


Egis Technology Inc.
2017 ANNUAL SHAREHOLDER'S MEETING
MINUTES

Stock Code: 6462

Time: June 22, 2017 (Thursday) at 9 a.m.

Place: 2F, No. 327, Section 1, Tiding Boulevard, Neihu District, Taipei City (Lily Conference)

Total outstanding Egis shares : 69,847,754 shares

Total shares represented by shareholders present in person or by proxy : 51,505,673 shares

Percentage of shares held by shareholders present in person or proxy : 73.73%

Directors present : Steve Ro, Albert Weng

Chairman : Dr. Steve Ro, the Chairman of the Board of Directors

Recorder : Sophia Wang

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

A. Chairman's Address (omitted)

B. Report Items

Proposal 1 : The 2016 Annual Business Report of this Company.(Please refer attachment 1)

Proposal 2 : The 2016 Annual Statements of this Company reviewed by the Audit Committee.
(Please refer attachment 2)

Proposal 3 : The implementation of the Comprehensive Business Plan by the Company.
(Please refer attachment 3)

Proposal 4 : The 2016 Annual Director and Employee Remuneration Distribution Report of this Company.

The profit situation of this Company in 2016 is NTD 168,593,032 (pre-tax, excluding profit for remunerations to directors and employees). The profits shall be distributed in accordance with the provisions of Article 24 in the Articles of Incorporation of this Company and the Company Act, and 5%, that is, NTD 8,429,652, shall be set aside as employee remunerations; 1%, that is, NTD

1,685,930, shall be set aside as director remunerations; the profits shall be distributed in the form of cash.

C. Ratified

Proposal 1

Proposed by the Board of Directors

Subject matter : The 2016 Annual Business Report and Financial Statements of this Company.

Explanation: (1) The 2016 Annual Individual Financial Statements and Consolidated Financial Statements of this Company have been duly audited by the Certified Public Accountants of KPMG Taiwan, Steven Shih and Philip Tang, and an unqualified opinion report has been issued for filing. The said Financial Statements and unqualified opinion report have been submitted together with the 2016 Annual Business Report to the Audit Committee for review.

(2) The Audit Report, Individual and Consolidated Financial Reports (please refer attachment 4) and Business Report (please refer attachmentt 1) are enclosed.

(3) Submitted for ratification.

Resolution : The Chairman's proposal was faced with no objections from the present shareholders

Proposal 2

Proposed by the Board of Directors

Subject matter : The 2016 Annual Earnings Distribution Plan of this Company.

Explanation: (1) The net profit after tax for the Company in 2016 is NTD 114,026,483, and after an appropriation of 10%, the statutory surplus reserve is NTD 11,402,648. An earnings distribution table is drafted for the remaining amount in accordance with the Company's "Articles of Incorporation". Please refer attachment 5. In view of the Company's operations and capital requirements, it is not planned to distribute dividends.

(2) The above is submitted for resolution.

Resolution : The Chairman's proposal was faced with no objections from the present shareholders

D. Discussion

Proposal 1

Proposed by the Board of Directors

Subject matter : The amendment of some clauses in the "Operating Procedures of Acquisition or Disposal of Assets" of this Company.

Explanation: (1) It is planned to amend the relevant clauses of the Company's "Operating Procedures for Acquisition or Disposal of Assets" in accordance with the provisions of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies", as amended by the Financial Supervisory Commission based on Letter Chin Kuan Cheng Fa Tzu No. 1060001296 on February 09, 2017. Please refer to chinese meeting hands book attachment 6 on Pages 35 to 38 of the Comparison Table of Clauses Before and After Amendment for details.

(2) The above is submitted for resolution.

Resolution : The Chairman's proposal was faced with no objections from the present shareholders

Proposal 2

Proposed by the Board of Directors

Subject matter : The issuance of new restricted employee shares.

Explanation: (1) To issue new restricted employee shares in accordance with the provisions of "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" promulgated by the Financial Supervisory Commission and Article 267 of the Company Act.

(2) Total issuance amount: 650,000 ordinary shares shall be issued at the par value of NTD 10 per share; the total issuance amount shall be NTD 6,500,000.

(3) Conditions for issuance:

1. Issuing price: NTD 0 per share.

2. Vesting conditions: According to the number of years of service of the employees eligible for allotment prescribed by the actual issuance regulations, and in compliance with the provisions of the Company's "Provisions on Vesting Conditions for New Restricted Employee Shares in 2017".

3. Handling method for employees who fail to fulfill the vesting conditions: In the event of any employee failing to fulfill the vesting conditions, the employee's total number of shares that have not fulfilled the vesting conditions shall be withdrawn by the Company at no cost and revoked thereafter.

(4) Employees' eligibility and number of shares allocated:

1. Limited to the full-time staff officially employed by the Company.

2. The actual employees eligible for shares allotment and the quantity of shares allotted shall be determined by the Chairman with reference to the rank, performance, overall contribution of the employees and other such factors, with the Company's operational requirements and business development strategy taken into account; and submitted to the Board of Directors for resolution thereafter. However, for employees serving as managers, this shall first be reported to the Remunerations Committee for approval.
 3. The cumulative number of new restricted employee shares obtained by a single employee, in combination with the cumulative number of employee stock warrants issued by the Company under Article 56-1, Paragraph 1 of "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" that are subscribable by the said employee, shall not exceed 0.3% of the total issued shares. Furthermore, the above in combination with the cumulative number of shares subscribable by a single warrant holder of employee stock warrants issued by the Company under Article 56, Paragraph 1 of "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", may not exceed 1% of the total issued shares.
- (5) Compelling reasons for this issuance of new restricted employee shares: To attract and retain the Company's outstanding professionals to jointly create growth for the Company, and long-term interests for employees and shareholders.
- (6) The expensable amount, the dilution of the Company's earnings per share, and any other impact on shareholders' equity:
1. If all vesting conditions are met, the estimated maximum possible expensable amount is approximately NTD 195,000,000. The maximum possible expensable amounts per year for 2017-2020 are approximately NTD 70,005,000, NTD 84,329,000, NTD 32,666,000 and NTD 8,000,000, respectively; the maximum possible reduction amount of earnings per share of the Company is NTD 1.01, NTD 1.21, NTD 0.47 and NTD 0.12, respectively.
 2. The Company estimates that revenue and profit will continue to grow in the next few years. Therefore, the overall assessment has limited information on the dilution of the Company's earnings per share for the

next few years, but there should be no significant impact on the existing shareholders' equity.

(7) Other important stipulations:

1. Employees are not allowed to sell, pledge, transfer, give, pledge or otherwise dispose of the said new restricted employee shares after the allotment of new shares and before the fulfillment of the vesting conditions.
2. The attendance, proposal, speech, voting and voting rights, etc. related to the shareholders meeting shall be carried out in accordance with the custodial trust contract.
3. In addition to the aforementioned trust provisions, with regard to the new restricted employee shares allotted to employees based on this Regulations, prior to the fulfillment of vesting conditions, the other rights, which include but are not limited to, the rights to the allotment of dividends, bonuses and capital reserve, subscription rights and voting rights for cash injection, shall be the same as the ordinary shares issued by the Company, without any restrictions imposed.

(8) Other matters requiring explanation:

1. If this proposal is approved by resolution of the shareholders meeting, the Board of Directors shall be authorized to handle the application for issuance with the competent authorities in accordance with the relevant laws and regulations.
2. After this proposal is approved by resolution of the shareholders meeting, except when otherwise provided in the laws, the Board of Directors or its entrusted person shall be fully authorized to carry out amendments or implementation of any matters unaddressed in accordance with the relevant laws.

(9) Please refer to Chinese Meeting Handbook Attachment 7 on Pages 39 to 40 of this Handbook for the Regulations on the Issuance of New Restricted Employee Shares.

(10) The above is submitted for resolution.

Resolution : The Chairman's proposal was faced with no objections from the present shareholders

E. Election Matters

Subject matter: Proposal on full re-election of the Company's directors.

Proposed by the Board of Directors

Explanation: (1) Nine directors (including three independent directors) shall be elected this time in accordance with the provisions in Article 17 of the Company's Articles of Incorporation.

(2) Newly-elected directors shall take office for a term of three years immediately after the election, starting from June 22, 2017 to June 21, 2020.

(3) The candidate nomination system shall be adopted for the independent directors of the Company, and the shareholders shall be elected from the list of candidates for independent directors. The candidates for the independent directors for this term of office have been reviewed and approved by the Board of Directors of the Company on May 05, 2017, and the list of candidates and their relevant information are as follows:

Nominee Category	Name of Nominee	Education Background	Work Experience	Current Position	Number of Shares Held
Independent director	Albert, Weng	Master of Business Administration, University of Southern California in the United States Bachelor of Business Administration, Department of Business, National Taiwan University College of Law	General Manager of Smith Barney Shearson, Inc. Person-in-charge of Lehman Brothers Securities Taiwan Ltd. Person-in-charge of Nomura Taiwan	Independent Director of Egis Technology Inc. Independent Director of Clientron Corp. Director of Lion Travel Service Co., Ltd. TPK Holding Co., Ltd. Independent director	23,000
Independent director	DJ, Liu	Ph.D. Student at the Institute of Electrical Engineering, The State University of New York at Stony Brook (Ph.D. Candidate) Masters Degree from the Institute of Electronics, National Chiao Tung University	Executive Deputy Manager of MediaTek Inc.	Independent director of Egis Technology Inc. Independent director of Leadtrend Technology Corporation	0

Independent director	Ta-Lun Huang	Masters Degree from University of Michigan -- Ann Arbor	Partner of AsiaVest Partners,TCW/YFY Ltd.	Chairman of GCS Holdings, Inc. Juristic Person Director of Global Device Technologies, Co., Ltd. Director of Parade Technologies, Ltd. Director of Amulaire Thermal Technology, Inc.	0
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(4) The above is submitted for resolution.

Election results:

Position	Shareholder,s No./ ID No.	Name	Ballots Received
Directo	435	Steve, Ro	40,044,270
Director	N1004xxxxx	Stan, Shih	27,076,454
Director	A1215xxxxx	Ming-To, Yu	24,556,000
Director	5	HEADWAY CAPITAL LIMITED Representative: Todd, Lin	23,886,454
Director	5	HEADWAY CAPITAL LIMITED Representative: Yi-Pin, Lee	22,044,954
Director	3565	Howard, Ro	20,787,740
Independent Director	2571	Albert, Weng	14,430,903
Independent Director	D1208xxxxx	DJ, Liu	14,430,903
Independent Director	A1215xxxxx	Darren, Huang	14,430,903

F. Other Proposals

Subject matter: Proposal on lifting the non-competition restriction for this Company's newly-elected directors and their representatives. Proposed by the Board of

Directors

Explanation: (1) In accordance with the provisions in Article 209 of the Company Act, “A director who does anything for himself or on behalf of another person that is within the scope of the company’s business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”

(2) In view of operational needs and business considerations, the Company intends to relieve its newly-elected directors and their representatives from the restriction of non-competition within the same or similar business scope as the Company, provided that the interests of the business scope set out in the Articles of Incorporation of the Company are not affected in any way.

(3) The above is submitted for resolution.

NAME	Current Positions in Domestic Companies
Steve, Ro	Director of Gingy Technology Inc.
Stan, Shih	Director of Acer Inc. Independent Director of Taiwan Semiconductor Manufacturing Company, Limited Director of Wistron Corporation Director of Qisda Corporation
Ming-To, Yu	Independent Director of eMemory Technology Inc.
HEADWAY CAPITAL LIMITED Representative: Todd, Lin	Juristic Person Director of Evershine BPO Service Corporation Director of Chiplus Semiconductor Corporation
Albert, Weng	Director of TPK Holding Co., Ltd. Independent Director of Clientron Corporation
DJ, Liu	Independent Director of Leadtrend Technology Corporation

Resolution : The Chairman’s proposal was faced with no objections from the present shareholders

VIII. Extemporary Motions : None

IX. Adjournment of Meeting : 9:24 a.m., June 22, 2017.

[attachment 1]

Egis Technology Inc. 2016 Business Report

In line with the trend of fingerprint recognition applications, the Company has achieved results in smart phone application development and business expansion. In addition to continual consolidation of existing customers, the Company is also committed to the development of new customers and mainstream market adjustments. Explanations on the 2016 Business Achievements and 2017 Business Plan are provided below.

1. 2016 Business Overview

(i) 2016 Business Plan Implementation Outcomes

With the support of all shareholders and the efforts of all staff, the Company has achieved preliminary results through active expansion into markets and its customer base, and development of new products. The consolidated operating revenue of the Company for 2016 amounted to NTD 1,673,268,000, representing an increase of NTD 1,138,821,000 compared with 2015, which has led to an increase in consolidated profit of NTD 114,707,000 in 2016.

(ii) Analysis of Operating Revenue and Expenditure and Profitability

The benefits generated from product transformation by the Company started to show in 2016, leading to a substantial increase in operating revenue from 2015, of which the revenue from hardware increased by NTD 1,262,905,000, the revenue from software decreased by NTD 78,850,000, and the revenue from technical services decreased by NTD 45,234,000, resulting in an increase of NTD 358,945,000 in consolidated gross operating profit from 2015. In the face of a significant increase in demand for fingerprint recognition in the smart phone market, the Company also actively consolidated its resources, expanded its business scale and enhanced R&D capabilities, resulting in an increase of NTD 159,603,000 in consolidated operating expenses compared with 2015, and an increase of NTD 203,616,000 in consolidated net profit after tax compared with 2015. Please refer to the Financial Statements appended for details on 2016 Financial Overview.

(iii) Status of Research and Development

Item	Research and Development Plan	Description of Plan
Algorithm	Small size algorithm(V2.5)	Sophisticated Matching Algorithm of Fingerprint IC Over A Small Area
	Finger/Near-Finger Image Identification method	Design of fingerprint and non-fingerprint recognition methods using software

	AlgorithmAPI mobile for Multi-Algorithm	Support for multiple fingerprint algorithm cores as well as API of ET32x series and ET5xx series IC
	Software navigation function	Design of software navigation mechanism
Software Product	WBF for ET32x/ET5xx	ProShield supports WBF (Windows 10)
	Android N Lib for ET32x, ET5xx	Lib kit for fingerprint ICs (ET32x series and ET5xx series) running on Android N normal mode and safe mode
	YunOS fingerprint lib	Normal-mode fingerprinting plan under YunOS 3.2 and YunOS 5.1, and integrated payment plan in safe mode (Beanpod TEEI) under YunOS 5.1
Embedded Product	i4R module	Supports M4 embedded fingerprint matching system under ET5xx series
	ETU801	Uses the fingerprint dongle on the NB
Hardware Product	ET700	Application of the optical fingerprint IC prototype under 700um cover glass
	ET610	Application of the capacitive fingerprint IC prototype under 120um ceramic cover
	ET508	AES-encrypted capacitive fingerprint IC prototype

2. Overview of 2017 Business Plan and Company Development Strategy

(i) Operational Strategy

With the development and gradual maturation of biometric technology and increase in demand for safety networks, fingerprint recognition is now the most mature technology out of all biometric technologies. It is also most extensively used. Since smart phones and mobile devices are used widely, the fingerprint chips are used in diverse manners in various industries, and the mobile payments is increasingly popular, the use and growth of fingerprint recognition will increase more rapidly. Therefore, the main business direction of the Company will be towards mobile devices and mobile phones. At the same time, it will consider the possibilities of integrating various biometric technologies in mobile phones and conducting product research and development to gain market opportunities, so as to be the first to enter the market.

Through self-development and mergers and acquisitions, the Company has gradually acquired major key technologies and patents related to fingerprint recognition, which has not only equipped it with advanced development technologies and expertise in upstream chip design and production, but has also empowered it with the ability for self-development of algorithms, as well as customer hardware and software application development and system integration capabilities. This enables the Company to provide a full range of products and services for different needs of customers, including those in the middle and

downstream sectors.

In line with market application demands, the Company has provided a complete product series. Furthermore, with its accumulated IC design experience and integrated technical capabilities, the Company has expanded the breadth and depth of the product line for product diversification, so as to meet the full range of customer needs. The Company has received recognition from first-line manufacturers for its overall market strategy, paving the way for gradual and steady development of the market.

(ii) Future Development Strategy of the Company

1. In the area of hardware development: to strengthen cooperation with customers. At the same time, the integration of software resources and engineering test field support should also comply with customer requirements. Therefore, continuous improvement is required in the recruitment and development of new engineering personnel.
2. In the area of process improvement: to work closely with wafer fabrication plants to achieve the objective of lowering cost by adopting more efficient methods.
3. In the area of new product development: to confirm specifications and pre-development implementation plans with customers as soon as possible.

Looking to 2017, with the introduction of new customers and new products, the spur of the handheld mobile device market, and the demand for mobile payments under the macro environment, the Company's scale of operations is expected to continue to expand. Furthermore, the future trend of hardware design will make deeper efforts towards environment protection in the areas of saving energy and reducing carbon. The Company will work with upstream and downstream manufacturers to develop products that match this goal, while fulfilling its corporate social responsibility. Egis will continue to implement the established strategy. With sharpness in market observation and a steady pace of development, the Company endeavors to create the greatest benefits for shareholders.

Chairman: Steve Ro

General Manager: Steve Ro

Accountant-in-charge: Kathy Huang

[attachment 2]

**Egis Technology Inc.
Audit Report by the Audit Committee**

The Board of Directors has prepared the 2016 Annual Business Report, financial statements and earnings distribution proposal, etc. of the Company, among which the financial statements have been entrusted to the Certified Public Accountants of KPMG Taiwan, Steven Shih and Philip Tang, for auditing; the accountants have completed the audit work and jointly issued the audit report. The aforementioned Business Report, financial statements and earnings distribution proposal have been audited by this Audit Committee and no irregularities were found. The report is provided above in accordance with the provisions in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Your review and approval is greatly appreciated.

This report is hereby provided for

2016 Annual General Meeting of Egis Technology Inc.

Audit committee convenor: Albert, Weng
March 21, 2017

[attachment 3]

Egis Technology Inc. Implementation of 2016 Comprehensive Annual Business Plan

I. Financial Implementation

The net operating revenue of the Company for 2016 amounted to NTD 1,673,268,000, representing an increase of NTD 534,447,000 from 2015, which is equivalent to a growth of 213%. The net profit after tax for 2016 is NTD 114,026,000, representing an increase of 227% from the net loss after tax of NTD 89,590,000 in 2015. For the overall business performance, because the Company is certified for Samsung A5 and C7 models as well as orders for other series, the revenue increases substantially and the loss is turned into gain, with its earnings per share as NTD 1.66.

The analysis of the various financial ratios of the Company is shown below, and its business performance in 2016 has improved significantly compared to 2015.

Item		2015	2016
Financial structure	Liabilities to assets ratio	13.95	37.50
	Permanent capital to property, plant and equipment ratio	7,785.06	6,531.60
Solvency	Current ratio (%)	630.79	232.49
	Quick ratio (%)	554.01	168.75
	Interest coverage ratio	(151.88)	100.72
Profitability	Return on assets (%)	(7.68)	5.68
	Return on equity (%)	(8.90)	7.84
	Pre-tax profit to paid-in capital ratio (%)	(8.13)	22.82
	Pure rate of return (%)	(16.76)	6.81
	Earnings per share (NTD)	(1.44)	1.66

II. Business Implementation

1. Future Demand and Supply Situation and Growth of Products

In view of the growth of the market, in addition to continuing to plow deeply into the Korean market, the Company will start to carry out active market layout with respect to the mainland market. In accordance with the procurement strategy of the mainland market, it is always desired to maintain more than two suppliers. With our current market in South Korea as the foundation, coupled with our advantages of product cost, patents and algorithms, we intend to break into the supply chain of mainland mobile phone manufacturers. In addition, the Company will actively cooperate with module manufacturers possessing technical and customer channels to expand the penetration of our business.

The mainland market's largest three online payment systems - CUP Mobile Payment,

Alipay and WeChat Pay, have completed the infrastructure construction for mobile payment operations, and are respectively integrated with Apple Pay and Samsung Pay, thus connecting them to the world. Furthermore, fingerprint recognition systems in mobile devices are required for payments on the three major online payment systems, so as to enhance the security of payment.

Therefore, the integration of fingerprint recognition into the mobile payment function is becoming an essential function in smart phones. Such trend is also gradually moving from the high-end smart phones to the low-end market, achieving full-scale market penetration. Apple, the first in the world to merge smart phones with online payments, introduced Apple Pay service along with the launch of iPhone 6 in October 2014. Subsequently, Samsung also introduced Samsung Pay service in August 2015. This, coupled with the mainland's largest three major online payment systems, has led to the gradual forming of the mobile payment environment with mobile phones as the tool. The integration of portable biometric devices such as fingerprint recognition chips into smart phones shows a promising future. It is estimated to reach a market size of US\$34B by 2020.

Looking to the future, in addition to providing more advanced products in the original field of capacitive fingerprint recognition chips, the Company also plans to develop more diverse hardware and software integrated solutions in the various fields of application based on its patented fingerprint recognition technology, and the details are specified below:

A. Fingerprint Recognition Chips and Modules

The Company will continue to use capacitive chips, together with the patented algorithm it has created upon research, to actively develop high-sensitivity, high-resolution, low-power-consumption and wear-resistant chips based on higher-order manufacturing process. In terms of product portfolio, the Company will adopt an even more active approach in expanding the product line, including the Swipe and Touch chips, so as to fully meet the huge demand of different customers and applications.

B. Integrated Application Solutions

①Financial Payments

Due to the rapid development of wireless networks, a variety of physical, virtual, online and offline financial transactions and payment methods are also emerging. In order to strengthen the security of transactions, major international financial institutions are actively looking for secure, fast and easy personal identification tools as anti-counterfeit security mechanisms for personal financial transactions or payments. The Company is also in active discussions with major international financial security agencies on collaborations in the development of integrated solutions with fingerprint recognition as the anti-counterfeit security mechanism for financial payments.

②Smart Cities

The development of the Internet has also created a huge demand for “smart cities”. For instance, the construction of various basic information of urbanization, such as: second-generation identity card, cloud government, home and city security, logistics management and information services can be incorporated into the Company’s solutions as personal identification mechanisms, giving rise to huge business opportunities for the future.

③Other Applications

The field of application of fingerprint recognition is not only limited to high-security-level anti-counterfeit security mechanisms. Fingerprint recognition can also serve as personal privacy protection functions, such as: password management of various accounts, database management, mailbox management, etc. of personal electronic devices. Furthermore, due to the absolute one-to-one feature of fingerprint recognition, it can even be introduced into all kinds of consumer electronics products, providing fast and convenient personalized management functions for one’s daily life; these include all devices that provide for personal needs such as wearable devices, access control, vehicle anti-theft devices and smart TV, etc.

2. Continuous Innovation:

i. Optical Fingerprint Recognition

In view of the demand for hidden fingerprint recognition modules at the bottom of the main screen of mobile phones, optical fingerprint recognition has become a technology that the Company will inevitably develop. Optical fingerprint recognition mainly uses the principle of light refraction and reflection. By pressing a finger against the mobile phone glass screen, light from the built-in source bounces off the finger to the optical device and upon processing by the optical device, it bounces back to the finger. In this case, the angle of refraction of the radiated light on fingerprint peaks and valleys at the finger surface and the shade of the reflected light will be different. The reflected light is cast on a light sensor (such as CMOS or CCD), which forms a digitized gray-scale fingerprint image that can be processed by the fingerprint algorithm. Optical fingerprint recognition devices have the advantages of strong anti-static ability, good system stability and long service life. They are able to provide high resolution images, in particular, to acquire fingerprint images over a relatively large area. However, where the area of fingerprint image acquisition is relatively large, the required focal length will be longer and the size of the acquisition device must also be bigger. Otherwise, the captured image will become linearly distorted.

In 2016, the Company began collaborating with industry-leading companies engaged in the business of optical fingerprint recognition devices to develop a new-generation optical fingerprint recognition module with photoelectric fingerprint recognition and heartbeat sensing functions. At this point, preliminary research and development results have been achieved, and they will be published during the MWC conference in 2017.

[attachment 4]

Independent Auditors' Report

To the Board of Directors
Egis Technology Inc.:

Opinion

We have audited the accompanying parent-company-only financial statements of Egis Technology Inc. (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2016 are stated as follows:

1. Impairment of goodwill

Please refer to Note 4(l) "Impairment of non-financial assets" for the significant accounting policies on goodwill impairment, Note 5(a) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of goodwill impairment and Note 6(g) "Intangible assets" for the related disclosures.

Description of key audit matter:

For impairment test, the recoverable amount of goodwill of relevant cash generating units involves management's judgment and estimation with respect to the future cash flows and key assumptions which are complex and involve significant uncertainty. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: evaluating the appropriateness of the discount rates used by management in estimating the recoverable amounts of goodwill by comparing them to internal and independent sources; assessing the appropriateness of future cash flow estimation and key assumptions (which include the appropriateness of sales growth rate, gross margin rate and operating expense ratio); comparing the results of past forecast and actual operating performance to verify the appropriateness of the method used in predicting the future cash flows.

2. Valuation of inventories

Please refer to Note 4(g) "Inventories" for the significant inventory accounting policies, Note 5(b) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation and Note 6(c) "Inventories" for the related disclosures.

Description of key audit matter:

The inventory of the Company is primarily the biometric fingerprint touch sensor to be integrated into the electronic products of the customers. Inventories are measured at the lower of cost and net realizable value. With the rapid development in technology, the advance of new electronic products may significantly affect customers' demands, which can lead to the obsolescence of the Company's inventory that may result in the cost of inventory to be higher than its net realizable value. Consequently, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: obtaining the inventory aging report; analyzing the fluctuation of aging inventory and selecting samples to verify their accuracy; inspecting the sales status of inventories during the subsequent period; evaluating whether the valuation of inventories was accounted for in accordance with the Company's accounting policies; performing a retrospective review of the Company's historical accuracy of judgments with reference to inventory valuation and compare them with the current year's calculation to verify the appropriateness of the estimation and assumption used for inventory valuation.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

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

1. Identified and assessed the risks of material misstatement of the parent-company-only 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. Obtained 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 Company's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remained solely responsible for our audit opinion.

We communicated 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 identified during our audit.

We also provided 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 determined those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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.

The engagement partners on the audit resulting in this independent auditors' report are Wei-Ming Shih and Tzu-Chieh Tang.

KPMG

Taipei, Taiwan (Republic of China)
March 21, 2017

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EGIS TECHNOLOGY INC.

Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (notes 6(a) and (r))	\$ 838,225	34	985,580	63	2100		30,000	2
1170 Accounts receivable, net (notes 6(b) and (r))	407,597	16	81,149	5	2170		74,813	5
130X Inventories (note 6(c))	548,791	22	151,331	10	2399		112,276	7
1470 Prepayments and other current assets	46,073	2	16,542	1				
1476 Other financial assets – current (notes 6(a)(c) and 8)	298,752	12	131,652	8				
Total current assets	2,139,538	86	1,366,254	87			217,089	14
Non-current assets:								
1543 Financial assets carried at cost – non-current (note 6(d))	20,000	1	-	-	2570			
1550 Investments accounted for using equity method (note 6(e))	29,879	1	13,516	1				
1600 Property, plant and equipment (note 6(f))	22,705	1	16,879	1				
1780 Intangible assets (note 6(g))	217,136	9	114,141	8				
1840 Deferred income tax assets (note 6(k))	55,204	2	53,919	3				
1995 Other non-current assets (note 6(r))	4,799	-	2,310	-				
Total non-current assets	349,714	14	200,765	13			5,165	-
Total assets	\$ 2,489,252	100	1,567,019	100			1,349,930	86
Liabilities and Equity								
Current liabilities:								
Short-term borrowings (notes 6(b)(r)(s) and 8)								
Notes and accounts payable (notes (r) and (s))								
Other payables (notes 6(p)(r)(s) and 9)								
Total current liabilities								
Non-current liabilities:								
Deferred income tax liabilities (note 6(s))								
Total non-current liabilities								
Total liabilities								
Equity (notes 6(i) and (m)):								
Common stock	688,393	28	684,693	44				
Common stock subscribed	7,180	-	-	-				
Capital surplus	742,625	30	749,662	48				
Unappropriated earnings (accumulated deficit)	114,026	5	(89,590)	(6)				
Other reserves	5,846	-	-	-				
Total equity	1,558,070	63	1,349,930	86			1,349,930	86
Total liabilities and equity	\$ 2,489,252	100	1,567,019	100			1,567,019	100

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EGIS TECHNOLOGY INC.

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars , except for earnings per share)

	2016		2015	
	Amount	%	Amount	%
4000 Revenue (note 6(o))	\$ 1,673,268	100	534,447	100
5000 Costs of revenue (notes 6(e) and 12)	<u>917,467</u>	<u>55</u>	<u>137,591</u>	<u>26</u>
Gross profit	<u>755,801</u>	<u>45</u>	<u>396,856</u>	<u>74</u>
Operating expenses (notes 6(f)(g)(h)(j)(m)(p), 7 and 12):				
6100 Selling expenses	121,673	7	87,108	16
6200 Administrative expenses	95,866	6	88,336	17
6300 Research and development expenses	<u>370,408</u>	<u>22</u>	<u>268,469</u>	<u>50</u>
Total operating expenses	<u>587,947</u>	<u>35</u>	<u>443,913</u>	<u>83</u>
Operating income (loss)	<u>167,854</u>	<u>10</u>	<u>(47,057)</u>	<u>(9)</u>
Non-operating income and loss:				
7010 Other income (note 6(q))	20,503	1	9,309	2
7020 Other gains and losses, net (notes 6(q) and (s))	3,607	-	3,862	1
7050 Finance costs (note 6(q))	(1,592)	-	(364)	-
7060 Share of loss of subsidiaries accounted for equity method (note 6(e))	<u>(31,830)</u>	<u>(2)</u>	<u>(21,400)</u>	<u>(4)</u>
Total non-operating income and loss	<u>(9,312)</u>	<u>(1)</u>	<u>(8,593)</u>	<u>(1)</u>
Income (loss) before taxes	158,542	9	(55,650)	(10)
Income tax expense (note 6(k))	<u>44,516</u>	<u>2</u>	<u>33,940</u>	<u>7</u>
Net income (loss)	<u>114,026</u>	<u>7</u>	<u>(89,590)</u>	<u>(17)</u>
Other comprehensive income :				
Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign operations (note 6 (l))	681	-	709	-
8399 Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	<u>681</u>	<u>-</u>	<u>709</u>	<u>-</u>
Other comprehensive income for the year, net of taxes	<u>681</u>	<u>-</u>	<u>709</u>	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ 114,707</u>	<u>7</u>	<u>(88,881)</u>	<u>(17)</u>
Earnings (loss) per share (in New Taiwan dollars) (note 6(n)) :				
9750 Basic earnings (loss) per share	<u>\$ 1.66</u>		<u>(1.44)</u>	
9850 Diluted earnings (loss) per share	<u>\$ 1.63</u>		<u>(1.44)</u>	

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EGIS TECHNOLOGY INC.

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

	Common stock	Common stock subscribed	Capital Surplus	Unappropriated earnings (accumulated deficit)	Foreign currency translation differences	Total equity
Balance at January 1, 2015	\$ 621,493	-	268,502	(230,159)	4,456	664,292
Decrease in capital surplus to offset accumulated deficit	-	-	(230,159)	230,159	-	-
Issuance of new shares for cash	62,910	-	660,555	-	-	723,465
Issuance of common stock from exercise of employee stock options	290	-	-	-	-	290
Compensation cost of employee stock options	-	-	50,764	-	-	50,764
Net loss in 2015	-	-	-	(89,590)	-	(89,590)
Other comprehensive income in 2015	-	-	-	-	709	709
Total comprehensive income (loss) in 2015	-	-	-	(89,590)	709	(88,881)
Balance at December 31, 2015	684,693	-	749,662	(89,590)	5,165	1,349,930
Decrease in capital surplus to offset accumulated deficit	-	-	(89,590)	89,590	-	-
Issuance of common stock from exercise of employee stock options	3,700	7,180	50,098	-	-	60,978
Compensation cost of employee stock options	-	-	32,455	-	-	32,455
Net income in 2016	-	-	-	114,026	-	114,026
Other comprehensive income in 2016	-	-	-	-	681	681
Total comprehensive income in 2016	-	-	-	114,026	681	114,707
Balance at December 31, 2016	\$ 688,393	7,180	742,625	114,026	5,846	1,558,070

Note : For the year ended December 31, 2016, the Company estimated its remuneration to directors and employees amounting to \$1,675 and \$8,375, respectively, recognized as cost of operating expenses. The Company incurred a net loss in 2015; hence, no remuneration is accrued.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EGIS TECHNOLOGY INC.

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

	2016	2015
Cash flows from operating activities:		
Income (loss) before income taxes	\$ 158,542	(55,650)
Adjustments for:		
Depreciation	14,320	11,297
Amortization	5,818	2,276
Interest expense	1,592	364
Interest income	(5,235)	(3,695)
Compensation cost of employee stock options	32,455	50,764
Share of loss of subsidiaries accounted for equity method	31,830	21,400
Property, plant and equipment charged to expenses	-	2,105
	80,780	84,511
Changes in operating assets and liabilities:		
Accounts receivable	(326,548)	(70,658)
Other receivables to related parties	-	17
Inventories	(397,460)	(128,956)
Prepayments and other current assets	(29,737)	(9,126)
Notes and accounts payable	393,306	66,008
Other payables to related parties	-	(9,850)
Other payables	57,766	41,999
Total changes in operating assets and liabilities	(302,673)	(110,566)
Cash used in operations	(63,351)	(81,705)
Interest received	3,220	4,240
Interest paid	(1,477)	(364)
Income taxes paid	(40,652)	(50,128)
Net cash used in operating activities	(102,260)	(127,957)
Cash flows from investing activities:		
Increase in financial assets carried at cost	(20,000)	-
Purchase of investments accounted for using equity method	(47,512)	(18,417)
Additions to property, plant and equipment	(17,168)	(16,900)
Additions to intangible assets	(76,563)	(1,044)
Decrease (increase) in other financial assets	(165,085)	133,548
Decrease (increase) in refundable deposits	(2,438)	(37)
Net cash provided by (used in) investing activities	(328,766)	97,150
Cash flows from financing activities:		
Issuance of new shares for cash	-	723,465
Proceeds from short-term borrowings	363,132	60,000
Decrease in short-term borrowings	(140,439)	(30,000)
Proceeds from exercise of employee stock options	60,978	290
Net cash provided by financing activities	283,671	753,755
Net increase in cash and cash equivalents	(147,355)	722,948
Cash and cash equivalents at beginning of year	985,580	262,632
Cash and cash equivalents at end of year	\$ 838,225	985,580

Independent Auditors' Report

The Board of Directors
Egis Technology Inc.:

Opinion

We have audited the consolidated financial statements of Egis Technology Inc. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

1. Impairment of goodwill

Please refer to Note 4(l) "Impairment of non-financial assets" for the significant accounting policies on goodwill impairment, Note 5(a) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of goodwill impairment and Note 6(f) "Intangible assets" for the related disclosures.

Description of key audit matter:

For impairment test, the recoverable amount of goodwill of relevant cash-generating units involves management's judgment and estimation with respect to the future cash flows and key assumptions which are complex and involve significant uncertainty. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: evaluating the appropriateness of the discount rates used by management in estimating the recoverable amounts of goodwill by comparing them to internal and independent sources; assessing the appropriateness of future cash flow estimation and key assumptions (which include the appropriateness of sales growth rate, gross margin rate and operating expense ratio); comparing the results of past forecast and actual operating performance to verify the appropriateness of the method used in predicting the future cash flows.

2. Valuation of inventories

Please refer to Note 4(h) "Inventories" for the significant accounting policies, Note 5(b) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation and Note 6(c) "Inventories" for the related disclosures.

Description of key audit matter:

The inventory of the Group is primarily the biometric fingerprint touch sensor to be integrated into the electronic products of the customers. Inventories are measured at the lower of cost and net realizable value. With the rapid development in technology, the advance of new electronic products may significantly affect customers' demands, which can lead to the obsolescence of the Group's inventory that may result in the cost of inventory to be higher than its net realizable value. Consequently, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: obtaining the inventory aging report; analyzing the fluctuation of aging inventory and selecting samples to verify their accuracy; inspecting the sales status of inventories during the subsequent period; evaluating whether the valuation of inventories was accounted for in accordance with the Group's accounting policies; performing a retrospective review of the Group's historical accuracy of judgments with reference to inventory valuation and compare them with the current year's calculation to verify the appropriateness of the estimation and assumption used for inventory valuation.

Other Matter

Egis Technology Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretation as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identified and assessed 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. Obtained 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. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated 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. Obtained 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 remained solely responsible for our audit opinion.

We communicated 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 identified during our audit.

We also provided 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 determined 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 described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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.

The engagement partners on the audit resulting in this independent auditors' report are Wei-Ming Shih and Tzu-Chieh Tang.

KPMG

Taipei, Taiwan (Republic of China)

March 21, 2017

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(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015			
	Amount	%	Amount	%	Amount	%	Amount	%		
Assets										
Current assets:										
1100 Cash and cash equivalents (notes 6(a) and (q))	\$ 859,795	35	989,705	63	2100	Short-term borrowings (notes 6(g)(q)(r) and 8)	\$ 252,693	10	30,000	2
1170 Accounts receivable, net (notes 6(b) and (q))	407,697	16	81,149	5	2170	Notes and accounts payable (notes (q) and (r))	468,119	19	74,813	5
130X Inventories(note 6(c))	548,791	22	151,331	10	2399	Other payables (notes (o)(q)(r) and 9)	212,891	9	113,961	7
1470 Prepayments and other current assets	46,399	2	16,644	1		Total current liabilities	933,703	38	218,774	14
1476 Other financial assets – current (notes 6(a)(q) and 8)	308,112	12	141,178	9		Non-current liabilities:				
Total current assets	2,170,794	87	1,380,007	88	2570	Deferred income tax liabilities (note 6(i))	1,285	-	-	-
Non-current assets:						Total non-current liabilities	1,285	-	-	-
1543 Financial assets carried at cost – non-current (notes 6(d) and (q))	20,000	1	-	-		Total liabilities	934,988	38	218,774	14
1600 Property, plant and equipment (note 6(e))	23,874	1	17,340	1		Equity attributable to owners of parent (notes 6(k) and (l)):				
1780 Intangible assets (note 6(f))	217,136	9	114,141	7	3110	Common stock	688,393	28	684,693	44
1840 Deferred income tax assets (note 6(i))	55,204	2	53,919	4	3140	Common stock subscribed	7,180	-	-	-
1995 Other non-current assets (note 6(q))	6,050	-	3,297	-	3200	Capital surplus	742,625	30	749,662	48
Total non-current assets	322,264	13	188,697	12	3300	Unappropriated earnings (accumulated deficit)	114,026	4	(89,590)	(6)
					3400	Other reserves	5,846	-	5,165	-
Total assets	\$ 2,493,058	100	1,568,704	100		Total equity	1,538,070	62	1,349,930	86
						Total liabilities and equity	\$ 2,493,058	100	1,568,704	100

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars , except for earnings per share)

		<u>2016</u>		<u>2015</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Revenue (notes 6(n) and 14)	\$ 1,673,268	100	534,447	100
5000	Costs of revenue (notes 6(c)(e) and 12)	<u>917,467</u>	<u>55</u>	<u>137,591</u>	<u>26</u>
	Gross profit	<u>755,801</u>	<u>45</u>	<u>396,856</u>	<u>74</u>
	Operating expenses (notes 6(e)(f)(h)(i)(l)(o), 7 and 12):				
6100	Selling expenses	134,793	8	103,211	19
6200	Administrative expenses	96,029	6	88,499	17
6300	Research and development expenses	<u>388,960</u>	<u>23</u>	<u>268,469</u>	<u>50</u>
	Total operating expenses	<u>619,782</u>	<u>37</u>	<u>460,179</u>	<u>86</u>
	Operating income (loss)	<u>136,019</u>	<u>8</u>	<u>(63,323)</u>	<u>(12)</u>
	Non-operating income and loss:				
7010	Other income (note 6(p))	20,720	1	10,088	2
7020	Other gains and losses, net (notes 6(p) and (r))	3,605	-	3,041	1
7050	Finance costs (note 6(p))	(1,592)	-	(364)	-
7675	Loss on impairment of intangible assets (note 6(f))	<u>-</u>	<u>-</u>	<u>(5,092)</u>	<u>(1)</u>
	Total non-operating income and loss	<u>22,733</u>	<u>1</u>	<u>7,673</u>	<u>2</u>
	Income (loss) before taxes	158,752	9	(55,650)	(10)
7950	Income tax expense (note 6(j))	<u>44,726</u>	<u>2</u>	<u>33,940</u>	<u>7</u>
	Net income (loss)	<u>114,026</u>	<u>7</u>	<u>(89,590)</u>	<u>(17)</u>
	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations (note 6 (k))	681	-	709	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>681</u>	<u>-</u>	<u>709</u>	<u>-</u>
	Other comprehensive income for the year, net of taxes	<u>681</u>	<u>-</u>	<u>709</u>	<u>-</u>
	Total comprehensive income (loss) for the year	<u>\$ 114,707</u>	<u>7</u>	<u>(88,881)</u>	<u>(17)</u>
	Earnings (loss) per share (in New Taiwan dollars) (note 6(m)) :				
9750	Basic earnings (loss) per share	<u>\$ 1.66</u>		<u>(1.44)</u>	
9850	Diluted earnings (loss) per share	<u>\$ 1.63</u>		<u>(1.44)</u>	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

	Common stock	Common stock subscribed	Capital Surplus	Unappropriated earnings (accumulated deficit)	Foreign currency translation differences	Total equity
Balance at January 1, 2015	\$ 621,493	-	268,502	(230,159)	4,456	664,292
Decrease in capital surplus to offset accumulated deficit	-	-	(230,159)	230,159	-	-
Issue of new shares for cash	62,910	-	660,555	-	-	723,465
Issuance of common stock from exercise of employee stock options	-	290	-	-	-	290
Compensation cost of employee stock options	-	-	50,764	-	-	50,764
Net loss in 2015	-	-	-	(89,590)	-	(89,590)
Other comprehensive income in 2015	-	-	-	-	709	709
Total comprehensive income (loss) in 2015	-	-	-	(89,590)	709	(88,881)
Balance at December 31, 2015	684,693	-	749,662	(89,590)	5,165	1,349,930
Decrease in capital surplus to offset accumulated deficit	-	-	(89,590)	89,590	-	-
Issuance of common stock from exercise of employee stock options	3,700	7,180	50,098	-	-	60,978
Compensation cost of employee stock options	-	-	32,455	-	-	32,455
Net income in 2016	-	-	-	114,026	-	114,026
Other comprehensive income in 2016	-	-	-	-	681	681
Total comprehensive income in 2016	-	-	-	114,026	681	114,707
Balance at December 31, 2016	\$ 688,393	7,180	742,625	114,026	5,846	1,558,070

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

	2016	2015
Cash flows from operating activities:		
Income (loss) before income taxes	\$ 158,752	(55,650)
Adjustments for:		
Depreciation	14,534	11,544
Amortization	5,818	2,276
Interest expense	1,592	364
Interest income	(5,282)	(3,733)
Compensation cost of employee stock options	32,455	50,764
Reclassification of property, plant and equipment into expenses	-	2,105
Impairment loss on intangible assets	-	5,092
	49,117	68,412
Changes in operating assets and liabilities:		
Accounts receivable	(326,548)	(70,658)
Inventories	(397,460)	(128,956)
Prepayments and other current assets	(29,961)	(9,026)
Notes and accounts payable	393,306	66,008
Other payables to related parties	-	(9,850)
Other payables	59,887	39,896
Total changes in operating assets and liabilities	(300,776)	(112,586)
Cash used in operations	(92,907)	(99,824)
Interest received	3,266	4,277
Interest paid	(1,477)	(364)
Income taxes paid	(40,862)	(50,128)
Net cash used in operating activities	(131,980)	(146,039)
Cash flows from investing activities:		
Acquisition of financial assets carried at cost	(20,000)	-
Acquisition of property, plant and equipment	(18,062)	(17,096)
Additions to intangible assets	(76,563)	(1,044)
Decrease (increase) in other financial assets	(164,918)	124,023
Decrease (increase) in refundable deposits	(2,711)	871
Net cash provided by (used in) investing activities	(282,254)	106,754
Cash flows from financing activities:		
Issuance of new shares for cash	-	723,465
Proceeds from short-term borrowings	363,132	60,000
Decrease of short-term borrowings	(140,439)	(30,000)
Proceeds from exercise of employee stock options	60,978	290
Net cash provided by financing activities	283,671	753,755
Effects of foreign exchange rate changes	653	687
Net increase (decrease) in cash and cash equivalents	(129,910)	715,157
Cash and cash equivalents at beginning of year	989,705	274,548
Cash and cash equivalents at end of year	\$ 859,795	989,705

[attachment 5]

Egis Technology Inc.
2016 Earnings Distribution Table

Unit: NTD'000

Item	Amount
Undistributed earnings at the beginning of period	0
Actuarial loss included in retained earnings (explanation)	0
Undistributed earnings after adjustment	0
Net profit after tax for current period	114,026,483
Less: Appropriation to legal reserve	11,402,648
Earnings available for distribution in current period	102,623,835
Undistributed earnings at the end of period	102,623,835

Chairman:

Manager:

Accountant-in-charge: