

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2024 AND 2023

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS AS AT JUNE 30, 2024 AND 2023
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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Parade Technologies, Ltd. and subsidiaries (the “Group”) as at June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Goodwill impairment assessment

Description

Refer to Note 4(14) (impairment of non-financial assets), Note 5(2) (critical accounting estimates and assumptions) and Note 6(6) (intangible assets) of the consolidated financial statements for the details and accounting policies on goodwill impairment. The balance of goodwill arising from the acquisition as at June 30, 2024 was NT\$2,463,913 thousand.

The Group periodically performs impairment assessments on goodwill at the end of each year. Such assessments are based on cash generating units identified through operating segments and the Group uses 3-year cash flow forecasts prepared by the management to determine the recovery amount of cash generating units. The Group performs impairment indication assessments of goodwill in the interim period. Since the amount is material, and aforementioned assessments in the interim period consider several internal and external sources of information and involve management's subjective judgement, therefore, the goodwill impairment assessment is a key audit matter of the current period.

How our audit addressed the matter

Our procedures in relation to the key audit matter included:

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

Inventory impairment losses

Description

Refer to Note 4(10) (inventories), Note 5(2) (critical accounting estimates and assumptions) and Note 6(3) (inventories) of the consolidated financial statements for the details and accounting policies on inventory impairment losses.

Inventories and allowance for inventory valuation losses as at June 30, 2024 were NT\$4,362,554 thousand and NT\$703,646 thousand, respectively. The rapid changes in the technology of the industries in which the Group is involved and the net realizable value used in the evaluation of obsolete inventories often involve subjective judgements and therefore highly uncertain estimates. Inventories are measured at the lower of cost and net realizable value. The impact of inventories and its allowance for diminution in value has a significant impact on the financial statements. Therefore, the loss on inventories and allowances assessment is a key audit matter of the current period.

How our audit addressed the matter

Our procedures in relation to the key audit matter included:

1. Checked whether the valuation of inventory impairment losses adopted the understanding of the nature of the industry, and ensured that the accounting policy is consistent with the comparable period.

2. Understood the Group's inventory control procedures and sent the inventory confirmation letters in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
3. Verified the appropriateness of the logic for evaluating the inventory aging report to confirm that the report information is consistent with the Group's policies.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Kuan-Hung

Chou, Hsiao-Tzu

For and on behalf of PricewaterhouseCoopers, Taiwan

August 7, 2024

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

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	Notes	June 30, 2024		December 31, 2023		June 30, 2023		
		Amount	%	Amount	%	Amount	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 10,352,451	40	\$ 8,487,601	36	\$ 7,010,227	32
1170	Accounts receivable, net	6(2)	1,530,363	6	1,661,511	7	1,704,022	8
130X	Inventories, net	6(3)	3,658,908	14	3,773,792	16	3,561,433	16
1470	Other current assets		933,755	4	596,344	3	1,017,219	4
11XX	Total current assets		<u>16,475,477</u>	<u>64</u>	<u>14,519,248</u>	<u>62</u>	<u>13,292,901</u>	<u>60</u>
Non-current assets								
1600	Property, plant and equipment, net	6(4)	369,767	1	392,101	2	466,159	2
1755	Right-of-use assets	6(5)	279,707	1	258,252	1	158,295	1
1780	Intangible assets	6(6)	3,234,327	12	3,025,792	13	3,169,177	14
1840	Deferred income tax assets	6(18)	413,344	2	390,134	2	346,988	2
1900	Other non-current assets	6(7)	5,116,310	20	4,783,027	20	4,685,730	21
15XX	Total non-current assets		<u>9,413,455</u>	<u>36</u>	<u>8,849,306</u>	<u>38</u>	<u>8,826,349</u>	<u>40</u>
1XXX	TOTAL ASSETS		<u>\$ 25,888,932</u>	<u>100</u>	<u>\$ 23,368,554</u>	<u>100</u>	<u>\$ 22,119,250</u>	<u>100</u>

(Continued)

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY	Notes	June 30, 2024		December 31, 2023		June 30, 2023	
		Amount	%	Amount	%	Amount	%
Current liabilities							
2170	Accounts payable	\$ 1,407,324	6	\$ 1,567,047	7	\$ 909,092	4
2200	Other payables	6(8) 1,444,199	6	1,374,728	6	1,687,909	8
2230	Current income tax liabilities	6(18) 349,705	1	350,551	1	296,692	1
2280	Lease liabilities - current	6(5) 112,337	-	99,534	-	92,194	1
2300	Other current liabilities	244,444	1	217,468	1	202,110	1
21XX	Total current liabilities	<u>3,558,009</u>	<u>14</u>	<u>3,609,328</u>	<u>15</u>	<u>3,187,997</u>	<u>15</u>
Non-current liability							
2580	Lease liabilities - non-current	6(5) 167,370	-	158,718	1	66,101	-
25XX	Non-current liabilities	<u>167,370</u>	<u>-</u>	<u>158,718</u>	<u>1</u>	<u>66,101</u>	<u>-</u>
2XXX	Total liabilities	<u>3,725,379</u>	<u>14</u>	<u>3,768,046</u>	<u>16</u>	<u>3,254,098</u>	<u>15</u>
Equity attributable to owners of the Company							
Share capital							
3110	Ordinary shares	6(11) 811,618	3	811,636	4	811,747	4
Capital reserves							
3200	Capital surplus	6(12) 4,172,562	16	4,158,670	18	4,212,672	19
Retained earnings							
3310	Legal reserve	6(13) 1,011,400	4	1,011,400	4	1,011,400	4
3320	Special reserve	8,324	-	8,324	-	8,324	-
3350	Unappropriated earnings	15,098,728	58	14,581,792	62	13,721,057	62
Other equity							
3400	Other equity	1,646,438	7	422,135	2	493,401	2
3500	Treasury shares	6(11) (585,517)	(2)	(1,393,449)	(6)	(1,393,449)	(6)
31XX	Equity attributable to owners of the Company	<u>22,163,553</u>	<u>86</u>	<u>19,600,508</u>	<u>84</u>	<u>18,865,152</u>	<u>85</u>
3XXX	Total equity	<u>22,163,553</u>	<u>86</u>	<u>19,600,508</u>	<u>84</u>	<u>18,865,152</u>	<u>85</u>
Significant events after the balance sheet date							
3X2X	TOTAL LIABILITIES AND EQUITY	<u>\$ 25,888,932</u>	<u>100</u>	<u>\$ 23,368,554</u>	<u>100</u>	<u>\$ 22,119,250</u>	<u>100</u>

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Revenue	6(14)	\$ 3,910,184	100	\$ 3,199,298	100	\$ 7,724,376	100	\$ 6,239,010	100
5000 Cost of goods sold	6(3)(16)(17)	(2,251,323)	(58)	(1,792,845)	(56)	(4,431,471)	(57)	(3,493,642)	(56)
5900 Gross profit		<u>1,658,861</u>	<u>42</u>	<u>1,406,453</u>	<u>44</u>	<u>3,292,905</u>	<u>43</u>	<u>2,745,368</u>	<u>44</u>
Operating expenses	6(16)(17) and 7								
6100 Sales and marketing expenses		(244,373)	(6)	(220,732)	(7)	(477,503)	(6)	(439,554)	(7)
6200 General and administrative expenses		(154,480)	(4)	(150,109)	(5)	(314,171)	(4)	(301,906)	(5)
6300 Research and development expenses		(749,173)	(19)	(623,198)	(19)	(1,467,647)	(19)	(1,227,915)	(20)
6450 Expected credit loss	12(3)	-	-	-	-	-	-	(2,549)	-
6000 Total operating expenses		<u>(1,148,026)</u>	<u>(29)</u>	<u>(994,039)</u>	<u>(31)</u>	<u>(2,259,321)</u>	<u>(29)</u>	<u>(1,971,924)</u>	<u>(32)</u>
6900 Operating income		<u>510,835</u>	<u>13</u>	<u>412,414</u>	<u>13</u>	<u>1,033,584</u>	<u>14</u>	<u>773,444</u>	<u>12</u>
Non-operating income and expenses									
7100 Interest income		92,694	2	42,976	1	170,692	2	89,352	2
7010 Other income		1	-	1,292	-	2,168	-	3,947	-
7020 Other gains and losses	6(15)	28	-	18,813	1	(660)	-	8,342	-
7000 Total non-operating income and expenses		<u>92,723</u>	<u>2</u>	<u>63,081</u>	<u>2</u>	<u>172,200</u>	<u>2</u>	<u>101,641</u>	<u>2</u>
7900 Income before income tax		<u>603,558</u>	<u>15</u>	<u>475,495</u>	<u>15</u>	<u>1,205,784</u>	<u>16</u>	<u>875,085</u>	<u>14</u>
7950 Income tax expense	6(18)	(34,852)	(1)	(46,226)	(2)	(64,329)	(1)	(92,525)	(1)
8000 Net income for the period from continuing operations		<u>568,706</u>	<u>14</u>	<u>429,269</u>	<u>13</u>	<u>1,141,455</u>	<u>15</u>	<u>782,560</u>	<u>13</u>
Other comprehensive income (loss)									
Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8361 Other comprehensive income, before tax, exchange differences on translation		<u>298,762</u>	<u>8</u>	<u>344,651</u>	<u>11</u>	<u>1,139,937</u>	<u>15</u>	<u>128,266</u>	<u>2</u>
8360 Components of other comprehensive income that will not be reclassified to profit or loss		<u>298,762</u>	<u>8</u>	<u>344,651</u>	<u>11</u>	<u>1,139,937</u>	<u>15</u>	<u>128,266</u>	<u>2</u>
8300 Other comprehensive income for the period		<u>\$ 298,762</u>	<u>8</u>	<u>\$ 344,651</u>	<u>11</u>	<u>\$ 1,139,937</u>	<u>15</u>	<u>\$ 128,266</u>	<u>2</u>
8500 Total comprehensive income for the period		<u>\$ 867,468</u>	<u>22</u>	<u>\$ 773,920</u>	<u>24</u>	<u>\$ 2,281,392</u>	<u>30</u>	<u>\$ 910,826</u>	<u>15</u>
Net income attributable to:									
8610 Owners of the Company		<u>\$ 568,706</u>	<u>14</u>	<u>\$ 429,269</u>	<u>13</u>	<u>\$ 1,141,455</u>	<u>15</u>	<u>\$ 782,560</u>	<u>13</u>
Comprehensive income attributable to:									
8710 Owners of the Company		<u>\$ 867,468</u>	<u>22</u>	<u>\$ 773,920</u>	<u>24</u>	<u>\$ 2,281,392</u>	<u>30</u>	<u>\$ 910,826</u>	<u>15</u>
Earnings per share									
9750 Basic earnings per share	6(19)	<u>\$ 7.11</u>		<u>\$ 5.44</u>		<u>\$ 14.31</u>		<u>\$ 9.94</u>	
9850 Diluted earnings per share	6(19)	<u>\$ 7.09</u>		<u>\$ 5.40</u>		<u>\$ 14.24</u>		<u>\$ 9.85</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 SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Equity attributable to owners of the parent											
	Capital Reserves				Retained Earnings			Other equity				
	Ordinary shares	Paid-in capital in excess of ordinary shares	Capital reserve from employee stock options	Capital reserve from restricted stocks	Capital reserve - others	Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences of foreign operations	Unearned compensation	Treasury shares	Total equity
For the six months ended June 30, 2023												
	\$ 811,913	\$ 3,491,594	\$ 38,126	\$ 540,650	\$ 122,551	\$ 1,011,400	\$ 122,461	\$ 13,537,528	\$ 579,156	(\$ 370,660)	(\$ 2,153,610)	\$ 17,731,109
	-	-	-	-	-	-	-	782,560	-	-	-	782,560
	-	-	-	-	-	-	-	-	128,266	-	-	128,266
	-	-	-	-	-	-	-	782,560	128,266	-	-	910,826
	-	-	(38,126)	-	38,126	-	-	-	-	-	-	-
6(10)(11)	-	188,016	-	(188,016)	-	-	-	-	-	-	-	-
	-	-	-	(19,671)	-	-	-	-	-	19,671	-	-
6(11)	(166)	836	-	166	-	-	-	1,348	-	-	-	2,184
6(10)(17)	-	50,809	-	-	-	-	-	-	-	136,968	-	187,777
	-	-	-	-	(12,389)	-	-	-	-	-	-	(12,389)
6(10)(11)	-	-	-	-	-	-	-	-	-	-	760,161	760,161
	-	-	-	-	-	-	(114,137)	114,137	-	-	-	-
	-	-	-	-	-	-	-	(714,516)	-	-	-	(714,516)
	\$ 811,747	\$ 3,731,255	\$ -	\$ 333,129	\$ 148,288	\$ 1,011,400	\$ 8,324	\$ 13,721,057	\$ 707,422	(\$ 214,021)	(\$ 1,393,449)	\$ 18,865,152
For the six months ended June 30, 2024												
	\$ 811,636	\$ 3,741,234	\$ -	\$ 220,709	\$ 196,727	\$ 1,011,400	\$ 8,324	\$ 14,581,792	\$ 531,885	(\$ 109,750)	(\$ 1,393,449)	\$ 19,600,508
	-	-	-	-	-	-	-	1,141,455	-	-	-	1,141,455
	-	-	-	-	-	-	-	-	1,139,937	-	-	1,139,937
	-	-	-	-	-	-	-	1,141,455	1,139,937	-	-	2,281,392
6(10)(11)	-	117,549	-	(117,549)	-	-	-	-	-	-	-	-
	-	-	-	(1,980)	-	-	-	-	-	1,980	-	-
6(11)	(18)	493	-	18	-	-	-	170	-	-	-	663
6(10)(17)	-	9,055	-	-	-	-	-	-	-	82,386	-	91,441
	-	-	-	-	6,306	-	-	-	-	-	-	6,306
6(10)(11)	-	-	-	-	-	-	-	-	-	-	807,932	807,932
	-	-	-	-	-	-	-	(624,689)	-	-	-	(624,689)
	\$ 811,618	\$ 3,868,331	\$ -	\$ 101,198	\$ 203,033	\$ 1,011,400	\$ 8,324	\$ 15,098,728	\$ 1,671,822	(\$ 25,384)	(\$ 585,517)	\$ 22,163,553

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For six months ended June 30	
		2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax for the period		\$ 1,205,784	\$ 875,085
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including the right-of-use assets)	6(4)(5)	164,673	170,320
Amortization	6(6)	179,658	169,780
Expected credit loss	12(3)	-	2,549
Loss on disposal of equipment	6(4)	694	-
Loss on disposal of intangible assets	6(6)	11,368	3,814
Share-based compensation cost	6(10)(17)	521,011	537,517
Interest income		(170,692)	(89,352)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		225,288	(625,845)
Inventories		328,704	969,215
Other current assets		(733,466)	(737,173)
Changes in operating liabilities			
Accounts payable		(248,510)	504,193
Accrued expenses		(220,091)	(289,726)
Other current liabilities		14,654	(217,466)
Cash inflow generated from operations		1,279,075	1,272,911
Interest received		170,692	89,352
Income tax paid		(77,764)	(190,854)
Net cash flows from operating activities		1,372,003	1,171,409
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(4)	(65,092)	(85,894)
Acquisition of intangible assets	6(6)	(2,862)	(5,181)
Decrease in refundable deposits	6(7)	61,222	212,389
Increase in other prepayments		(348,949)	(198,738)
Net cash flows used in investing activities		(355,681)	(77,424)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	6(13)	(390,871)	(1,724,498)
Repayment of the principal portion of lease liabilities	6(5)(21)	(63,262)	(54,554)
Treasury shares reissued to employees	6(10)	807,932	760,161
Cash dividend recovered from cancellation of share-based compensation		663	2,184
Net cash flows from (used in) financing activities		354,462	(1,016,707)
Effect of exchange rate changes		494,066	(42,435)
Net increase in cash and cash equivalents		1,864,850	34,843
Cash and cash equivalents at beginning of period		8,487,601	6,975,384
Cash and cash equivalents at end of period		\$ 10,352,451	\$ 7,010,227

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023

(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 August 7, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments that came into effect as endorsed by FSC and became effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

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 of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments that came into effect as endorsed by FSC and became effective from 2025 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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) IFRS Accounting Standards 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 IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial Instruments'	January 1, 2026
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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
IFRS Accounting Standards 'Annual Improvements—Volume 11'	January 1, 2026

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

IFRS 18, 'Presentation and disclosure in financial statements'

IFRS 18, 'Presentation and disclosure in financial statements' replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

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

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2024	December 31, 2023	June 30, 2023	
Parade Technologies, Ltd.	Parade Technologies, Inc.	Providing sales and marketing, general and administrative, and research and development services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies Korea, Ltd.	Providing sales and marketing, general and administrative services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	100	100	100	-
Parade Technologies, Ltd.	Pinchot Ltd.	Providing administrative services to the Company	100	100	100	-
Parade Technologies, Ltd.	Parade Technologies, Ltd. (Chongqing)	Providing research and development services to the Company	100	100	100	-
Parade Technologies, Inc.	Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	100	100	100	-

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

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

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

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

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

(6) Cash equivalents

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

(7) Accounts receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Inventories

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

(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:
- The amount of the initial measurement of lease liability;
 - Any lease payments made at or before the commencement date; and
 - Any initial direct costs incurred by the lessee.

The right-of-use assets is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use assets.

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

(13) Intangible assets

A. Computer software

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

B. Goodwill

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

C. Mask

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

D. Patent and other intangible assets

Separately acquired intangible assets are stated at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Related intangible assets have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 7 to 10 years.

(14) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

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

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

(15) Accounts payable

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

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

(16) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Each subsidiary of the Group adopts defined contribution pension plan in accordance with local regulations. The contributions are recognized as pension expense when they are due on an accrual basis.

C. Employees' compensation and Directors' remuneration

Employees' compensation and Directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(17) Employee share-based payment

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

B. Restricted stocks:

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

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

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

(18) Income tax

- A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

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

(19) Share capital

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

(20) Dividends

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

(21) Revenue recognition

- A. The Group designs and sells high-speed interfacing chips, touch and serial products of DisplayPort. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract. Other current liability is recognised for expected price rebate payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 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 June 30, 2024, the Group recognized goodwill amounting to \$2,463,913.

B. Evaluation of inventories

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

As of June 30, 2024, the carrying amount of inventories was \$3,658,908.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Cash on hand	\$ 37	\$ 37	\$ 71
Checking accounts and bank deposits	<u>3,798,691</u>	<u>3,256,457</u>	<u>2,800,300</u>
	3,798,728	3,256,494	2,800,371
Cash equivalents			
Treasury bills	<u>6,553,723</u>	<u>5,231,107</u>	<u>4,209,856</u>
	<u>\$ 10,352,451</u>	<u>\$ 8,487,601</u>	<u>\$ 7,010,227</u>

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

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

(2) Accounts receivable

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Accounts receivable	\$ 1,530,363	\$ 1,661,511	\$ 1,706,633
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(2,611)</u>
	<u>\$ 1,530,363</u>	<u>\$ 1,661,511</u>	<u>\$ 1,704,022</u>

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Not past due	\$ 1,502,105	\$ 1,595,848	\$ 1,409,923
60 days	28,258	65,663	245,556
90 days	-	-	51,154
91-180 days	-	-	-
181-360 days	-	-	-
over 360 days	-	-	-
	<u>\$ 1,530,363</u>	<u>\$ 1,661,511</u>	<u>\$ 1,706,633</u>

The above ageing analysis was based on past due date.

B. As of June 30, 2024, December 31, 2023 and June 30, 2023, accounts receivable were all from contracts with customers. And as of January 1, 2023, the balance of receivables from contracts with customers amounted to \$1,065,863.

C. As of June 30, 2024, December 31, 2023 and June 30, 2023, 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 were \$1,530,363, \$1,661,511 and \$1,706,633, respectively.

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

(3) Inventories

	<u>June 30, 2024</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 2,518,935	(\$ 529,448)	\$ 1,989,487
Work-in-process	797,995	(73,423)	724,572
Finished goods	1,045,624	(100,775)	944,849
	<u>\$ 4,362,554</u>	<u>(\$ 703,646)</u>	<u>\$ 3,658,908</u>
	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 2,917,513	(\$ 476,420)	\$ 2,441,093
Work-in-process	661,298	(69,641)	591,657
Finished goods	875,364	(134,322)	741,042
	<u>\$ 4,454,175</u>	<u>(\$ 680,383)</u>	<u>\$ 3,773,792</u>
	<u>June 30, 2023</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book value</u>
Raw materials	\$ 2,592,826	(\$ 452,325)	\$ 2,140,501
Work-in-process	553,868	(68,095)	485,773
Finished goods	1,094,489	(159,330)	935,159
	<u>\$ 4,241,183</u>	<u>(\$ 679,750)</u>	<u>\$ 3,561,433</u>

The cost of inventories recognised as expense for the period:

	For the three months ended June 30,	
	2024	2023
Cost of goods sold	\$ 2,200,387	\$ 1,657,539
(Gain on reversal of) Loss on decline in market value	(9,431)	84,947
Others	60,367	50,359
	<u>\$ 2,251,323</u>	<u>\$ 1,792,845</u>

	For the six months ended June 30,	
	2024	2023
Cost of goods sold	\$ 4,330,779	\$ 3,203,616
(Gain on reversal of) Loss on decline in market value	(15,079)	185,905
Others	115,771	104,121
	<u>\$ 4,431,471</u>	<u>\$ 3,493,642</u>

The Company reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because inventories were subsequently scrapped or sold for the three and six months ended June 30, 2024.

(4) Property, plant and equipment

The Group had no property and plant as of June 30, 2024, December 31, 2023 and June 30, 2023.

	Machinery and equipment	Office equipment	Leasehold improvements	Total
<u>At January 1, 2024</u>				
Cost	\$ 1,361,384	\$ 77,353	\$ 159,357	\$ 1,598,094
Accumulated depreciation	(1,006,421)	(65,245)	(134,327)	(1,205,993)
	<u>\$ 354,963</u>	<u>\$ 12,108</u>	<u>\$ 25,030</u>	<u>\$ 392,101</u>
<u>Six months ended June 30, 2024</u>				
Opening net book amount	\$ 354,963	\$ 12,108	\$ 25,030	\$ 392,101
Additions	44,541	5,560	14,991	65,092
Disposals	-	(66)	(628)	(694)
Depreciation charge	(90,639)	(4,045)	(6,727)	(101,411)
Net exchange differences	14,181	193	305	14,679
Closing net book amount	<u>\$ 323,046</u>	<u>\$ 13,750</u>	<u>\$ 32,971</u>	<u>\$ 369,767</u>
<u>At June 30, 2024</u>				
Cost	\$ 1,467,834	\$ 83,864	\$ 176,800	\$ 1,728,498
Accumulated depreciation	(1,144,788)	(70,114)	(143,829)	(1,358,731)
	<u>\$ 323,046</u>	<u>\$ 13,750</u>	<u>\$ 32,971</u>	<u>\$ 369,767</u>

	Machinery and equipment	Office equipment	Leasehold improvements	Total
<u>At January 1, 2023</u>				
Cost	\$ 1,287,475	\$ 77,564	\$ 151,814	\$ 1,516,853
Accumulated depreciation	(854,462)	(60,996)	(105,872)	(1,021,330)
	<u>\$ 433,013</u>	<u>\$ 16,568</u>	<u>\$ 45,942</u>	<u>\$ 495,523</u>
<u>Six months ended June 30, 2023</u>				
Opening net book amount	\$ 433,013	\$ 16,568	\$ 45,942	\$ 495,523
Additions	75,337	1,963	8,594	85,894
Depreciation charge	(95,839)	(4,269)	(15,658)	(115,766)
Net exchange differences	1,092	(112)	(472)	508
Closing net book amount	<u>\$ 413,603</u>	<u>\$ 14,150</u>	<u>\$ 38,406</u>	<u>\$ 466,159</u>
<u>At June 30, 2023</u>				
Cost	\$ 1,364,858	\$ 78,660	\$ 159,596	\$ 1,603,114
Accumulated depreciation	(951,255)	(64,510)	(121,190)	(1,136,955)
	<u>\$ 413,603</u>	<u>\$ 14,150</u>	<u>\$ 38,406</u>	<u>\$ 466,159</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 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	June 30, 2024	December 31, 2023	June 30, 2023
	Carrying amount	Carrying amount	Carrying amount
Offices	<u>\$ 279,707</u>	<u>\$ 258,252</u>	<u>\$ 158,295</u>
		For the three months ended June 30,	
		2024	2023
		Depreciation	Depreciation
Offices		<u>\$ 37,869</u>	<u>\$ 31,123</u>
		For the six months ended June 30,	
		2024	2023
		Depreciation	Depreciation
Offices		<u>\$ 63,262</u>	<u>\$ 54,554</u>

C. For the six months ended June 30, 2024 and 2023, the additions to right-of-use assets were \$74,529 and \$50,785, respectively.

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

<u>Items affecting profit or loss</u>	<u>For the three months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Expense on short-term lease contracts	\$ <u>638</u>	\$ <u>706</u>

<u>Items affecting profit or loss</u>	<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Expense on short-term lease contracts	\$ <u>1,317</u>	\$ <u>1,196</u>

E. For the six months ended June 30, 2024 and 2023, the Group's total cash outflow for leases amounted to \$64,580 and \$50,750, respectively.

(6) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>Mask</u>	<u>Patent and others</u>	<u>Total</u>
<u>At January 1, 2024</u>					
Cost	\$ 111,090	\$ 2,331,796	\$ 1,295,306	\$ 1,738,186	\$ 5,476,378
Accumulated amortization	(74,914)	-	(1,053,734)	(1,321,938)	(2,450,586)
	<u>\$ 36,176</u>	<u>\$ 2,331,796</u>	<u>\$ 241,572</u>	<u>\$ 416,248</u>	<u>\$ 3,025,792</u>
<u>Six months ended June 30, 2024</u>					
Opening net book amount	\$ 36,176	\$ 2,331,796	\$ 241,572	\$ 416,248	\$ 3,025,792
Inward transfer	-	-	224,955	-	224,955
Additions - acquired separately	2,862	-	-	-	2,862
Amortization charge	(8,394)	-	(90,717)	(80,547)	(179,658)
Disposal	-	-	(11,368)	-	(11,368)
Net exchange differences	<u>1,627</u>	<u>132,117</u>	<u>15,805</u>	<u>22,195</u>	<u>171,744</u>
Closing net book amount	<u>\$ 32,271</u>	<u>\$ 2,463,913</u>	<u>\$ 380,247</u>	<u>\$ 357,896</u>	<u>\$ 3,234,327</u>
<u>At June 30, 2024</u>					
Cost	\$ 119,654	\$ 2,463,913	\$ 1,554,523	\$ 1,836,670	\$ 5,974,760
Accumulated amortization	(87,383)	-	(1,174,276)	(1,478,774)	(2,740,433)
	<u>\$ 32,271</u>	<u>\$ 2,463,913</u>	<u>\$ 380,247</u>	<u>\$ 357,896</u>	<u>\$ 3,234,327</u>

	Software	Goodwill	Mask	Patent and others	Total
<u>At January 1, 2023</u>					
Cost	\$ 97,071	\$ 2,331,796	\$ 1,137,551	\$ 1,738,186	\$ 5,304,604
Accumulated amortization	(61,253)	-	(912,208)	(1,166,852)	(2,140,313)
	<u>\$ 35,818</u>	<u>\$ 2,331,796</u>	<u>\$ 225,343</u>	<u>\$ 571,334</u>	<u>\$ 3,164,291</u>
<u>Six months ended June 30, 2023</u>					
Opening net book amount	\$ 35,818	\$ 2,331,796	\$ 225,343	\$ 571,334	\$ 3,164,291
Inward transfer	-	-	130,005	-	130,005
Additions - acquired separately	5,181	-	-	-	5,181
Amortization charge	(7,604)	-	(85,037)	(77,139)	(169,780)
Disposal	-	-	(3,814)	-	(3,814)
Net exchange differences	185	32,649	3,950	6,510	43,294
Closing net book amount	<u>\$ 33,580</u>	<u>\$ 2,364,445</u>	<u>\$ 270,447</u>	<u>\$ 500,705</u>	<u>\$ 3,169,177</u>
<u>At June 30, 2023</u>					
Cost	\$ 101,124	\$ 2,364,445	\$ 1,269,747	\$ 1,762,524	\$ 5,497,840
Accumulated amortization	(67,544)	-	(999,300)	(1,261,819)	(2,328,663)
	<u>\$ 33,580</u>	<u>\$ 2,364,445</u>	<u>\$ 270,447</u>	<u>\$ 500,705</u>	<u>\$ 3,169,177</u>

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

	<u>For the three months ended June 30,</u>	
	2024	2023
Operating costs	\$ 46,657	\$ 45,121
Research and development expenses	44,656	42,278
Selling expenses	332	307
Administrative expenses	78	72
	<u>\$ 91,723</u>	<u>\$ 87,778</u>
	<u>For the six months ended June 30,</u>	
	2024	2023
Operating costs	\$ 90,743	\$ 85,060
Research and development expenses	88,040	84,073
Selling expenses	718	510
Administrative expenses	157	137
	<u>\$ 179,658</u>	<u>\$ 169,780</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 three-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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Refundable deposits	\$ 4,219,377	\$ 4,051,069	\$ 4,134,252
Prepaid mask	896,933	731,958	551,478
	<u>\$ 5,116,310</u>	<u>\$ 4,783,027</u>	<u>\$ 4,685,730</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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Dividends payable	\$ 624,689	\$ 390,871	\$ 714,516
Payroll, bonus and accrued vacation	376,644	570,924	323,680
Employees' compensation and Directors' remuneration	274,898	227,613	460,049
Commissions	52,113	55,134	68,579
Legal and professional fees	26,166	25,589	29,436
Engineering expenses	16,908	14,926	37,440
Others	72,781	89,671	54,209
	<u>\$ 1,444,199</u>	<u>\$ 1,374,728</u>	<u>\$ 1,687,909</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 three months and six months ended June 30, 2024 and 2023, were \$47,332, \$45,354, \$86,981 and \$83,414, respectively.

(10) Share-based payment

A. For the six months ended June 30, 2024 and 2023, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Treasury stock transferred to employees	Feb. 9, 2022	79	1 year	1 year service
Treasury stock transferred to employees	Feb. 9, 2022	82	1 year	1 year service
Treasury stock transferred to employees	Apr. 27, 2022	279	1 year	1 year service
Treasury stock transferred to employees	Apr. 27, 2022	53		Vested immediately
Treasury stock transferred to employees	Feb. 8, 2023	94	1 year	1 year service
Treasury stock transferred to employees	Feb. 8, 2023	184	1 year	1 year service
Treasury stock transferred to employees	Apr. 26, 2023	52		Vested immediately
Treasury stock transferred to employees	Apr. 26, 2023	386	1 year	1 year service
Treasury stock transferred to employees	Feb. 7, 2024	98	1 year	1 year service
Treasury stock transferred to employees	Feb. 7, 2024	283	1 year	1 year service
Treasury stock transferred to employees	April. 24, 2024	470	1 year	1 year service
Restricted stocks to employees (Note)	Feb. 13, 2019	6	4 years	4 years service
Restricted stocks to employees (Note)	Apr. 30, 2019	100	4 years	4 years service
Restricted stocks to employees (Note)	Jul. 31, 2019	682	4 years	4 years service
Restricted stocks to employees (Note)	Oct. 30, 2019	14	4 years	4 years service
Restricted stocks to employees (Note)	Feb. 12, 2020	9	4 years	4 years service
Restricted stocks to employees (Note)	Apr. 29, 2020	45	4 years	4 years service
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. 3, 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.
- B. Please see Note 6(11) for the related information about the fair value of restricted stocks to employees issued by the Company.
- C. The Company reissued 94 and 184 thousand treasury shares with repurchase price amounting to \$72,538 and \$237,688, respectively, to its employees with the effective date set on February 8, 2023 in accordance with the Share Repurchase and Employee Incentive Plan. The subscription price of \$773.74 (in dollars) and \$2,037.28 (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.
- D. The Company reissued 316, 70 and 52 thousand treasury shares with repurchase price amounting to \$244,782, \$142,864 and \$62,289, respectively, to its employees with the effective date set on April 26, 2023 in accordance with the Share Repurchase and Employee Incentive Plan. The subscription price of \$773.74 (in dollars), \$2,037.28 (in dollars) and \$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.
- E. The Company reissued 307, 63 and 11 thousand treasury shares with repurchase price amounting to \$237,537, \$127,257 and \$13,268, respectively, to its employees with the effective date set on February 7, 2024 in accordance with the Share Repurchase and Employee Incentive Plan. The subscription price of \$773.74 (in dollars), \$2,037.28 (in dollars) and \$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.

F. The Company reissued 418 and 52 thousand treasury shares with repurchase price amounting to \$323,268 and \$106,602, respectively, to its employees with the effective date set on April 24, 2024 in accordance with the Share Repurchase and Employee Incentive Plan. The subscription price of \$773.74 (in dollars) and \$2,037.28 (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.

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

	For the three months ended June 30,	
	2024	2023
Equity-settled	\$ 235,825	\$ 245,773

	For the six months ended June 30,	
	2024	2023
Equity-settled	\$ 521,011	\$ 537,517

(11) Share capital/ Treasury shares

A. As of June 30, 2024, the Company's authorized capital was \$1,500,000, consisting of 150 million shares of ordinary stock, and the paid-in capital was \$811,618 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	For the six months ended June 30, 2024			
	Unrestricted shares	Restricted shares	Treasury shares	Total
At January 1	80,962	201	(1,607)	79,556
Vesting of restricted stocks	109	(109)	-	-
Cancellation of restricted stocks ordinary shares	-	(2)	-	(2)
Treasury stock reissued to employees	-	-	851	851
At June 30	<u>81,071</u>	<u>90</u>	<u>(756)</u>	<u>80,405</u>

	For the six months ended June 30, 2023			
	Unrestricted shares	Restricted shares	Treasury shares	Total
At January 1	80,593	598	(2,323)	78,868
Vesting of restricted stocks	235	(235)	-	-
Cancellation of restricted stocks ordinary shares	-	(17)	-	(17)
Treasury stock reissued to employees	-	-	716	716
At June 30	<u>80,828</u>	<u>346</u>	<u>(1,607)</u>	<u>79,567</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 \$625 as of June 30, 2024, including unretired share capital of \$7.
- 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 \$566 as of June 30, 2024, there is no unretired share capital.
- D. The Board of Directors during its meetings on 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 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 \$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 \$161 as of June 30, 2024, there is no unretired share capital.
- E. Treasury shares
- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		<u>June 30, 2024</u>	
<u>Name of company</u>	<u>Reason for reacquisition</u>	<u>Number of shares</u>	<u>Carrying amount</u>
<u>holding the shares</u>		<u>(in thousands)</u>	
The Company	To be reissued to employees	756	\$ 585,517

		December 31, 2023	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	1,607	\$ 1,393,449

		June 30, 2023	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	1,607	\$ 1,393,449

- (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 first and second half year of 2022. The appropriation of the first and second half year of 2022 earnings had been approved by the Board of Directors on October 28, 2022 and April 26, 2023, respectively.

	First half year of 2022		Second half year of 2022	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -		\$ -	
Special reserve	(1,220,038)		(114,137)	
Cash dividends	1,724,498	\$ 21.79	714,516	\$ 8.98

The appropriation of 2022 earnings had been approved by the shareholders on June 15, 2023.

- (b) The Company recognized dividends distributed to owners for the first and second half year of 2023. The appropriation of the first and second half year of 2023 earnings had been approved by the Board of Directors on November 1, 2023 and April 24, 2024, respectively.

	First half year of 2023		Second half year of 2023	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -		\$ -	
Special reserve	-		-	
Cash dividends	390,871	\$ 4.89	624,689	\$ 7.77

The appropriation of 2023 earnings had been approved by the shareholders on June 12, 2024.

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

(14) Operating revenue

Disaggregation of revenue from contracts with customers

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

	For the three months ended June 30, 2024				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from contracts with customers	<u>\$ 1,600,170</u>	<u>\$ 1,656,953</u>	<u>\$ 487,099</u>	<u>\$ 165,962</u>	<u>\$ 3,910,184</u>
	For the three months ended June 30, 2023				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from contracts with customers	<u>\$ 1,221,149</u>	<u>\$ 1,399,126</u>	<u>\$ 513,518</u>	<u>\$ 65,505</u>	<u>\$ 3,199,298</u>
	For the six months ended June 30, 2024				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from contracts with customers	<u>\$ 3,036,835</u>	<u>\$ 3,290,199</u>	<u>\$ 1,116,122</u>	<u>\$ 281,220</u>	<u>\$ 7,724,376</u>
	For the six months ended June 30, 2023				
	Serial products of DisplayPort	High-speed interfacing chips	Source Driver	Serial products of TrueTouch	Total
Revenue from contracts with customers	<u>\$ 2,441,667</u>	<u>\$ 2,616,708</u>	<u>\$ 1,033,818</u>	<u>\$ 146,817</u>	<u>\$ 6,239,010</u>

(15) Other gains and losses

	For the three months ended June 30,	
	2024	2023
Foreign exchange gains	\$ 691	\$ 18,812
Losses on disposals of equipment	(66)	-
Other losses and gains	(597)	1
	<u>\$ 28</u>	<u>\$ 18,813</u>

	For the six months ended June 30,	
	2024	2023
Foreign exchange gains	\$ 634	\$ 8,352
Losses on disposals of equipment	(694)	-
Other losses	(600)	(10)
	<u>(\$ 660)</u>	<u>\$ 8,342</u>

(16) Expenses by nature

	For the three months ended June 30,	
	2024	2023
Employee benefit expenses	\$ 864,694	\$ 763,801
Depreciation and amortization charges on equipment and intangible assets	181,827	178,397
Engineering expenses	122,724	67,261
Legal and professional expenses	15,617	14,170
Commission expenses	18,055	11,969
Expense on short-term lease contracts	638	706
Total manufacturing and operating expenses	<u>\$ 1,203,555</u>	<u>\$ 1,036,304</u>

	For the six months ended June 30,	
	2024	2023
Employee benefit expenses	\$ 1,726,062	\$ 1,541,071
Depreciation and amortization charges on equipment and intangible assets	344,331	340,100
Engineering expenses	227,747	111,587
Legal and professional expenses	30,761	27,084
Commission expenses	21,162	21,311
Expense on short-term lease contracts	1,317	1,196
Total manufacturing and operating expenses	<u>\$ 2,351,380</u>	<u>\$ 2,042,349</u>

(17) Employee benefit expenses

	For the three months ended June 30,	
	2024	2023
Wages and salaries	\$ 497,897	\$ 398,286
Employee compensation costs	235,825	245,773
Pension costs	47,332	45,354
Other personnel expenses	83,640	74,388
	<u>\$ 864,694</u>	<u>\$ 763,801</u>

	For the six months ended June 30,	
	2024	2023
Wages and salaries	\$ 952,647	\$ 776,862
Employee compensation costs	521,011	537,517
Pension costs	86,981	83,414
Other personnel expenses	165,423	143,278
	<u>\$ 1,726,062</u>	<u>\$ 1,541,071</u>

A. In accordance with the provisions of the amended Articles of Association approved by the shareholders, where the Company generates profits before tax for the annual financial year, the Company shall appropriate no less than 3% and up to 7.5% of such annual profits before tax as employees' compensation, which shall be distributed in accordance with the incentive programme approved by a majority of the meeting of Board of Directors attended by two-thirds or more of all the Directors and may be distributed to employees of the Company and its subsidiaries and a maximum of 2% as additional directors' remuneration.

B. For the three months and six months ended June 30, 2024 and 2023, employees' compensations were accrued at \$38,630, \$26,616, \$71,457 and \$49,007, respectively; directors' remunerations were accrued at \$11,572, \$10,237, \$20,254 and \$18,849, respectively. The aforementioned amounts were recognised in salary expenses.

For the six months ended June 30, 2024, 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 2023, the employees' compensation and directors' remuneration resolved at the meeting of Board of Directors amounted to \$123,025 and \$47,725, respectively. The employees' compensation will be distributed in the form of cash. The difference between the employees' compensation of \$123,025 and the directors' remuneration of \$47,765 recognised in the 2023 financial statements were \$0 and (\$1,040), respectively, mainly resulting from the difference between accrual amount and resolution amount by the Board of Directors, and recognized as profit or loss in the year.

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.

(18) Income tax

Components of income tax expense:

	For the three months ended June 30,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ 62,244	\$ 16,669
Prior year income tax (overestimation) underestimation	(13,370)	21,381
Total current tax	<u>48,874</u>	<u>38,050</u>
Deferred tax:		
Origination and reversal of temporary differences	(14,022)	8,176
Income tax expense	<u>\$ 34,852</u>	<u>\$ 46,226</u>
	For the six months ended June 30,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ 133,145	\$ 61,233
Prior year income tax (overestimation) underestimation	(45,606)	21,386
Total current tax	<u>87,539</u>	<u>82,619</u>
Deferred tax:		
Origination and reversal of temporary differences	(23,210)	9,906
Income tax expense	<u>\$ 64,329</u>	<u>\$ 92,525</u>

(19) Earnings per share

	<u>For the three months ended June 30, 2024</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	<u>\$ 568,706</u>	<u>79,939</u>	<u>\$ 7.11</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 568,706	79,939	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	142	
Restricted stocks to employees	-	151	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 568,706</u>	<u>80,232</u>	<u>\$ 7.09</u>

	<u>For the three months ended June 30, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	<u>\$ 429,269</u>	<u>78,947</u>	<u>\$ 5.44</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 429,269	78,947	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	146	
Restricted stocks to employees	-	452	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 429,269</u>	<u>79,545</u>	<u>\$ 5.40</u>

For the six months ended June 30, 2024			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,141,455	79,790	\$ 14.31
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 1,141,455	79,790	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	197	
Restricted stocks to employees	-	175	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,141,455</u>	<u>80,162</u>	<u>\$ 14.24</u>

For the six months ended June 30, 2023			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in NT dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 782,560	78,692	\$ 9.94
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 782,560	78,692	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	245	
Restricted stocks to employees	-	476	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 782,560</u>	<u>79,413</u>	<u>\$ 9.85</u>

(20) Supplemental cash flow information

Financing activities with no cash flow effects

	For the six months ended June 30,	
	2024	2023
Cash dividends payable	\$ 624,689	\$ 714,516

(21) Changes in liabilities from financing activities

	2024	2023
	Lease liabilities	Lease liabilities
At January 1	\$ 258,252	\$ 162,812
Changes in cash flow from financing activities	(63,262)	(54,554)
Impact of changes in foreign exchange rate	10,188	(748)
Changes in other non-cash items	74,529	50,785
At June 30	\$ 279,707	\$ 158,295

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the three months ended June 30,	
	2024	2023
Salaries and other short-term employee benefits	\$ 93,637	\$ 96,272
Share-based compensation expenses	64,150	94,025
	\$ 157,787	\$ 190,297

	For the six months ended June 30,	
	2024	2023
Salaries and other short-term employee benefits	\$ 202,960	\$ 204,440
Share-based compensation expenses	159,348	149,057
	\$ 362,308	\$ 353,497

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

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

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On July 2, 2024, the Board of Directors of the Company adopted a resolution to purchase 1,100 thousand treasury shares. In order to motivate employees and enhance their centripetal force, the repurchase is for transferring shares to the employees. The price range is between \$573 and \$1,285 (in dollars) and the acquisition period is from July 3, 2024 to September 2, 2024. The completion of 2024 Share Buyback Plan is on July 26, 2024.

12. OTHERS

(1) Consolidated balance sheets as of June 30, 2024, December 31, 2023 and June 30, 2023 and consolidated statements of comprehensive income for the three months and six months ended June 30, 2024 and 2023 in functional currency

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023
(EXPRESSED IN THOUSANDS OF US DOLLARS)

ASSETS	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%
Current assets						
Cash and cash equivalents	\$ 319,028	40	\$ 276,379	36	\$ 225,120	32
Accounts receivable, net	47,161	6	54,103	7	54,721	8
Inventories, net	112,755	14	122,885	16	114,368	16
Other current assets	28,775	4	19,419	3	32,666	4
Total current assets	<u>507,719</u>	<u>64</u>	<u>472,786</u>	<u>62</u>	<u>426,875</u>	<u>60</u>
Non-current assets						
Property, plant and equipment, net	11,395	1	12,768	2	14,970	2
Right-of-use assets	8,620	1	8,409	1	5,083	1
Intangible assets	99,671	12	98,528	13	101,772	14
Deferred income tax assets	12,738	2	12,704	2	11,143	2
Other non-current assets	157,667	20	155,748	20	150,473	21
Total non-current assets	<u>290,091</u>	<u>36</u>	<u>288,157</u>	<u>38</u>	<u>283,441</u>	<u>40</u>
TOTAL ASSETS	<u>\$ 797,810</u>	<u>100</u>	<u>\$ 760,943</u>	<u>100</u>	<u>\$ 710,316</u>	<u>100</u>
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	\$ 43,369	6	\$ 51,028	7	\$ 29,194	4
Other payables	44,942	6	44,837	6	54,820	8
Current income tax liabilities	10,777	1	11,415	1	9,528	1
Lease liabilities - current	3,462	-	3,241	-	2,960	1
Other current liabilities	7,533	1	7,081	1	6,490	1
Total current liabilities	<u>110,083</u>	<u>14</u>	<u>117,602</u>	<u>15</u>	<u>102,992</u>	<u>15</u>
Non-current liabilities						
Lease liabilities - non-current	5,158	-	5,168	1	2,123	-
Total non-current liabilities	<u>5,158</u>	<u>-</u>	<u>5,168</u>	<u>1</u>	<u>2,123</u>	<u>-</u>
Total liabilities	<u>115,241</u>	<u>14</u>	<u>122,770</u>	<u>16</u>	<u>105,115</u>	<u>15</u>
Equity attributable to owners of the Company						
Share capital						
Ordinary shares	26,730	3	26,731	4	26,735	4
Capital reserves						
Capital reserves	135,817	16	136,477	18	134,946	19
Retained earnings						
Legal reserve	33,380	4	33,380	4	33,380	4
Special reserve	275	-	275	-	275	-
Unappropriated earnings	509,211	66	492,693	65	464,847	65
Other equity						
Other equity	(4,577)	(1)	(6,722)	(1)	(10,321)	(1)
Treasury shares	(18,267)	(2)	(44,661)	(6)	(44,661)	(6)
Equity attributable to owners of the Company	<u>682,569</u>	<u>86</u>	<u>638,173</u>	<u>84</u>	<u>605,201</u>	<u>85</u>
Total equity	<u>682,569</u>	<u>86</u>	<u>638,173</u>	<u>84</u>	<u>605,201</u>	<u>85</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 797,810</u>	<u>100</u>	<u>\$ 760,943</u>	<u>100</u>	<u>\$ 710,316</u>	<u>100</u>

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(EXPRESSED IN THOUSANDS OF US DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	For the three months ended June 30,				For the six months ended June 30,			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenues	\$ 120,871	100	\$ 104,178	100	\$ 242,149	100	\$ 204,168	100
Cost of goods sold	(69,593)	(58)	(58,380)	(56)	(138,914)	(57)	(114,327)	(56)
Gross profit	<u>51,278</u>	<u>42</u>	<u>45,798</u>	<u>44</u>	<u>103,235</u>	<u>43</u>	<u>89,841</u>	<u>44</u>
Operating expenses								
Sales and marketing expenses	(7,554)	(6)	(7,188)	(7)	(14,967)	(6)	(14,386)	(7)
General and administrative expenses	(4,775)	(4)	(4,888)	(5)	(9,853)	(4)	(9,881)	(5)
Research and development expenses	(23,158)	(19)	(20,293)	(19)	(46,003)	(19)	(40,185)	(20)
Expected credit loss	-	-	-	-	-	-	(84)	-
Total operating expenses	<u>(35,487)</u>	<u>(29)</u>	<u>(32,369)</u>	<u>(31)</u>	<u>(70,823)</u>	<u>(29)</u>	<u>(64,536)</u>	<u>(32)</u>
Operating income	<u>15,791</u>	<u>13</u>	<u>13,429</u>	<u>13</u>	<u>32,412</u>	<u>14</u>	<u>25,305</u>	<u>12</u>
Non-operating income and expenses								
Interest income	2,865	2	1,400	1	5,345	2	2,925	2
Other income	-	-	43	-	69	-	130	-
Other gains and losses	1	-	612	1	(21)	-	268	-
Total non-operating income and expenses	<u>2,866</u>	<u>2</u>	<u>2,055</u>	<u>2</u>	<u>5,393</u>	<u>2</u>	<u>3,323</u>	<u>2</u>
Income before income tax	18,657	15	15,484	15	37,805	16	28,628	14
Income tax expense	(1,077)	(1)	(1,505)	(2)	(2,014)	(1)	(3,028)	(1)
Net income for the period from continuing operations	<u>17,580</u>	<u>14</u>	<u>13,979</u>	<u>13</u>	<u>35,791</u>	<u>15</u>	<u>25,600</u>	<u>13</u>
Other comprehensive (loss) income								
Components of other comprehensive (loss) income that will not be reclassified to profit or loss								
Currency translation differences of foreign operations	(240)	(1)	(1,567)	(2)	(754)	-	(1,316)	(2)
Components of other comprehensive (loss) income that will not be reclassified to profit or loss	<u>(240)</u>	<u>(1)</u>	<u>(1,567)</u>	<u>(2)</u>	<u>(754)</u>	<u>-</u>	<u>(1,316)</u>	<u>(2)</u>
Total comprehensive income for the period	<u>\$ 17,340</u>	<u>13</u>	<u>\$ 12,412</u>	<u>11</u>	<u>\$ 35,037</u>	<u>15</u>	<u>\$ 24,284</u>	<u>11</u>
Net income attributable to:								
Owners of the Company	<u>\$ 17,580</u>	<u>14</u>	<u>\$ 13,979</u>	<u>13</u>	<u>\$ 35,791</u>	<u>15</u>	<u>\$ 25,600</u>	<u>13</u>
Comprehensive income attributable to:								
Owners of the Company	<u>\$ 17,340</u>	<u>13</u>	<u>\$ 12,412</u>	<u>11</u>	<u>\$ 35,037</u>	<u>15</u>	<u>\$ 24,284</u>	<u>11</u>
Earnings per share								
Basic earnings per share	<u>\$ 0.22</u>		<u>\$ 0.18</u>		<u>\$ 0.45</u>		<u>\$ 0.33</u>	
Diluted earnings per share	<u>\$ 0.22</u>		<u>\$ 0.18</u>		<u>\$ 0.45</u>		<u>\$ 0.32</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>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 10,352,451	\$ 8,487,601	\$ 7,010,227
Accounts receivable, net	1,530,363	1,661,511	1,704,022
Guarantee deposits paid	4,219,377	4,051,069	4,134,252
	<u>\$ 16,102,191</u>	<u>\$ 14,200,181</u>	<u>\$ 12,848,501</u>
	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Accounts payable	\$ 1,407,324	\$ 1,567,047	\$ 909,092
Guarantee deposits received	2,004	-	21
	<u>\$ 1,409,328</u>	<u>\$ 1,567,047</u>	<u>\$ 909,113</u>
Lease liability	<u>\$ 279,707</u>	<u>\$ 258,252</u>	<u>\$ 158,295</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:

		June 30, 2024		
		Foreign Currency Amount (in RMB thousands)	Exchange Rate	Book Value (in USD thousands)
(Foreign currency:functional currency)				
Financial assets - monetary items				
	RMB:USD	\$ 1,881	0.140	\$ 264
		December 31, 2023		
		Foreign Currency Amount (in RMB thousands)	Exchange Rate	Book Value (in USD thousands)
(Foreign currency:functional currency)				
Financial assets - monetary items				
	RMB:USD	\$ 1,874	0.141	\$ 264
		June 30, 2023		
		Foreign Currency Amount (in RMB thousands)	Exchange Rate	Book Value (in USD thousands)
(Foreign currency:functional currency)				
Financial assets - monetary items				
	RMB:USD	\$ 1,906	0.139	\$ 264

Based on the foreign currency quoted position held by the Group as of June 30, 2024 and 2023, as US dollars appreciate/depreciate by 1%, the profit or loss before tax of the Group would increase by \$86 and \$82, respectively.

iii. Total exchange loss (gain), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2024 and 2023, amounted to \$103, (\$10,320), \$1,320 and (\$1,488), 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 used timely information to assess the default possibility of accounts receivable. On June 30, 2024, December 31, 2023 and June 30, 2023, the loss rate methodology is as follows:

	<u>Not past due</u>	<u>Up to 60 days past due</u>	<u>Up to 90 days past due</u>	<u>91~180 days</u>
<u>At June 30, 2024</u>				
Expected loss rate (Note)	0 ~ 0.3%	0 ~ 0.3%	1%	1 ~ 5%
Total book value	\$ 1,502,105	\$ 28,258	\$ -	\$ -
Loss allowance	-	-	-	-
	<u>181~360 days</u>	<u>Up to 360 days</u>	<u>Total</u>	
<u>At June 30, 2024</u>				
Expected loss rate (Note)	50 ~ 75%	100%		
Total book value	\$ -	\$ -	\$ 1,530,363	
Loss allowance	-	-	-	

	<u>Not past due</u>	<u>Up to 60 days past due</u>	<u>Up to 90 days past due</u>	<u>91~180 days</u>
	<u>Not past due</u>	<u>Up to 60 days past due</u>	<u>Up to 90 days past due</u>	<u>91~180 days</u>
<u>At December 31, 2023</u>				
Expected loss rate (Note)	0 ~ 0.3%	0 ~ 0.3%	1%	1 ~ 5%
Total book value	\$ 1,595,848	\$ 65,663	\$ -	\$ -
Loss allowance	-	-	-	-

	<u>181~360 days</u>	<u>Up to 360 days</u>	<u>Total</u>
<u>At December 31, 2023</u>			
Expected loss rate (Note)	50 ~ 75%	100%	
Total book value	\$ -	\$ -	\$ 1,661,511
Loss allowance	-	-	-

	<u>Not past due</u>	<u>Up to 60 days past due</u>	<u>Up to 90 days past due</u>	<u>91~180 days</u>
<u>At June 30, 2023</u>				
Expected loss rate (Note)	0 ~ 0.3%	0 ~ 0.3%	0.5%	1 ~ 5%
Total book value	\$ 1,409,923	\$ 245,556	\$ 51,154	\$ -
Loss allowance	2,611	-	-	-

	<u>181~360 days</u>	<u>Up to 360 days</u>	<u>Total</u>
<u>At June 30, 2023</u>			
Expected loss rate (Note)	50 ~ 75%	100%	
Total book value	\$ -	\$ -	\$ 1,706,633
Loss allowance	-	-	2,611

Note: Based on past experience, it has been shown that the defaults of these customers have been extremely low, so the expected credit losses are measured at a single loss rate based on the past due dates. The amount of allowance for doubtful accounts was not significant, so the Group had not recognized related impact as at June 30, 2024 and December 31, 2023.

viii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures.

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

	<u>2024</u>	<u>2023</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ -	\$ -
Provision for impairment	-	2,549
Effect of foreign exchange	-	62
At June 30	<u>\$ -</u>	<u>\$ 2,611</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Group treasury invests surplus cash in interest bearing current accounts, 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 \$6,553,723, \$5,231,107 and \$4,209,856 as at June 30, 2024, December 31, 2023 and June 30, 2023, 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>June 30, 2024</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 1,407,324	\$ -
Other payables	1,444,199	-
Lease liability	112,337	167,370
<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 1,567,047	\$ -
Other payables	1,374,728	-
Lease liability	99,534	158,718
<u>June 30, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 year and 5 years</u>
<u>Non-derivative financial liabilities</u>		
Accounts payable	\$ 909,092	\$ -
Other payables	1,687,909	-
Lease liability	92,194	66,101

(4) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The book value of financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable, accounts payable and other payables, reasonably approximates their fair value.

C. There were no financial and non-financial instruments measured at fair value recognized as at June 30, 2024, December 31, 2023 and June 30, 2023.

13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

A. Loans granted during the six months ended June 30, 2024 : None.

B. Endorsements and guarantees provided during the six months ended June 30, 2024: None.

C. Marketable securities held as at June 30, 2024 (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital during the six months ended June 30, 2024: None.

E. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the six months ended June 30, 2024: None.

F. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital during the six months ended June 30, 2024: None.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the six months ended June 30, 2024: None.

H. Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital as at June 30, 2024: None.

I. Derivative financial instruments undertaken during the six months ended June 30, 2024: None.

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

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

Please refer to table 2.

(3) Disclosure information on indirect investments in Mainland China

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

B. The Company's transactions with investee companies in China through other entities outside of Taiwan and China: Please refer to table 1.

(4) Disclosure information on major shareholders

There is no shareholder holding greater than 5% stake in the Company at June 30, 2024.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

(4) Reconciliation for segment income (loss)

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

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS
FOR THE SIX MONTHS ENDED JUNE 30, 2024

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	\$ 652,734	In accordance with the agreement, depending on the financial condition of the paying firm	8%
			(1)	Other payables	82,345	In accordance with the agreement, depending on the financial condition of the paying firm	0%
		Parade Technologies Korea, Ltd.	(1)	Service expense	12,051	In accordance with the agreement, depending on the financial condition of the paying firm	0%
			(1)	Other payables	1,971	In accordance with the agreement, depending on the financial condition of the paying firm	0%
		Parade Technologies, Inc. (Shanghai)	(1)	Service expense	461,259	In accordance with the agreement, depending on the financial condition of the paying firm	6%
			(1)	Other payables	533,667	In accordance with the agreement, depending on the financial condition of the paying firm	2%
		Parade Technologies, Ltd. (Nanjing)	(1)	Service expense	297,198	In accordance with the agreement, depending on the financial condition of the paying firm	4%
			(1)	Other payables	302,323	In accordance with the agreement, depending on the financial condition of the paying firm	1%
		Parade Technologies, Ltd. (Chongqing)	(1)	Service expense	69,620	In accordance with the agreement, depending on the financial condition of the paying firm	1%
			(1)	Other payables	12,970	In accordance with the agreement, depending 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 (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)
FOR THE SIX MONTHS ENDED JUNE 30, 2024

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 6/30/2024			Net income of the investee for the six months ended 6/30/2024 (Note 2(2))	Investment income recognised by the Company for the six months ended 6/30/2024 (Note 2(3))	Footnote
				Balance as at 6/30/2024	Balance as at 1/1/2024	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	\$ 42,185	\$ 42,185	10,000	100.00	\$ 3,888,786	\$ 74,166	\$ 74,166	
The Company	Parade Technologies Korea, Ltd.	South Korea	Providing sales and marketing, general and administrative services to the Company	1,623	1,623	10,000	100.00	23,634	610	610	
The Company	Pinchot Ltd.	Cayman Islands	Providing administrative services to the Company	32	32	1,000	100.00	32	-	-	

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

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

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at 6/30/2024' 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 for the six months ended 6/30/2024' column should fill in amount of net income (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the six months ended 6/30/2024' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net income (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

PARADE TECHNOLOGIES, LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2024

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of 1/1/2024	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan		Accumulated amount of remittance from Taiwan to Mainland China as of 6/30/2024	Net income of investee as of 6/30/2024	Ownership held by the Company (direct or indirect)	Investment income recognised by the Company	Book value of investments in Mainland China as of 6/30/2024	Accumulated amount of investment income remitted back to Taiwan as of 6/30/2024	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Parade Technologies, Inc. (Shanghai)	Providing research and development services to the Company	\$ 42,185	1	\$ -	\$ -	\$ -	\$ -	\$ 13,511	100.00	\$ 13,511	\$ 913,707	\$ -	
Parade Technologies, Ltd. (Nanjing)	Providing research and development services to the Company	64,900	2	-	-	-	-	8,504	100.00	8,504	489,530	-	
Parade Technologies, Ltd. (Chongqing)	Providing research and development services to the Company	16,225	2	-	-	-	-	3,728	100.00	3,728	51,509	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of 6/30/2024	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)(Note 2)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
The Company	\$ -	\$ -	\$ -										

Note 1: Investment methods are classified into the following 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.