities and Exchange Act have occurred: The Company had established the Audit Committee, that the provisions of Article 14-3 of the Securities and Exchange Act shall not apply. With respect to the descriptions for the matters listed in Article 14-5 of the Securities and Exchange Act, please take a reference to page 48~49 of this Annual Report.
- ② In addition to the previous items, the Independent Director has a dissenting opinion or qualified opinion: Have reviewed all the Board meeting minutes in 2021, all of the resolutions have been approved by the Independent Directors.

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

Date (Taiwan Time)	Resolutions	Name	Reason	Voting Participation
02/03/2021	Approval of the distribution of 2020 management bonus	Ji Zhao Ming Qu	They are managements in the Company.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.
04/28/2021	Approval of transfer of Treasury Shares to executives	Ji Zhao Ming Qu	They are intended recipients of the treasury share pursuant to the plan approved by this resolution.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.
08/04/2021	Approval of 2020 employee bonus distribution	Ji Zhao Ming Qu	They are employees in the Company.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.

Date (Taiwan Time)	Resolutions	Name	Reason	Voting Participation
10/27/2021	Approval of 2021 share purchase and employee/executive incentive plan	Ji Zhao Ming Qu	They are intended recipients of the treasury share pursuant to the plan approved by this resolution.	The Directors, Ji Zhao and Ming Qu, did not participate in the discussion and voting, and other Directors and Independent Directors were without objection by the case.

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

- ① The Board of Directors amended the Rules and Procedures Governing the Board Performance Evaluation on April 28, 2021. The evaluation procedure is as follows:

Evaluation Cycles	Once a year.
Evaluation Periods	January 1, 2021 to December 31, 2021
Scope of Evaluation	Board of Directors and individual board members
Method of Evaluation	The internal evaluation of the Board of Directors and self-evaluation by individual board members
Evaluation Content	<p>1. The criteria for evaluating the performance of the Board: participation in the operation of the Company, improvement of the quality of the Board's decision making, composition and structure of the Board, election and continuing education of the Directors and internal control.</p> <p>2. The criteria for evaluating the performance of the board members: alignment of the goals and missions of the Company, awareness of the duties of a Director, participation in the operation of the Company, management of internal relationship and communication, the Director's professionalism and continuing education and internal control.</p>

- ② The 2021 evaluation of the performance of the Board of Directors and individual board members are both “Good”.
- i. Among the evaluation criteria of the performance of the Board of Directors, the score of “Composition and structure of the board of directors” is lower than other aspects. To improve the performance in this filed, the Company will consider nominating new Independent Directors and using the performance evaluation results of individual Directors as one of the references for the next election nomination process of board members in 2022. In addition, if there are newly elected Directors in 2022, the Company may organize an orientation seminar for the new Directors and introduce all relevant information and applicable policies of the Company to help new Directors to better

understand the Company's operation.

- ii. Among the evaluation criteria of the performance of the board members, the score of "Participation in the Company's operation" is lower than other aspects. To improve the performance of this aspect, the Company will encourage board members to take more diversified courses outside their respective professional abilities every year and provide more insights regarding the Company's operation and environmental, social and governance (ESG) performance.

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

(2) The state of operations of the Audit Committee

The main purpose of Audit Committee is assisting the Board of Directors in performing the supervision on the quality and faith of execution regarding accounting, audit, financial report process and financial control of the Company, the focuses of its practice in 2021 are set forth below:

- I . Reviewing and approving the annual and quarterly financial reports.
- II . Reviewing and approving the business report and proposal for distribution of profit.
- III . Reviewing and approving the amendments of "Rules of Conduct with Respect to Inside Information and Trading".
- IV . Assessing the effectiveness of internal control system.
- V . Reviewing and approving external auditor's independence, suitability and engagement.
- VI . Reviewing and approving the proposal of 2022 audit plan.
- VII . Reviewing and approving the plan to secure the long-term capacity support from key supplier partner.
- VIII . Reviewing and approving the issuance of equity-type securities.

The Audit Committee has held 6 meetings in 2021. The attendance of Independent Directors is as below:

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

Other matters that require reporting:

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

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

The resolutions of 2021 were approved by all the members present in the Audit Committee and all the directors present in the Board of Directors. The operation of the Audit Committee in 2021 was as follows:

Date (Taiwan Time)	Resolutions	Matters listed in Article 14-5 of Securities and Exchange Law	Objections, reservations, or major suggestions from independent directors, opinions from audit committees, and the Company's handling on such opinions
2021/03/10	The draft financial reports of Parade Technologies, Ltd. Taiwan branch office for fiscal years ended December 31, 2020 and 2019 prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	V	Independent Directors did not express objections, reservations, or major suggestions, and Audit Committee approved these resolutions.
	The draft consolidated financial reports for fiscal years ended December 31, 2020 and 2019 prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	V	
	To approve 2020 profit distribution proposal		
	To approve the Statements of Internal Control System and the Self Assessment Report of Internal Control of Y2020	V	
2021/04/28	The Q1 2021 draft consolidated financial reports for prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	V	Independent Directors did not express objections, reservations, or major suggestions, and Audit Committee approved these resolutions.
	To approve 2020 Business Report		
	To approve the 2021 Employee Restricted Stock Awards (RSA) Plan	V	
	To approve the plan to secure the long-term capacity support from key supplier partner		
2021/08/04	The 1 <sup>st</sup> half of FY 2021 draft consolidated financial reports prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	V	Independent Directors did not express objections, reservations, or major suggestions, and Audit Committee approved these resolutions.
	To approve the fee amendment of engagement of 2021 financial audit with PwC Taipei	V	
2021/10/27	The Q3 2021 draft consolidated financial reports prepared in accordance with International Financial Reporting Standard (IFRS) were submitted for review and approval	V	Independent Directors did not express objections, reservations, or major suggestions, and Audit Committee approved these resolutions.
	To approve of Business Report of 1 <sup>st</sup> half of 2020		
	To approve of profit distribution proposal of 1 <sup>st</sup> half of 2021		
	To approve certain changes of Company's "Rules of Conduct with Respect to Inside Information and Trading"	V	
	To approve Year 2022 Internal Audit Plan		

Date (Taiwan Time)	Resolutions	Matters listed in Article 14-5 of Securities and Exchange Law	Objections, reservations, or major suggestions from independent directors, opinions from audit committees, and the Company's handling on such opinions
2021/12/17	To approve the evaluation report of the external auditors' independence and suitability		Independent Directors did not express objections, reservations, or major suggestions, and Audit Committee approved these resolutions.
	To approve the terms of engagement for year 2022 financial audit and internal control audit with PwC Taipei	V	
	To approve the terms of engagement for year 2022 financial audit and tax compliance of Taiwan office with PwC Taipei	V	
	To approve the terms of engagement with PwC Taipei and PWC Hong Kong for Year 2022 tax compliance and tax provision services	V	

Note: The audit committee meeting held on February 3, 2021 (Taiwan time) was mainly to report the quarterly internal audit results and the 2020 un-audited/un-reviewed consolidated financial reports, and there were no other major resolutions.

- ② In addition to the previous items, the resolution didn't pass by Audit Committee but passed by a majority of not less than two-thirds of all Directors: Have reviewed all the Audit Committee meeting minutes in 2021, all of the resolutions have been approved by the Independent Directors.

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

III. Communication between the Independent Directors, chief internal auditor, and CPA:

- ① The chief internal auditor reports the results of auditing and the implementation of the follow-up report periodically. The communication channel between the Audit Committee and the chief internal auditor of the Company has been functioning well.
- ② The Company's Independent Directors will see the necessity and invite the CPA to attend the Audit Committee meeting and to have them report their audit or review results. The communication channel between the Independent Directors and the CPA of the Company has been functioning well.
- ③ If the Independent Directors, chief internal auditor and CPA believe that it is necessary to communicate independently, they can contact by phone or email at any time, and hold a meeting to communicate immediately.
- ④ The communications between the Independent Directors, chief internal auditor, and CPA are listed in the table below:

Date (Taiwan Time)	Attendees	Focus of communication	Recommendations and results
02/03/2021 Audit Committee	-All Independent Directors -Chief internal auditor	1.Chief internal auditor reported the results of internal audit	No objection or other comment
03/10/2021 Audit Committee	-All Independent Directors -Chief internal auditor -CPA	1.CPA explained the audit conclusion of the 2020 consolidated financial report. 2.CPA explained the Corporate Governance 3.0 and Sustainable Development Blueprint. 3.CPA discussed and communicated about the questions raised by the participants. 4.Chief internal auditor reported the results of internal audit. 5.Discussion and approval of the Statement of Internal Control System of 2020.	No objection or other comment

Date (Taiwan Time)	Attendees	Focus of communication	Recommendations and results
04/28/2021 Audit Committee	-All Independent Directors -Chief internal auditor -CPA	1.CPA explained the review results of the Q1 2021 consolidated financial report. 2.CPA explained the impacts of the newly amended Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies. 3.CPA discussed and communicated about the questions raised by the participants. 4.Chief internal auditor reported the results of internal audit.	No objection or other comment
08/04/2021 Audit Committee	-All Independent Directors -Chief internal auditor -CPA	1.CPA explained the audit conclusion of the Q2 2021 consolidated financial report. 2.CPA discussed and communicated about the questions raised by the participants. 3.Chief internal auditor reported the results of internal audit.	No objection or other comment
10/27/2021 Audit Committee	-All Independent Directors -Chief internal auditor -CPA	1.CPA explained the review results of the Q3 2021 consolidated financial report. 2.CPA discussed and communicated about the questions raised by the participants. 3.Chief internal auditor reported the results of internal audit. 4.Chief internal auditor reported the 2022 Internal Audit Plan.	No objection or other comment
12/17/2021 Audit Committee	-All Independent Directors -Chief internal auditor	1.Participants discussed the evaluation report of the external auditors' independence and suitability	No objection or other comment

Results: The above matters were examined and approved by the Audit Committee, and the independent directors had no objection or other comment.

### (3) The state of operations of the Compensation Committee

#### (A) Member of the Compensation Committee

Title	Criteria Name	Professional Qualification and Experience	Independence Situation (Note)	Concurrently Serving as an Independent Director at Other Public Companies
Independent Director (Convener)	Charlie Xiaoli Huang	Please refer to the Board of Directors table on page 27-33 of this annual report	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 0 share and 0.00% Amount of remuneration for providing commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years: NTD 0 Other qualifying conditions for independence are as follows: (1)(2) (3)(4)(5)(6)(7)(8)(9)(10)	0
Independent Director	Jen-Lin (Norman) Shen	Please refer to the Board of Directors table on page 27-33 of this annual report	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 0 share and 0.00% Amount of remuneration for providing commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years: NTD 0 Other qualifying conditions for independence are as follows: (1)(2) (3)(4)(5)(6)(7)(8)(9)(10)	1

Title	Criteria	Professional Qualification and Experience	Independence Situation (Note)	Concurrently Serving as an Independent Director at Other Public Companies
	Name			
Independent Director	Dennis Lynn Segers	Please refer to the Board of Directors table on page 27-33 of this annual report	As of April 17, 2022, the number and % of the Company's shares held by myself, my spouse, relatives within the second degree of relatives (or shares held under the name of third parties): 54,004 shares and 0.07% Amount of remuneration for providing commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years: NTD 0 Other qualifying conditions for independence are as follows: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	0

Note: If the members have been met any of the following criteria during the two years term of office and prior to being elected:

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



(B) The state of operations of the Compensation Committee

- ① The Compensation Committee is comprised of three members.
- ② The term of the Compensation Committee commences from October 30, 2019 and ends on October 27, 2022.
- ③ The Compensation Committee has held 5 meetings in 2021, and the attendance of Compensation Committee is as below:

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

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

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

(D) In 2021, the major resolutions of the Compensation Committee, Opinions from Compensation Committee, and the Company's handling on such opinions

Meetings	Date (Taiwan Time)	Major Resolutions	Opinions from Compensation Committee, and the Company's handling on such opinions
Compensation Committee	2021/02/03	1.To approve the distribution of 2020 management bonus 2.To approve the 2020 RSA grants to certain employees hired after last grant date, October 27, 2020 3.To approve the 2020 Board performance self-evaluation report 4.To approve and ratify certain amendments in the 2020 Share Repurchase and Employee Incentive Plan	1.Compensation Committee approved this resolution. 2.Compensation Committee approved this resolution. 3.Compensation Committee approved this resolution. 4.Compensation Committee approved this resolution.
Compensation Committee	2021/04/28	1.To adopt the 2021 Employee Restricted Stock Awards (RSA) Plan as the employee retention tool 2.To approve the 2020 RSA grants to certain employees including new hires and existing 3.To approve the grants of treasury share purchase right to executives 4.To approve the grants of treasury share purchase right to employees transferred from Fresco Logic 5.To approve the amendment to the Company's "Rules and Procedures Governing the Board Performance Evaluation"	1.Compensation Committee approved this resolution. 2.Compensation Committee approved this resolution. 3.Compensation Committee approved this resolution. 4.Compensation Committee approved this resolution. 5.Compensation Committee approved this resolution.
Compensation Committee	2021/08/04	1.To approve the allocation and distribution of 2020 director remuneration 2.To approve the guidelines of 2020 employee profit sharing, the executive profit sharing and summary of 2020 employee profit sharing	1.Compensation Committee approved this resolution. 2.Compensation Committee approved this resolution.
Compensation Committee	2021/10/27	1.To approve the buyback of the company's shares as the equity bonus to the executive team and a retention program to the executive/non-executive employees	1.Compensation Committee approved this resolution.
Compensation Committee	12/17/2021	1. To approve the adjustment of CEO 2022 annual salary 2. To approve the average salary adjustment percentage of respective geographic site of the Company for year 2022 3. Approve the structure of 2022 Management Bonus Program 4. To approve the distribution of employee profit sharing	1. Compensation Committee approved this resolution. 2. Compensation Committee approved this resolution. 3. Compensation Committee approved this resolution. 4. Compensation Committee approved this resolution.

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

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

Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(IV)Has the Company established internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		(IV) The Company has established Rules of Conduct with Respect to Inside Information and Trading, and has advocated the policy to employees, managers and Directors to reduce the risk of inside trading.	(IV) No significant difference.
III .Structure of the Board and its duties				
( I )Has the Board of Directors formulated a diversity policy, specific management objectives and implemented them?	V		( I )The Company respects the policy of Directors diversity. In order to improve the composition of the Board of Directors and strengthen its functions, the selection of Directors is based on a comprehensive consideration of their basic background (such as age, nationality, etc.), industry experience and professional capabilities (such as accounting and finance, business management, crisis management, etc.). The specific diversity management objectives are not limited by gender, race and nationality, and the main consideration is the professional ability and background required for the Company’s operation. At present, the Directors of the Company have expertise in business, finance, and technology related industries, possess the knowledge, skills and literacy required to perform their duties, have rich experience in business management and judgment, and could lead the Company and shareholders to get the best interests.	( I )No significant difference.
( II )Has the Company set up functional committees in addition to the compensation committee and audit committee based on the related laws and regulations?	V		( II ) The Company has met the requirement for corporate governance implementation, and other functional committees will be set depending on future needs of the Company.	( II )No significant difference.
( III )Has the Company formulated rules and procedures for Board of Directors performance assessments and conducted regularly scheduled performance assessments, and use the results as reference for director’s remuneration and renewal?	V		( III ) The Company has formulated the rules and procedures for Board of Directors performance assessments and evaluates the performance every year. The results of latest performance evaluation of 2021 Board of Directors and board members was reported to the Board of Directors meeting on February 9, 2022. The results of the performance evaluation will be used as reference for director’s remuneration and future renewal.	( III ) No significant difference.

Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(IV)Has the Company evaluated the independence and suitability of the CPA engaged by the Company regularly?	V		(IV) CPA of the Company belong to one of the big four international accounting firms, and have already avoided any matters or persons that are in their personal interests. As for the selection and appointment of CPA, the Audit Committee and the Board of Directors have evaluated their independence and appropriateness annually. The latest evaluation result was approved by the Audit Committee and the Board of Directors on December 17, 2021. Please refer to Note 1 for Evaluation Criteria on page 60 of this annual report.	(IV) No significant difference.
IV. Is the Company equipped with appropriate and appropriate numbers of corporate governance personnel, and designate corporate governance executives responsible for corporate governance related affairs (including, but not to be limited to, providing Directors with the information needed to perform business, assisting Directors in complying with laws and regulations, handling matters related to meeting of the Board of Directors and shareholders’ meetings in accordance with the laws, preparing Board meeting minutes and annual general meeting of members meeting minutes)?	V		The Company has designated persons to be incharge in providing Directors with the information needed to perform business, assisting Directors in complying with laws and regulations, handling matters related to meeting of the Board of Directors and shareholders’ meetings in accordance with the laws, preparing Board meeting minutes and annual general meeting of members meeting minutes, etc..	No significant difference.
V.Has the Company established channels of communication with its stakeholders (including, but not to be limited to, shareholders, employees, clients and suppliers, etc.), designated a stakeholders section on its website, and properly responded the stakeholders concern on the importance corporate social responsibility?	V		The Company has designated a stakeholders section on the Company website ( <a href="https://www.paradetech.com">https://www.paradetech.com</a> ), and has the specific window ( <a href="mailto:csr@paradetech.com">csr@paradetech.com</a> ) to communicate with its related parties. Please refer to Note 2 for the stakeholders identified, focus, communication channel and response on page 60-61 of this annual report.	No significant difference.
VI.Has the Company engaged a professional shareholder services agent to handle shareholders meeting matters?	V		The Company has engaged Transfer Agency Department of CTBC Bank as Stock Transfer Agent.	No significant difference.

Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
<p>VII.Information Disclosure</p> <p>( I )Has the Company set up a website to disclose its financial, operational and corporate governance information?</p> <p>( II )Has the Company adopted other methods to disclose its information (ex. set up English website, designate a person responsible for the collection and disclosure of information, implement the spokesman system, upload road show process to the company website, etc.)?</p> <p>( III )Does the Company announce the report the annual financial report within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial reports and the revenue of each month as soon as possible before the prescribed period?</p>	V		<p>( I ) The Company has disclosed its financial, operational and corporate governance information on the Company Website (<a href="https://www.paradetech.com">https://www.paradetech.com</a>).</p> <p>( II ) The Company has designated persons responsible for collecting and disclosing company information, and has set up Chinese and English Website, and implemented the spokesman system.</p> <p>( III ) The Company has announced and reported the annual financial report, the first, second and third quarter financial reports and the revenue of each month within the time limit prescribed by law.</p>	<p>( I ) No significant difference.</p> <p>( II ) No significant difference.</p> <p>( III ) No significant difference.</p>
<p>VIII.Does the Company have other important information to facilitate the understanding to the Company’s practice of corporate governance (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders rights, the progress of Directors and supervisors’ trainings, implementation of risk management policies and risk measurement standards, implementation of customer policies, liability insurance for Directors and supervisors purchased, etc.)?</p>	V		<p>( I ) Status of employee rights and employee care: Please refer to the “5.5 Labor Relations” section on page 126-128 of this annual report.</p> <p>( II ) Investor relations: The Company has fully disclosed the information through MOPS and the Company’s website, and let investors could fully understand the Company’s operating conditions. And the Company has communication with investors through the shareholders’ meetings, regular Investor Conferences and spokespersons.</p> <p>( III ) The progress of training of Directors and Independent Directors: Directors and Independent Directors of the Company have relevant expertise in corporate governance. In order to let Directors and Independent Directors further understand their responsibilities and obligations, the Company would also provide Directors and Independent Directors latest training information from time to time.</p>	No significant difference.

Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons																																								
	Yes	No	Description																																									
			<p>Continuing Education/Training of Directors in 2021:</p> <table border="1"> <thead> <tr> <th>Director/ Independent Directors</th><th>Date</th><th>Host by</th><th>Training course</th><th>Hours</th></tr> </thead> <tbody> <tr> <td rowspan="2">Ji Zhao</td><td>12/21/2021</td><td rowspan="2">Securities and Futures Institute</td><td rowspan="2">Introduction of Financial Instruments &amp; Case sharing/ Example, Accounting &amp; Compliance for Financial Instruments Investments</td><td>3</td></tr> <tr> <td>12/22/2021</td><td>3</td></tr> <tr> <td rowspan="2">Ming Qu</td><td>12/21/2021</td><td rowspan="2">Securities and Futures Institute</td><td rowspan="2">Introduction of Financial Instruments &amp; Case sharing/ Example, Accounting &amp; Compliance for Financial Instruments Investments</td><td>3</td></tr> <tr> <td>12/22/2021</td><td>3</td></tr> <tr> <td rowspan="2">Jackie Yang</td><td>12/21/2021</td><td rowspan="2">Securities and Futures Institute</td><td rowspan="2">Introduction of Financial Instruments &amp; Case sharing/ Example, Accounting &amp; Compliance for Financial Instruments Investments</td><td>3</td></tr> <tr> <td>12/22/2021</td><td>3</td></tr> <tr> <td rowspan="2">Hao Chen</td><td>12/21/2021</td><td rowspan="2">Securities and Futures Institute</td><td rowspan="2">Introduction of Financial Instruments &amp; Case sharing/ Example, Accounting &amp; Compliance for Financial Instruments Investments</td><td>3</td></tr> <tr> <td>12/22/2021</td><td>3</td></tr> <tr> <td rowspan="2">Darren Huang</td><td rowspan="2">11/04/2021</td><td rowspan="2">Taiwan Development &amp; Research Academia of Economic &amp; Technology</td><td>Enterprises Continue to Create Business Peak Practices</td><td>3</td></tr> <tr> <td>Practical Approach to Sustainable Management in the face of Global Competition</td><td>3</td></tr> </tbody> </table>	Director/ Independent Directors	Date	Host by	Training course	Hours	Ji Zhao	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3	12/22/2021	3	Ming Qu	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3	12/22/2021	3	Jackie Yang	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3	12/22/2021	3	Hao Chen	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3	12/22/2021	3	Darren Huang	11/04/2021	Taiwan Development & Research Academia of Economic & Technology	Enterprises Continue to Create Business Peak Practices	3	Practical Approach to Sustainable Management in the face of Global Competition	3	
Director/ Independent Directors	Date	Host by	Training course	Hours																																								
Ji Zhao	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3																																								
	12/22/2021			3																																								
Ming Qu	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3																																								
	12/22/2021			3																																								
Jackie Yang	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3																																								
	12/22/2021			3																																								
Hao Chen	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3																																								
	12/22/2021			3																																								
Darren Huang	11/04/2021	Taiwan Development & Research Academia of Economic & Technology	Enterprises Continue to Create Business Peak Practices	3																																								
			Practical Approach to Sustainable Management in the face of Global Competition	3																																								

Items	Implementation Status							Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons		
	Yes	No	Description							
			Director/ Independent Directors	Date	Host by	Training course	Hours			
			Cyrus Ying- Chun Tsui	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3			
				12/22/2021			3			
			Dennis Lynn Segers	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3			
				12/22/2021			3			
			Jen-Lin (Norman) Shen	10/26/2021	Taiwan Corporate Governance Association	Mergers and Acquisitions Practice and Case Analysis	3			
						The Development Trend and Important Norms of Money Laundering and Terrorism Prevention and Control	3			
			Charlie Xiaoli Huang	12/21/2021	Securities and Futures Institute	Introduction of Financial Instruments & Case sharing/ Example, Accounting & Compliance for Financial Instruments Investments	3			
				12/22/2021			3			
			(IV) Implementation of risk management policies and risk measurement standards: The Company focuses on its core business, and promotes various policies with relevant regulations to reduce and avoid any possible risks.							
			(V) Implementation of customer policies: The Company always keeps close contact with customers and maintains stable and good relations to ensure and expected reliability and quality of products and create company profits.							



Items	Implementation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
			(VI) Company's purchase of liability insurance for Directors and supervisors: The Company has purchased liability insurance for Directors and Independent Directors, and has disclosed the information in the Corporate Governance Area of MOPS.	
IX. Please describe the improved situation of corporate governance evaluation results from TWSE recent year, and please list the priority improved items for the non-improved items. Improved items: ( I ) If the Company has disclosed the material information in English simultaneously? Ans: The Company has released the material information in Chinese and English simultaneously  Priority improved items: ( I ) If the Board of Directors of the Company has regularly (at least once a year) evaluated the independence of certified accounts? If the Company has disclosed the evaluation procedures in the annual report? Ans: From 2021, the Board of Directors of the Company will evaluate the independence of certified accounts every year. And the Company will disclose the evaluation procedures in the annual report.				

Note 1: Evaluation Criteria for CPA’s independence

Item	Evaluation Criteria	Result	Independence
1	Whether the CPA has direct or significant indirect financial interests with the Company.	No	✓
2	Whether the CPA has any financing or guarantees with the Company or the directors of the Company.	No	✓
3	Whether the CPA has a close business relationship or potential employment relationship with the Company.	No	✓
4	Whether the CPA or members in the audit team have served as directors, officers or any position that have a significant influence on the financial statements audit in the last two years.	No	✓
5	Whether the CPA has any non-audit services to the Company which may directly affect the audit work.	No	✓
6	Does the CPA act as broker of the stock or other securities issued by the Company?	No	✓
7	Whether the CPA acts as a defender of the Company or coordinates conflicts with third parties on behalf of the Company.	No	✓
8	Does the CPA have a close or immediate family relationship with the directors, officers of the Company or those who have significant influence on the financial statements audit?	No	✓

Note 2: Stakeholder Communication

Stakeholders	Priority Focus	Communication Channel & Frequency	Response
Employees	<ul style="list-style-type: none"> <li>Salaries and benefits</li> <li>Occupational safety and health risks</li> <li>Talent development</li> </ul>	<ul style="list-style-type: none"> <li>Performance Review (annually)</li> <li>Employee meeting (as needed)</li> <li>Suggestion box (any time)</li> <li>Employee training (as needed)</li> <li>Email announcement (as needed)</li> <li>Contact: HR Dept. <a href="mailto:hr@paradetech.com">hr@paradetech.com</a></li> </ul>	<ul style="list-style-type: none"> <li>Provide competitive compensation</li> <li>Provide benefit packages that meet the needs of each office</li> <li>Offer quality working environment</li> </ul>

Stakeholders	Priority Focus	Communication Channel & Frequency	Response
Customers	<ul style="list-style-type: none"> <li>• Customer relationship management</li> <li>• Product quality issues</li> <li>• Supplier Management</li> <li>• Law Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Telephone/Email (any time)</li> <li>• Customer meeting (as needed)</li> <li>• Channels for customer complaints (any time)</li> <li>• Contact: Sales Dept. <a href="mailto:support@paradetech.com">support@paradetech.com</a></li> </ul>	<ul style="list-style-type: none"> <li>• Listen to customer opinions</li> <li>• Develop products that meet the needs of customers</li> <li>• Track product quality issues</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Production status tracking</li> <li>• Customer compliant handling and tracking</li> <li>• Law Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Telephone/Email (any time)</li> <li>• Supplier meeting (as needed)</li> <li>• Documentary reviews (new supplier)</li> <li>• Contact: Operation Dept. <a href="mailto:support@paradetech.com">support@paradetech.com</a></li> </ul>	<ul style="list-style-type: none"> <li>• Track production status and product quality issues</li> <li>• Investigate whether conflict minerals are used and track improvements</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>• Operating conditions</li> <li>• Financial information</li> <li>• Material information</li> <li>• Dividend policy</li> <li>• Sustainability policy</li> <li>• Law Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• General Shareholders' meeting (annually)</li> <li>• Extraordinary Shareholders' meeting (as needed)</li> <li>• Investor conferences (quarterly)</li> <li>• Annual report (annually)</li> <li>• Seminars for investing institutions (as needed)</li> <li>• Market Observation Post System (as required by the relevant laws and regulations)</li> <li>• Contact: Investor Relations Dept. <a href="mailto:ir@paradetech.com">ir@paradetech.com</a></li> </ul>	<ul style="list-style-type: none"> <li>• Interact with investors through different channels and listen to their opinions</li> <li>• Held 4 financial results conference calls, and attended 10 investor conferences in 2021</li> </ul>

### 3.4.3. The Implementation Status of Promoting Sustainable Development and Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
I .Has the Company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to handle senior management, and supervised by the Board of Directors?		V	I .The Company has not yet established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development, however, the Company continues continue to practice sustainable development. Related policies and governance structure will be established as deemed necessary.	I . In the event of legal requirements or practical needs, the Company will follow “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the related laws and regulations.

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
II .Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company’s operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		II .The Company has identified material environmental, social and corporate governance topics and measures of the Company and its subsidiaries based on the information provided by its stakeholders and with reference to GRI Standards issued by the Global Reporting Initiative. The material topics identified by the Company in 2021 include environmental policy, climate change, employee relations and career development, and law compliance. Please refer to 2021 Sustainability Report of the Company for more details.	II . No significant difference.
III .Environmental issues ( I )Has the Company established proper environmental management systems based on the characteristics of its industries?	V		( I ) The Company is a fabless IC design company, and works closely with foundries and assembly/testing suppliers. The raw materials used are in accordance with the European Union Restriction of Hazardous Substances (RoHS) regulations. To ensure that all products meet the requirements of customers and regulation, any dangerous material is prohibited to use in production. The Company has also got the certificate of SONY GP (green procurement), and conducts management with the rules.	( I ) No significant difference.
( II )Has the Company endeavored to improving energy efficiency and used renewable materials which have a low impact on the environment?	V		( II ) The Company's workplace is a general office without a factory, and the impact of its business activities on the environment is very low. However, the Company still promotes energy saving and carbon reduction in the office to reduce waste of paper, electricity and water.	( II ) No significant difference.
( III )Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take relevant countermeasures?	V		( III ) According to the climate-related risks defined by the Task Force on Climate-related Financial Disclosures, the Company has identified the following material climate-related risks and response.	( III ) No significant difference.

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons																	
	Yes	No	Description																		
(IV)Does the Company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies on carbon reduction, greenhouse gas reduction, water consumption or other waste management?	V		<table><tr><th>Type</th><th>Climate-Related Risks</th><th>Potential Financial Impacts</th><th>Response</th></tr><tr><td rowspan="2">Transition Risks</td><td>Policy and Legal: Possible stricter regulations of greenhouse gas emissions may apply</td><td>Higher costs</td><td>-Promoting internal energy saving -Asking suppliers to meet international environmental certification standards</td></tr><tr><td>Technology and Market: The market may gradually accept sustainable concept products, and existing products or services are replaced</td><td>Reduced revenue and higher costs</td><td>-Investing in R&amp;D to develop advanced and energy-saving products in response to market trends</td></tr><tr><td rowspan="2">Physical Risks</td><td>Acute: Events such as typhoons and floods</td><td rowspan="2">Reduced revenue and higher costs</td><td>-Paying attention to disaster information and forming an emergency response team if necessary</td></tr><tr><td>Chronic: Extreme variability in weather patterns or rising</td><td>-Promoting energy saving across the group to reduce GHG emissions</td></tr></table>	Type	Climate-Related Risks	Potential Financial Impacts	Response	Transition Risks	Policy and Legal: Possible stricter regulations of greenhouse gas emissions may apply	Higher costs	-Promoting internal energy saving -Asking suppliers to meet international environmental certification standards	Technology and Market: The market may gradually accept sustainable concept products, and existing products or services are replaced	Reduced revenue and higher costs	-Investing in R&D to develop advanced and energy-saving products in response to market trends	Physical Risks	Acute: Events such as typhoons and floods	Reduced revenue and higher costs	-Paying attention to disaster information and forming an emergency response team if necessary	Chronic: Extreme variability in weather patterns or rising	-Promoting energy saving across the group to reduce GHG emissions	(IV) No significant difference.
			Type	Climate-Related Risks	Potential Financial Impacts	Response															
			Transition Risks	Policy and Legal: Possible stricter regulations of greenhouse gas emissions may apply	Higher costs	-Promoting internal energy saving -Asking suppliers to meet international environmental certification standards															
				Technology and Market: The market may gradually accept sustainable concept products, and existing products or services are replaced	Reduced revenue and higher costs	-Investing in R&D to develop advanced and energy-saving products in response to market trends															
			Physical Risks	Acute: Events such as typhoons and floods	Reduced revenue and higher costs	-Paying attention to disaster information and forming an emergency response team if necessary															
Chronic: Extreme variability in weather patterns or rising	-Promoting energy saving across the group to reduce GHG emissions																				
(IV) The Company's self-checked greenhouse gas emissions in 2020 and 2021 are as follows:																					
<table><tr><th>Item</th><th>Unit</th><th>2020</th><th>2021</th></tr><tr><td>Scope 1</td><td>Metric tons of CO<sub>2</sub>e</td><td>116</td><td>126</td></tr><tr><td>Scope 2</td><td>Metric tons of CO<sub>2</sub>e</td><td>2,939</td><td>3,199</td></tr><tr><td>Total</td><td>Metric tons of CO<sub>2</sub>e</td><td>3,055</td><td>3,325</td></tr><tr><td>Scope 1 and 2 Emissions Intensity</td><td>Metric tons of CO<sub>2</sub>e / Revenue in millions of NT\$</td><td>0.200</td><td>0.166</td></tr></table>	Item	Unit	2020	2021	Scope 1	Metric tons of CO <sub>2</sub> e	116	126	Scope 2	Metric tons of CO <sub>2</sub> e	2,939	3,199	Total	Metric tons of CO <sub>2</sub> e	3,055	3,325	Scope 1 and 2 Emissions Intensity	Metric tons of CO <sub>2</sub> e / Revenue in millions of NT\$	0.200	0.166	
Item	Unit	2020	2021																		
Scope 1	Metric tons of CO <sub>2</sub> e	116	126																		
Scope 2	Metric tons of CO <sub>2</sub> e	2,939	3,199																		
Total	Metric tons of CO <sub>2</sub> e	3,055	3,325																		
Scope 1 and 2 Emissions Intensity	Metric tons of CO <sub>2</sub> e / Revenue in millions of NT\$	0.200	0.166																		
The Company is a fabless IC design company without production lines, and all of its offices are leased. The Company does not own any buildings. In some operating locations, the public spaces, such as pantry, toilets, trash and recycle room, are shared with other companies. Under these restrictions, the Company has not yet made statistics on water withdrawal, water discharge, water consumption, and weight of waste generated. After considering its business model, the Company concluded that the information of water withdrawal, water discharge, water consumption, and weight of waste generated should not be material and will not have a significant impact on the Company's stakeholders. Although water and waste management are not material topics of the Company, the Company still promotes and practices water conservation and waste reduction																					

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
IV.Social issues				
( I )Has the Company established management policies and procedures in accordance with applicable laws and regulations and International Bill of Human Rights	V		( I ) The Company has formulated management policies and procedures in accordance with applicable laws and regulations, and has referred to the Universal Declaration of Human Rights and the Responsible Business Alliance Code of Conduct to ensure that workplaces are safe, employees are respected, and operations are environmentally responsible and conducted ethically. The Company has also followed the compliance with labor laws and Personal Information Protection Act to ensure the right of candidates and employees during the recruiting and internal management process. The Company has held regular communication meetings to meet win-win situation for both employees and the Company.	( I ) No significant difference.
( II )Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation?	V		( II ) The description of Labors please refer to page 126-128. And the Company has appropriately reflected operating performance or results in employee compensation. The Company cares about workplace diversity and equality. As of December 31, 2021, female employees and supervisors accounted for 32.5% of all employees, and female supervisors accounted for 21.5% of all managerial positions. Due to the characteristics of the IC design industry and the talent pools, the male population is greater than the female population.	( II ) No significant difference.
( III )Has the Company provided safe and healthful work environments for the employees, including safety and health training to the employees on a regular basis?	V		( III ) The Company has set up the surveillance system to ensure the safety of employee at workplace, and has provided irregular safety and health training to the employees. There was no occupational accident case in 2021.	( III ) No significant difference.
( IV )Has the Company established effective training programs for the employees to foster career skills?	V		( IV ) According to the different requirement of the positions and with employees’ career planning, the Company helps the employees to foster their career skills.	( IV ) No significant difference.

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(V) Does the Company comply with relevant laws and regulations and international standards, and formulated relevant consumer or customer rights protection policies and grievance procedures for issues such as customer health and safety, customer privacy, marketing and labeling of products and services?	V		(V) The Company's products comply with environmental protection and patent-related laws and regulations and international standards. The Company has maintained good relationships with customers and has provided efficient communication processes dealing with customers' claim for products and services.	(V) No significant difference.
(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?	V		(VI) The Company has the Conflict Minerals Statement and takes measures to avoid the use of Conflict Minerals, including requiring suppliers to conduct due diligence to confirm conformance and to provide investigative reports. Parade will work with the supply, if necessary, to find alternative sources for the Conflict Metals if they exist in the supplier's product. Parade gives close attention to the issue of conflict metals, following international convention, with social responsibility and preserving the rights of customers and as our objectives. The Company also regularly tracks and encourages its suppliers to obtain various environmental management certifications, hazardous substance process management certifications and occupational safety and health management certifications.	(VI) No significant difference.
V. Does the Company refer to internationally accepted reporting standards or guidelines for compiling reports on corporate non-financial information such as Sustainability Report? Did the previous Sustainability Report obtain the assurance from a third-party verification unit?	V		The Company voluntarily releases the Sustainability Report in accordance with the GRI Standards: Core option issued by Global Reporting Initiative (GRI). The Company has not yet planned to obtain assurance from a third-party for the Sustainability Report.	No significant difference.
VI. If the Company has established sustainable development principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has not yet formulated its sustainable development principles, but the Company is still practicing sustainable development and will formulate relevant sustainability policies as needed in the future.				
VII. Other important information to facilitate better understanding of the Company's sustainable development practices: Please refer to the Company's 2021 Sustainability Report.				

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

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

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



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

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

The Company has not yet adopted corporate governance best-practice principles, but has set up “Rules and Procedures of General Meeting”, “Rules and Procedures of Board of Directors Meetings”, “Charter of the Audit Committee of the Board of Directors”, “Procedures for Transactions with Related Party, Group and Specific Company”, and in fact, the Company has been practically operating with the spirit of corporate governance and fulfilling relevant regulatory requirements. The Company will amend relevant management policies to enhance information transparency and the function of the Board in the future to promote the operation of corporate governance.

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

#### 3.4.7 Major Resolutions of Shareholders' Meeting and Board Meetings

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

Meetings	Date (Taiwan Time)	Major Resolutions	State of Implementation
Annual General Meeting of Members	08/20/2021	1. To ratify the 2020 Business Report 2. To adopt the Company's 2020 audited consolidated financial statements 3. To approve the 2020 profit distribution plan 4. To approve 2021 Employee Restricted Stock Awards Plan	1. Approved 2. Approved 3. Approved (the Board of Directors is authorized to approve the cash dividends): for the first half year of 2020, the record date for dividends distribution was March 13, 2021, and have paid the cash dividend on March 31, 2021. (cash dividend per share of NT\$9.12111221); for the second half year of 2020, the record date for dividends distribution was August 29, 2021, and have paid the cash dividend on September 17, 2021. (cash dividend per share of NT\$12.61981392) 4. Got FSC's approval on September 10, 2021, but the Company does not issue 2021 RSA.

(2) Major Resolutions of Board Meetings

Meetings	Date (Taiwan Time)	Major Resolutions
Board Meeting	02/03/2021	1. Approval of the distribution of 2020 management bonus 2. Approval of non-executives Restricted Stock Award grant 3. Approval of repurchase and cancellation of restricted stock awards 4. Approval and ratification of certain amendments in the 2020 share repurchase and employee incentive plan
Board Meeting	03/10/2021	1. Approval of 2020 Draft Taiwan Branch Office Financial Reports 2. Approval of 2020 Draft Consolidated Financial Reports 3. Approval of Statement of Internal Control System and Self Assessment Report of Internal Control of Year 2020

<b>Meetings</b>	<b>Date (Taiwan Time)</b>	<b>Major Resolutions</b>
Board Meeting	03/10/2021	<ol style="list-style-type: none"> <li>4. Approval of proposed date, location, and agenda of the 2021 Annual General Meeting of Members</li> <li>5. Approval of shareholder's proposal right in connection with 2021 Annual General Meeting</li> <li>6. Approval of Profit Distribution Proposal of 2020</li> </ol>
Board Meeting	04/28/2021	<ol style="list-style-type: none"> <li>1. Approval of reviewed Consolidated Financial Report for the first quarter ended 3/31/2021</li> <li>2. Approval of transfer of Treasury Shares to executives</li> <li>3. Approval of transfer of Treasury Shares to employees transferred from Fresco Logic</li> <li>4. Approval of non-executives Restricted Stock Award grant</li> <li>5. Approval of repurchase and cancellation of restricted stock awards</li> <li>6. Approval of allocation of 2020 employees' bonuses and Directors' remuneration</li> <li>7. Review and approval of the shareholder's proposal</li> <li>8. Approval of 2020 business report</li> <li>9. Approval of cash dividend declaration and distribution for 2<sup>nd</sup> half of 2020</li> <li>10. Approval of 2021 Employee Restricted Stock Awards Plan</li> <li>11. Approval of amendment to Company's "Rules and Procedures Governing the Board Performance Evaluation"</li> <li>12. Approval of the plan to secure the long-term capacity support from key supplier partner</li> </ol>
Board Meeting	08/04/2021	<ol style="list-style-type: none"> <li>1. Approval of draft consolidated financial reports for the first half year of FY2021</li> <li>2. Approval of 2020 Director remuneration allocation and distribution</li> <li>3. Approval of 2020 employee bonus distribution</li> <li>4. Approval of repurchase and cancellation of restricted stock awards</li> <li>5. Approval of amend terms of audit engagement with PricewaterhouseCoopers for FY 2021 financial audit</li> <li>6. Approval of the revised and back-up plan of 2021 Annual General Meeting of Members</li> </ol>
Board Meeting	10/27/2021	<ol style="list-style-type: none"> <li>1. Approval of reviewed consolidated financial reports of the Company for the third quarter ended September 30, 2021</li> <li>2. Approval of repurchase and cancellation of restricted stock awards</li> <li>3. Approval of Profit Distribution Proposal of 1<sup>st</sup> half of 2021</li> <li>4. Approval of business report of 1<sup>st</sup> half of 2021</li> <li>5. Approval of cash dividend declaration and distribution for 1<sup>st</sup> half of 2021</li> <li>6. Approval of 2021 share purchase and employee/executive incentive plan</li> <li>7. Approval of certain changes for Company's "Rules of Conduct with Respect to Inside Information and Trading"</li> <li>8. Approval of the internal audit plan for FY2022</li> </ol>

Meetings	Date (Taiwan Time)	Major Resolutions
Board Meeting Board Meeting	12/17/2021	<ol style="list-style-type: none"> <li>1. Approval and ratification of compensation committee actions</li> <li>2. Approval of Company budget for fiscal year 2022</li> <li>3. Approval of terms of audit engagement with PricewaterhouseCoopers LLC (Taipei) for FY 2022 financial audit and FY 2022 internal control audit</li> <li>4. Approval of terms of audit engagement with PricewaterhouseCoopers LLC (Taipei) for FY 2022 financial audit and tax compliance, respectively, of Taiwan office</li> <li>5. Approval of terms of tax compliance services engagement with PricewaterhouseCoopers LLC (Taipei and Hong Kong) for FY 2022</li> <li>6. Approval of the evaluation report of the external auditor's independence and suitability</li> </ol>
Board Meeting	02/09/2022	<ol style="list-style-type: none"> <li>1. Approval of the distribution of 2021 management bonus</li> <li>2. Approval of transfer of treasury shares to executives</li> <li>3. Approval of transfer of treasury shares to non-executive employees</li> <li>4. Approval of repurchase and cancellation of restricted stock awards</li> </ol>
Board Meeting	03/09/2022	<ol style="list-style-type: none"> <li>1. Approval 2021 Draft Taiwan Branch Office Financial Reports</li> <li>2. Approval of 2021 Draft Consolidated Financial Reports</li> <li>3. Approval of Statements of Internal Control System and Self Assessment Report of Internal Control of Year 2021</li> <li>4. Re-election of Directors (Independent Directors inclusive) at Company's 2022 Annual General Meeting</li> <li>5. Approval of nomination period of Directors (Independent Directors inclusive)</li> <li>6. Approval of proposed date, location, and agenda of 2022 Annual General Meeting of Members</li> <li>7. Approval of shareholder's proposal right in connection with 2022 Annual General Meeting</li> <li>8. Approval of Profit Distribution Proposal of 2021</li> <li>9. Approval of certain changes of the Company's "procedures for acquisition or disposal of assets"</li> </ol>
Board Meeting	04/27/2022	<ol style="list-style-type: none"> <li>1. Approval of reviewed Consolidated Financial Report for the first quarter ended 3/31/2022</li> <li>2. Approval of transfer of Treasury Shares to executives</li> <li>3. Approval of transfer of Treasury Shares to employees transferred from Fresco Logic</li> <li>4. Approval of transfer of Treasury Shares to executives under 2021 Equity Plan</li> <li>5. Approval of the salary increase in US sub CEO</li> <li>6. Approval of repurchase and cancellation of restricted stock awards</li> <li>7. Approval of allocation of 2021 employees' bonuses and Directors' remuneration</li> <li>8. Review and approval of the shareholder's proposal</li> <li>9. Approval of 2021 business report</li> <li>10. Approval of cash dividend declaration and distribution for 2<sup>nd</sup> half of 2021</li> <li>11. Nomination of Independent Directors nominees for election or re-election at Company's 2022 Annual General Meeting</li> </ol>

Meetings	Date (Taiwan Time)	Major Resolutions
Board Meeting	04/27/2022	12. Nomination of non-Independent Directors nominees for re-election at Company's 2022 Annual General Meeting 13. Approval of certain amendments to the Company's memorandum and articles of association 14. Approval of certain amendments to Company's Rules and Procedures of General Meeting 15. Approval of the Company's greenhouse GAS emissions disclosure and verification schedule 16. Approval of the revised and back-up plan of 2022 Annual General Meeting of Members

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

### 3.4.8 Summary of the internal control system

- (1) Internal Control Statement: Please refer to page 77.
- (2) The certified public accountants' review report on the Company's internal control systems: Please refer to page 78-79.
- (3) Any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None

## 3.5 Status of Personnel Responsible for Preparing Financial Reports

A summary of resignations and dismissals, during the most recent fiscal year and up to the date of printing of the annual report, of the Company's chairman, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: None

## 3.6 Information Regarding Independent Auditors

### 3.6.1 Auditors information and audit fees

Unit: NTD in Thousands

Audit firm	CPA	Service period	Audit fees	Non-Audit fees	Total	Note
Pricewaterhouse Coopers, Taiwan	Hsiao-Tzu Chou	01/01/2021~ 12/31/2021	6,258	6,087	12,345	Non-audit fee – Others refer to Tax service 2,356 thousands; Other consulting 1,798 thousands; Internal control audit 1,373 thousands; and TP consulting 560 thousands.
	Hua-Ling Liang	01/01/2021~ 12/31/2021				

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

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

3.6.4 Information on replacement of certified public accountant: None

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

None

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

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

Unit: Shares

Title	Name	Year 2021		April 17, 2022	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman	Ji Zhao (Note 2)	(718,000)	0	75,000	0
Vice Chairman and President	Ming Qu	(414,000)	0	14,000	0
Director	Jackie Yang	0	0	0	0
Director	Hao Chen	0	0	0	0
Director	Darren Huang	0	38,000	0	0
Director	Cyrus Ying-Chun Tsui	0	0	0	0
Independent Director	Dennis Lynn Segers	(18,000)	0	0	0
Independent Director	Jen-Lin (Norman) Shen	0	0	0	0
Independent Director	Charlie Xiaoli Huang	0	0	0	0
Chief Financial Officer	Judy Wang	16,500	0	33,000	0
Sr. Vice President of Worldwide Sales	Peter Oaklander	(3,000)	0	0	0
Executive Vice President of Marketing	Jingwu Jimmy Chiu	(99,000)	0	44,000	0
Executive Vice President of Product Development	Ding Lu	(195,000)	0	8,000	0
Sr. Vice President of TrueTouch Business	Joseph D. Montalbo	(12,000)	0	0	0
Sr. Vice President of Operations	Randy D. Baker	(19,000)	0	0	0
Sr. Vice President & General Counsel	Yun Hwa Chou	5,000	0	0	0
Vice President of Operation & General Manager of Parade (TW)	KP Yang	(4,750)	0	0	0

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

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

### 3.8.2 Shares Trading with Related Parties:

Unit: Shares; NTD

Name	Reason of the Transfer	Transfer Date	Transferee	Relation with the Transferee	Shares	Transfer Price
Ji Zhao	Gift	2021.12.22	AZ 2021 IRREVOCABLE TRUST	Trust Account for Child	140,000	1,955
Ji Zhao	Gift	2021.12.22	WZ 2021 IRREVOCABLE TRUST	Trust Account for Child	140,000	1,955

### 3.8.3 Shares Pledging with Related Parties: None.

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

4/17/2022; Unit: Shares; %

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Fubon Life Insurance	3,875,000	4.77%	0	0.00%	0	0.00%	None	None	None
Fubon Life Insurance (Representative: Richard M. Tsai)	0	0.00%	0	0.00%	0	0.00%	None	None	None
Nan Shan Life Insurance Co., Ltd.	2,471,000	3.04%	0	0.00%	0	0.00%	None	None	None
Nan Shan Life Insurance Co., Ltd. (Representative: Tang Chen)	0	0.00%	0	0.00%	0	0.00%	None	None	None
Morgan Stanley & Co. International Plc	2,196,591	2.71%	0	0.00%	0	0.00%	None	None	None
Ji Zhao	2,074,430	2.55%	0	0.00%	0	0.00%	None	None	Inclusive of shares in trust account of 704,972 shares
Ming Qu	2,023,735	2.49%	0	0.00%	0	0.00%	None	None	None
Swedbank Robur Technology	1,700,000	2.09%	0	0.00%	0	0.00%	None	None	None
Fidelity Investment Trust: Fidelity Series Overseas Fund	1,698,000	2.09%	0	0.00%	0	0.00%	None	None	None
Labor Pension Fund (The New Fund)	1,585,000	1.95%	0	0.00%	0	0.00%	None	None	None
JPMorgan Chase Bank N.A. Taipei Branch in Custody for JPMorgan Funds	1,518,000	1.87%	0	0.00%	0	0.00%	None	None	None



Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
The business department of Standard Chartered International Commercial Bank Fiduciary Investment Account of Swedbank's Robur global fund investment	1,400,000	1.72%	0	0.00%	0	0.00%	None	None	None

3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its Directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company

3/31/2022; Unit: Shares; %

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

## Parade Technologies, Ltd. Statement of Internal Control System

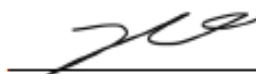
Date: March 9, 2022

Based on the findings of a self-assessment, Parade Technologies, Ltd. (herein below, the "Parade") states the following with regard to its internal control system for the period of year 2021:

1. Parade is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. Parade has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of asset security), (2) the reporting should compliance with related regulations and with reliability, timeliness and transparency, and (3) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of Parade contains self-monitoring mechanisms, and Parade takes corrective actions whenever a deficiency is identified.
3. Parade evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Parade has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Parade believes that, at December 31, 2021, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, the reporting should compliance with related regulations and with reliability, timeliness and transparency, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of Parade's Annual Report for the year 2021 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 9, 2022, with zero of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Parade Technologies, Ltd.

Ji Zhao,



Chairman & CEO

**Parade Technologies Ltd.**  
**Report of Independent Accountants on Internal Controls**

We have audited management's assessment, included in the accompanying Management's Report on Internal Controls Over external financial reporting and assets safeguard, dated March 9, 2022, that Parade Technologies Ltd. (the "Company") maintained effective internal controls over financial reporting and assets safeguard as of and for the year ended December 31, 2021. The Company's management is responsible for maintaining effective internal controls over financial reporting and assets safeguard and for its assessment of the effectiveness of internal controls over financial reporting and assets safeguard. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal controls over financial reporting and assets safeguard based on our audit.

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

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

In our opinion, the Company maintained, in all material respects, effective internal controls over external financial reporting and assets safeguard as of and for the year ended December 31, 2021, based on the criteria of effective internal controls set forth in the “Regulations Governing Establishment of Internal Control Systems by Public Companies”. Also, in our opinion, management’s assessment that the Company maintained effective internal controls over external financial reporting and assets safeguard as of and for the year ended December 31, 2021, is fairly stated, in all material respects, based on the criteria of effective internal controls set forth in the “Regulations Governing Establishment of Internal Control Systems by Public Companies”.

Chou, Hsiao-Tzu

Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2022

---

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

## IV. Capital and Shares

### 4.1 Capital and Shares

#### 4.1.1 Types of Shares

4/17/2022; Unit: Shares

Types of Shares	Authorized Share Amount				Remarks
	Outstanding Shares	Unissued Shares	Treasury Shares	Total	
Common Stock	80,534,358	68,803,887	661,755	150,000,000	None

#### 4.1.2 Issued Shares

##### (1) Share capital formation:

Unit: Shares; Dollar

Date	Par Value	Authorized Shares		Actual Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Using assets other than cash as collateral for the payment of Shares	Others
2021/01/31	NTD 10	150,000,000	1,500,000,000	80,806,648	808,066,480	Conversion of options into new shares 26,333 common shares	None	None
2021/02/23	NTD 10	150,000,000	1,500,000,000	80,814,848	808,148,480	Issuance of RSAs into new shares 8,200 common shares	None	None
2021/02/28	NTD 10	150,000,000	1,500,000,000	80,815,548	808,155,480	Conversion of options into new shares 700 common shares	None	None
2021/03/24	NTD 10	150,000,000	1,500,000,000	80,807,310	808,073,100	Cancellation of RSAs 8,238 common shares	None	None
2021/03/31	NTD 10	150,000,000	1,500,000,000	80,812,510	808,125,100	Conversion of options into new shares 5,200 common shares	None	None
2021/05/03	NTD 10	150,000,000	1,500,000,000	80,814,260	808,142,600	Conversion of options into new shares 1,750 common shares	None	None
2021/05/18	NTD 10	150,000,000	1,500,000,000	80,892,010	808,920,100	Issuance of RSAs into new shares 77,750 common shares	None	None
2021/05/21	NTD 10	150,000,000	1,500,000,000	80,870,480	808,704,800	Cancellation of RSAs 21,530 common shares	None	None
2021/08/31	NTD 10	150,000,000	1,500,000,000	80,877,330	808,773,300	Conversion of options into new shares 6,850 common shares	None	None
2021/09/08	NTD 10	150,000,000	1,500,000,000	80,869,700	808,697,000	Cancellation of RSAs 7,630 common shares	None	None
2021/09/30	NTD 10	150,000,000	1,500,000,000	80,870,500	808,705,000	Conversion of options into new shares 800 common shares	None	None
2021/10/31	NTD 10	150,000,000	1,500,000,000	80,873,500	808,735,000	Conversion of options into new shares 3,000 common shares	None	None

Date	Par Value	Authorized Shares		Actual Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Using assets other than cash as collateral for the payment of Shares	Others
2021/11/16	NTD 10	150,000,000	1,500,000,000	80,855,850	808,558,500	Cancellation of RSAs 17,650 common shares	None	None
2021/11/30	NTD 10	150,000,000	1,500,000,000	80,857,950	808,579,500	Conversion of options into new shares 2,100 common shares	None	None
2021/12/31	NTD 10	150,000,000	1,500,000,000	80,863,800	808,638,000	Conversion of options into new shares 5,850 common shares	None	None
2022/01/31	NTD 10	150,000,000	1,500,000,000	81,207,000	812,070,000	Conversion of options into new shares 343,200 common shares	None	None
2022/02/28	NTD 10	150,000,000	1,500,000,000	81,210,000	812,100,000	Conversion of options into new shares 3,000 common shares	None	None
2022/03/24	NTD 10	150,000,000	1,500,000,000	81,195,613	811,956,130	Cancellation of RSAs 14,387 common shares	None	None
2022/04/17	NTD 10	150,000,000	1,500,000,000	81,196,113	811,961,130	Conversion of options into new shares 500 common shares	None	Note 1 Note 2

Note 1: Until the date of the annual report printed, the Company repurchased 655,180 shares of treasury stocks, and no shares were transferred to employees.

Note 2: Until the date of the annual report printed, the Company has repurchased 6,575 shares of restricted stock awards and will cancel 6,575 shares in May 2022.

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

#### 4.1.3 Status of recent dispersal of shareholding

##### (1) Composition of Shareholders

4/17/2022; Unit: Persons/Shares

Shareholder Composition	Government Agencies	Financial Institutions	Other Institutional Investors	Natural Persons	Foreign Institutions and Foreign Persons	Treasury Shares	Total
Number of Shareholders	0	22	141	2,684	886	1	3,734
Shares Held	0	9,465,938	6,911,317	6,365,851	57,791,252	661,755	81,196,113
Shareholding Percentage	0.00%	11.66%	8.51%	7.84%	71.17%	0.82%	100.00%
Total of capital investments from PRC: 1,088,318 shares, percentage of shareholding: 1.34%							

(2) Distribution Profile of Share Ownership

Par Value for each share: NT\$10; 4/17/2022; Unit: Persons/Shares

<b>Shareholder Ownership (Unit: Shares)</b>	<b>Number of Shareholders</b>	<b>Shares Held</b>	<b>Percentage of Shareholding</b>
1 to 999	1,635	129,228	0.16%
1,000 to 5,000	1,275	2,477,533	3.05%
5,001 to 10,000	207	1,596,527	1.97%
10,001 to 15,000	123	1,573,101	1.94%
15,001 to 20,000	58	1,026,457	1.26%
20,001 to 30,000	80	2,028,106	2.50%
30,001 to 40,000	60	2,145,299	2.64%
40,001 to 50,000	37	1,668,271	2.05%
50,001 to 100,000	102	7,217,649	8.89%
100,001 to 200,000	74	10,308,444	12.70%
200,001 to 400,000	50	14,992,701	18.46%
400,001 to 600,000	7	3,167,458	3.90%
600,001 to 800,000	8	5,759,596	7.09%
800,001 to 1,000,000	6	5,327,959	6.56%
Exceed 1,000,001 shares	12	21,777,784	26.83%
<b>Total</b>	<b>3,734</b>	<b>81,196,113</b>	<b>100.00%</b>

(3) Major Shareholders:

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

4/17/2022

<b>Name of Shareholders</b>	<b>Shares</b>	<b>Shares Held</b>	<b>Percentage of Shareholding</b>
Fubon Life Insurance		3,875,000	4.77%
Nan Shan Life Insurance Co., Ltd.		2,471,000	3.04%
Morgan Stanley & Co. International Plc		2,196,591	2.71%
Ji Zhao (Note)		2,074,430	2.55%
Ming Qu		2,023,735	2.49%
Swedbank Robur Technology		1,700,000	2.09%
Fidelity Investment Trust: Fidelity Series Overseas Fund		1,698,000	2.09%
Labor Pension Fund (The New Fund)		1,585,000	1.95%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for JPMorgan Funds		1,518,000	1.87%
The business department of Standard Chartered International Commercial Bank Fiduciary Investment Account of Swedbank's Robur global fund investment		1,400,000	1.72%

Note: 704,972 of shares are included in trust account

Directors' shares in trust account:

<b>Title</b>	<b>Name</b>	<b>Trustee</b>	<b>Shares in Trust</b>	<b>% of outstanding shares</b>
Chairman	Ji Zhao	The ZG Grantor Retain Annuity Trust	704,972	0.87



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

Unit: NTD; Shares in thousands

Item			Year 2020	Year 2021	1/1/ 2022 ~ 5/1/2022 (Note 5)
Market Price Per Share	Highest		1,320	2,240	2,200
	Lowest		524	1,090	1,225
	Average		922.11	1,574.29	1,741.03
Net Value Per Share	Before Distribution		157.32	180.67	213.51
	After Distribution		144.68	162.25 (Note 4)	Not yet distributed
Basic Earnings Per Share	Weighted-Average Number of Shares		78,156	79,114	79,212
	Earnings Per Share		44.86	66.29	20.91
Diluted Earnings Per Share	Weighted-Average Number of Shares		80,161	80,952	80,602
	Earnings Per Share		43.73	64.79	20.55
Dividend Per Share	Cash Dividends (1 <sup>ST</sup> Half)		9.12111221	14.25347003	—
	Cash Dividends (2 <sup>nd</sup> Half)		12.61981392	18.23 (Note 4)	
	Free Gratis Dividends	Retained Earnings Dividend	0	0	—
		Capital Surplus Dividend	0	0	—
	Accumulated Undistributed Dividends		0	0	—
Rate of Return Analysis	Price/Earnings Ratio (Note 1)		20.97	23.93	—
	Price/Dividend Ratio (Note 2)		42.18	47.74 (Note 4)	—
	Cash Dividend Yield (Note 3)		2.37%	2.09% (Note 4)	—

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

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

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

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

Note 4: Including the dividends amount for 1<sup>st</sup> half of 2021, which were approved by Board of Directors on April 27, 2022.

Note 5: Net Value per share and Earnings per share data were based on the reviewed consolidated financial statements, and market price per share data was based on the data as of the printed date of 2021 Annual Report.

#### 4.1.5 Company dividend policy and implementation status

##### (1) Company dividend policy

In accordance with the Article 113, the Board shall provide the distribution plan according to the following requirements: If there are profits after the final settlement of account of a year (the “Annual Profits”), the Company (i) after its losses have been offset and at the time of allocating surplus profits, may first set aside 10% of the Annual Profits as statutory reserve until the statutory reserve amounts to the authorized capital, and (ii) may appropriate a portion of the Annual Profits as special reserve required by Applicable Public Company Rules or government authorities. Thereafter, having considered the financial, business and operational factors, the Board may propose and specify no less than 10% of any remaining of Annual Profits after the above (i) to (ii) plus, at the Board’s sole discretion, a certain percent of accumulated retained earnings to be distributed as dividends by cash or by applying such sum in paying up in full unissued Shares for allotment and distribution credited as fully paid-up pro rata to the Members or any combination of both, or bonuses according to the Statute and Applicable Public Company Rules, among them, cash dividend shall not less than 10% of the total Dividend declared. 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. In accordance with the Article 113, 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. The foregoing proposal, together with the business report and the financial statements, which shall be audited or reviewed by the certified public accountant, shall be submitted to the Audit Committee for audit first and afterwards be submitted to the Board for approval. In the case of profits distribution under this Article 113-1, the Company shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the statutory reserve to be set aside; provided, however, that if the statutory reserve has amounted to the total paid-in capitals, this requirement does not apply.

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

Unit: NTD

Period	Approved Date	NT\$ per share	Total amount of Cash Dividends
The 1st half year of 2020	10/28/2020 Board Meeting	9.12111221	733,641,246
The 2nd half year of 2020	04/28/2021 Board Meeting	12.61981392	1,019,066,708
The 1st half year of 2021	10/27/2021 Board Meeting	14.25347003	1,147,980,648
The 2nd half year of 2021	04/27/2022 Board Meeting	18.23 (Note)	1,474,147,074

Note: The Chairman of the Board of Directors of the Company is authorized to adjust the ultimate cash dividend per share based on the total amount of profits resolved to be distributed.

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

According to Order No. 00371 announced by Securities and Futures Committee (“SFC”), dated February 1, 2000, it is not required to disclose the information that the Company does not compile or announce the 2022 financial forecast.

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

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

Unless otherwise provided in the Applicable Public Company Rules, where the Company makes profits before tax for the annual financial year, the Company shall appropriate (i) no less than [5%] of such annual profits before tax as employee bonus (the “Employee Bonus”), which shall be distributed in accordance with the incentive programme approved pursuant to Article 9 and may be distributed to employees of the Company and/or the employees of its Subsidiaries and (ii) a maximum of 2% additional Directors’ remunerations. Notwithstanding the foregoing paragraph, if the Company has accumulated losses of the previous years, the Company shall set aside the amount of such accumulated losses prior to the allocation of the Employee Bonus and the above additional Directors’ remunerations. Subject always to the laws of Cayman Islands, the Employee Bonus may be distributed in the form of cash and/or shares, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. For the avoidance of doubt, for the purpose of calculation of the above Employee

Bonus and the additional Directors' remunerations, such "annual profits before tax" shall be without giving effect of the deduction and distribution of such Employee Bonus and the additional Directors' remunerations. The resolutions of Board of Directors regarding the distribution of the Employee Bonus in the preceding sentence shall be reported to the Members at the general meeting after such Board resolutions are passed.

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

The company estimates the amounts of employees' compensation and Directors' remuneration based on the distributable profit of current year for the year ended December 31, 2021, and the percentage of previous year payment. If the amount approved by Annual General Meeting of Members differs from the original estimation, the adjustment will be regarded as a change in accounting estimation and will be reflected in the statement of income in the year that the shareholder's Annual General Meeting is held.

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

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

Unit: NTD

Items	Proposed by the Board of Directors		% of employees' stock bonus to net income	Diluted earning per share after estimating the employees' compensation and Directors' remuneration
	Cash	Shares		
Employees' compensation	367,087,756	-	-	64.79
Directors' remuneration	86,512,851	-	-	

The accrued employees' compensation and Directors' remuneration of 2021 are NT\$329,254,498 and NT\$125,380,944, respectively. The difference of NT\$37,833,258 and (NT\$38,868,093) between the accrued and the proposed amount were caused by the estimated difference. The Company will adjust the profit and loss in 2022.

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

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

The difference of NT\$0 and (NT\$150,766) between the amount of the employees' compensation and Directors' remuneration resolved at the meeting of Board of Directors on August 4, 2021 of NTD 230,743,604 and NTD 80,404,983 and the amount recognized in 2020 financial statements, respectively, mainly caused by the estimated difference, had been adjusted in the profit or loss of 2021. All of them have been executed. The employees' compensation are distributed in the form of cash.

#### 4.1.8 Status of company buyback of corporate stocks:

The results of the 2021-1 Share Repurchase Plan are as below:

5/1/2022

Series	the first repurchase in year 2021
Board resolution date	10/27/2021 (Taiwan Time)
Purpose of repurchase	Transferring to the employees
The set repurchase period	Between 10/28/2021 and 12/27/2021
The actual repurchase period	Between 10/28/2021 and 12/08/2021
The set repurchase price range (Share)	NT\$1,330 to NT\$2,660
The actual repurchase price range (Share)	NT\$1,760 to NT\$2,155
Average price per share of repurchased shares	NT\$2,037.27
The set maximum repurchase shares	700,000 common stocks
Accumulated number of shares already repurchased	700,000 common stocks
Value spent on the repurchase	NT\$1,426,090,818
Accumulated number of shares already repurchased to the set maximum repurchase shares (%)	100
Number of shares transferring to the employees	160,594 shares
Accumulated number of shares already repurchased	539,406 shares
Accumulated percentage of repurchased shares to total number of shares issued (%)	0.66

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

None

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

None

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

Items			Description
Issuing Date			7/24/2012
Issuance & Listing			Luxembourg Stock Exchange
Total Amount (US\$)			58,620,160
Offering Price Per GDR (US\$)			11.17
Units Issued			5,252,000 units (Note)
Underlying Securities			Outstanding Common Shares from Selling Shareholders
Common Shares Represented			5,252,000 common stocks (Note)
Rights & Obligations of GDR Holders			Follow the Prospectus
Trustee			Not Applicable
Depositary Bank			The Bank of New York Mellon
Custodian Bank			Mega International Commercial Bank
GDRs Outstanding			0 units
Apportionment of Expenses for Issuance & Maintenance			Follow the agreement of Depositary Bank and Custodian Bank.
Terms and Conditions in the Deposit Agreement & Custody Agreement			According to the agreement, the Company will provide the necessary public information to Depositary Bank, and Depositary Bank will inform the GDR Holders.
Closing Price Per GDR (US\$)	2021	High	77.00
		Low	40.40
		Average	55.97
	1/1/2022~4/30/2022	High	75.50
		Low	44.60
		Average	63.63

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

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

##### 4.5.1 Employee Stock Options:

5/1/2022

<b>Types of Employee Stock Option Plan</b>	<b>2006 Employee Stock Option Plan</b>	<b>2012 Employee Stock Option Plan</b>
Approval Date by The Securities and Futures Bureau	Not Applicable	4/6/2012
Issue (Grant) Date	Note 1	7/26/2012
Option Duration	The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.	The Options will expire at the end of the tenth year from the date of grant thereof (the "Term"). During the Term, the Option may not be transferred, pledged, donated or otherwise disposed of, except by inheritance.
Number of Options Granted	11,696,052	940,000
Percentage of Shares Exercisable to Outstanding Common Shares	14.40%	1.16%
Option Duration	Any Option granted hereunder shall be exercisable according to the specific contents hereof at such times and under such conditions as determined by the Administrator, and the Options shall exercise before expiration of such period.	The Options shall become exercisable for 50% of Options that can be vested after 2 years of the Grant Date, and 25% of Options are exercisable after each further year.
Source of Option Shares	Issue new shares	Issue new shares
Vesting Schedule and %	Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement. An Option may not be exercised for a fraction of a Share. Except in the case of Options granted to officers, Directors and Consultants, Options shall become exercisable at a rate of no less than 20% per year over five (5) years from the date the Options are granted.	The Options shall become exercisable for 50% of Options that can be vested after 2 years of the Grant Date, and 25% of Options are exercisable after each further year.
Shares Exercised	11,622,978	860,125
Value of Shares Exercised	USD3,940,067.72	NTD192,209,147

<b>Types of Employee Stock Option Plan</b>	<b>2006 Employee Stock Option Plan</b>	<b>2012 Employee Stock Option Plan</b>
Canceled Shares	73,074	69,375
Unexercised Shares	0	10,500
Price of Unexercised Shares	<p>US\$1.22-US\$2.01 (according to Article 9 of the Company's 2006 Stock Plan, the per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:</p> <ol style="list-style-type: none"> <li>In the case of an Incentive Stock Option: <ol style="list-style-type: none"> <li>granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.</li> <li>granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.</li> </ol> </li> <li>In the case of a Nonstatutory Stock Option: <ol style="list-style-type: none"> <li>granted to a Service Provider who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.</li> <li>granted to any other Service Provider, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.</li> </ol> </li> </ol>	NTD 215.0
Percentage of Shares Unexercised to Outstanding Common Shares	0.00%	0.01%
Impact to Shareholders' Equity	Financial statements are reported in accordance with GAAP. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 1.16% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.



Note 1: Historical issuance dates and numbers:

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

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

5/1/2022; Unit: shares; NTD Thousands

	Title	Name	Shares granted	% of granted shares to total issued shares	Shares exercised				Unexercised Shares			
					Shares	Exercised price per share (NTD)	Total exercised amount	% of shares exercised to total issued shares	Shares	Exercised price per share (NTD)	Total exercised amount	% of unexercised shares to total issued shares
Managements	Chief Executive Officer	Ji Zhao	884,250	1.09%	876,750	18.13~240	88,862	1.08%	7,500	215	1,613	0.01%
	President	Ming Qu										
	Chief Financial Officer	Judy Wang										
	Executive Vice President of Marketing	Jingwu Jimmy Chiu										
	Executive Vice President of Product Development	Ding Lu										
	Vice President of Operation & General Manager of Parade (TW)	KP Yang										
Employees	Employee	Alan Yuen	663,968	0.82%	663,968	4.00~240	34,362	0.82%	0	0	0	0.00%
	Employee	BaoQuan Xu										
	Employee	Craig R. Wiley										
	Employee	Hyeog-Sang Shin										
	Employee	Jian Jiang										
	Employee	Jian Wang										
	Employee	Kwong Yuen Chung										
	Employee	Jian-Jin										
	Employee	Xin Jin										
	Employee	Yi-Ying Kuo										

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

#### 4.5.4 Employee Restricted Stock Awards Plan:

5/1/2022

Types of Employee Restricted Stock Awards Plan	2017 Employee Restricted Stock Awards Plan				
Approval Date by The Securities and Futures Bureau	7/12/2017				
Grant Date	8/1/2017	12/8/2017	2/7/2018	4/26/2018	6/28/2018
New Shares Issuance Date	8/24/2017	12/28/2017	3/9/2018	5/18/2018	7/11/2018
Issued Shares of Employee Restricted Stock Awards	895,970 shares	14,900 shares	7,000 shares	5,000 shares	77,130 shares
Issue Price (NTD)	0	0	0	0	0
Percentage of Issued Shares to Outstanding Common Shares	1.10%	0.02%	0.01%	0.01%	0.09%
Regulations for setting the terms and conditions of restricted stocks for employees	(1) Non-management employees (a) existing non-management employees: The RSAs granted to non-management employees who are not the new hired non-management employees (defined below) will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date of RSAs are granted to the grantee non-management employee provided that such employee continuously serves the Company to each corresponding anniversary. (b) new hired non-management employees: The RSAs granted to non-management employees whose on-board date is later than the date of the board meeting held in July of 2017 (the “new hired non-management employee”) will be vested at the equal rate of 25% per year over four (4) years from the on-board date. Each 25% will be vested on the anniversary of the on-board date to the grantee new hired non-management employee provided that such employee continuously serves the Company to each corresponding anniversary.				
	(2) Management employees (a) existing management employees: The RSAs granted to management employees who are not the new hired management employees (defined below) will be vested at the equal rate of 25% per year over four (4) years from May 1, 2017. Each 25% will be vested on the anniversary of May 1, 2017 (i.e. April 30 of each year of 2018 to 2021) to the grantee management employee provide that such employee continuously serves the Company to each corresponding anniversary. (b) new hired management employees: The RSAs granted to management employees whose on-board date is later than May 1, 2017 (the “new hired management employee”) will be vested at the equal rate of 25% per year over four (4) years from the on-board date. Each 25% will be vested on the anniversary of the on-board date to the grantee new hired management employee provide that such employee continuously serves the Company to each corresponding anniversary. The chairman shall propose and submit the respective list of non-management employee and management employees to the Board of Directors of the Company for the approval and, in the case of any employee who serves as Director and/or officer, to the compensation committee of the Company for review and recommendation and then to the Board of Directors of the Company for final approval.				

<b>Types of Employee Restricted Stock Awards Plan</b>	<b>2017 Employee Restricted Stock Awards Plan</b>				
Restrictions before the vesting conditions are fully satisfied	(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner. (2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).				
Custody of RSA Shares	In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.				
Effect in the event of any non-satisfaction of vesting conditions	If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.				
Cancellation RSA Shares	63,010 shares	1,650 shares	6,250 shares	1,500 shares	11,050 shares
Vested RSA Shares	832,960 shares	13,250 shares	750 shares	3,500 shares	51,122 shares
Unvested RSA Shares	0 share	0 share	0 share	0 share	14,958 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares	0.00%	0.00%	0.00%	0.00%	0.02%
Impact to Shareholders' Equity	Numbers of granted shares are only 1.10% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.02% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.09% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.

Types of Employee Restricted Stock Awards Plan	2018 Employee Restricted Stock Awards Plan			
Approval Date by The Securities and Futures Bureau	7/12/2018			
Grant Date	8/1/2018	10/31/2018	2/13/2019	4/30/2019
New Shares Issuance Date	8/22/2018	11/21/2018	3/8/2019	5/22/2019
Issued Shares of Employee Restricted Stock Awards	489,900 shares	3,800 shares	5,900 shares	100,400 shares
Issue Price (NTD)	0	0	0	0
Percentage of Issued Shares to Outstanding Common Shares	0.60%	0.00%	0.01%	0.12%
Regulations for setting the terms and conditions of restricted stocks for employees	<p>(1) Non-management employees</p> <p>(a) existing non-management employees: The RSAs granted to non-management employees who are not the new hired non-management employees (defined below) will be vested at the equal rate of 25% per year over four (4) years from the date the RSAs are granted. Each 25% will be vested on the anniversary of the date of RSAs are granted to the grantee non-management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(b) new hired non-management employees: The RSAs granted to non-management employees whose on-board date is later than the date of the board meeting held on US Daylight Saving Time July 31, 2018 (the “new hired non-management employee”) will be vested at the equal rate of 25% per year over four (4) years from the board grant date. Each 25% will be vested on the anniversary of such board grant date to the grantee new hired non-management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(2) Management employees</p> <p>(a) existing management employees: The RSAs granted to management employees who are not the new hired management employees (defined below) will be vested at the equal rate of 25% per year over four (4) years from May 1, 2018. Each 25% will be vested on the anniversary of May 1, 2018 (i.e. April 30 of each year of 2019 to 2022) to the grantee management employee provide that such employee continuously serves the Company to each corresponding anniversary.</p> <p>(b) new hired management employees: The RSAs granted to management employees whose on-board date is later than May 1, 2018 (the “new hired management employee”) will be vested at the equal rate of 25% per year over four (4) years from the board grant date. Each 25% will be vested on the anniversary of such board grant date to the grantee management employee provided that such employee continuously serves the Company to each corresponding anniversary.</p> <p>The chairman shall propose and submit the respective list of non-management employee and management employees to the Board of Directors of the Company for the approval and, in the case of any employee who serves as Director and/or officer, to the compensation committee of the Company for review and recommendation and then to the Board of Directors of the Company for final approval.</p>			

Types of Employee Restricted Stock Awards Plan	2018 Employee Restricted Stock Awards Plan			
Restrictions before the vesting conditions are fully satisfied	<p>(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner.</p> <p>(2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).</p>			
Custody of RSA Shares	<p>In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.</p>			
Effect in the event of any non-satisfaction of vesting conditions	<p>If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.</p>			
Cancellation RSA Shares	42,274 shares	600 shares	1,200 shares	13,363 shares
Vested RSA Shares	391,887 shares	2,550 shares	3,525 shares	66,437 shares
Unvested RSA Shares	55,739 shares	650 shares	1,175 shares	20,600 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares	0.07%	0.00%	0.00%	0.03%
Impact to Shareholders' Equity	<p>Numbers of granted shares are only 0.60% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.</p>	<p>Numbers of granted shares are only 0.00% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.</p>	<p>Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.</p>	<p>Numbers of granted shares are only 0.12% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.</p>

<b>Types of Employee Restricted Stock Awards Plan</b>		<b>2019 Employee Restricted Stock Awards Plan</b>			
Approval Date by The Securities and Futures Bureau		7/12/2019			
Grant Date		7/31/2019	10/30/2019	2/12/2020	4/29/2020
New Shares Issuance Date		8/20/2019	11/19/2019	3/4/2020	5/20/2020
Issued Shares of Employee Restricted Stock Awards		682,050 shares	14,300 shares	9,200 shares	44,450 shares
Issue Price (NTD)		0	0	0	0
Percentage of Issued Shares to Outstanding Common Shares		0.84%	0.02%	0.01%	0.05%
Regulations for setting the terms and conditions of restricted stocks for employees		<p>The RSAs granted hereunder will be vested at the equal rate of 25% per year over four (4) years from the RSA vesting commencement date. Each 25% will be vested on the anniversary of the RSA vesting commencement date provided that such grantee employee continuously serves the Company or the subsidiary wholly owned by the Company to each corresponding anniversary.</p> <p>The chairman shall propose and submit the respective RSA vesting commencement date to the Board of Directors of the Company for the approval. The RSA vesting commencement date is not required to be the date when the RSA is granted, the date when the Board of Directors approves such grant, or the date when the grantee employee was on board.</p>			
Restrictions before the vesting conditions are fully satisfied		<p>(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner.</p> <p>(2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).</p>			
Custody of RSA Shares		<p>In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.</p>			
Effect in the event of any non-satisfaction of vesting conditions		<p>If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.</p>			
Cancellation RSA Shares		39,125 shares	4,950 shares	1,500 shares	4,025 shares
Vested RSA Shares		421,600 shares	6,000 shares	4,100 shares	20,700 shares
Unvested RSA Shares		221,325 shares	3,350 shares	3,600 shares	19,725 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares		0.27%	0.00%	0.00%	0.02%

Types of Employee Restricted Stock Awards Plan	2019 Employee Restricted Stock Awards Plan			
Impact to Shareholders' Equity	Numbers of granted shares are only 0.84% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.02% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.05% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.



<b>Types of Employee Restricted Stock Awards Plan</b>		<b>2020 Employee Restricted Stock Awards Plan</b>			
Approval Date by The Securities and Futures Bureau		7/15/2020			
Grant Date		7/29/2020	10/28/2020	2/3/2021	4/28/2021
New Shares Issuance Date		8/19/2020	11/18/2020	2/23/2021	5/18/2021
Issued Shares of Employee Restricted Stock Awards		709,350 shares	4,700 shares	8,200 shares	77,750 shares
Issue Price (NTD)		0	0	0	0
Percentage of Issued Shares to Outstanding Common Shares		0.87%	0.01%	0.01%	0.10%
Regulations for setting the terms and conditions of restricted stocks for employees		<p>The RSAs granted hereunder will be vested at the equal rate of 25% per year over four (4) years from the RSA vesting commencement date. Each 25% will be vested on the anniversary of the RSA vesting commencement date provided that such grantee employee continuously serves the Company or the subsidiary wholly owned by the Company to each corresponding anniversary.</p> <p>The chairman shall propose and submit the respective RSA vesting commencement date to the Board of Directors of the Company for the approval. The RSA vesting commencement date is not required to be the date when the RSA is granted, the date when the Board of Directors approves such grant, or the date when the grantee employee was on board.</p>			
Restrictions before the vesting conditions are fully satisfied		<p>(1)The grantee employee shall not sell, transfer, make gift of, create other rights or encumbrances on the RSAs, or otherwise dispose of the RSAs in any other manner.</p> <p>(2)All the proposal rights, motion rights, speech rights, voting rights and any other shareholder rights shall be exercised by the trustee or the custodian (as applicable).</p>			
Custody of RSA Shares		<p>In the case that the grantee employee is an ROC citizen, such employee shall, immediately after the Company issues the RSAs to such employee, trust such RSAs to the trustee designated by the Company in accordance with the Company's instruction and, unless otherwise provided hereunder, shall be continuously trusted till the full satisfaction of the vesting conditions. Any and all the Restricted Share and Cash Distribution derived from the unvested RSAs shall also be put in the trust. In the case that the grantee employee is non-ROC citizen, such employee shall put the RSA with a custodian bank for custody.</p>			
Effect in the event of any non-satisfaction of vesting conditions		<p>If the vesting conditions are not fully satisfied, or in the event the employee's employment is terminated or inheritance occurs etc., all the rights attached to the unvested RSAs will be forfeited on the date when the termination of employment or inheritance takes effect, and the Company may redeem such RSAs at no consideration, and then shall cancel such RSAs.</p>			
Cancellation RSA Shares		26,638 shares	600 shares	0 share	5,100 shares
Vested RSA Shares		263,725 shares	1,025 shares	2,050 shares	18,163 shares
Unvested RSA Shares		418,987 shares	3,075 shares	6,150 shares	54,487 shares
Percentage of Unvested RSA Shares to Outstanding Common Shares		0.52%	0.00%	0.01%	0.07%

Types of Employee Restricted Stock Awards Plan	2020 Employee Restricted Stock Awards Plan			
Impact to Shareholders' Equity	Numbers of granted shares are only 0.87% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.01% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.	Numbers of granted shares are only 0.10% of total issued shares of outstanding common shares. The impact to shareholders' equity will be gradually diluted.

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

5/1/2022; Unit: shares; NTD Thousands

	Title	Name	Shares obtained	% of obtained shares to total issued shares	Shares Vested				Unvested Shares			
					Shares	Issued price per share (NTD)	Total issued amount	% of shares vested to total issued shares	Shares	Issued price per share (NTD)	Total issued amount	% of unvested shares to total issued shares
Managements	Chief Executive Officer	Ji Zhao	1,960,000	2.41%	1,684,750	0	0	2.07%	275,250	0	0	0.34%
	President	Ming Qu										
	Chief Financial Officer	Judy Wang										
	Executive Vice President of Marketing	Jingwu Jimmy Chiu										
	Executive Vice President of Product Development	Ding Lu										
	Sr. Vice President of Worldwide Sales	Peter Oaklander										
	Sr. Vice President of TrueTouch Business	Joseph D. Montalbo										
	Sr. Vice President of Operations	Randy D. Baker										
	Sr. Vice President & General Counsel	Yun Hwa Chou										
	Vice President of Operation & General Manager of Parade (TW)	KP Yang										
Employees	Employee	Yong-Nien Rao	276,300	0.34%	246,350	0	0	0.30%	29,950	0	0	0.04%
	Employee	Ney Christensen										
	Employee	Kany-Jen Liu										
	Employee	Yung-Hsiang Yen										
	Employee	Jian Chen										
	Employee	Kuowei Wu										
	Employee	Xiang Chen										
	Employee	Kwong Yuen Chung										
	Employee	You-Ben Yin										
	Employee	Jian Wang										

4.6 Status of issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies:

None.

4.7 Status of implementation of fund utilization plan

The solicitation of funds through stock offering or private placements of stock or plans have been accomplished for the preceding quarter to the date of the 2020 annual report printed.

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### (1) Main Content of Business

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

##### (2) Summary of product revenue and percentage of sales

Unit: NTD in Thousands; %

Products	2021	
	Amount	Percentage (%)
DisplayPort Series	8,466,286	42.34
High-Speed Interface Solutions	6,399,870	32.01
Source Drivers	4,184,607	20.93
TrueTouch	943,883	4.72
Total	19,994,646	100.00

##### (3) Current Main Product Lines

#### 1. Display Solutions

##### A.Embedded DisplayPort (eDP) Timing Controllers

- a. eDP 1.2 Timing Controllers
- b. eDP 1.3 Timing Controllers support Panel Self Refresh (PSR)
- c. eDP 1.4b Timing Controllers support Partial Panel Self Refresh (PSR2)
- d. Advanced eDP 1.4b timing controllers for higher resolutions, refresh rates & HDR
- e. Advanced eDP timing controllers for OLED notebook panels

##### B.DisplayPort LCD Timing Controllers

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

##### D.Advanced eDP timing controllers for OLED notebook panels

##### E.DisplayPort Format Converters

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

##### F.DisplayPort Transmitters and Receivers

##### GScaler with DisplayPort and HDMI inputs

## 2. High-Speed Interface Solutions

### A. DisplayPort

- a. DisplayPort Repeater & Switch Products
- b. DisplayPort to HDMI/DVI Level Translator

### B. SATA

- a. SATA Gen 3.0 Repeaters

### C. PCIe/SATA

- a. PCIe/SATA Gen 3.0 combo Repeaters
- b. PCIe Gen 3.0 Repeaters
- c. PCIe Gen 4.0 Retimers

### D. HDMI

- a. HDMI Switch Products
- b. HDMI 2.0 & 2.1 Jitter Cleaning Products

### E. USB

- a. USB 3.0 5G Repeaters/Redrivers
- b. USB 3.1 10G Retimers
- c. USB 3.2 Jitter clean repeaters
- d. USB Host Controller
- e. USB Hub

### F. USB Type-C

- a. USB 3.0 Type-C mux with DP alternate mode redriver
- b. USB 3.1 Type-C retimer with DP alternate mode redriver
- c. USB 3.1 Type-C retimer with DP alternate mode
- d. Power Delivery 3.0 Controllers

## 3. Source Drivers

### A. Scalable Intra Panel Interface (SIPI™) Source Drivers with features such as

- a. 1026, 1152, 1446, 1452, or 1926 channels
- b. 18/24-bit per pixel, data rate up to 2.2 Gbps, COG or COF
- c. Programming Gamma
- d. Full, half AVDD (Analog VDD), positive/negative AVDD
- e. Supports 1:1 mux for a-Si panel and 1:2 or 1:3 mux for LTPS/Oxide panel

### B. Integrated-Stream Protocol (iSP) Source Driver

## 4. TrueTouch & Touch and Display Driver Integration (TDDI)

### A. TrueTouch Controllers

- a. Single touch, two-finger touch and multi-touch for screen size from 1.5~10.1”
- b. Passive stylus, wet finger tracking, water proofing
- c. Charger noise immunity
- d. Supports flexible OLED panels

B. Touch and Display Driver Integration (TDDI)

- a. None interleave or interleave touch sensors
- b. 1:3 or 1:6 mux on display driver
- c. HD+ or FHD+ display resolution

(4) Prospective New Products Development

1. DisplayPort Based Solutions

- A. Advanced eDP 1.4b timing controllers with integrated in-cell touch/stylus controller
- B. Display Port to HDMI 2.1 Converter

2. High-Speed Interface Solutions

A. USB

- a. Next Generation USB Type-C Switches
- b. USB 4.0 retimers
- c. Integrated USB hub & DisplayPort to HDMI 2.0 Converter

B. DisplayPort

- a. Next Generation DisplayPort repeaters
- b. Next Generation DisplayPort switches

C. PCIe

- a. Next Generation PCIe Retimers & Redrivers

3. Source Drivers

- A. Source drivers with SIPI 2.0 (Scalable Intra Panel Interface) protocol and integrated with touch AFE channels
- B. Next Generation eDP Tcon with Embedded source Driver (TED)
- C. Touch and Tcon Embedded source Driver (tTED) for tablet or notebook panels

4. TrueTouch Controllers

- A. Single touch, two-finger touch and multi-touch
- B. Charger noise immunity
- C. Water proofing / wet finger tracking / passive stylus / active stylus
- D. Source drivers with SIPI 2.0 protocol and integrated touch AFE channels
- E. Touch and Tcon Embedded source Driver (tTED) for tablet or notebook panels

5.1.2 Industry Overview

(1) Current Markets

Parade is focusing on the mobile computing market, which includes notebooks, personal computers, tablets, and smartphones. Parade is also entering the server & datacenter markets with PCIe repeater & retimer products plus automotive markets with selective high speed interface, touch and display products. There are four major market trends presenting significant challenges to many existing system and component suppliers. First, demand for ever-increasing bandwidth across digital interfaces used for video and/or

data connectivity is placing new challenges on interface chip designs and driving the requirement for signal repeaters. Second, demand for higher display resolution and higher display refresh rate drives requirements for higher performance and better functionality in display controller and source driver chips used in LCD panels, which, in turn, drives a need for new architectures, higher integration, and new process technology into the display silicon chip market. The third challenge is the demand for increasing system computation performance and greatly reduced power consumption, while still addressing the design requirements listed above, driven by sleeker/lighter system design with longer battery life. The forth one is the integration of touch solutions with display chips to significantly reduce the complexity of the total panel module manufacturing process and therefore to reduce the total display module BOM cost.

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

### **High-Speed Interface Devices**

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

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



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

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

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

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

### **Display Driver and Timing Controller requirements**

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

LCD panels used in these embedded display systems include a display driver function known as a Timing Controller (Tcon) chip. The Tcon receives digital video from the system GPU, then controls the LCD panel timing, and outputs pixel data to another set of chips known as source drivers. Over the last decade or so, Tcons have been low complexity devices, in general, produced on inexpensive, large geometry processes by low-margin, high volume chip vendors in Asia. However, changes in system requirements are now disrupting this established supply chain. Single chip eDP Tcon with Embedded Driver (TED) is a new market trend for high end notebook with very slim bottom bezel that leverage LCD panels with Low Temperature Polycrystalline Silicon (LTPS) Thin Film Transistor (TFT) technology. Further more, market continue to demand thinner portable devices which driver to reduce thickness of LCD panel that create a new category of touch and Tcon Embedded Driver (tTED) which leverage the in-cell touch technology integrated with display panel and eliminate and extra touch sensor layer to make the overall panel thickness smaller. For the main-stream a-Si and Oxide LCD panels, in-cell touch technology can be achieved by multiple components similar to existing architecture with touch AFE integrated into source drivers plus touch controller and MCU integrated into eDP Tcon controller.

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

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

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

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

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

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

## (2) The upstream and downstream parts of the industry

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

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

#### (1) Display driver and DisplayPort Timing Controller

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

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

Leveraging our leading technology of SERDES and DisplayPort, Parade has developed a point-to-point intra panel interface for use between the Tcon and LCD source drivers. Known as SIPI (Scalable Intra Panel Interface), it represents the industry's first point-to-point intra panel interface with embedded clocking. SIPI leverages Parade's SERDES and DisplayPort expertise. Parade now offers SIPI interface on most Tcon products, and has also introduced SIPI-based LCD source driver products. Used together, these new eDP Tcon and SIPI source driver products offer a competitive solution for thin and light high-resolution notebook or tablet LCD panels. The next generation of SIPI 2.0 interface has introduced a fast return channel from source driver back to eDP Tcon. SIPI 2.0 will enable next generation high resolution LCD panels with integrated in-cell touch and stylus functions.

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

Through the introduction of TED (Tcon Embedded Driver) products line, Parade became the leading supplier of highly integrated display solutions for extreme low power, thin and light notebook LCD panels. Leverage our success of TED products line, the tTED (touch and Tcon Embedded Driver) will pave our leading position on highly integrated display solutions for ultra portable notebook markets.

## (2) High-Speed Interface Devices

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

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

We continue to expand out DisplayPort interface devices, including repeaters, jitter cleaning repeaters, muxes, and demuxes that are widely used in Desktop computers, Monitors, all-in-one PCs, notebooks, tablets, and computer peripherals. Our offering of HDMI interface devices has grown with the addition of new repeaters, including those with jitter cleaning and ultra-low power consumption targeting notebooks and tables, as well as demuxes and switches. We have expanded our SATA/PCIe repeater product line to serve embedded hard disk drive and SSD (Solid State Drive) applications in the desktop and notebook markets. We also have expanded our USB & USB Type-C solutions with a new USB 3.2 retimer IC, USB Type-C retimer based switch ICs that are optimized for next generation desktop, smart phones, tablets and ultra mobile

devices. The PCIe Gen4 create new opportunities for high speed retimers within the server platforms. We are offering x4 and x16 PCIe Gen 4 retimer products for server and datacenter applications.

We offer a full spectrum protocol converter product line. This includes new USB-C-to-HDMI 2.0/2.1 with HDR, DisplayPort-to-HDMI 2.0/2.1 with HDR and DisplayPort-to-VGA converters for cable adaptors, motherboards, and graphics cards; and DP/eDP-to-LVDS converters for embedded or automotive display applications. These devices serve the growing number of GPUs and CPUs that no longer support VGA, LVDS and HDMI outputs, due to smaller process geometries, but instead support DisplayPort/eDP as the universal display interface. We also developed a MIPI DSI-to-eDP converter to serve the conversion demand for high resolution panels. MegaChips & Realtek are major competitors for this device.

### (3) TrueTouch Controllers

Parade acquired the TrueTouch business from Cypress Semiconductor in August, 2015. We currently offer TrueTouch IC products to customers in the mobile, consumer, industrial, and automotive markets. TrueTouch controllers can often be found in smartphones, tablets, smart watches, and digital cameras as well as printers, POS machines and mobile hot spots, etc. The competitors are Synaptics, Focaltech and Goodix etc. The touch technology has been evolving rapidly. We continue developing new touch technologies including touch and Tcon Embedded Driver (tTED), integrated Touch and Source Driver (TSD), and integrated Touch MCU and eDP TCON (TTCON) product lines.

## 5.1.3 Technology and R&D profile

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

Unit: NTD in Thousands; %

Item	2021	2022 Q1
R&D expenses (A)	2,152,636	594,124
Net revenue (B)	19,994,646	5,898,143
(A) / (B)	10.77%	10.07%

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

Year	R&D Achievements
2021	USB4 Gen3x2 Retimer
	Next Generation USB-C retimers & Redrivers for source side devices
	New DP repeater, mux, & demux with retimer capability
	Integrated USB hub and DP to HDMI 2.0 converter
	DP to HDMI 2.1 converter
	PCIe Gen5 Retimer for servers and data centers
	New Touch integrated eDP PSR Tcon for display with in-cell touch/stylus
	New touch integrated Tcon with Embedded Driver with PSR & HDR functions
	New 1926-ch SIPI source drivers for 4K display
	New 1532-ch SIPI source driver for gaming display
	New 1446-ch SIPI sources drivers to minimized bottom bezel
	New SIPI 2.0 integrated Touch and Source Driver (TSD) for in-cell LCD panels

#### 5.1.4 Long- and Short-Term Business Development Plans

(1) Short-term business development plans

① R&D strategies and plans

Within the Display Solutions segment, we plan to introduce next generation embedded DisplayPort 1.4b timing controllers, source drivers with the SIPI interface, that supports high-resolution and/or high refresh rate display and Single Chip eDP Tcon Embedded Driver, and touch eDP Tcon with Embedded Driver for high end notebook, proliferate SIPI 2.0 solutions for touch and display integrated LCD panels. Within the High-Speed Interface segment, we plan to introduce next generation PCIe Gen4 & Gen5 linear redriver, PCIe Gen6 retimer, and next generation DisplayPort 2.0 and USB 4.0 retimer devices. Leverage IP acquired from Fresco Logic to introduce highly integrated accessories products. We are also continue developing the next generation integrated products with display driver and TrueTouch technologies for the notebook and tablet market. Investigate high speed interface and highly integrated display solutions for automotive market.

② Marketing strategies and plans

Our marketing strategy is to collaborate with top SOC vendors, major automotive, computer, tablet and smartphone OEMs and ODMs as well as LCD panel manufacturers by providing solutions that support high speed, advanced display and advanced touch

technologies. We are actively participating and leading VESA DisplayPort and embedded DisplayPort standard development. Our marketing strategy also requires close collaboration with leading system vendors to provide standard-plus products. We also collaborate with leading CPU vendors to support next generation platform requirements on DisplayPort, PCIe, USB, USB-C, USB4, & HDMI interfaces and to provide leading LCD panel vendors with eDP Timing Controllers, SIPI Source Drivers, TED, tTED, TSD, & TICON devices, discrete TrueTouch controllers, USB PD & hub controllers that enhance system performance and optimize overall system and panel electronics power.

③ Production strategies and plans

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

④ Operation and financing strategies and plans

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

(2) Long-term business development plans

① R&D Strategies

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

② Marketing Strategies

As we grow, we plan to continue to invest in our sales and marketing channel and our brand. We have significant relationships with leading LCD panel vendors, computer OEMs and CPU vendors and to continue to invest in those long-term relationships. We also plan to expand roadmap related to server applications and to continue to invest in and collaborate with major server CPU vendors and OEMs. In parallel, we plan to qualify existing products and to develop new automotive specific products to serve automotive high speed, discrete touch, display, and highly integrated display applications. We also plan to expand our customer base by investing in sales and product support, including sales and support in Korea, Japan, Taiwan, China, EU and US.



### ③ Production Strategies

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

### ④ Operations Strategies

We plan to use cash generated from our operations to invest in new technology and product development, as well as expand our sales, marketing and operations capabilities. Through a combination of marketing, production and product strategies, the company can significantly increase its overall operational efficiency, rapidly expand its business scale, and become a world-renowned IC design company. We will enhance the risk control, and fulfill the operating goals of stability, high-efficiency and flexibility, in order to build up the sound financial structure. In addition, we will also develop our international vision and administration skills, training international professionals, to further enhance our position as a world-class company.

## 5.2 Market, Production and Sales Overviews

### 5.2.1 Market Analysis

#### (1) Revenue by Geographic Region

Unit: NTD in Thousands; %

Countries	2020		2021	
	Revenue	%	Revenue	%
China	5,684,604	37.20	9,106,347	45.55
Taiwan	4,726,722	30.94	6,748,228	33.75
Korea	3,143,818	20.58	2,835,602	14.18
Japan	1,656,827	10.84	1,255,839	6.28
Others	67,617	0.44	48,630	0.24
Total	15,279,588	100.00	19,994,646	100.00

#### (2) Market Share of Main Products and Services

Based on product applications, our ICs are classified into three segments: display solutions, high-speed interface devices included high speed converters & USB hub, and TrueTouch controllers. Products relating to display solutions are timing controllers, or eDP Tcon, Touch and Timing Controller (TTCN), source drivers, Touch and Srouce Drivers (TSD), TED, tTED. Products relating to the high-speed interface are repeaters, retimers, MUX, DeMUX, switches, level shifters, USB host controllers, USB hubs and PD controllers. High speed converters are the converters for DisplayPort to HDMI1.4 DisplayPort to HDMI2.0, etc. TrueTouch products include Gen4, Gen5 and Gen6 devices. While there was no official 3rd party market data describing market size and shares for the

segments that we serve, we tried to make reasonable assessment based on collective industry data related to our product applications compared to our own sales. In 2021, we believe our sales of eDP T-CON still maintain the leading position in global market share; our sales of high-speed interface products also represent a strong leading position in the notebook market. We remain very focused on gaining & expanding TrueTouch and USB host and hub controllers market share.

### (3) End Market Dynamics and Growth Potential

Parade's DisplayPort-based ICs, high-speed interface ICs and touch controller ICs, including DP/eDP Timing Controller, Converter, Repeater, Retimer, Source Driver, MUX, DeMUX, Level Shifter, etc., are primarily used in portable computing applications such as desktops, LCD monitors, all-in-one computers, laptops, servers, automobiles, tablet computers and smartphones.

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

According to Parade's estimates, the eDP Tcon penetration rate in Notebooks was over 95% in 2019. eDP Tcon penetration rate in Notebook should already reach near 100% in 2020. We also observed the adoption of DP/eDP in automotive market is gaining traction at major OEMs. New advanced automotive-grade SOC for infotainment system just support DP/eDP outputs. ODM/OEMs in automotive have to use DP/eDP to HDMI/LVDS converters to connect to legacy HDMI/LVDS display devices.

#### (4) Competitive Niche

##### ① Engineering Expertise

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

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

We have developed a proprietary equalizer and clock/data recovery technology that utilizes an adaptive approach to amplify and recover high-speed signals in a cost-effective manner while still maintaining low power. Because computers use standard FR4 PCBs, CPUs need to rely on equalizer and clock/data recovery based solutions to maintain signal integrity for high-speed connectivity, which includes DisplayPort, SATA, PCIe, USB, USB4, and HDMI. Our ability to integrate our proprietary technology into our DisplayPort as well as high-speed interface solutions is a significant competitive advantage.

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

##### ③ Customer and Partner Relationships

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

##### ④ DisplayPort Standard Leader

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

providing market proven eDP solutions with our “standard plus” strategy.

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

① Advantageous factors

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

② Disadvantageous factors and countermeasures

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

5.2.2 Key Product Applications and Manufacturing Processes

(1) Key Product applications

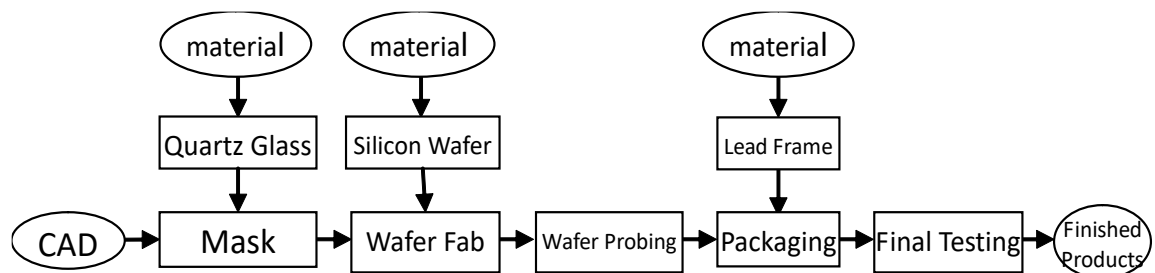
Product	Important Uses
DisplayPort Series	Provide high quality video signals to Source Driver and control signals to Gate Driver on LCD Panel based on DisplayPort standard
High-Speed Interface Solutions	Transmit error-free data for different high-speed interfaces, such as DisplayPort, USB, USB4, SATA, HDMI, and PCI Express, for personal computer, tablet, smartphone, automobile, and server applications. The interface solutions include signal redrivers, retimers, protocol converters, muxes, and switches
Source Drivers	Convert digital data to analog voltage to charge each RGB sub-pixel to the correct gray level

Product	Important Uses
TrueTouch Controllers	Reliable capacitive touch sensing with high noise immunity for consumer and automotive applications. Our products address discrete touchscreens sensors as well as displays with touch and display drivers integration

## (2) Production Processes

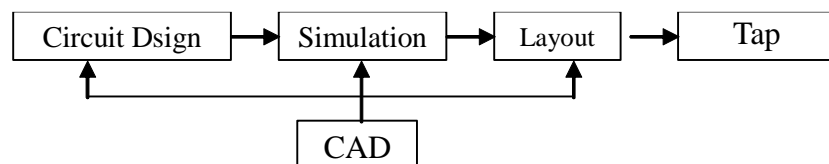
### ① Manufacturing process flow chart

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



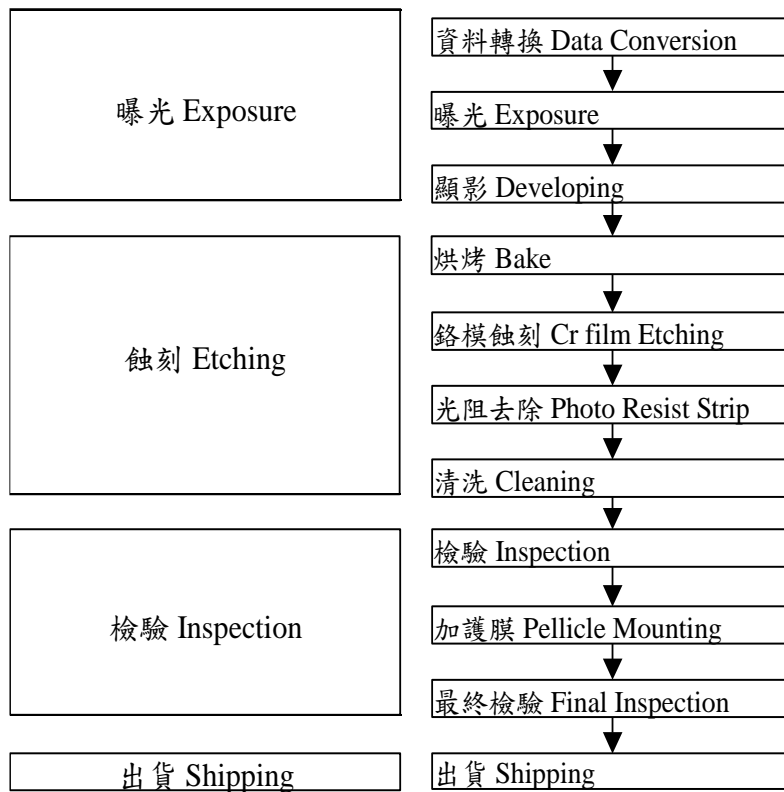
### ② Design process

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



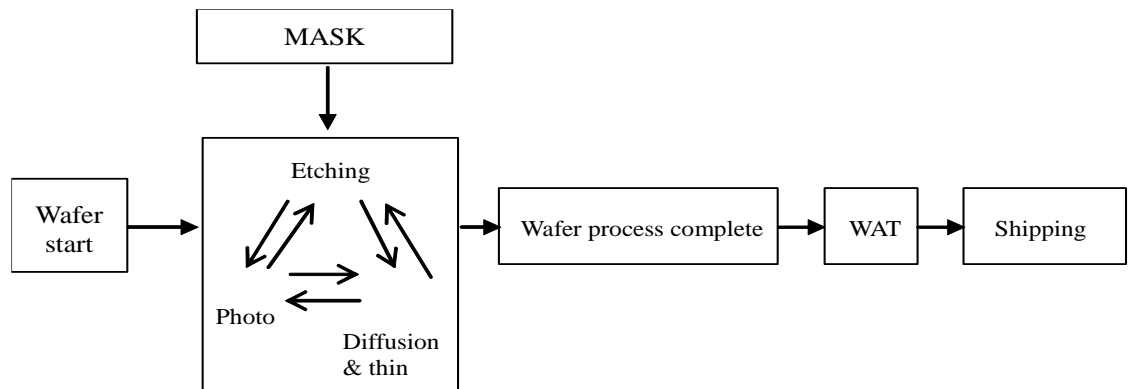
### ③ Mask process

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



#### ④ Wafer Process

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



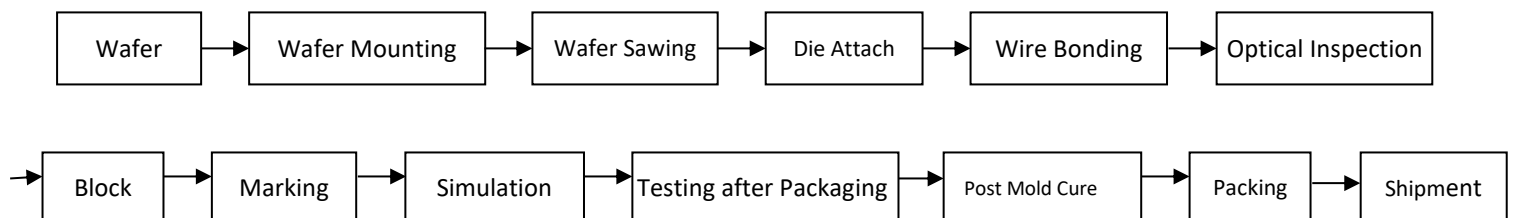
#### ⑤ Testing process

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

#### ⑥ Packaging process

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

##### Packaging Process



### 5.2.3 Major Raw Material Supply Situation

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

### 5.2.4 Major suppliers and customers

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

Unit: NTD in Thousands; %

Item	2020				2021				2022 Q1			
	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company	Supplier	Amount Purchased	Ratio of Total Net Purchases (%)	Relationship with the Company
1	B Company	4,927,920	88	None	B Company	4,994,681	75	None	B Company	1,633,762	70	None
2					F Company	866,087	13	None	F Company	415,220	18	None
3	Others	696,526	12	—	Others	830,677	12	—	Others	279,324	12	—
	Net Purchases	5,624,446	100	—	Net Purchases	6,691,445	100	—	Net Purchases	2,328,306	100	—

Explanation on the changes of purchase amount and percentage:

The main raw material that the Company purchases are wafers. For the past two years and as of the first quarter of year 2022, the proportion of purchases from Company B was over 70% and the purchase amount from Company B is growing as Company sales growth. There is no change to the established long-term and stable purchase relationship with Company B as it is one of the largest wafer foundries in the world and possesses an advanced manufacturing technology and a favorable lead time schedule. Since late 2020,



there was a shortage of the global semiconductor capacity. To obtain extra wafer capacity, our engineering teams worked hard to re-design and re-qualify high volume products for different FABs. As a result, many important products are capable of being manufactured in multiple FABs which significantly mitigates the potential shortage risk.

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

Unit: NTD in Thousands; %

Item	2020				2021				2022 Q1			
	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with The Company
1	A	4,327,396	28	None	K	7,244,730	36	None	K	2,547,537	43	None
2	K	3,639,404	24	None	A	4,967,257	25	None	A	1,259,872	22	None
3	B	3,001,169	20	None	B	2,221,570	11	None	B	604,274	10	None
4	E	1,521,993	10	None	-	-	-	-	-	-	-	-
5	Others	2,789,626	18	-	Others	5,561,089	28	-	Others	1,486,460	25	-
	Net Sales	15,279,588	100	-	Net Sales	19,994,646	100	-	Net Sales	5,898,143	100	-

Explanation on the changes in customers:

In 2021, the Company's top three customers accounted for approximately 70% of our net operating revenues. These top three customers primarily consist of the distributors with who work to service the contract manufacturers for global brand end-customers as well as TFT-LCD panel producers who incorporate our chips as part of their display modules procured by the global brand end-customers. Since many of the global brand end-customers procure their panels from, and outsource the manufacturing of their products to, more than one panel producer and contract manufacturer, many different panel producers or contract manufacturers may purchase our chips either directly or via our distributors to meet the demand of the same global brand end-customer. As a result, the actual end-customers of our products (i.e. global brand end-customers) may account for an even greater percentage of our operating revenues, which would make our actual concentration of sales even higher. Utilizing our leading technology in display and high-speed interface, we directly work with a global brand system company to design in our products. This global brand system company has adopted our products. As high-speed interface and DP/eDP timing controllers are pretty new technology, it represents a major application shift in high-end electronic devices and consumer products. Due to the fact that the products introduced by the global brand system company were always leading the industry, our company has decided to have a close relationship with this global brand system company to develop our products, and have a high proportion of sales with it.

### 5.2.5 Production Volume and Value in the past 2 years

Unit: NTD in Thousands; Volume in Thousands

Main Products	2020			2021		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
DisplayPort Series	0	161,891	4,303,329	0	188,184	4,133,163
High-Speed Interface Solutions	0	436,216	2,978,792	0	444,370	3,394,284
Source Drivers	0	70,927	1,275,955	0	137,116	2,764,669
TrueTouch	0	85,661	660,760	0	71,155	653,706
Total	0	754,695	9,218,836	0	840,826	10,945,821

### 5.2.6 Sales Volume and Value in the past 2 years

Unit: NTD in Thousands; Volume in Thousands

Main Products	2020				2021			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
DisplayPort Series	0	0	138,893	7,298,859	0	0	186,209	8,466,286
High-Speed Interface Solutions	0	0	363,550	5,339,083	0	0	432,049	6,399,870
Source Drivers	0	0	71,911	1,771,667	0	0	121,402	4,184,607
TrueTouch	0	0	68,617	869,979	0	0	71,358	943,883
Total	0	0	642,971	15,279,588	0	0	811,018	19,994,646

Note: Overseas sales are sales outside Cayman Island.

## 5.3 Employees

5/1/2022

Year		2020	2021	2022 (As of 5/1)
Number of Employees	Sales/ Management Staff	219	234	239
	R&D	362	436	444
	Total	581	670	683
Average Age		39.23	38.53	38.87
Average Years of Service		6.04	5.80	5.90
Education (%)	Doctoral	1.72	1.94	2.20
	Master	50.95	49.55	49.93
	University & College	46.13	47.61	47.00
	High School	1.20	0.90	0.87
	Below High School	0	0	0

## 5.4 Information on Environmental Protection Expenditures

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

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

## 5.5 Labor Relations

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

### (1) Employee welfare

Parade is in accordance with relevant government regulations, and all its employees are covered by government mandatory insurance programs, such as social security insurance, labor insurance and national health insurance. In addition, Parade also provides necessary insurance plans for employees in accordance with local laws. To benefit our employees and allow us to stay competitive, the Company also takes industry practices and local conditions into consideration and provides employees with localized insurance plans, such as medical insurance and life insurance, that are better than the statutory requirements. By providing these insurances benefits, employees can be more focusing on making every effort for the growth of the Company and their career.

In addition, Parade has planned congratulations and condolence allowance, quarterly birthday party, year-end party, festival gifts and souvenir for all the employees globally. The global travel insurance plan is also available for the employees' international business travel. In some operating locations, different benefits such as on-site parking, parking allowance or commute allowance are also provided. In Taiwan, for employees who live in designated cities, the Company arranged shuttle pick-up service to make it easier for employees to commute, and also achieve energy saving and carbon reduction through shared rides. In certain offices, such as in Taiwan and China, Parade also provides the

facility of lactation room; therefore, employees can return to the workplace without worry or concern.

(2) Education and training

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

The employees training in 2021:

Unit: NTD

Items	Persons	Hours	Amounts
New Employee Training	143	1,144	0
Professional Training	14	195	131,515
Total	157	1,339	131,515

(3) Retirement systems and their implementation

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

(4) Agreements between labor and management and labor protection

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

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

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

## 5.6 Cyber Security Management

### 5.6.1 Cyber security management structure, cyber security policy, specific management plan, and resources invested in cyber security management:

#### (1) Cyber security management structure

The IT department of the Company is responsible for the cyber security management, including planning the cyber security policy and implementing the cyber security procedures.

The internal and external audit of the information security cycle are carried out every year to ensure the effectiveness of the management system and comply with the statutory requirements. Internal audit results are regularly reported to the Audit Committee and the Board of Directors

#### (2) Cyber security policy

To protect the Company's technology, owned license, internal application tools, proprietary software, products, marketing, sales, financial, HR and other sensitive information, the Company has established the Internal Control Procedure of Computerized Cycle, and the IT Security Policy to achieve the following goals:

- ♦Confidentiality: Ensuring that only the authorized user can access information
- ♦Integrity: Ensuring that the information is accurate and consistent
- ♦Availability: Ensuring that the information and systems are available for authorized users when needed

#### (3) Specific management plan

Cyber Security Procedures	
Category	Related Actions
Internet Security	<ul style="list-style-type: none"> <li>- Install antivirus software and scan regularly</li> <li>- Patch the operating system and applications timely</li> <li>- Monitor and prohibit the installation of unauthorized software</li> <li>- Isolate servers in the Company's local area network, and protect with firewall and proxy servers</li> <li>- Control network traffic and applications</li> <li>- Monitor suspicious emails and automatically block them</li> <li>- Regularly review system logs and track exceptions</li> </ul>

Cyber Security Procedures	
Category	Related Actions
Data Security	<ul style="list-style-type: none"> <li>- Set a complex password for security</li> <li>- Assign different access rights to different users by function</li> <li>- Encrypt confidential files</li> <li>- Monitor and prohibit unauthorized storage media</li> <li>- Monitor email server for unauthorized data transmission</li> </ul>
Emergency Mechanism	<ul style="list-style-type: none"> <li>- Set up backup plans and implement backup mechanisms</li> <li>- Perform disaster recovery test annually</li> </ul>
Training	<ul style="list-style-type: none"> <li>- Ask new employees to sign confidentiality agreements, and implement information security training</li> <li>- Promote the prevention of phishing and other security issues occasionally</li> </ul>

(4) Resources invested in cyber security management

As of December 31, 2021, the Company had a total of 6 employees responsible for IT software and hardware maintenance and cyber security management. In 2021, a total of 6 regular and irregular meetings related to cyber security were held.

5.6.2 List any losses suffered by the Company in the most recent fiscal year and up to the annual report printing date due to cyber security incidents, and disclosing possible impacts and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: The Company did not suffer any loss due to major cyber security incidents in the most recent fiscal year and up to the annual report printing date.

## 5.7 Corporate Social Responsibility

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

### 5.7.1 Legal Compliance

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

### 5.7.2 Freedom of Employment

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

### 5.7.3 Treatment and Discrimination

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

### 5.7.4 Wages and Benefits

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

### 5.7.5 Health and Safety

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

### 5.7.6 Environment Standards

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

### 5.7.7 Communication

We routinely use many internal and external communication channels in our daily business. Open communication is strongly encouraged between employees, customers, management, and investors. We periodically disclose the achievement or policies to external interest party through company web site, e-mail, or public announcement.

#### 5.7.8 Moral Standards

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

#### 5.7.9 Intellectual Property and Confidentiality

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

#### 5.7.10 Conflict Minerals Statement

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

#### 5.7.11 Stakeholder Engagement

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

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

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

For more information about corporate social responsibility, please refer to the Sustainability Report of the Company.



## 5.8 Important Contracts

Nature of Contract	Contractor	Commencement and Termination Dates	Major Content	Restrictive Provisions
Supplier Agreement	A Company	08/01/2008 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Supplier Agreement	B Company	07/11/2011 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Supplier Agreement	B Company	05/06/2014 (Remain in force unless either party takes the initiative to terminate the contract)	Product Research & Development	None
Asset Purchase Agreement	L Company	06/09/2015	Purchase Business & Technology Assets	None
Service Agreement	L Company	06/09/2015 (May extend for each additional full year with mutual written agreements)	Manufacturing Service	None
License Agreement	O Company	08/01/2015 (Remain in force unless either party takes the initiative to terminate the contract)	Technology License	None
Agreement and Plan of Merger	Pinchot Ltd. and Fresco Logic, Inc.	04/22/2020 (Pacific Time) is the agreement date. Actual closing is subject to the completion of the closing conditions, which has occurred on 05/30/2020.	Cayman Subsidiary, Pinchot Ltd., merges Fresco Logic, Inc.	No non-customary restrictions
Supplier Agreement	B Company	6/30/2021-12/31/2028	Product Research & Development	In confidence
Supplier Agreement	B Company	9/14/2020-12/31/2027	Product Research & Development	None
Service Agreement	P Company	1/1/2021-6/30/2023	Manufacturing Service	None
Supplier Agreement	Q Company	9/30/2020-12/31/2021	Product Research & Development	None
Supplier Agreement	Q Company	5/31/2021-12/31/2023	Product Research & Development	None
Supplier Agreement	D Company	5/25/2021-Q1/2023	Product Research & Development	None

## 5.9 Other Matters Requiring Supplemental Information Disclosure

None

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheets

##### (1) Condensed Balance Sheets – IFRSs

Unit: NTD in Thousands

Subject \ Year		Five-Year Financial Summary (Note 1)					3/31/2022 (Note 2)
		2017	2018	2019	2020	2021	
Current Assets		7,626,987	9,063,371	10,548,566	12,197,524	13,280,789	14,530,089
Property, plant and equipment, net		261,470	326,052	277,838	366,648	487,868	509,608
Right-of-use assets		0	0	181,543	249,796	234,571	232,999
Intangible Assets		2,640,450	2,560,397	2,374,609	3,211,223	3,044,207	3,098,289
Other Assets		63,038	84,625	390,052	543,386	2,337,651	2,471,336
Total Assets		10,591,945	12,034,445	13,772,608	16,568,577	19,385,086	20,842,321
Current Liabilities	Before Distribution	2,213,533	2,312,951	2,397,205	3,710,888	4,787,291	3,513,127
	After Distribution	3,179,132	3,293,702	3,614,092	4,729,955	6,261,438 (Note 3)	0
Long-term Liabilities		0	0	115,606	173,995	135,625	133,181
Total Liabilities	Before Distribution	2,213,533	2,312,951	2,512,811	3,884,883	4,922,916	3,646,308
	After Distribution	3,179,132	3,293,702	3,729,698	4,903,950	6,397,063 (Note 3)	0
Equity attributable to owners of the Company		8,378,412	9,721,494	11,259,797	12,683,694	14,462,170	17,196,013
Capital Stock		783,766	790,147	799,205	807,803	808,638	811,956
Capital Reserves		2,562,661	2,817,047	3,159,096	4,152,210	4,319,491	4,387,899
Retained Earnings	Before Distribution	5,874,547	6,879,370	8,333,982	9,890,935	12,970,276	14,627,390
	After Distribution	4,908,948	5,898,619	7,117,095	8,871,868	11,496,129 (Note 3)	0
Other Equity		-842,562	-561,620	-930,761	-1,999,547	-2,070,966	-1,393,138
Treasury Stock		0	-203,450	-101,725	-167,707	-1,565,269	-1,238,094
Non-control Equity		0	0	0	0	0	0
Total Stockholders' Equity	Before Distribution	8,378,412	9,721,494	11,259,797	12,683,694	14,462,170	17,196,013
	After Distribution	7,412,813	8,740,743	10,042,910	11,664,627	12,988,023 (Note 3)	0

Note 1: The financial information from 2017 to 2021 is derived from audited consolidated financial statements.

Note 2: The financial information for the year to date March 31, 2022 is derived from reviewed consolidated financial statements.

Note 3: The amount approved by Board of Directors on April 27, 2022.

## 6.1.2 Condensed Income Statements

### (1) Condensed Income Statements – IFRS

Unit: NTD in Thousands

Subject \ Year	Five-Year Financial Summary (Note 1)					1/1/2022~3/31/2022 (Note 2)
	2017	2018	2019	2020	2021	
Revenue	10,351,803	10,363,888	11,810,592	15,279,588	19,994,646	5,898,143
Gross Profit	4,187,189	4,298,744	5,043,611	6,731,980	9,531,367	2,820,692
Operating Income	1,968,522	1,951,803	2,398,084	3,683,867	5,829,658	1,816,149
Total Non-operating Income and Expenses	1,705	15,561	117,950	15,160	-21,125	-825
Income Before Income Tax	1,970,227	1,967,364	2,516,034	3,699,027	5,808,533	1,815,324
Net Income for the period from Continuing Operations	1,931,709	1,969,362	2,433,759	3,505,796	5,244,507	1,656,635
Discontinued Operation Loss	0	0	0	0	0	0
Net Income	1,931,709	1,969,362	2,433,759	3,505,796	5,244,507	1,656,635
Other Comprehensive Income (Currency translation differences of foreign operations)	-592,223	280,377	-298,672	-657,703	-419,844	579,302
Total Comprehensive Income for the period	1,339,486	2,249,739	2,135,087	2,848,093	4,824,663	2,235,937
Net Income, attributable to owners of the Company	1,931,709	1,969,362	2,433,759	3,505,796	5,244,507	1,656,635
Net Income, attributable to non-owners of the Company	0	0	0	0	0	0
Comprehensive income, attributable to owners of the Company	1,339,486	2,249,739	2,135,087	2,848,093	4,824,663	2,235,937
Comprehensive income, attributable to non-owners of the Company	0	0	0	0	0	0
Basic Earnings per Share (NT\$) (Note 3)	25.49	25.67	31.54	44.86	66.29	20.91
Diluted Earnings per Share (NT\$) (Note 4)	24.55	24.66	30.69	43.73	64.79	20.55

Note 1: The financial information from 2017 to 2021 is derived from audited consolidated financial statements.

Note 2: The financial information for the year to date March 31, 2022 is derived from reviewed consolidated financial statements.

Note 3: Using the sum of outstanding common stocks, options and employee restricted stocks to calculate the numbers of outstanding shares from 2017 to the first quarter of 2022 were 75,793 thousand shares, 76,722 thousand shares, 77,171 thousand shares, 78,156 thousand shares, 79,114 thousand shares and 79,212 thousand shares.

Note 4: Using the sum of outstanding common stocks, options and employee restricted stocks to calculate the numbers of outstanding shares from 2017 to the first quarter of 2022 were 78,683 thousand shares, 79,859 thousand shares, 79,309 thousand shares, 80,161 thousand shares, 80,952 thousand shares and 80,602 thousand shares.

### 6.1.3 Auditors' opinions for the most recent five years and the first quarter on 2022

The names and audited/reviewed opinions of the attesting certified public accountant for the most recent five years and the first quarter of 2022:

Year	CPA Firm	Name of CPA	Audit / Review Opinions
2017	PricewaterhouseCoopers, Taiwan	Liang, Hua-Ling/ Lai, Chung-Hsi	Unqualified Opinion Audit Report
2018	PricewaterhouseCoopers, Taiwan	Liang, Hua-Ling/ Lai, Chung-Hsi	Unqualified Opinion Audit Report
2019	PricewaterhouseCoopers, Taiwan	Chou, Hsiao-Tzu/ Liang, Hua-Ling	Unqualified Opinion Audit Report
2020	PricewaterhouseCoopers, Taiwan	Chou, Hsiao-Tzu/ Liang, Hua-Ling	Unqualified Opinion Audit Report
2021	PricewaterhouseCoopers, Taiwan	Chou, Hsiao-Tzu/ Liang, Hua-Ling	Unqualified Opinion Audit Report
2022 Q1	PricewaterhouseCoopers, Taiwan	Chou, Hsiao-Tzu/ Liang, Hua-Ling	Unqualified Conclusion Review Report

## 6.2 Five-Year Financial Analysis

### 6.2.1 Financial Analysis – IFRS

Subject \ Year		Five-Year Financial Analysis (Note 1)					1/1/2022~3/31/2022 (Note 2)
		2017	2018	2019	2020	2021	
Financial Structure %	Debts Ratio	20.89	19.21	18.24	23.44	25.39	17.49
	Long-term Capital In % of Property, Plant and Equipment	3,204.34	2,981.57	4,094.25	3,506.82	2,992.16	3,400.49
Liquidity %	Current Ratio (%)	344.56	391.85	450.47	328.69	277.41	413.59
	Quick Ratio (%)	298.48	344.30	411.10	285.17	233.60	337.09
	Times Interest Earned Ratio	0	0	0	0	0	0
Operating Performance	Turnover of Receivable (Times)	6.70	6.98	9.05	11.00	13.44	15.73
	Average Collection Days of Receivable	54.47	52.29	40.33	33.18	27.15	23.20
	Turnover of Inventory (Times)	5.85	5.08	5.53	5.66	5.02	4.65
	Turnover of Payable (Times)	7.10	6.97	7.69	8.43	8.82	10.39
	Average Days of Sales	62.39	71.85	66.00	64.48	72.70	78.49
	Turnover of Property, Plant and Equipment (Times)	51.25	35.28	39.11	47.41	46.79	47.30
	Turnover of Total Assets (Times)	1.01	0.91	0.91	1.00	1.11	1.17
Profitability	Return on Total Assets (%)	18.89	17.40	18.86	23.10	29.17	32.94
	Return on Stockholders' Equity (%)	24.32	21.76	23.19	29.28	38.63	41.86
	Earnings before Income Tax In (%) of Capital Stock	251.37	248.98	314.81	457.91	718.31	894.29
	Profit Margin (%)	18.66	19.00	20.60	22.94	26.22	28.08
	Basic Earnings per Share (NT\$) (Note 3)	25.49	25.67	31.54	44.86	66.29	20.91
	Diluted Earnings Per Share (NT\$) (Note 4)	24.55	24.66	30.69	43.73	64.79	20.55
Cash Flow	Cash Flow Ratio (%)	93.49	107.28	138.97	102.44	137.46	30.63
	Cash Flow Adequacy Ratio (%)	236.53	225.84	254.52	221.48	228.06	179.11
	Cash Flow Reinvestment Ratio (%)	15.86	15.03	21.65	19.81	32.44	-0.41
Leverage	Operating Leverage	1.15	1.17	1.20	1.13	1.12	1.08
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Note 1: The financial analysis from 2017 to 2021 is derived from audited consolidated financial statements.

Note 2: The financial analysis for the first quarter of 2022 is derived from reviewed consolidated financial statements.

Note 3: Using the sum of outstanding common stocks, options and employee restricted stocks to calculate the numbers of outstanding shares from 2017 to the first quarter of 2022 were 75,793 thousand shares, 76,722 thousand shares, 77,171 thousand shares, 78,156 thousand shares, 79,114 thousand shares and 79,212 thousand shares.

Note 4: Using the sum of outstanding common stocks, options and employee restricted stocks to calculate the numbers of outstanding shares from 2017 to the first quarter of 2022 were 78,683 thousand shares,

79,859 thousand shares, 79,309 thousand shares, 80,161 thousand shares, 80,952 thousand shares and 80,602 thousand shares.

---

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

1. Increase in Turnover of Receivable: Due to the greatly increase in 2021 sales revenue.
  2. Increase in Return on Total Assets, Return on Stockholders' Equity, Earnings before Income Tax In (%) of Capital Stock and Basic/Diluted Earnings Per Share: Mainly due to the increase in income before tax and net income after tax in 2021.
  3. Increase in Cash Flow Ratio and Cash Flow Reinvestment Ratio: Mainly due to the increase in operating profit in 2021 and causing the increase in cash from operations.
- 

#### **Financial Analysis Calculation Formula**

##### **(1) Capital Structure**

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

##### **(2) Repayment Ability**

- (1) Current Ratio= Current Assets/ Current Liabilities
- (2) Quick Ratio= (Current Assets- Inventories- Prepaid Expenses)/ Current Liabilities
- (3) Times Interest Earned= Earnings before interest and tax/ Interest Expenses

##### **(3) Operating Efficiency**

- (1) Turnover of Receivable (including accounts receivable and notes receivable arising from operation)= Net Sales/ Average Receivables  
(including accounts receivable and notes receivable arising from operation)
- (2) Average Collection Days of Receivable= 365/ Turnover of Receivable
- (3) Turnover of Inventory= Cost of Goods Sold/ Average Inventory
- (4) Turnover of Payable (including accounts payable and notes payable arising from operation)= Cost of Goods Sold/ Average Accounts Payable  
(including accounts payable and notes payable arising from operation)
- (5) Average Days of Sales= 365/ Turnover of Inventory
- (6) Turnover of Property, Plant and Equipment = Net Sales/ Net Property, Plant and Equipment
- (7) Turnover of Total Assets= Net Sales/ Average Total Assets

##### **(4) Earning Ability**

- (1) Return on Total Assets= (Net Income+ Interest Expenses\* (1- tax rate)/ Average Total Assets
- (2) Return on Stockholders' Equity= Net Income/ Average Shareholders' Equity
- (3) Profit Margin= Net Income/ Net Sales

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

##### **(5) Cash Flow**

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

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

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

(6) Degree of Leverage

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

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

### 6.3 Most Recent Year's Audit Committee's Report

Please refer to page 139.

### 6.4 Most Recent Year's Consolidated Financial Statements

Please refer to page 140-193.

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

Not Applicable.

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

None.

## **Audit Committee's Report**

The Board of Directors has prepared the Company's 2021 Business Report, consolidated Financial Statements and proposal for allocation of profits. The CPA firm of PricewaterhouseCoopers was retained to audit Parade's consolidated Financial Statements and has issued an audit report relating to the consolidated Financial Statements. The Business Report, consolidated Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Parade Technologies, Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

**Parade Technologies, Limited.**

Chairman of the Audit Committee: Norman Shen



April 27, 2022



## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Opinion***

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. 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.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group’s 2021 consolidated financial statements. 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 2021 consolidated financial statements are stated as follows:

## **Goodwill impairment**

### 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 Group acquired the mobile touchscreen business and the high-speed business in 2015 and 2020, respectively. The balance of goodwill arising from the acquisitions as at December 31, 2021 was NT\$2,101,729 thousand.

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

### How our audit addressed the matter

Our procedures in relation to the key audit matter included:

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

## **Inventory impairment losses**

### Description

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

Losses on inventories and allowances as at December 31, 2021 was NT\$2,327,364 thousand and NT\$229,810 thousand, respectively. The rapid changes in the technology of the industries in which the Group is involved and the net realizable value used in the evaluation of obsolete inventories often involve subjective judgements and therefore highly uncertain estimates. Inventories are measured at the lower of cost and net realizable value. The impact of inventories and its allowance for diminution in value has a significant impact on the financial statements. Therefore, the loss on inventories and allowances assessment is a key audit matter this year.

### How our audit addressed the matter

Our procedures in relation to the key audit matter included:

1. The valuation of inventory impairment losses adopted the understanding of the nature of the industry, and it is confirmed that the accounting policy is consistent with the previous period.
2. Understood the Group's inventory control procedures and observed the annual inventory count 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 Company's policies.
4. Reviewed the historical information of inventories, supplemented by inspecting the amount of provision after the reference period, and then assessed the reasonableness of the loss provision.

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

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

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

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

### ***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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Chou, Hsiao-Tzu     Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2022

---

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  
DECEMBER 31, 2021 AND 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS			December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 9,201,743	48	\$ 8,519,679	51
1170	Accounts receivable, net	6(2)	1,394,595	7	1,578,725	10
130X	Inventories, net	6(3)	2,097,554	11	1,615,012	10
1470	Other current assets		586,897	3	484,108	3
11XX	Total current assets		13,280,789	69	12,197,524	74
Non-current assets						
1600	Property, plant and equipment, net	6(4)	487,868	2	366,648	2
1755	Right-of-use assets	6(5)	234,571	1	249,796	2
1780	Intangible assets	6(6)(19)	3,044,207	16	3,211,223	19
1840	Deferred income tax assets	6(17)	244,042	1	190,661	1
1900	Other non-current assets	6(7)	2,093,609	11	352,725	2
15XX	Total non-current assets		6,104,297	31	4,371,053	26
1XXX	TOTAL ASSETS		\$ 19,385,086	100	\$ 16,568,577	100

(Continued)

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

LIABILITIES AND EQUITY		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current liabilities						
2170	Accounts payable		\$ 1,130,616	6	\$ 1,240,882	8
2200	Other payables	6(8)	2,519,249	13	1,706,070	10
2230	Current income tax liabilities	6(17)	760,472	4	527,976	3
2280	Lease liabilities - current	6(5)	98,946	-	75,801	-
2300	Other current liabilities		278,008	1	160,159	1
21XX	Total current liabilities		4,787,291	24	3,710,888	22
Non-current liability						
2580	Lease liabilities - non-current	6(5)	135,625	1	173,995	1
25XX	Non-current liabilities		135,625	1	173,995	1
2XXX	Total liabilities		4,922,916	25	3,884,883	23
Equity attributable to owners of the Company						
Share capital						
3110	Ordinary shares		808,638	4	807,803	5
Capital reserves						
3200	Capital reserves		4,319,491	24	4,152,210	25
Retained earnings						
3310	Legal reserve		1,011,400	5	807,466	5
3320	Special reserve		1,221,272	6	421,955	3
3350	Unappropriated earnings		10,737,604	55	8,661,514	52
Other equity						
3400	Other equity		( 2,070,966) ( 11)	( 1,999,547) ( 12)		
3500	Treasury shares	6(11)	( 1,565,269) ( 8)	( 167,707) ( 1)		
31XX	Equity attributable to owners of the Company		14,462,170	75	12,683,694	77
3XXX	Total equity		14,462,170	75	12,683,694	77
Significant events after the balance sheet date						
3X2X	TOTAL LIABILITIES AND EQUITY		\$ 19,385,086	100	\$ 16,568,577	100

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

**PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

	Items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Revenue	6(14)	\$ 19,994,646	100	\$ 15,279,588	100
5000	Cost of goods sold	6(3)(15)(16)	( 10,463,279 )	( 52 )	( 8,547,608 )	( 56 )
5900	Gross profit		<u>9,531,367</u>	<u>48</u>	<u>6,731,980</u>	<u>44</u>
	Operating expenses	6(15)(16) and 7				
6100	Sales and marketing expenses		( 887,522 )	( 5 )	( 683,701 )	( 5 )
6200	General and administrative expenses		( 661,551 )	( 3 )	( 515,969 )	( 3 )
6300	Research and development expenses		( 2,152,636 )	( 11 )	( 1,848,443 )	( 12 )
6000	Total operating expenses		<u>( 3,701,709 )</u>	<u>( 19 )</u>	<u>( 3,048,113 )</u>	<u>( 20 )</u>
6900	Operating income		<u>5,829,658</u>	<u>29</u>	<u>3,683,867</u>	<u>24</u>
	Non-operating income and expenses					
7100	Interest income		2,685	-	28,885	-
7010	Other income		4,259	-	4,512	-
7020	Other gains and losses		( 28,069 )	-	( 18,237 )	-
7000	Total non-operating income and expenses		<u>( 21,125 )</u>	<u>-</u>	<u>15,160</u>	<u>-</u>
7900	<b>Income before income tax</b>		<u>5,808,533</u>	<u>29</u>	<u>3,699,027</u>	<u>24</u>
7950	Income tax expense	6(17)	( 564,026 )	( 3 )	( 193,231 )	( 1 )
8000	<b>Net income for the year from continuing operations</b>		<u>5,244,507</u>	<u>26</u>	<u>3,505,796</u>	<u>23</u>
	<b>Other comprehensive income (loss)</b>					
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8361	Other comprehensive loss, before tax, exchange differences on translation		( 419,844 )	( 2 )	( 657,703 )	( 4 )
8360	Components of other comprehensive loss that will not be reclassified to profit or loss		( 419,844 )	( 2 )	( 657,703 )	( 4 )
8500	<b>Total comprehensive income for the year</b>		<u>\$ 4,824,663</u>	<u>24</u>	<u>\$ 2,848,093</u>	<u>19</u>
	Net income attributable to:					
8610	Owners of the Company		<u>\$ 5,244,507</u>	<u>26</u>	<u>\$ 3,505,796</u>	<u>23</u>
	Comprehensive income attributable to:					
8710	Owners of the Company		<u>\$ 4,824,663</u>	<u>24</u>	<u>\$ 2,848,093</u>	<u>19</u>
	Earnings per share					
9750	Basic earnings per share	6(18)	<u>\$ 66.29</u>		<u>\$ 44.86</u>	
9850	Diluted earnings per share	6(18)	<u>\$ 64.79</u>		<u>\$ 43.73</u>	

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



PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Equity attributable to owners of the parent														
		Capital Reserves					Retained Earnings			Other equity				
		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 equity	
Notes	Ordinary shares													
<u>Year 2020</u>														
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 2020		-	-	-	-	-	-	-	-	3,505,796	-	-	-	3,505,796
Other comprehensive loss for 2020		-	-	-	-	-	-	-	-	( 657,703)	-	-	-	( 657,703)
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	3,505,796	( 657,703)	-	-	2,848,093
Exercise of employee stock options	6(10)(11)	1,560	25,899	-	( 11,827 )	-	-	-	-	-	-	-	-	15,632
Issuance of restricted stocks	6(10)(11)	7,677	-	-	-	813,089	-	-	-	-	-	( 820,766 )	-	-
Vesting of restricted stocks		-	316,578	-	-	( 316,578 )	-	-	-	-	-	-	-	-
Adjustment of turnover rate of restricted stocks		-	-	-	-	( 15,000 )	-	-	-	-	-	15,000	-	-
Cancellation of restricted stocks ordinary shares and related cash dividend recovered	6(11)	( 639 )	-	-	-	639	-	-	-	1,685	-	-	-	1,685
Share-based compensation cost	6(10)(16)	-	-	-	172,025	-	-	-	-	-	-	394,683	-	566,708
Tax deduction exceeds cumulative share-based payment expenses		-	-	-	-	-	8,289	-	-	-	-	-	-	8,289
Purchase of treasury shares	6(11)	-	-	-	-	-	-	-	-	-	-	( 167,707 )	( 167,707 )	-
Treasury shares reissued to employees	6(10)(11)	-	-	172,025	( 172,025 )	-	-	-	-	-	-	101,725	101,725	-
Earnings appropriation	6(13)													
Special reserve		-	-	-	-	-	-	413,631	( 413,631 )	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	( 1,950,528 )	-	-	-	-	( 1,950,528 )
Balance at December 31, 2020		\$ 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
<u>Year 2021</u>														
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 2021		-	-	-	-	-	-	-	-	5,244,507	-	-	-	5,244,507
Other comprehensive loss for 2021		-	-	-	-	-	-	-	-	-	( 419,844 )	-	-	( 419,844 )
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	5,244,507	( 419,844 )	-	-	4,824,663
Exercise of employee stock options	6(10)(11)	526	12,920	-	( 5,863 )	-	-	-	-	-	-	-	-	7,583
Issuance of restricted stocks	6(10)(11)	860	-	-	-	107,519	-	-	-	-	-	( 108,379 )	-	-
Vesting of restricted stocks		-	440,281	-	-	( 440,281 )	-	-	-	-	-	-	-	-
Adjustment of turnover rate of restricted stocks		-	-	-	-	( 47,134 )	-	-	-	-	-	47,134	-	-
Cancellation of restricted stocks ordinary shares and related cash dividend recovered	6(11)	( 551 )	-	-	-	551	-	-	-	1,881	-	-	-	1,881
Share-based compensation cost	6(10)(16)	-	-	14,949	-	-	-	-	-	-	-	409,670	-	424,619
Tax deduction exceeds cumulative share-based payment expenses		-	-	-	-	-	84,339	-	-	-	-	-	-	84,339
Purchase of treasury shares	6(11)	-	-	-	-	-	-	-	-	-	-	( 1,707,978 )	( 1,707,978 )	-
Treasury shares reissued to employees	6(10)(11)	-	-	-	-	-	-	-	-	-	-	-	310,416	310,416
Earnings appropriation	6(13)													
Legal reserve		-	-	-	-	-	203,934	-	( 203,934 )	-	-	-	-	-
Special reserve		-	-	-	-	-	-	799,317	( 799,317 )	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	( 2,167,047 )	-	-	-	-	( 2,167,047 )
Balance at December 31, 2021		\$ 808,638	\$ 3,015,372	\$ 186,974	\$ 95,469	\$ 929,048	\$ 92,628	\$ 1,011,400	\$ 1,221,272	\$10,737,604	(\$ 1,342,498)	(\$ 728,468)	(\$ 1,565,269)	\$14,462,170

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Income before income tax for the year		\$ 5,808,533	\$ 3,699,027
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including the right-of-use assets)	6(4)(5)	272,319	205,734
Amortization	6(6)	442,184	274,286
Loss on disposal of equipment	6(4)	2,417	-
Share-based compensation cost	6(10)(16)	424,619	566,708
Interest income		( 2,685 )	( 28,885 )
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		139,785	( 441,109 )
Inventories		( 527,908 )	( 718,449 )
Other current assets		22,249	( 178,585 )
Changes in operating liabilities			
Accounts payable		( 75,409 )	494,026
Other payables		426,155	270,701
Other current liabilities		122,349	( 20,439 )
Cash inflow generated from operations		7,054,608	4,123,015
Interest received		2,685	28,459
Income tax paid		( 476,455 )	( 349,981 )
Income tax received		52	13
Net cash flows from operating activities		<u>6,580,890</u>	<u>3,801,506</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(4)	( 296,457 )	( 226,959 )
Acquisition of intangible assets	6(6)	( 11,065 )	( 7,508 )
Increase in refundable deposits	6(7)	( 1,834,320 )	( 9,182 )
Increase in other prepayments		( 223,186 )	( 257,825 )
Acquisition of business combinations	6(19)	-	( 1,112,458 )
Net cash flows used in investing activities		<u>( 2,365,028 )</u>	<u>( 1,613,932 )</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from exercise of employee stock options		7,583	15,632
Repayment of the principal portion of lease liabilities	6(5)(20)	( 109,202 )	( 75,647 )
Purchase of treasury shares		( 1,707,978 )	( 167,707 )
Treasury shares reissued to employees	6(10)	310,416	101,725
Cash dividend recovered from cancellation of share-based compensation		1,881	1,685
Cash dividends paid	6(12)	( 1,752,708 )	( 1,216,887 )
Net cash flows used in financing activities		<u>( 3,250,008 )</u>	<u>( 1,341,199 )</u>
Effect of exchange rate changes		( 283,790 )	( 432,696 )
Net increase in cash and cash equivalents		682,064	413,679
Cash and cash equivalents at beginning of year		8,519,679	8,106,000
Cash and cash equivalents at end of year		<u>\$ 9,201,743</u>	<u>\$ 8,519,679</u>

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

**1. HISTORY AND ORGANIZATION**

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 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 endorsed by the FSC effective from 2022 are as follows:

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, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

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

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Parade Technologies, Ltd.	Parade Technologies Ireland, Ltd.	Providing research and development services to the Company	-	100	Note 1
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	100	100	-
Parade Technologies, Ltd.	Pinchot Ltd.	Providing administrative services to the Company	100	100	Note 2
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Chongqing)	Providing research and development services to the Company	100	100	Note 3
Parade Technologies, Inc.	Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	100	100	-

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

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

Note 3: 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) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the

counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Treasury bill meets the definition above and is held for the purpose of meeting short-term cash commitments in operations is classified as cash equivalents.

(7) Accounts receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the standard cost method. The cost of finished goods and work in process comprises raw materials, other direct costs and related production overheads. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

A. Equipment is initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Equipment applies cost model and is depreciated using the straight-line method to allocate its cost



over its estimated useful life. 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, the impairment loss shall be reversed which shall not exceed the book value of the asset, net of depreciation or amortization, if unimpaired.

B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

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

(15) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

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

(16) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees 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) Share-based compensation

A. For the equity-settled share-based compensation arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

#### B. Restricted Stocks Awards:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period.

(b) For restricted stocks, where those stocks do not restrict distribution of dividends to employees. However, employees must return the dividends received if they resign before the vesting conditions are fully satisfied. When receiving dividend, the Group credits related amounts that were previously debited from retained earnings, legal reserve or capital reserve at the date of dividends declaration.

(c) For restricted stocks where employees do not need to pay to acquire those stocks. However, when employees resign before the vesting conditions are fully satisfied, the Group will redeem the restricted stocks without consideration and then retire them. After the restricted stocks were retired, the Group decreased "Ordinary shares" and 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.

(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 to 60 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 December 31, 2021, the Group recognized goodwill amounting to \$2,101,729.

B. Evaluation of inventories

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

As of December 31, 2021, the carrying amount of inventories was \$2,097,554.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 71	\$ 68
Checking accounts and bank deposits	5,825,001	4,561,213
	5,825,072	4,561,281
Cash equivalents		
Treasury bills	3,376,671	3,958,398
	<u>\$ 9,201,743</u>	<u>\$ 8,519,679</u>

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

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

### (2) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 1,394,595	\$ 1,578,725
Less: Allowance for doubtful accounts	-	-
	<u>\$ 1,394,595</u>	<u>\$ 1,578,725</u>

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

	December 31, 2021	December 31, 2020
Not past due	\$ 1,329,216	\$ 1,402,783
60 days	65,379	175,942
90 days	-	-
91-180 days	-	-
181-360 days	-	-
over 360 days	-	-
	<u>\$ 1,394,595</u>	<u>\$ 1,578,725</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable were 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 December 31, 2021 and 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 \$1,394,595 and \$1,578,725, respectively.

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

### (3) Inventories

	December 31, 2021		
	Cost	Allowance	Book value
Raw materials	\$ 703,317	(\$ 117,610)	\$ 585,707
Work-in-process	512,317	( 49,124)	463,193
Finished goods	1,111,730	( 63,076)	1,048,654
	<u>\$ 2,327,364</u>	<u>(\$ 229,810)</u>	<u>\$ 2,097,554</u>
	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
	<u>\$ 1,835,180</u>	<u>(\$ 220,168)</u>	<u>\$ 1,615,012</u>

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	\$ 10,212,272	\$ 8,346,313
Loss on decline in market value	15,997	-
Gain on reversal of decline in market value	-	( 10,099)
Others	235,010	211,394
	<u>\$ 10,463,279</u>	<u>\$ 8,547,608</u>



#### (4) Property, plant and equipment

The Group had no property and plant as of December 31, 2021 and 2020.

	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 817,274	\$ 59,453	\$ 117,522	\$ 994,249
Accumulated depreciation	( 506,863)	( 47,970)	( 72,768)	( 627,601)
	<u>\$ 310,411</u>	<u>\$ 11,483</u>	<u>\$ 44,754</u>	<u>\$ 366,648</u>
<u>Year ended December 31, 2021</u>				
Opening net book amount	\$ 310,411	\$ 11,483	\$ 44,754	\$ 366,648
Additions	246,878	13,065	36,514	296,457
Disposals	( 646)	( 49)	( 1,722)	( 2,417)
Depreciation charge	( 138,146)	( 7,461)	( 17,510)	( 163,117)
Net exchange differences	( 8,606)	( 172)	( 925)	( 9,703)
Closing net book amount	<u>\$ 409,891</u>	<u>\$ 16,866</u>	<u>\$ 61,111</u>	<u>\$ 487,868</u>
<u>At December 31, 2021</u>				
Cost	\$ 1,037,179	\$ 69,586	\$ 141,521	\$ 1,248,286
Accumulated depreciation	( 627,287)	( 52,720)	( 80,411)	( 760,418)
	<u>\$ 409,892</u>	<u>\$ 16,866</u>	<u>\$ 61,110</u>	<u>\$ 487,868</u>
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 621,064	\$ 57,539	\$ 117,645	\$ 796,248
Accumulated depreciation	( 412,427)	( 46,181)	( 59,802)	( 518,410)
	<u>\$ 208,637</u>	<u>\$ 11,358</u>	<u>\$ 57,843</u>	<u>\$ 277,838</u>
<u>Year ended December 31, 2020</u>				
Opening net book amount	\$ 208,637	\$ 11,358	\$ 57,843	\$ 277,838
Additions	220,707	5,728	524	226,959
Acquired from business combinations	2,271	529	2,401	5,201
Depreciation charge	( 109,854)	( 6,032)	( 14,201)	( 130,087)
Net exchange differences	( 11,350)	( 100)	( 1,813)	( 13,263)
Closing net book amount	<u>\$ 310,411</u>	<u>\$ 11,483</u>	<u>\$ 44,754</u>	<u>\$ 366,648</u>
<u>At December 31, 2020</u>				
Cost	\$ 817,274	\$ 59,453	\$ 117,522	\$ 994,249
Accumulated depreciation	( 506,863)	( 47,970)	( 72,768)	( 627,601)
	<u>\$ 310,411</u>	<u>\$ 11,483</u>	<u>\$ 44,754</u>	<u>\$ 366,648</u>

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:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Offices	\$ 234,571	\$ 249,796
	For the years ended December 31,	
	2021	2020
	Depreciation	Depreciation
Offices	\$ 109,202	\$ 75,647

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$97,188 and \$148,439, respectively.

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

	For the years ended December 31,	
Items affecting profit or loss	2021	2020
Expense on short-term lease contracts	\$ 3,052	\$ 16,485

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases amounted to \$112,254 and \$92,132, respectively.

(6) Intangible assets

	Software	Goodwill	Mask	Patent and others	Total
<u>At January 1, 2021</u>					
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)
	<u>\$ 32,013</u>	<u>\$ 2,100,595</u>	<u>\$ 208,415</u>	<u>\$ 870,200</u>	<u>\$ 3,211,223</u>
<u>Year ended December 31, 2021</u>					
Opening net book amount	\$ 32,013	\$ 2,100,595	\$ 208,415	\$ 870,200	\$ 3,211,223
Inward transfer	-	-	306,491	-	306,491
Additions - acquired separately	11,065	-	-	-	11,065
Reclassifications	-	61,816	-	( 14,965)	46,851
Amortization charge	( 10,738)	-	( 266,404)	( 165,042)	( 442,184)
Net exchange differences	( 856)	( 60,682)	( 6,326)	( 21,375)	( 89,239)
Closing net book amount	<u>\$ 31,484</u>	<u>\$ 2,101,729</u>	<u>\$ 242,176</u>	<u>\$ 668,818</u>	<u>\$ 3,044,207</u>
<u>At December 31, 2021</u>					
Cost	\$ 75,445	\$ 2,101,729	\$ 947,596	\$ 1,566,688	\$ 4,691,458
Accumulated amortization	( 43,961)	-	( 705,420)	( 897,870)	( 1,647,251)
	<u>\$ 31,484</u>	<u>\$ 2,101,729</u>	<u>\$ 242,176</u>	<u>\$ 668,818</u>	<u>\$ 3,044,207</u>

	Software	Goodwill	Mask	Patent and others	Total
<u>At January 1, 2020</u>					
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)
	<u>\$ 35,756</u>	<u>\$ 1,470,575</u>	<u>\$ 147,973</u>	<u>\$ 720,305</u>	<u>\$ 2,374,609</u>
<u>Year ended December 31, 2020</u>					
Opening net book amount	\$ 35,756	\$ 1,470,575	\$ 147,973	\$ 720,305	\$ 2,374,609
Inward transfer	-	-	172,801	-	172,801
Additions - acquired separately	7,508	-	-	-	7,508
Additions - acquired through business combinations	581	733,271	-	355,560	1,089,412
Amortization charge	( 10,199)	-	( 102,407)	( 161,680)	( 274,286)
Net exchange differences	( 1,633)	( 103,251)	( 9,952)	( 43,985)	( 158,821)
Closing net book amount	<u>\$ 32,013</u>	<u>\$ 2,100,595</u>	<u>\$ 208,415</u>	<u>\$ 870,200</u>	<u>\$ 3,211,223</u>
<u>At December 31, 2020</u>					
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)
	<u>\$ 32,013</u>	<u>\$ 2,100,595</u>	<u>\$ 208,415</u>	<u>\$ 870,200</u>	<u>\$ 3,211,223</u>

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

	For the years ended December 31,	
	2021	2020
Operating costs	\$ 266,404	\$ 102,408
Research and development expenses	175,195	171,504
Administrative expenses	432	360
Selling expenses	153	14
	<u>\$ 442,184</u>	<u>\$ 274,286</u>

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

	December 31, 2021	December 31, 2020
Refundable deposits	\$ 1,867,209	\$ 33,839
Prepaid mask	226,400	318,886
	<u>\$ 2,093,609</u>	<u>\$ 352,725</u>

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

	December 31, 2021	December 31, 2020
Dividends payable	\$ 1,147,980	\$ 733,641
Payroll, bonus and accrued vacation	668,689	461,802
Employees' compensation and directors' remuneration	463,856	342,113
Commissions	80,904	49,928
Engineering expenses	52,616	19,518
Legal and professional fees	31,293	33,935
Others	73,911	65,133
	<u>\$ 2,519,249</u>	<u>\$ 1,706,070</u>

(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 years ended December 31, 2021 and 2020 were \$128,388 and \$66,945, respectively.

(10) Share-based compensation expenses

A. The Board of Directors approved the stock compensation plan during 2006. The plan originally calls for issuing 3 million shares of employee stock options, which subsequently increased to 11,696 thousand shares, 11,396 thousand shares, 6,897 thousand shares, and 5,697 thousand shares with the approval of the Board of Directors in 2011, 2010, 2008, and 2007, respectively. Each share can purchase one share of the Company's Ordinary Share. The beneficiaries include the employees, the directors, and the contracted consultants of the Company. The employee stock options are valid for 10 years from the issuance. The owners can exercise 25% of their options after first year of issuance, and they can exercise one-sixteenth of the original amount each quarter. The exercise price will be based on the market price of the Ordinary Share.

B. In March 2012, the Board of Directors of the Company approved the 2012 employee stock option plan and resolved to issue 940 units of employee stock options to the employees of the Company. Each unit can purchase 1,000 shares of the Company's common stock. The employee stock options are valid for 10 years from the issuance. The holders may exercise the stock options in installments

two years after the issuance. The exercise price under the plan shall not be less than the closing price of the Company's common stock at the issuance. The issuance of the employee stock options was submitted to the FSC and became effective in April 2012.

C. For the years ended December 31, 2021 and 2020, the Group's share-based payment agreements 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

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Restricted stocks to employees (Note)	Apr. 29, 2020	45	4 years	4 years service
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 set forth below:

	For the years ended December 31,			
	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 year	410	\$ 6.63	566	\$ 5.82
Options exercised	(53)	5.15	(156)	3.39
Options outstanding at end of year	<u>357</u>	6.85	<u>410</u>	6.63
Options exercisable at end of year	<u>357</u>		<u>410</u>	

E. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2021 and 2020 was \$1,550.74 and \$917.10 (in dollars), respectively.

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

Issue date approved	Expiry date	December 31, 2021		December 31, 2020	
		No. of shares (in thousands)	Exercise price (in US dollars)	No. of shares (in thousands)	Exercise price (in US dollars)
Aug. 9, 2010	Aug. 9, 2020	-	\$ -	-	\$ 0.587
Jan. 20, 2011	Jan. 20, 2021	-	-	11	1.220
Mar. 9, 2011	Mar. 9, 2021	-	-	-	1.220
Apr. 28, 2011	Apr. 28, 2021	-	-	-	1.220
Jun. 13, 2011	Jun. 13, 2021	-	-	6	2.010
Jul. 26, 2012	Jul. 26, 2022	357	6.852	393	6.852

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

Type of arrangement	Grant date	Stock price	Exercise price (in dollars)	Expected price volatility	Expected 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 employee restricted ordinary shares 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.

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

	For the years ended December 31,	
	2021	2020
Equity-settled	\$ 424,619	\$ 566,708

(11) Share capital/ Treasury shares

A. As of December 31, 2021, the Company's authorized capital was \$1,500,000, consisting of 150 million shares of ordinary stock, and the paid-in capital was \$808,638 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 year ended December 31, 2021			
	Unrestricted shares	Restricted shares	Treasury shares	Total
At January 1	78,969	1,812	( 156)	80,625
Exercise of employee stock options	53	-	-	53
Issuance of restricted stocks	-	86	-	86
Vesting of restricted stocks	706	( 706)	-	-
Cancellation of restricted stocks ordinary shares	-	( 56)	-	( 56)
Purchase of treasury shares	-	-	( 918)	( 918)
Treasury stock reissued to employees	-	-	258	258
At December 31	<u>79,728</u>	<u>1,136</u>	<u>( 816)</u>	<u>80,048</u>

	For the year ended December 31, 2020			
	Unrestricted shares	Restricted shares	Treasury shares	Total
At January 1	78,042	1,879	( 250)	79,671
Exercise of employee stock options	156	-	-	156
Issuance of restricted stocks	-	768	-	768
Vesting of restricted stocks	771	( 771)	-	-
Cancellation of restricted stocks ordinary shares	-	( 64)	-	( 64)
Purchase of treasury shares	-	-	( 156)	( 156)
Treasury stock reissued to employees	-	-	250	250
At December 31	<u>78,969</u>	<u>1,812</u>	<u>( 156)</u>	<u>80,625</u>

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 \$287 as of December 31, 2021, including unretired share capital of \$65.

- 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 \$480 as of December 31, 2021, including unretired share capital of \$69.
- 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 \$565 as of December 31, 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 \$831 as of S December 31, 2021, including unretired share capital of \$3.
- 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 December 31, 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:

		December 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	816	\$ 1,565,269

		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

(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 2018 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 and second half year of 2020. The appropriation of the first and second half year of 2020 earnings had been approved by the Board of Directors on October 28, 2020 and April 28, 2021, respectively.

	First half year of 2020		Second half year of 2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -		\$ 203,934	
Special reserve	157,004		343,696	
Cash dividends	733,641	\$ 9.12	1,019,067	\$ 12.61

The appropriation of 2020 earnings had been approved by the shareholders on August 20, 2021.

- (c) The Company recognized dividends distributed to owners for the first half year of 2021. The appropriation of the first half year of 2021 earnings had been approved by the Board of Directors on October 27, 2021.

	First half year of 2021	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ -	
Special reserve	455,621	
Cash dividends	1,147,980	\$ 14.25

- (d) The Company proposed dividends distributed to owners for the second half year of 2021. The appropriation of the second half year of 2021 earnings had been approved by the Board of Directors on March 9, 2022. The abovementioned 2021 earnings appropriation had not been approved by the shareholders.

	Second half year of 2021	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ -	
Special reserve	121,227	
Cash dividends	1,474,147	\$ 18.23

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 year ended December 31, 2021				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from contracts with customers	\$ 8,466,286	\$ 6,399,870	\$ 4,184,607	\$ 943,883	\$ 19,994,646
	For the year ended December 31, 2020				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from contracts with customers	\$ 7,298,859	\$ 5,339,083	\$ 1,771,667	\$ 869,979	\$ 15,279,588

(15) Expenses by nature

	For the years ended December 31,	
	2021	2020
Employee benefit expenses	\$ 3,074,593	\$ 2,430,344
Depreciation and amortization charges		
on equipment and intangible assets	714,503	480,020
Engineering expenses	163,027	248,658
Commission expenses	60,924	51,756
Legal and professional expenses	47,109	65,219
Expense on short-term lease contracts	3,052	16,485
Other expenses	70,913	48,659
Total manufacturing and operating expenses	<u>\$ 4,134,121</u>	<u>\$ 3,341,141</u>

(16) Employee benefit expenses

	For the years ended December 31,	
	2021	2020
Wages and salaries	\$ 2,341,970	\$ 1,618,903
Employee compensation costs	424,619	566,708
Pension costs	128,388	66,945
Other personnel expenses	179,616	177,788
	<u>\$ 3,074,593</u>	<u>\$ 2,430,344</u>

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

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$329,254 and \$230,744, respectively; Directors' remuneration was accrued at \$125,381 and \$80,556, respectively. The aforementioned amounts were recognised in salary expenses.

For the years ended December 31, 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

A. Components of income tax expense:

	For the years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 615,907	\$ 300,578
Prior year income tax underestimation (overestimation)	1,500 ( 30,642)	
Total current tax	617,407	269,936
Deferred tax:		
Origination and reversal of temporary differences	( 53,381) ( 76,705)	
Income tax expense	<u>\$ 564,026</u>	<u>\$ 193,231</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 675,139	\$ 277,457
Tax exempt income by tax regulation	( 112,613) ( 53,584)	
Prior year income tax overestimation	1,500 ( 30,642)	
Income tax expense	<u>\$ 564,026</u>	<u>\$ 193,231</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2021		
	January 1	Recognized in profit or loss	December 31
Deferred tax assets			
- Temporary differences:			
Accrued vacation	\$ 6,236	\$ 473	\$ 6,709
Depreciation	3,574	684	4,258
Share-based compensation expense	51,847	18,440	70,287
Others	8 ( 56) ( 48)		
Investment tax credit	128,996	33,840	162,836
	<u>\$ 190,661</u>	<u>\$ 53,381</u>	<u>\$ 244,042</u>

	2020		
	January 1	Recognized in profit or loss	December 31
Deferred tax assets			
- Temporary differences:			
Accrued vacation	\$ 4,538	\$ 1,698	\$ 6,236
Depreciation	2,666	908	3,574
Share-based compensation expense	16,394	35,453	51,847
Others	17	(9)	8
Investment tax credit	90,341	38,655	128,996
	<u>\$ 113,956</u>	<u>\$ 76,705</u>	<u>\$ 190,661</u>

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

December 31, 2021			
Qualifying items	Unused tax credits	Unrecognized deferred tax	Expiry year
		assets	
Federal tax - Research and development	\$ 1,527	\$ -	December 31, 2034
Federal tax - Research and development	7,556	-	December 31, 2035
Federal tax - Research and development	11,902	-	December 31, 2036
Federal tax - Research and development	17,384	-	December 31, 2037
Federal tax - Research and development	24,150	-	December 31, 2038
Federal tax - Research and development	25,391	-	December 31, 2039
Federal tax - Research and development	37,463	-	December 31, 2040
Federal tax - Research and development	37,463	-	December 31, 2041
	<u>\$ 162,836</u>	<u>\$ -</u>	
December 31, 2020			
Qualifying items	Unused tax credits	Unrecognized deferred tax	Expiry year
		assets	
Federal tax - Research and development	\$ 1,569	\$ -	December 31, 2034
Federal tax - Research and development	7,775	-	December 31, 2035
Federal tax - Research and development	12,246	-	December 31, 2036
Federal tax - Research and development	17,887	-	December 31, 2037
Federal tax - Research and development	24,848	-	December 31, 2038
Federal tax - Research and development	26,125	-	December 31, 2039
Federal tax - Research and development	38,546	-	December 31, 2040
	<u>\$ 128,996</u>	<u>\$ -</u>	

(18) Earnings per share

For the year ended December 31, 2021			
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 5,244,507	79,114	\$ 66.29
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 5,244,507	79,114	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	331	
Employees' compensation	-	214	
Restricted stocks to employees	-	1,293	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 5,244,507	80,952	\$ 64.79
For the year ended December 31, 2020			
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 3,505,796	78,156	\$ 44.86
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 3,505,796	78,156	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	381	
Employees' compensation	-	273	
Restricted stocks to employees	-	1,351	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 3,505,796	80,161	\$ 43.73



(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)
Deferred tax liabilities	-
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 of 2020 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 years ended December 31,	
	2021	2020
Cash dividends payable	\$ 1,147,980	\$ 733,641

(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	( 109,202)	( 75,647)
Impact of changes in foreign exchange rate	( 3,211)	( 4,539)
Changes in other non-cash items	97,188	148,439
At December 31	\$ 234,571	\$ 249,796

## 7. RELATED PARTY TRANSACTIONS

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

None.

### (2) Key management compensation

	For the years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 577,727	\$ 490,280
Share-based compensation expenses	300,335	197,809
	<u>\$ 878,062</u>	<u>\$ 688,089</u>

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

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

## 8. PLEDGED ASSETS

None.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

### (1) Contingencies

None.

### (2) Commitments

None.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(13) for the appropriation of the second half year of 2021 earnings.

## 12. OTHERS

### (1) Consolidated balance sheets as of December 31, 2021 and 2020 and consolidated statements of comprehensive income for the years ended December 31, 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**  
**DECEMBER 31, 2021 AND 2020**  
(EXPRESSED IN THOUSANDS OF US DOLLARS)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>Current assets</b>				
Cash and cash equivalents	\$ 332,433	48	\$ 299,146	51
Accounts receivable, net	50,383	7	55,433	10
Inventories, net	75,779	11	56,707	10
Other current assets	21,203	3	16,998	3
<b>Total current assets</b>	<b>479,798</b>	<b>69</b>	<b>428,284</b>	<b>74</b>
<b>Non-current assets</b>				
Property, plant and equipment, net	17,625	2	12,874	2
Right-of-use assets	8,474	1	8,771	2
Intangible assets	109,979	16	112,754	19
Deferred income tax assets	8,817	1	6,694	1
Other non-current assets	75,636	11	12,385	2
<b>Total non-current assets</b>	<b>220,531</b>	<b>31</b>	<b>153,478</b>	<b>26</b>
<b>TOTAL ASSETS</b>	<b>\$ 700,329</b>	<b>100</b>	<b>\$ 581,762</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 40,846	6	\$ 43,570	8
Other payables	90,291	13	58,599	10
Current income tax liabilities	27,474	4	18,538	3
Lease liabilities - current	3,574	-	2,662	-
Other current liabilities	10,044	1	5,624	1
<b>Total current liabilities</b>	<b>172,229</b>	<b>24</b>	<b>128,993</b>	<b>22</b>
<b>Non-current liabilities</b>				
Lease liabilities - non-current	4,900	1	6,109	1
<b>Total non-current liabilities</b>	<b>4,900</b>	<b>1</b>	<b>6,109</b>	<b>1</b>
<b>Total liabilities</b>	<b>177,129</b>	<b>25</b>	<b>135,102</b>	<b>23</b>
<b>Equity attributable to owners of the Company</b>				
<b>Share capital</b>				
Ordinary shares	26,634	4	26,604	5
<b>Capital reserves</b>				
Capital reserves	143,754	21	137,586	23
<b>Retained earnings</b>				
Legal reserve	33,380	5	26,376	5
Special reserve	41,642	6	13,657	2
Unappropriated earnings	358,046	50	284,514	49
<b>Other equity</b>				
Other equity	( 23,915)	( 3)	( 36,108)	( 6)
<b>Treasury shares</b>	( 56,341)	( 8)	( 5,969)	( 1)
<b>Equity attributable to owners of the Company</b>	<b>523,200</b>	<b>75</b>	<b>446,660</b>	<b>77</b>
<b>Total equity</b>	<b>523,200</b>	<b>75</b>	<b>446,660</b>	<b>77</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 700,329</b>	<b>100</b>	<b>\$ 581,762</b>	<b>100</b>

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(EXPRESSED IN THOUSANDS OF US DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	2021		2020	
	Amount	%	Amount	%
<b>Revenues</b>	\$ 714,334	100	\$ 518,336	100
<b>Cost of goods sold</b>	( 373,739)	( 52)	( 289,999)	( 56)
<b>Gross profit</b>	<u>340,595</u>	<u>48</u>	<u>228,337</u>	<u>44</u>
<b>Operating expenses</b>				
Sales and marketing expenses	( 31,703)	( 5)	( 23,187)	( 5)
General and administrative expenses	( 23,635)	( 3)	( 17,483)	( 3)
Research and development expenses	( 76,886)	( 11)	( 62,633)	( 12)
<b>Total operating expenses</b>	<u>( 132,224)</u>	<u>( 19)</u>	<u>( 103,303)</u>	<u>( 20)</u>
<b>Operating income</b>	<u>208,371</u>	<u>29</u>	<u>125,034</u>	<u>24</u>
<b>Non-operating income and expenses</b>				
Interest income	96	-	963	-
Other income	151	-	153	-
Other gains and losses	( 997)	-	( 631)	-
<b>Total non-operating income and expenses</b>	<u>( 750)</u>	<u>-</u>	<u>485</u>	<u>-</u>
<b>Income before income tax</b>	<u>207,621</u>	<u>29</u>	<u>125,519</u>	<u>24</u>
Income tax expense	( 20,180)	( 3)	( 6,571)	( 1)
<b>Net income for the year from continuing operations</b>	<u>187,441</u>	<u>26</u>	<u>118,948</u>	<u>23</u>
<b>Other comprehensive income</b>				
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
Currency translation differences of foreign operations	807	-	1,292	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>807</u>	<u>-</u>	<u>1,292</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>\$ 188,248</u>	<u>26</u>	<u>\$ 120,240</u>	<u>23</u>
<b>Net income attributable to:</b>				
Owners of the Company	<u>\$ 187,441</u>	<u>26</u>	<u>\$ 118,948</u>	<u>23</u>
<b>Comprehensive income attributable to:</b>				
Owners of the Company	<u>\$ 188,248</u>	<u>26</u>	<u>\$ 120,240</u>	<u>23</u>
<b>Earnings per share</b>				
<b>Basic earnings per share</b>	<u>\$ 2.37</u>		<u>\$ 1.52</u>	
<b>Diluted earnings per share</b>	<u>\$ 2.32</u>		<u>\$ 1.48</u>	

(2) Capital management

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

(3) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 9,201,743	\$ 8,519,679
Accounts receivable, net	1,394,595	1,578,725
Guarantee deposits paid	1,867,209	33,839
	<u>\$ 12,463,547</u>	<u>\$ 10,132,243</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable	\$ 1,130,616	\$ 1,240,882
Guarantee deposits received	920	8,413
	<u>\$ 1,131,536</u>	<u>\$ 1,249,295</u>
Lease liability	<u>\$ 234,571</u>	<u>\$ 249,796</u>

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:

December 31, 2021			
	Foreign Currency		
	Amount (in RMB thousands)	Exchange Rate	Book Value (in USD thousands)
(Foreign currency:functional currency)			
Financial assets - monetary items			
RMB:USD	\$ 2,954	0.157	\$ 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

Based on the foreign currency quoted position held by the Group as of December 31, 2021 and 2020, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase by \$128 and \$132, respectively.

iii. Total exchange (gain) loss, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$20,119 and \$15,286 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 December 31, 2021 and 2020.
- ix. Movements in relation to the Group applying the approach to provide loss allowance for accounts receivable had no change for the years ended December 31, 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 \$3,376,671 and \$3,958,398 as at December 31, 2021 and 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.

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 1,130,616	\$ -
Other payables	2,519,249	-
Lease liability	98,946	135,625
 <u>December 31, 2020</u>	 <u>Less than 1 year</u>	 <u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 1,240,882	\$ -
Other payables	1,706,070	-
Lease liability	75,801	173,995

(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 December 31, 2021 and 2020.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

A. Loans granted during the year ended December 31, 2021: None.

B. Endorsements and guarantees provided during the year ended December 31, 2021: None.

C. Marketable securities held as at December 31, 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 year ended December 31, 2021: None.



- E. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2021: None.
- F. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the year ended December 31, 2021: None.
- G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended December 31, 2021: None.
- H. Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as at December 31, 2021: None.
- I. Derivative financial instruments undertaken during the year ended December 31, 2021: None.
- J. Significant inter-company transactions for the year ended December 31, 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

Major shareholders information: Please refer to table 4.

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.

(5) Revenue information by geographic area

Revenue information by geographic area for the years ended December 31, 2021 and 2020 are as follows:

A. Revenue

	For the years ended December 31,	
	2021	2020
China	\$ 9,106,347	\$ 5,684,604
Taiwan	6,748,228	4,726,722
South Korea	2,835,602	3,143,818
Japan	1,255,839	1,656,827
Others	48,630	67,617
	<u>\$ 19,994,646</u>	<u>\$ 15,279,588</u>

B. Non-current assets

	December 31, 2021	December 31, 2020
China	\$ 85,833	\$ 67,762
Taiwan	57,938	26,792
South Korea	2,798	3,145
Others	5,713,686	3,763,807
	<u>\$ 5,860,255</u>	<u>\$ 3,861,506</u>

(6) Information on major customers

The major customers for the years ended December 31, 2021 and 2020 are set forth below:

Customer	For the year ended December 31, 2021	
	Sales	%
K	\$ 7,244,730	36
A	4,967,257	25
B	2,221,570	11
	<u>\$ 14,433,557</u>	<u>72</u>

Customer	For the year ended December 31, 2020	
	Sales	%
A	\$ 4,327,396	28
K	3,639,404	24
B	3,001,169	20
E	1,521,993	10
	<u>\$ 12,489,962</u>	<u>82</u>

SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 1 Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Parade Technologies, Ltd.	Parade Technologies, Inc.	(1)	Service expense	\$ 1,223,804	In accordance with the agreement, depend on the financial condition of the paying firm	6%
			(1)	Other payables	40,753	In accordance with the agreement, depend on the financial condition of the paying firm	0%
		Parade Technologies Korea, Ltd.	(1)	Service expense	24,696	In accordance with the agreement, depend on the financial condition of the paying firm	0%
			(1)	Other payables	1,965	In accordance with the agreement, depend on the financial condition of the paying firm	0%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	687,802	In accordance with the agreement, depend on the financial condition of the paying firm	3%
			(1)	Other payables	344,868	In accordance with the agreement, depend on the financial condition of the paying firm	2%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	372,402	In accordance with the agreement, depend on the financial condition of the paying firm	2%
			(1)	Other payables	122,203	In accordance with the agreement, depend on the financial condition of the paying firm	1%
		Parade Technologies, Ltd. (Chongqing)	(1)	Service expense	30,876	In accordance with the agreement, depend on the financial condition of the paying firm	0%
			(1)	Other receivables	2,718	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 INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 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		Shares held as at 12/31/2021			Net income of the investee (Note 2(2))	Investment income recognised by the Company (Note 2(3))	Footnote
				Balance as at 12/31/2021	Balance as at 1/1/2021	Number of shares	Ownership (%)	Book value			
The Company	Parade Technologies, Inc.	United States	Providing sales and marketing, general and administrative, and research and development services to the Company	\$ 35,984	\$ 35,984	10,000	100.00	\$ 2,116,724	\$ 199,351	\$ 199,351	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	1,384	1,384	10,000	100.00	17,670	1,098	1,098	
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 12/31/2021' 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 income (loss) of the investee' column should fill in amount of net income (loss) of the investee for this year.
- (3)The 'Investment income (loss) recognised by the Company' 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 year. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net income (loss) for this year 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 YEAR ENDED DECEMBER 31, 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	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan to Mainland China as of	Net income of investee as of	Ownership held by the Company (direct or indirect)	Investment income recognised by the Company	Book value of investments in Mainland China as of	Accumulated amount of investment income remitted back to Taiwan as of	Footnote
				1/1/2021	Remitted to Mainland China	Remitted back to Taiwan	12/31/2021				12/31/2021	as of 12/31/2021	
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	\$ 35,984	1	\$ -	\$ -	\$ -	\$ -	\$ 722	100.00	\$ 722	\$ 507,109	\$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	55,360	2	-	-	-	-	372	100.00	372	214,586	-	
Parade Technologies, Ltd. (Chongqing)	Providing research and development services to the Company	13,840	2	-	-	-	-	545	100.00	545	15,654	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of 12/31/2021	Investment amount approved by the 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 two categories; fill in the number of category each case belongs to:

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

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

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2021

Table 4

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Fubon Life Insurance Co., Ltd	4,283,000	5.29%

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

### 7.1 Financial Status

Unit: NTD in Thousands

Subject \ Year	2020	2021	Difference	
			Amount	%
Current Assets	12,197,524	13,280,789	1,083,265	8.88
Non-current Assets	4,371,053	6,104,297	1,733,244	39.65
<b>Total Assets</b>	<b>16,568,577</b>	<b>19,385,086</b>	<b>2,816,509</b>	<b>17.00</b>
Current Liabilities	3,710,888	4,787,291	1,076,403	29.01
Non-current Liabilities	173,995	135,625	-38,370	-22.05
<b>Total Liabilities</b>	<b>3,884,883</b>	<b>4,922,916</b>	<b>1,038,033</b>	<b>26.72</b>
Share Capital	807,803	808,638	835	0.10
Capital Reserves	4,152,210	4,319,491	167,281	4.03
Retained Earnings	9,890,935	12,970,276	3,079,341	31.13
Other Equity	-1,999,547	-2,070,966	-71,419	3.57
Treasury Stock	-167,707	-1,565,269	-1,397,562	833.34
<b>Total Equity</b>	<b>12,683,694</b>	<b>14,462,170</b>	<b>1,778,476</b>	<b>14.02</b>
<p>A. Description of major variations of accounting subjects (Accounting subjects fluctuate over 20% from previous year, and such change in amount exceeds NT 10 million dollars):</p> <p>(1) Non-current Assets: Mainly due to the increase in refundable deposits.</p> <p>(2) Current Liabilities: Mainly due to the increase in payable of the cash dividend.</p> <p>(3) Non-current Liabilities: Mainly due to Lease liabilities - non-current transfer to Lease liabilities - current.</p> <p>(4) Retained Earnings: Mainly due to 2021 revenue growth led to increase of profits.</p> <p>(5) Treasury Stock: Mainly due to the increase in the quantities of repurchasing the Company's shares in 2021.</p> <p>B. Variations of accounting items do not have a significant impact on the Company's financial condition.</p>				

## 7.2 Operating Results

Unit: NTD in Thousands

Subject \ Year	2020	2021	Change in Amount	% Change
Revenue	15,279,588	19,994,646	4,715,058	30.86
Cost of Goods Sold	8,547,608	10,463,279	1,915,671	22.41
Gross Profit	6,731,980	9,531,367	2,799,387	41.58
Operating Expenses	3,048,113	3,701,709	653,596	21.44
Operating Income	3,683,867	5,829,658	2,145,791	58.25
Total Non-operating Income and Expenses	15,160	-21,125	-36,285	-239.35
Income Before Income Tax	3,699,027	5,808,533	2,109,506	57.03
Income Tax Expense	-193,231	-564,026	-370,795	191.89
Net Income for the Year from Continuing Operations	3,505,796	5,244,507	1,738,711	49.60
Other Comprehensive Income (Loss)	-657,703	-419,844	237,859	-36.17
Total Comprehensive Income for the Year	2,848,093	4,824,663	1,976,570	69.40
<p>1. Description of major variations of accounting items (Accounting subjects fluctuate over 20% from previous year, and such change in amount exceeds NT 10 million dollars):</p> <ol style="list-style-type: none"> <li>1. Revenue, Cost of Goods Sold, Gross Profit, Operating Expenses, Operating Income, Income Before Income Tax, Net Income for the Year from Continuing Operations and Total Comprehensive Income for the Year: Mainly due to increase in 2021 revenue and causing the cost of goods sold, gross profit, operating Expenses, operating income, income before income tax, net income for the year from continuing operations and total comprehensive income for the year increase.</li> <li>2. Total Non-operating Income and Expenses: Mainly due to decrease in interest revenue and increase in foreign exchange losses in 2021.</li> <li>3. Income Tax Expense: Mainly due to increase in 2021 net income and causing the income tax increase.</li> <li>4. Other Comprehensive Income (Loss): Mainly due to the difference of exchange rate on currency translation of foreign operations financial reports between 2020 and 2021.</li> </ol> <p>2. Expected sales performance for next year with references; Main factors contribute to the Company's sales forecast in terms of the continuous growth/ decline:</p> <p>As the demand for higher image transmission bandwidth and data transmission amount constantly increasing, the data rate for many well know high-speed interface such as DP, SATA, PCIe, HDMI and USB constantly move to faster. That cause strong demand for high-speed technologies to solve high-speed transmission problems. Those are benefit the Company revenue growth for its high-speed interface ICs and Display ICs.</p> <p>3. Potential impact on the company's financial and sales performance in the future: No significant impact.</p>				



### 7.3 Cash Flows

#### (1) Analysis of the Change in Cash Flow in 2021:

Unit: NTD in Thousands

Initial Cash Balance (1)	Cash Flows from Operating Activities for the Year (2)	Cash Flows from Investing and Financing Activities for the Year (3)	Cash Surplus (Shortfall) (1)+(2)+(3)	Remedy for Cash Shortfall	
				Investment Plan	Financial Plan
8,519,679	6,580,890	-5,898,826	9,201,743	0	0

#### Analysis of the Change in Cash Flow in 2021:

- ① Net cash inflow of operating activities of NTD 6,580,890 thousands mainly results from the operating profit.
- ② Net cash outflow of investing activities of NTD 2,365,028 thousands mainly due to increase in refundable deposits.
- ③ Net cash outflow of financing activities of NTD 3,250,008 thousands mainly due to the distribution of cash dividend and repurchase the Company's shares.
- ④ Cash outflow for results from exchange rate adjustment of NTD 283,790 thousands.

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

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

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

There will be no liquidity problems for the coming year for the Company expects that the continuous cash inflow of operating activities in 2022 is enough to cover the cash outflow of financing and investing activities.

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

As the Company's operating status is good and the cash flows from operating activities are stable, the Company funds its major capital expenditures with cash flows generated internally, so it has no significant impact on the Company's financial and operating condition.

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

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

The company is focused on its core business operations.

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

<b>Investee Enterprises</b>	<b>2021 Investment Profit (NTD in Thousands)</b>	<b>Reason</b>	<b>Improvement Plan</b>
Parade (US)	199,351	Providing sales and marketing, general and administrative, and research and development services to the Company. 2021 revenue from the parent company for the services provided is NTD 1,223,804 thousands, and net income is NTD 199,351 thousands.	None
Parade (Korea)	1,098	Providing sales and marketing, general and administrative services to the Company. 2021 revenue from the parent company for the services provided is NTD 24,696 thousands, and net income is NTD 1,098 thousands.	None
Parade (SH)	722	Providing research and development services to the Company. 2021 revenue from the parent company for the services provided is NTD 687,802 thousands, and net income is NTD 722 thousands.	None
Parade (NJ)	372	Providing research and development services to the Company. 2021 revenue from the parent company for the services provided is NTD 372,402 thousands, and net income is NTD 372 thousands.	None
Pinchot Ltd.	0	Providing administrative services to the Company. No revenue and net income in 2021.	None
Parade (CQ)	545	Providing research and development services to the Company. 2021 revenue from the parent company for the services provided is NTD 30,876 thousands, and net income is NTD 545 thousands.	None

3. Investment plans for the coming year: None.

## 7.6 Risk Management

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

- (1) Interest rate changes:

The Company's interest earnings for the year 2020 and 2021 are NTD 28,885 thousands and NTD 2,685 thousands respectively, accounting for 0.19% and 0.01% of total operating revenue, which is insignificant. There were no interest expenses for 2020 and 2021, and it is fair to say that changes in interest rate do not have major influence on the Company. If future operating needs require the obtainment of bank loans, both interest expense and the influence of interest rate changes on the Company will increase. The Company will constantly monitor the changes in interest rates in order to reduce the effects of interest rate changes on the profits and losses of the Company.

- (2) Exchange rate changes:

The main purchasing and selling of the Company is denominated in United States Dollars ('USD'). The account receivable and account payable from selling and purchasing transactions may cancel out each other, creating a natural hedge effect. The Company's foreign exchange loss for 2020 and 2021 are NTD 18,637 thousands and NTD 25,538 thousands respectively, accounting for 0.12% and 0.13% of total operating revenue, which has limited influence on the Company's profits and losses.

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

- (3) Inflation

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

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

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

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

3. Future R&D projects and estimated costs:

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

- (1) Strengthen the development of products related to various new high speed interface standards.
- (2) Leverage USB4 to enhance the cascade connectivity between PC system, DisplayPort displays and its related data and human interface peripherals, so to broaden the adoption of USB4 interfaces.
- (3) Develop display driver and touch integrated product ICs.
- (4) Develop products with DP 2.0 specifications and increase its market acceptance.
- (5) Actively developing new generation of high-speed digital transmission technology, as well as signal repeater technology.
- (6) Actively developing enhanced touch and stylus technologies.
- (7) **Develop automotive specific integrated touch and display products.**

The Company’s R&D expenses for 2020 and 2021 accounts for 12.10% and 10.77% of total operating revenue. Depending on future product development projects, the Company will continue to invest in R&D resources for R&D projects in 2022.

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

The Company is registered at the Cayman Islands. The subsidiary Parade (US) provides sales and marketing, general and administrative, and research and development services to the Company. Parade (NJ), Parade (CQ) and Parade (SH) located in China provide research and development services to the Company. And the Company has the subsidiaries in Korea, and the branch offices in Hong Kong, Taiwan, Japan, Washington, Oregon, Ireland, Beijing and Shenzhen, and products eventually reaching the United States, Europe, and other developed countries. The Cayman Islands has financial services as its main economic activity, United States and Mainland China are both major economic bodies in the world, Korea is the big export country for 3C electronic products (computers, communication, and consumer electronics) and automobile, and Hong Kong has the world's freest economy, hence the economic development and political environment of the regions mentioned above are relatively stable. About China, just as previously stated, the changes in the China labor laws from 2008 were not a material effects to the Company. The high-speed video transmission interface chips and touch controller developed and sold by the Company are found in 3C products, and are categorized as consumer products and not special permission or restricted businesses. Furthermore, the Cayman Islands passed The International Tax Co-operation (Economic Substance, ES) Law on 27 December 2018 (the "ES Law") and additional Regulations and Guidance version 1.0 were issued on 22 February 2019 and amended by Guidance version 2.0 and version 3.0 on 30 April 2019 and 13 July 2020, respectively. The more details please refer to 2.5 Risk Factors. In addition to the above instructions, the implementation of various operations of the Company are in accordance with international and local political policies and law provisions, but the changes in political policies or law provisions in the above region will not influence the Company's financials or business operations significantly. In addition, the Company will constantly monitor changes in major political policies or law provisions from home or abroad, in order to take appropriate response measures when necessary.

5. Technology (including cyber security risks) and industry changes affecting the Company's business and financials, and response measures:

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

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

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

With the advancement of technology, the emergence of new technologies and the hacking and viruses, cyber security faces more challenges. In the cyber security risk control, the Company has established relevant operational methods for the use of computerized information systems to implement internal control systems and maintain cyber security policy. In terms of technology and system, various security measures are introduced to reduce threats and manage risks. The Company continues to review and evaluate its cyber security policy to ensure the appropriateness and effectiveness. Please refer to page 128 to 129 of this annual report for the information on the Company's cyber security management structure, policy, specific management plan, and resources invested.

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

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

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

From the most recent year till the printing date of the annual report, there has not been plans for merging, thus the risks are not applicable.

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

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

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

(1) Concentrated purchase of goods:

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

supply shortages or delay on delivery of goods. Due to the risks mentioned above, besides maintaining a good cooperative relationship with the semiconductor foundry, the Company will not rule out the possibility of seeking cooperation from other manufacturers.

(2) Concentrated selling

Although the top 3 customers in 2020 and 2021 accounted for over 70% of total revenue, but none of these customers' purchases exceeded 40% of total revenue. In order to explore and reach more customers, our sales strategy is to distribute our products through distributors, however, we can also deal with the end-customers under their needs. The Company builds its customer relationship with renowned OEM/ODM vendors through Design-in and indirect sales, such like Foxconn, Quanta, Compal, Wistron, Inventec, ASUS, Hisense and LCFC. Many worldwide renowned vendors of PC and Consumer electronic products are also our customers since the Company participates in their product design, therefore our customers will purchase our products at the mass production stage, and under this sales model, our high-speed transmission and display products, are widely adopted by worldwide renowned manufacturers. The high-speed transmission and display belongs to advanced technique, which is mainly used in high-end electronic products, since these renowned manufacturer's products differ from their competitors and the Company chose to work with them so closely, the Company's sales are also concentrated in these customers. Besides maintaining good relationships with our customers, the Company will continue the development of new products and actively exploring new customer base in order to avoid the risks of concentrated selling.

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

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

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

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

## 12. Other significant risks and response measures:.

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

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

- (2) Special situations with possibilities of insufficient protection

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

- (3) Shareholder rights protection

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

- (4) Intellectual property rights

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

The Company is not aware of any charge of intellectual property violation from third



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

13. Litigation and non-litigation matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any Director, any Supervisor, the manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

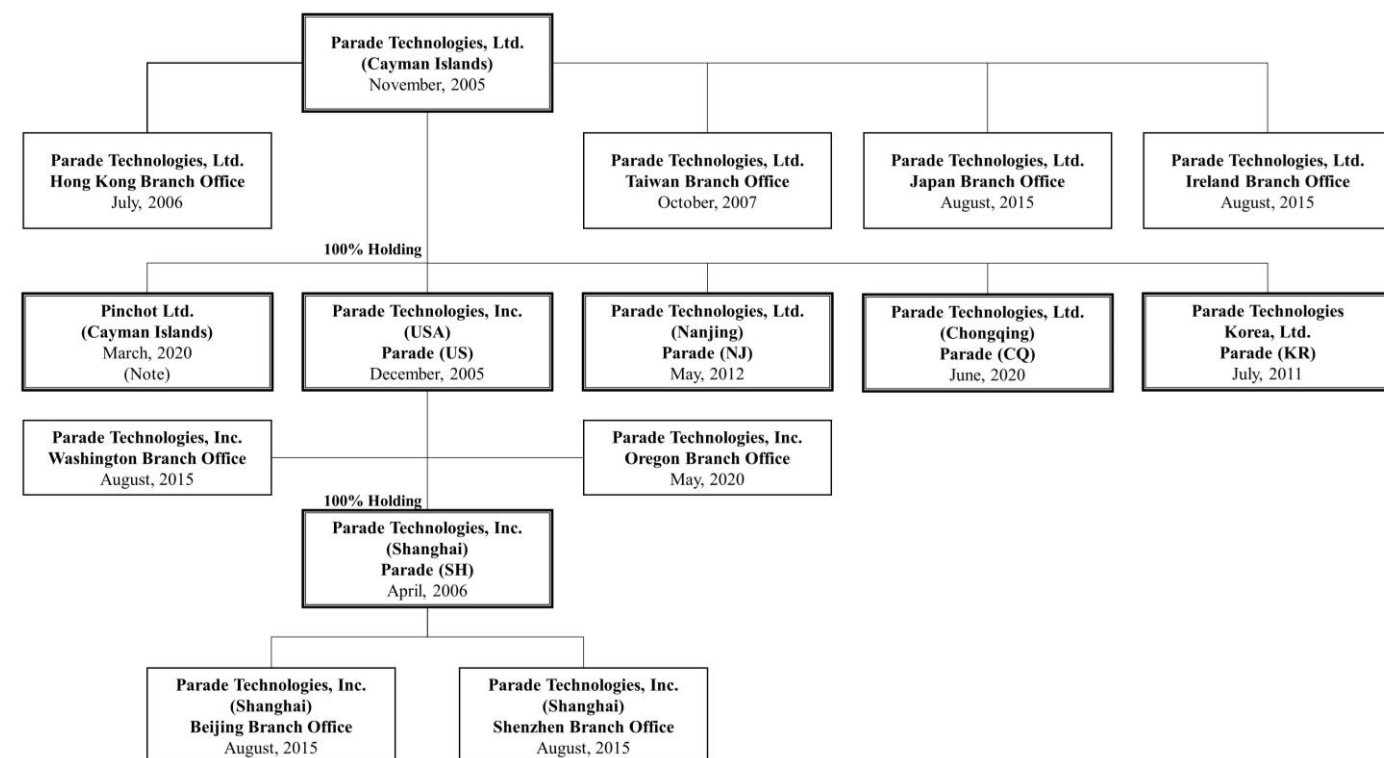
#### 7.7 Other Significant Events

None

## VIII. Special Disclosures

### 8.1 Summary of Affiliated Companies for the most recent fiscal year

#### 8.1.1 Affiliated Companies Chart



Note 1: Pinchot Ltd. was established to merge Fresco Logic, Inc. Currently, Pinchot Ltd. has no actual operating activities.

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

12/31/2021; Unit: USD in Thousands

Name of affiliates	Relationship	Held by the Company			Holds the Company		
		% of Shareholding	Holding Shares	Investment \$ (in thousands)	% of Shareholding	Holding Shares	Investment \$ (in thousands)
Parade (US)	Subsidiary of the Company	100%	10,000 shares	USD 1,300	0	0	0
Parade (Korea)	Subsidiary of the Company	100%	10,000 shares	USD 50	0	0	0
Parade (SH)	Subsidiary of Parade (US)	100%	-	USD 1,300	0	0	0
Parade (NJ)	Subsidiary of the Company	100%	-	USD 2,000	0	0	0
Pinchot Ltd.	Subsidiary of the Company	100%	1,000 shares	USD 1	0	0	0
Parade (CQ)	Subsidiary of the Company	100%	-	USD 500	0	0	0

### 8.1.3 Affiliated Companies Basic Information

12/31/2021; Unit: USD in Thousands

Company	Date of Incorporation	Investment Amounts	Business Activities	Accounting method	Relationship
Parade (US)	2005	USD 1,300	Providing sales and marketing, general and administrative, and research and development services to the Company	Equity method	Subsidiary of the Company
Parade (Korea)	2011	USD 50	Providing sales and marketing, general and administrative services to the Company	Equity method	Subsidiary of the Company
Parade (SH)	2006	USD 1,300	Provides research and development services to the Company	Equity method	Subsidiary of Parade (US)
Parade (NJ)	2012	USD 2,000	Providing research and development services to the Company	Equity method	Subsidiary of the Company
Pinchot Ltd.	2020	USD 1	Providing administrative services to the Company	Equity method	Subsidiary of the Company
Parade (CQ)	2020	USD 500	Providing research and development services to the Company	Equity method	Subsidiary of the Company

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

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

8.1.4 In accordance with the Company Law provides that the provisions of 369-3 is presumed to have control and affiliation, to expose (a) is the same corporate shareholder, the presumption of the main reasons, the corporate name, ownership situation, date of establishment, address, and paid-up capital amount of that principal place of business project. (b) is a natural person shareholder of the same, and its constructive reasons, the names and holdings of the case:  
None

8.1.5 Business Scope of the Company and Its Affiliated Companies: Please refer to the above of 8.1.3 Affiliated Companies Basic Information.

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

12/31/2021; Unit: shares ; %

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

Name of affiliates	Title	Name or Representative	Shareholding	
			Shares	%
Parade (Korea)	Chairman	Parade Technologies, Ltd. (Representative: Ji Zhao)	10,000	100
Parade (SH)	Chairman	Parade Technologies, Inc. (Representative: Ji Zhao)	-	-
	Director	Ming Qu	-	-
	Director	Jackie Yang	-	-
	Director	Hao Chen	-	-
	Supervisor	Ding Lu	-	-
	President	Jian Wang	-	-
Parade (NJ)	Chairman	Parade Technologies, Ltd. (Representative: Ji Zhao)	-	-
	Director	Ming Qu	-	-
	Supervisor	Ding Lu	-	-
	President	Jianping Qi	-	-
Pinchot Ltd.	Director	Ji Zhao	Parade Technologies, Ltd. holds 1,000 shares	100
	Director	Ming Qu		
Parade (CQ)	Chairman	Parade Technologies, Ltd. (Representative: Ji Zhao)	-	-
	Director	Ming Qu	-	-
	Director	Jian Wang	-	-
	Supervisor	Ding Lu	-	-
	President	Ming Qu	-	-

#### 8.1.7 Affiliated Companies Operating Status

12/31/2021; Unit: NTD in Thousands

Company	Total Capital	Total Assets	Total Liability	Net Worth	Revenue	Profit	Net income	EPS (Note)
Parade (US)	35,984	2,159,637	42,913	2,116,724	1,223,804	80,137	199,351	-
Parade (Korea)	1,384	19,346	1,676	17,670	24,696	1,177	1,098	-
Parade (SH)	35,984	629,335	122,226	507,109	687,802	34,618	722	-
Parade (NJ)	55,360	271,812	57,226	214,586	372,402	18,752	372	-
Pinchot Ltd.	28	28	0	28	0	0	0	-
Parade (CQ)	13,840	18,788	3,134	15,654	30,876	1,555	545	-

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

8.1.8 Affiliates consolidated financial statements: Please refer to this annual report page 140 to page 193 consolidated financial statements.

8.1.9 Affiliates Reports : None

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

None

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

None

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

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
<p>On the subject of convention and resolution of shareholders meeting and with respect to extraordinary shareholders' meeting convened by the shareholders holding no less than three percentage (3%) of the total number of the issued Shares of the Company for at least one (1) year, if the Board of Director fails to convene a meeting within fifteen days after the shareholder so request, the shareholder may, after obtaining an approval from the competent authority, convene an extraordinary shareholders' meeting on its own initiative.</p>	<p>Article 28 of the Company's current Articles of Association does not require prior approval from the competent authority for the extraordinary shareholders' meeting convened by such shareholders.</p>	<p>According to Cayman lawyers, there is no statutory provision regarding convention of shareholders meeting under the Cayman Companies Law.</p> <p>Given the above, the Company's current Articles of Association do not require prior approval from the competent authority. Article 28 of the Company's Articles of Associations provide that "... If the Board does not within fifteen (15) days from the date of the deposit of the requisition dispatch the notice to convene an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting, provided that if the extraordinary general meeting will be held outside the ROC, an application shall be submitted by such requisitionists to the GTSM or the TSE for its prior approval...."</p>
<p>Certain proposals involving material rights of the shareholders shall be adopted by a majority of the shareholders at a shareholders' meeting attended by two-thirds or more of the total number of the outstanding shares. If the total number of shares represented by the shareholders present at the shareholders' meeting is less than two-thirds of the total outstanding shares, such proposals</p>	<p>Article 1 defines "Special Resolution" as a special resolution under Cayman Company Act and Supermajority Resolution as a special resolution under Taiwan laws. Article 24 and other relevant</p>	<p>According to Cayman lawyers, under Cayman Island laws, a "special resolution" (a "<b>Special Resolution</b>") should be passed by a majority of not less than two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. The</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
<p>may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of the outstanding shares.</p>	<p>articles provide the required resolution process.</p>	<p>proposals in the checklist for the protection of shareholders' right only require a resolution adopted by a majority of the shareholders at a shareholders' meeting attended by two-thirds or more of the total number of the outstanding shares, which does not meet the voting threshold of the Special Resolution under Cayman laws. According to Cayman lawyers, the requirement of a Special Resolution is compulsory and any resolution passed by members by a lower majority percentage than is required for a Special Resolution will be null and void under the Cayman Companies Law.</p> <p>To compromise the different requirements, the special resolution under Taiwan Company Act is defined as "Supermajority Resolution" under the Company's Articles. To the extent permitted under Cayman Companies Law, Article 24(e) provides that proposals listed in checklist for the protection of shareholders' rights shall be subject to the Supermajority Resolution.</p> <p>According to Article 24(e) of the Company's Articles, the following matters shall be subject to Supermajority Resolution</p> <ol style="list-style-type: none"> <li>1. to effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed;</li> <li>2. to effect any merger (other than a Cayman Merger), share swap or spin-off of the Company;</li> <li>3. to enter into, amend, or terminate any contract for lease of the Company's business in whole, or for delegation of management of the Company's business</li> </ol>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		<p>to others, or for regular joint operation with others;</p> <p>4. to transfer its business or assets, in whole or in any essential part; or</p> <p>5. to acquire or assume the whole business or assets of another person, which has a material effect on the Company operation, or</p> <p>6. issue the Restricted Shares.</p> <p>According to Cayman laws, the following matters shall be subject to Special Resolution and shall be provided in the articles:</p> <p>1. to alter or add to these Articles (Article 24(c)(iii) and Article 134) ;</p> <p>2. any modification or alteration in these Articles which is prejudicial to the rights of holders of preferred shares (Article 12);</p> <p>3. The Cayman Companies Law provides that only Cayman Islands companies can be merged or consolidated. This is different from the "merger" permitted under the ROC Company Act, Enterprise Merger and Acquisition Act and other applicable laws. Therefore, Article 24(e) precludes Cayman merger to comply with Cayman laws.</p> <p>4. Article 24(f) provides that liquidations with different cause requires different voting threshold. According to Cayman Company Laws, the shareholders of the company may pass an ordinary resolution requiring a company to be wound up voluntarily because the company is unable to pay its debts as they fall due. ; the shareholders of the company shall pass a Special Resolution requiring the company to be wound up voluntarily</p>

Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		<p>due to other causes.</p> <p>Article 24(g) provides that private placement requires Supermajority Resolution. According to Cayman lawyer's understanding, "private placements" means the Company obtaining subscriptions for, or the sale of, shares, options, warrants, Rights or other securities of a company listed in the Republic of China by the listed company itself or an intermediary of the listed company primarily from or to specific investors selected or approved by such listed company or such intermediary under the Taiwanese law. There is no provision under such laws and regulations of the Cayman Islands as applicable to the Company that govern "private placements"</p>
<p>The qualification requirements, composition, election, termination, the exercise of authority and relevant matters of the Director, Independent Director, compensation committee, audit committee or supervisor shall be in accordance with the securities laws and rules of the Republic of China.</p>	<p>Current Articles of Association are promulgated in accordance with the checklist of the protection of shareholders' rights effective as of listing. The wording therein is not exactly the same.</p>	<p>As for the Director: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing.</p> <p>As for the Independent Director: Article 74 provides "...Independent Directors shall maintain independence and shall not have direct or indirect interests in the Company other than as permitted under the Applicable Public Company Rules."</p> <p>As for the compensation committee: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Actually, the Company has set up the compensation committee before the Company was listed and the qualification requirements, the exercise of authority and the relevant matters are set forth in</p>



Important Provisions for the Protection of Shareholders' Rights	Provisions of the Company's Articles of Association	Explanation
		<p>accordance with the securities laws and rules of the Republic of China.</p> <p>As for the audit committee: the Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. Actually, the Company has set up the audit committee before the Company was listed and the qualification requirements, the exercise of authority and the relevant matters are set forth in accordance with the securities laws and rules of the Republic of China.</p> <p>As for the supervisor: the Company has audit committee and thus supervisor relevant provisions are not applicable.</p>
<p>1. The company's Directors shall have the loyalty and shall exercise the due care of a good administrator in performing his/her duty; and if he/she has acted in breach of the above, he/she shall be liable for the damages incurred by the company there-from. If the breaching director acts for him/herself or any third party, subject to the shareholders' resolution any profit generated from such act shall be deemed profits of the company.</p> <p>2. If the company's Director has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally with the company, for the damage to such other person.</p> <p>3. Acting within the scope of their duties, the managerial officer or the supervisor shall bear the same liability</p>	<p>The Company's current Articles of Association do not have exactly the same wording.</p>	<p>The Company's current Articles of Association have been drawn up pursuant to the checklist of the protection of shareholders' rights effective as of listing. In addition, according to Cayman lawyers, at all times all Directors owe fiduciary duties to the company at common law.</p>

<b>Important Provisions for the Protection of Shareholders' Rights</b>	<b>Provisions of the Company's Articles of Association</b>	<b>Explanation</b>
of damages as the company's Directors.		
Where an entity acts as a shareholder of a company, its authorized representative may be elected as a Director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be elected or serve as the Director and supervisor of the company.	The Company's current Articles of Association do not have this provision.	The Company does not establish the position of supervisor, thus there is no such situation in which an entity shareholder's representative is elected or serves as Director and supervisor concurrently.

### 8.5 Other Necessary Supplements

The statement or promised items from the company's registration (application) for offering and issuance of securities, and the current state of the fulfillment

<b>The statement or promised items</b>	<b>The current state of the fulfillment</b>
<p>It was promised that the issuable units of 11,396,052 units of 2006 Stock Option Plan which was still effective when the Company IPO, except for the additional 300,000 units approved on 2011 Board of Directors meeting and to be approved in the 2011 annual general meeting, will not to be increased to protect the shareholders' rights.</p> <p>The un-exercisable units of the 2006 Stock Option Plan (the remained 5,925,352 units plus 300,000 additional units) shall not to be adjusted to increase the units or decrease the set exercised price in any case.</p>	No departure.
<p>Promise to make an addition in the "Procedures for Acquisition or Disposal of Assets" that "The Company shall not give up to fund Parade(US), while Parade(US) shall not give up to fund Parade(US) in the future. In case the Company needs to give up to fund the above-mentioned companies or to dispose them on strategic alliance consideration or such decision is agreed by Taiwan GreTai Securities Market (GTSM), it's necessary to be approved on special resolution by the Board of Directors. The material information announcement on MOPS is also required as well as filing to GTSM when the procedure is amended."</p>	Amended and resolved in the annual general meeting ("AGM") on May 17, 2011.

The statement or promised items	The current state of the fulfillment
Designate a dedicated unit to be in charge of implementing Parade (US) and Parade (SH) internal auditing at least once a year.	The Company designated internal auditor to implement Parade (US) and Parade (SH) internal auditing periodically.

8.6 If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, including all items of Significant information Press Conference listed in Article 11, paragraph 1 of the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEx Listed Securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

The Company updated and maintains the capacity support and cooperation relationship with a key ROC (Taiwan) semiconductor company, which is positive for the Company to procure the capacity necessary for the operation (as announced on April 28, 2021 via the MOPS).