Stock Code:6462

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Three Months Ended March 31, 2019 and 2018

Address: 2F, No. 360, Ruiguang Rd., Neihu Dist, Taipei City 114, Taiwan
Telephone: +886 2 26589768

The independent auditors' review report and the accompanying consolidated 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 independent auditors' reviewreport and consolidated financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

To the Board of Directors of Egis Technology Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Egis Technology Inc. ("the Company") and its subsidiaries ("the Group") as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors' report are Wei-Ming Shih and Huei-Chen Chang .

KPMG

Taipei, Taiwan (Republic of China)
May 6, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated 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 independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2019 and 2018

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2019, December 31, 2018, and March 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	March 31, 2019 Amount	%	December 31, 2018 Amount	%	March 31, 2018 Amount	%
	Current assets:						
1100	Cash and cash equivalents (notes 6(a)(x))	$ 2,564,958	54	2,473,863	57	1,414,641	36
1110	Financial assets at fair value through profit or loss — current (notes 6(b)(x))	46,483	1	-	-	-	-
1170	Accounts receivable, net (notes 6(d)(r)(x))	816,455	17	614,327	14	770,213	19
130X	Inventories (note 6(e))	386,441	8	555,919	13	928,630	23
1410	Prepayments and other current assets	73,876	2	77,611	2	89,897	2
1476	Other financial assets — current (notes 6(a)(f)(x) and 8)	130,022	3	28,681	1	345,411	9
	Total current assets	4,018,235	85	3,750,401	87	3,548,792	89
	Non-current assets:						
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c)(x))	163,321	3	41,033	1	94,051	3
1550	Investments accounted for using equity method (note 6(g))	73,646	2	25,963	1	-	-
1600	Property, plant and equipment (note 6(j))	40,378	1	39,437	1	31,908	1
1755	Right-of-use assets (note 6(k))	122,181	3	-	-	-	-
1780	Intangible assets (note 6(i)(l))	240,650	5	214,695	5	196,966	5
1840	Deferred income tax assets	40,361	1	40,361	1	50,690	1
1960	Prepayments for investments (note 6(h))	-	-	186,593	4	34,157	1
1995	Other non-current assets (notes 6(x))	11,313	-	9,581	-	10,023	-
1980	Other financial assets — non-current (notes 6(a)(x))	465	-	472	-	-	-
	Total non-current assets	692,315	15	558,135	13	417,795	11
	Total assets	$ 4,710,550	100	4,308,536	100	3,966,587	100

	Liabilities and Equity	March 31, 2019 Amount	%	December 31, 2018 Amount	%	March 31, 2018 Amount	%
	Current liabilities:						
2100	Short-term borrowings (notes 6(m)(w)(x)(y) and 8)	$ 918,896	19	961,315	22	516,797	13
2170	Notes and accounts payable (notes 6(x)(y))	514,628	11	396,474	9	513,711	13
2230	Current tax liabilities	149,848	3	110,812	3	190,287	5
2280	Current lease liabilities (notes 6(n))	38,318	1	-	-	-	-
2399	Other payables (notes 6(v)(x)(y))	457,926	10	446,773	10	241,335	6
	Total current liabilities	2,079,616	44	1,915,374	44	1,462,130	37
	Non-current liabilities:						
2570	Deferred income tax liabilities	1,038	-	1,038	-	-	-
2580	Non-current lease liabilities (notes 6(n))	84,684	2	-	-	-	-
	Total liabilities	2,165,338	46	1,916,412	44	1,462,130	37
	Equity (notes 6(r)(s)):						
3110	Common stock	710,643	15	709,743	16	709,803	18
3140	Common stock subscribed	160	-	930	-	-	-
3200	Capital surplus	965,101	20	963,159	22	947,798	24
	Retained earnings:						
3310	Legal reserve	70,722	2	70,722	2	11,403	-
3350	Unappropriated earnings	1,139,492	24	1,005,824	23	912,300	23
	Other equity interest:						
3411	Exchange differences on translation of foreign financial statements	3,614	-	3,935	-	2,995	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(53,579)	(1)	(52,802)	(1)	216	-
3491	Deferred compensation cost arising from issuance of restricted stock	(23,819)	-	(30,647)	-	(80,058)	(2)
3500	Treasury stock	(278,740)	(6)	(278,740)	(6)	-	-
	Equity attributable to shareholders of the Company	2,533,594	54	2,392,124	56	2,504,457	63
36XX	Non-controlling interests (note 6(r))	11,618	-	-	-	-	-
	Total equity	2,545,212	54	2,392,124	56	2,504,457	63
	Total liabilities and equity	$ 4,710,550	100	4,308,536	100	3,966,587	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the three months ended March 31			
		2019		2018	
		Amount	%	Amount	%
4000	**Revenue (note 6(u))**	$ 1,393,119	100	1,633,685	100
5000	**Costs of revenue (notes 6(e)(j) and 12)**	(817,873)	(59)	(1,057,525)	(65)
	Gross profit	575,246	41	576,160	35
	Operating expenses (notes 6(d)(j)(k)(l)(n)(o)(p)(s)(v), 7 and 12):				
6100	Selling expenses	(53,707)	(4)	(62,139)	(4)
6200	Administrative expenses	(66,252)	(5)	(53,101)	(3)
6300	Research and development expenses	(300,644)	(21)	(151,297)	(9)
	Total operating expenses	(420,603)	(30)	(266,537)	(16)
	Operating income	154,643	11	309,623	19
	Non-operating income and loss:				
7010	Other income (notes 6(w) and 7)	18,113	1	6,187	-
7020	Other gains and losses, net (note 6(w))	12,978	1	(34,369)	(2)
7050	Finance costs (note 6(w))	(4,178)	-	(2,439)	-
7060	Share of profits of associates and joint ventures accounted for using equity method (note 6(g))	(14,088)	(1)	-	-
	Total non-operating income and loss	12,825	1	(30,621)	(2)
		167,468	12	279,002	17
7950	Less: Income tax expenses (note 6(q))	(40,791)	(3)	(62,516)	(4)
	Net income	126,677	9	216,486	13
	Other comprehensive income:				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income (notes 6(r)(x))	(777)	-	(959)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
		(777)	-	(959)	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations (notes 6(g)(r))	(321)	-	(243)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(321)	-	(243)	-
	Other comprehensive income (loss), net	(1,098)	-	(1,202)	-
	Comprehensive income	**$ 125,579**	**9**	**215,284**	**13**
	Net income attributable to:				
8610	Shareholders of the Company	$ 133,668	9	216,486	13
8620	Non-controlling interests	(6,991)	-	-	-
		$ 126,677	**9**	**216,486**	**13**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 132,570	9	215,284	13
8720	Non-controlling interests	(6,991)	-	-	-
		$ 125,579	**9**	**215,284**	**13**
	Earnings per share (in New Taiwan dollars) (note 6(t)) :				
9750	Basic earnings per share	**$**	**1.96**		**3.07**
9850	Diluted earnings per share	**$**	**1.94**		**3.05**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company											
				Retained earnings		Other equity interest						
	Common stock	Common stock subscribed	Capital Surplus	Legal reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 704,908	4,415	942,038	11,403	695,814	3,238	-	(97,734)	-	2,264,082	-	2,264,082
Effects of retrospective application	-	-	-	-	-	-	1,175	-	-	1,175	-	1,175
Equity at beginning of period after adjustments	704,908	4,415	942,038	11,403	695,814	3,238	1,175	(97,734)	-	2,265,257	-	2,265,257
Issuance of common stock from exercise of employee stock options	4,895	(4,415)	5,045	-	-	-	-	-	-	5,525	-	5,525
Compensation cost of employee stock options	-	-	715	-	-	-	-	-	-	715	-	715
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	17,676	-	17,676	-	17,676
Net income in 2018	-	-	-	-	216,486	-	-	-	-	216,486	-	216,486
Other comprehensive income in 2018	-	-	-	-	-	(243)	(959)	-	-	(1,202)	-	(1,202)
Total comprehensive income in 2018	-	-	-	-	216,486	(243)	(959)	-	-	215,284	-	215,284
Balance at March 31, 2018	$ 709,803	-	947,798	11,403	912,300	2,995	216	(80,058)	-	2,504,457	-	2,504,457
Balance at January 1, 2019	$ 709,743	930	963,159	70,722	1,005,824	3,935	(52,802)	(30,647)	(278,740)	2,392,124	-	2,392,124
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	18,609	18,609
Issuance of common stock from exercise of employee stock options	930	(770)	1,875	-	-	-	-	-	-	2,035	-	2,035
Compensation cost arising from restricted shares of stock issued to employees	-	-	37	-	-	-	-	6,828	-	6,865	-	6,865
Retirement of restricted shares of stock issued to employees	(30)	-	30	-	-	-	-	-	-	-	-	-
Net income in 2019	-	-	-	-	133,668	-	-	-	-	133,668	(6,991)	126,677
Other comprehensive income in 2019	-	-	-	-	-	(321)	(777)	-	-	(1,098)	-	(1,098)
Total comprehensive income in 2019	-	-	-	-	133,668	(321)	(777)	-	-	132,570	(6,991)	125,579
Balance at March 31, 2019	$ 710,643	160	965,101	70,722	1,139,492	3,614	(53,579)	(23,819)	(278,740)	2,533,594	11,618	2,545,212

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	**2018**
Cash flows from operating activities:		
Income before income taxes	$ 167,468	279,002
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	13,638	3,878
Amortization	10,234	5,426
Net loss (gain) on financial assets at fair value through profit or loss	(229)	755
Interest expense	4,178	2,439
Interest income	(17,802)	(6,069)
Share-based payments	6,865	18,391
Share of loss of associates and joint ventures accounted for using equity method	14,088	-
Total adjustments to reconcile profit	30,972	24,820
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(202,128)	(40,924)
Inventories	169,478	(229,077)
Prepayments and other current assets	7,043	(24,093)
Total changes in operating assets	(25,607)	(294,094)
Changes in operating liabilities:		
Notes and accounts payable	118,154	(128,887)
Accrued expenses and other current liabilities	8,597	(70,227)
Total changes in operating liabilities	126,751	(199,114)
Total changes in operating assets and liabilities	101,144	(493,208)
Cash provided by (used in) operations	299,584	(189,386)
Interest received	13,813	7,726
Interest paid	(4,051)	(2,446)
Income taxes paid	(4,745)	(1,845)
Net cash provided by (used in) operating activities	304,601	(185,951)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(46,254)	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	57,157
Acquisition of investments accounted for using equity method	(43,232)	-
Increase in prepayments for investments	-	(34,157)
Net cash flows from acquisition of subsidiaries	34,034	-
Acquisition of property, plant and equipment	(5,061)	(2,038)
Acquisition of intangible assets	(3,966)	(1,751)
Decrease (Increase) in other financial assets	(98,942)	186,348
Increase in refundable deposits	(481)	(248)
Increase in prepayments for equipment	(680)	-
Net cash provided by (used in) investing activities	(164,582)	205,311
Cash flows from financing activities:		
Proceeds from short-term borrowings	868,896	675,411
Repayments of short-term borrowings	(911,315)	(439,133)
Payment of lease liabilities	(8,223)	-
Proceeds from exercise of employee stock options	2,035	5,525
Net cash provided by (used in) financing activities	(48,607)	241,803
Effects of foreign exchange rate changes	(317)	(233)
Net increase in cash and cash equivalents	91,095	260,930
Cash and cash equivalents at beginning of the period	2,473,863	1,153,711
Cash and cash equivalents at end of the period	$ **2,564,958**	**1,414,641**

See accompanying notes to consolidated financial statements.

(expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

1. Organization and business

Egis Technology Inc. (the "Company") was incorporated on December 26, 2007 as a company limited by shares under the laws of the Republic of china ("R.O.C.") and registered under the Ministry of Economic Affairs, R.O.C. The address of its registered office is 2F No. 360 Ruiguang Rd., Neihu Dist., Taipei City, Taiwan. The Company and its subsidiaries (collectively the "Group") are primarily engaged in research, development, and sales of data security software, biometric identification software and hardware. On December 23, 2015, the Company' s common shares became listed on the Taipei Exchange (formerly "GreTai Securities Market").

2. Authorization of the consolidated financial statements

The consolidated financial statements for the three months ended March 31, 2019 and 2018 were authorized for issuance by the Board of Directors on May 6, 2019

3. Application of new and revised accounting standards and interpretations:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C., ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on balance sheet.

The Group decided to apply recognition exemptions to short-term and low-value lease assets such as offices, office equipments and employees dormitories.

At transition, if the leases were previously classified as operating leases under IAS 17, its right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

a. Applied a single discount rate to a portfolio of leases with similar characteristics.

b. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

c. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional $114,259 thousands of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.13%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 120,393
Recognition exemption for:	
Short-term leases	(1,438)
Leases of low-value assets	(136)
	$ 118,819
Lease liabilities recognized at January 1, 2019 (Discounted using the incremental borrowing rate at January 1, 2019)	$ 114,259

(b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

(Continued)

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 “Definition of Material”	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

4. Summary of significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and by the International Financial Reporting Standards, the International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2018. Please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018 for the related information.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of consolidation

(i) List of subsidiaries included in the consolidated financial statements :

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding March 31, 2019	Shareholding December 31, 2018	Shareholding March 31, 2018
The Company	Egis Inc.(Cayman Islands)	Investment and holding activity	100.00 %	100.00 %	100.00 %
The Company	Egis Technology (Japan) Inc.	Sale of data security software and biometric authentication software and hardware	100.00 %	100.00 %	100.00 %
The Company	Egis Tec USA Inc.	Technology development	100.00 %	100.00 %	100.00 %
The Company	Egis Technology Korea Inc.	Customer service, business promotion and technical support	100.00 %	100.00 %	100.00 %
The Company	Igistec Co., Ltd.	Technology development	74.69 % (Note 1)	-	-

Note 1: The Group acquired and took control over Igistec on January 14, 2019. Therefore, Igistec has been included in the Group's consolidated financial statements from the date the control commenced.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Investments accounted for using equity method

Investments accounted for using the equity method include investments in associates and interests in joint venture.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The operating results as well as assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated balance sheet at cost, and adjusted thereafter, to recognize the Group's share of profit or loss and other comprehensive income (loss) of the associate and joint venture, as well as the distribution received. The Group also recognizes its share in the changes in the equities of associates and joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of an associate or a joint venture recognized at the date of acquisition, is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group subscribes to additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate or joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or joint venture shall be reclassified to profit or loss on the same basis as would be required if the associate or joint venture had directly disposed of the related assets or liabilities.

Unrealized profits resulting from transactions between the Group and an associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealized losses on transactions with associates or joint venture are eliminated in the same way, except to the extent that the underlying asset is impaired.

Adjustments are made to associates' and joint ventures' financial statements to conform to the accounting polices applied by the Group.

(d) Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) The Group has the right to direct the use of an asset if either:

- the Group has the right to operate the asset during the whole contract period, wherein the supplier does not have the right to change this operation; or

- the Group designed the asset in a way that predetermines how, and for what purpose, it will be used during the whole contract period.

(Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group applies the recognition exemptions to its offices, office equipment and employee dormitories, which qualifies as short-term leases and low-value asset leases. The Group recognizes the lease payments associated with these leases as expenses on a straight-line basis over their lease terms.

(e) Income taxes

Tax expense in the consolidated interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".Income tax expense is best estimated by multiplying pre-tax income for the interim reporting period with the effective annual tax rate as forecasted by the management, and is recognized as current tax expense.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realizations or liquidation and shall be recognized directly in equity or other comprehensive income as tax expense.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change is spread in the tax rate by an adjustment to the estimated annual effective income tax rate.

(f) Business combination

Business combination are accounted for using the acquisition method. Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred, including any non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments

For each business combination non-controlling interests in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

(Continued)

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If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group' s financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect the newly acquired information on facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34"Interim financial reporting"and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions, are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2018.

6. Significant account disclosures

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to note 6 of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$ 771	728	711
Bank deposits	338,983	513,814	115,847
Time deposits	2,132,744	1,867,176	1,298,083
Repurchase agreements—bond	92,460	92,145	-
	$ 2,564,958	2,473,863	1,414,641

As of March 31, 2019 and December 31, and March 31, 2018, the time deposits, with original maturities of between three months and one year, amounted to $101,706, $9,215 and $271,572, respectively, which were classified as other financial assets— current. As of March 31, 2019 and December 31, 2018, the time deposits, with original maturities of more than one year, amounted to $465, and $472, respectively, which were classified as other financial assets—non-current.

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(b) Financial assets at fair value through profit or loss

	March 31, 2019	December 31, 2018	March 31, 2018
Open-end mutual fund	31,068	-	-
Convertible bonds	15,415	-	-
Total	$ 46,483	-	-

(c) Financial assets at fair value through other comprehensive income

	March 31, 2019	December 31, 2018	March 31, 2018
Equity instruments at fair value through other comprehensive income：			
Unlisted common shares	$ 163,321	41,033	94,051

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

No strategic investments were disposed in the three months ended March 31, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Accounts receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable	$ 816,791	616,524	794,233
Less: Allowance for impairment	(336)	(2,197)	(24,020)
	$ 816,455	614,327	770,213

The Group applies the simplified approach to provide for its expected credit loss, i.e. the use of lifetime expected loss provision for all receivables. The loss allowance provision was determined as follows:

	March 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 816,455	0.0001%	-
More than 180 days past due	336	100%	336
	$ 816,791		336

(Continued)

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	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 614,327	0.0001%	-
More than 180 days past due	2,197	100%	2,197
	$ 616,524		2,197

	March 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 766,372	0.0001%	-
1 to 90 days past due	3,841	0.01%	-
More than 180 days past due	24,020	100%	24,020
	$ 794,233		24,020

The movement in the allowance for accounts receivable was as follows:

	For the three months ended March 31	
	2019	2018
Balance at January 1	$ 2,197	24,560
Write-off	(1,917)	-
Foreign exchange losses (gain)	56	(540)
Balance at March 31	$ 336	24,020

(e) Inventories

	March 31, 2019	December 31, 2018	March 31, 2018
Raw materials	$ 44,281	17,249	73,094
Work in process	339,460	508,556	745,379
Finished goods	2,700	30,114	110,157
	$ 386,441	555,919	928,630

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The amounts of inventories recognized as cost of revenue were as follows:

	For the three months ended March 31	
	2019	2018
Cost of inventories sold	$ 712,385	1,044,405
(Reversal of) write-down of inventories	32,196	(1,007)
Royalty cost	76,088	14,355
Others	(2,796)	(228)
	$ 817,873	1,057,525

For the three months ended March 31, 2019 and 2018, the write-down of inventories to net realizable value and the reversal of write-down due to the disposal of slow-moving inventories amounted to $32,196 and $1,007, respectively, which were included in costs of revenue.

(f) Other financial assets — current

	March 31, 2019	December 31, 2018	March 31, 2018
Foreign and domestic certificate of time deposit	$ 101,706	9,215	271,572
Restricted bank deposits	10,000	10,000	68,210
Other receivables	18,316	9,466	5,629
	$ 130,022	28,681	345,411

(g) Investments accounted for using equity method

The Group’s investments accounted for using equity method at the reporting date were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Associates	$ 58,498	-	-
Joint ventures	15,148	25,963	-
	$ 73,646	25,963	-

The Group's financial information on its investments in individually insignificant investments accounted for using equity method (please refer to note 13(b)) at the reporting date was as follows. The financial information is included in the consolidated financial statements.

	For the three months ended March 31	
	2019	2018
Attributable to the Group:		
Net income (loss)	$ (14,088)	-
Other comprehensive income	11	-
Total comprehensive income (loss)	$ (14,077)	-

(Continued)

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(h) Prepayments for investments

As of December 31 and March 31, 2018, the Group invested the amounts of $186,593 and $34,157, respectively, to acquire the common shares of its investees for the development techniques of its optical sensing and fingerprint identification. During January 1 and March 31 2019, the prepayments for investments were reclassified to investments in subsidiary, investments accounted for using equity method, and financial assets at fair value through other comprehensive income.

(i) Acquisition of subsidiaries

(i) The cost of acquisition

On January 14, 2019 (the acquisition date), the Group acquired 74.69% ownership of Igistec Co., Ltd. (Igistec) for a cash consideration of $59,497, and obtained control over it since then.

Igistec is primarily engaged in IC design and research of thin-film transistor sensor readout circuits; which was the main reason the Group acquired it to expand the development of its biometric products.

(ii) Identifiable net assets acquired in a business combination

The consideration paid for the acquisition, as well as fair value information of assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

Purchase consideration:		
Cash		$ 59,497
Add: Non-controlling interests in the acquiree (proportionate share of the fair value of the identifiable net assets)		18,609
Less: Fair value of identifiable assets acquired and liabilities assumed		
Cash	48,531	
Prepaid expensed and other current assets	1,710	
Property, plant and equipment	491	
Intangible assets—technology	27,352	
Intangible assets—software	292	
Other non-current assets	571	
Accrued expenses and other current liabilities	(5,417)	73,530
Goodwill		$ 4,576

The initial accounting for business combination on the valuation of intangible assets—technology has yet to be completed by the end of the reporting period; therefore, it was accounted for as provisional amount in the Group' s financial statements. The Group will continually inspect the aforementioned items during valuation period; and if there is information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, then the acquisition accounting will be revised.

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(iii) Intangible assets—technology

Intangible assets—technology is amortized on a straight-line basis over the estimated future economic useful life of 8 years.

Goodwill arising from the acquisition of Igistec is due to its expertise in the design of thin-film transistor sensor readout circuit, which did not meet the criteria for intangible assets; therefore, it cannot be recognized individually. None of the goodwill recognized is expected to be deductible for income tax purposes.

(iv) Pro forma information

From the acquisition date to March 31, 2019, Igistec contributed revenue of $0 and net loss of $(26,909) to the Group's results. However, if this acquisition had occured on January 1, 2019, the management estimates that the consolidated revenue and net income after tax from January 1 to March 31, 2019 would have been $1,393,119 and $126,561, respectively.

(j) Property, plant and equipment

	Tooling	Research and development equipment	Leasehold improvement	Other equipment	Total
Carrying amounts:					
Balance at March 31, 2019	$ 1,066	11,071	3,490	24,751	40,378
Balance at January 1, 2019	$ 1,230	9,172	3,994	25,041	39,437
Balance at March 31, 2018	$ 252	5,431	5,145	21,080	31,908

There were no significant additions, disposals, or recognition and reversal of impairment losses of property, plant and equipment for the three months ended March 31, 2019 and 2018. Information on depreciation for the period is discussed in note 12. Please refer to note 6(i) of the 2018 annual consolidated financial statement for other related information.

(k) Right-of-use assets

	Buildings
Cost:	
Balance at January 1, 2019	$ -
Effects of retrospective application of IFRS 16	114,259
Balance at January 1, 2019 after adjustments	114,259
Additions	17,006
Effect of exchange rates changes	(40)
Balance at March 31, 2019	$ 131,225

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	Buildings
Accumulated depreciation:	
Balance at January 1, 2019	$ -
Depreciation	9,047
Effect of exchange rates changes	(3)
Balance at March 31, 2019	$ 9,044
Carrying amount:	
Balance at March 31, 2019	$ 122,181

The Group leases office, employee dormitories and other office equipments under operating leases for the three months ended March 31, 2018, please refer to note 6(n).

(l) Intangible assets

	Goodwill	Patent	Technology	Computer software	Total
Costs:					
Balance at January 1, 2019	$ 106,827	25,714	84,726	53,516	270,783
Acquisition through business combination	4,576	-	27,352	305	32,233
Additions	-	-	-	3,966	3,966
Effect of exchange rate changes	-	-	-	3	3
Balance at March 31, 2019	$ 111,403	25,714	112,078	57,790	306,985
Balance at January 1, 2018	$ 106,827	25,714	84,726	14,873	232,140
Additions	-	-	-	1,751	1,751
Balance at March 31, 2018	$ 106,827	25,714	84,726	16,624	233,891
Accumulated amortization and impairment loss:					
Balance at January 1, 2019	$ -	16,325	23,830	15,933	56,088
Acquisition through business combination	-	-	-	13	13
Amortization	-	1,756	3,360	5,118	10,234
Balance at March 31, 2019	$ -	18,081	27,190	21,064	66,335
Balance at January 1, 2018	$ -	9,302	13,239	8,958	31,499
Amortization	-	1,756	2,647	1,023	5,426
Balance at March 31, 2018	$ -	11,058	15,886	9,981	36,925
Carrying amount:					
Balance at March 31, 2019	$ 111,403	7,633	84,888	36,726	240,650
Balance at January 1,2019	$ 106,827	9,389	60,896	37,583	214,695
Balance at March 31, 2018	$ 106,827	14,656	68,840	6,643	196,966

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(m) Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Secured bank loans	$ 918,896	961,315	516,797
Unused credit facilities	$ 1,562,264	1,244,425	1,029,038
Interest rate	1.15%~1.30%	1.15%~3.04%	1.20%~2.43%

Please refer to note 8 for details on related assets pledged as collateral for secured loans.

(n) Lease liabilities

The Group's lease liabilities were as follows:

	March 31, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 38,694	376	38,318
Between one and five years	88,721	4,037	84,684
	$ 127,415	4,413	123,002
Current	$ 38,694	376	38,318
Non-current	$ 88,721	4,037	84,684

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31, 2019
Interest expenses on lease liabilities	$ 633
Expenses relating to short-term leases	$ 1,592

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the three months ended March 31, 2019
Total cash outflow for leases	$ 10,448

(i) Buildings leases

The Group leases buildings for its office, which typically run for a period of three to five years.

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(ii) Other leases

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term and low-value leases of offices, office equipments, employees dormitories and warehouses.

(o) Operating lease

There were no significant additions in operating lease contracts for the three months ended March 31, 2018. Please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2018 for the details.

(p) Employee benefits

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Foreign subsidiaries make contributions in compliance with the respective local regulations.

For the three months ended March 31, 2019 and 2018, the Group recognized the pension expenses of $5,690and $3,836, respectively, in relation to the defined contribution plans.

(q) Income taxes

(i) Income tax expense

	For the three months ended March 31	
	2019	**2018**
Current income tax expense		
Current period	$ 40,448	62,362
Withholding tax in foreign jurisdiction	572	422
Adjustments for prior years	(229)	(268)
Income tax expense	$ 40,791	62,516

(ii) For the three months ended March 31, 2019 and 2018, there was no income tax expense recognized in other comprehensive income.

(iii) The Company' s income tax returns for all fiscal years through 2017 were examined and approved by the R.O.C. income tax authorities.

(r) Capital and other equity

Except for the following disclosures, there was no significant change in capital and other equity for the three months ended March 31, 2019 and 2018. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2018.

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(i) Common stock

As of March 31, 2019, December 31 and March 31, 2018, the Company's authorized shares of common stock amounted to $1,000,000 in total, at par value of $10 per share, and consisted of 100,000 thousand shares, of which 71,064 thousand shares, 70,974 thousand shares and 70,980 thousand shares, respectively, were issued and outstanding.

The movements in outstanding shares of common stock (excluding unvested restricted stock issued to employees) were as follows (in thousands of shares):

	Ordinary shares For the three months ended March 31	
	2019	**2018**
Balance at January 1	$ 68,111	70,036
Exercise of employee stock options	93	489
Vested restricted stock issued to employees	2	-
Balance at March 31	$ 68,206	70,525

(ii) Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
Paid-in capital in excess of par value	$ 884,574	881,352	822,314
Compensation cost of employee stock options	22,882	23,757	26,412
Restricted stock issued to employees	57,645	58,050	99,072
	$ 965,101	963,159	947,798

(iii) Retained earnings and dividend policy

1) Legal reserve

According to the Company Act, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to its shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

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3) Earnings distribution

The Company's articles of incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, can be distributed as dividends to stockholders. The appropriation of earnings should be proposed by the Board of Directors and approved by the shareholders.

Earnings are distributed in consideration of long-term interest of its shareholders, operating and the overall economic enviroment and the Company's long-term development and stability in its financial position. Earnings can be distributed by stock or cash, referring to the dividend ratio of others in the same industry and capital market, in which a cash dividend comprises at least 20% of the total dividend distribution.

On March 14, 2019, the Company's Board of Directors resolved to appropriate the 2018 earnings. These earnings were appropriated as follows:

	2018	
	Dividends per share (NT$)	**Amount**
Dividends distributed to ordinary shareholders：		
Cash	$ 8.10	554,844

The appropriation of 2017 earnings was resolved by the shareholder's meeting held on May 30, 2018, and the distribution to shareholders were as follows:

	2017	
	Dividends per share (NT$)	**Amount**
Dividends distributed to ordinary shareholders：		
Cash	$ 4.25	301,462

(iv) Treasury shares

As of March 31, 2019, in accordance with Article 28-2 of the Securities and Exchange Act, the Company purchased 2,600 thousand of its own ordinary shares for an aggregate amount of $278,740, in order to maintain and motivate its employees.

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In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The shares bought back by the Company in order to transfer to its employees shall be transferred within three years from the date of buyback. The shares not transferred within the said period shall be deemed as not issued by the company. Besides, treasury shares can not be collateralized and do not bear any shareholder rights prior to being sold to third parties.

(v) Other equity

	Exchange differences on translation of foreign operations	Deferred compensation cost arising from issuance of restricted stock	Unrealized gains (losses) from financial assets at fair value through other comprehensive income
Balance at January 1, 2019	$ 3,935	(30,647)	(52,802)
Foreign exchange difference arising from translation of foreign operations:			
The Group	(332)	-	-
Joint ventures and associates	11	-	-
Deferred compensation cost	-	6,828	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	-	-	(777)
Balance at March 31, 2019	$ **3,614**	**(23,819)**	**(53,579)**
Balance at January 1, 2018	$ 3,238	(97,734)	-
Effects of retrospective application	-	-	1,175
Balance at January 1, 2018 after adjustments	3,238	(97,734)	1,175
Foreign exchange difference arising from translation of foreign operations:			
The Group	(243)	-	-
Deferred compensation cost	-	17,676	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	-	-	(959)
Balance at March 31, 2018	$ **2,995**	**(80,058)**	**216**

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(vi) Non-controlling interests (net after tax)

	For the three months ended March 31	
	2019	**2018**
Balance at January 1	$ -	-
Acquisition of subsidiary	18,609	-
Equity attributable to non-controlling interest:		
Net loss	(6,991)	-
Balance at March 31	$ 11,618	-

(s) Share-based payment

(i) A summary of the Group's stock option plans and related information is as follows:

Grant date	**2015**	**2014**
Number of units granted (note 1)	408 (2014 plan)	1,995 (403 from 2013 plan and 1,592 from 2014 plan)
Contract term	5 years	5 years
Qualified employees	Employees of the Company conforming to certain requirements	Employees of the Company conforming to certain requirements
Vesting conditions	(note 2)	(note 2)

Note 1: Each unit of stock options is eligible to subscribe for one thousand common shares.

Note 2: According to 2014 and 2013 stock option plans, employees are entitled to receive 50% and 100% of the stock options in the second and third year, respectively, of their service.

The Group adopted the binomial option pricing model to calculate the fair value of the stock options at the grant date, and the assumptions adopted in the valuation model were as follows (Amounts in New Taiwan Dollars/share):

	2015	**2014**	
Grant date	2015.11.03	2014.12.18	2014.3.14
Fair value at grant date	$54.458	36.486	24.27
Binominal parameters:			
Share price at grant date	$129.5	98.69	33.20
Exercise price	$127.18	98.20	10.00
Expected volatility (%)	49.48~49.93	44.70~44.77	47.92~47.96
Expected life	4.0~4.1 years	3.9~4.0 years	3.7~3.8 years
Expected dividend field rate (%)	-	-	-
Risk-free interest rate (%)	0.76	1.06~1.08	1.01~1.02

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Informations in employee stock option plans were as follows (Amounts in New Taiwan dollars):

	For the three months ended March 31			
	2019		2018	
	Weighted-average exercise price	Number of shares	Weighted-average exercise price	Number of shares
Outstanding, beginning of year	$ 110.60	498,000	112.76	643,000
Exercised	127.18	(16,000)	115.11	(48,000)
Forfeited	-	-	127.18	(4,000)
Outstanding, at March 31	110.04	**482,000**	112.47	**591,000**
Exercisable, at March 31	110.04	**482,000**	105.39	**399,000**

March 31, 2019				
Year of grant	Number of shares outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Number of shares exercisable
2014/12	285,000	0.72	$ 98.20	285,000
2015	197,000	1.59	127.18	197,000
	482,000			**482,000**

December 31, 2018				
Year of grant	Number of shares outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Number of shares exercisable
2014/12	285,000	0.96	$ 98.20	285,000
2015	213,000	1.84	127.18	213,000
	498,000			**498,000**

March 31, 2018				
Year of grant	Number of shares outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Number of shares exercisable
2014/12	300,000	1.72	$ 98.20	300,000
2015	291,000	2.59	127.18	99,000
	591,000			**399,000**

(Continued)

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(ii) Restricted stock

During the meeting on June 22, 2017, the Company's shareholders approved a resolution to issue 650,000 shares of restricted stock to full-time employees who conformed to certain requirements. The Company issued 572,000 shares of restricted stock to its employees, and the effective date of capital increase was set on December 5, 2017. The employees who were granted restricted stocks are entitled to purchase them without any exercise price. The restricted stock received by the employees shall be deposited and held in an escrow account and could not be sold, pledged, transferred, gifted, or disposed of in any other forms during the vesting period; nevertheless, the rights of a shareholder (such as voting and election at the shareholders' meeting) are the same as the rights of the Company's shareholders but are executed by the custodian. During the vesting period, the restricted shares of stock are entitled to any earnings distribution. The Company will recall and retire those shares from employees who do not meet the vesting conditions.

1) 2017 plan of issuance of restricted stock

Type	2017 condition 1	2017 condition 2
Granted date	2017.12.04	2017.12.04
Number of shares granted	350,000 shares	222,000 shares
Vested period	The restricted shares will be vested into 116,600, 116,700 and 116,700 shares at the year end of 2017, 2018, 2019, respectively, based on the individual performance of the employee.	The restricted shares will be vested into 74,000, 74,000 and 74,000 shares at the year end of 2018, 2019, 2020, respectively, based on the individual performance of the employee.

2) Movements in the number of restricted shares of stock (in thousands) was as follows:

	For the three months ended March 31	
	2019	2018
Balance at January 1 (the same as March 31)	563	572
Accumulated vested shares	(304)	(117)
Unvested shares	259	455

The fair value of restricted stock was NT$246 per share, which was determined by reference to the closing price of the company's common stock traded on the Taiwan stock Exchange at the grant date.

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(iii) Expenses resulted from share-based payments

	For the three months ended March 31	
	2019	2018
Employee stock options	$ -	715
Restricted stock	6,865	17,676
	$ **6,865**	**18,391**

(t) Earnings per share ("EPS")

(i) Basic earnings per share

	For the three months ended March 31	
	2019	2018
Net income attributable to the shareholders of the Company	$ 133,668	216,486
Weighted-average number of ordinary shares outstanding (in thousands)	68,216	70,523
Basic earnings per share (in New Taiwan dollars)	$ **1.96**	**3.07**

(ii) Diluted earnings per share

	For the three months ended March 31	
	2019	2018
Net income attributable to the shareholders of the Company	$ 133,668	216,486
Weighted-average number of ordinary shares outstanding (in thousands)	68,216	70,523
Effect of diluted potential ordinary shares:		
Stock options	189	168
Employees compensation	255	268
Restricted stock	127	14
Weighted-average shares of ordinary shares outstanding (in thousands) (including effect of dilutive potential ordinary shares)	68,787	70,973
Diluted earnings per share (in New Taiwan dollars)	$ **1.94**	**3.05**

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(u) Revenue from contracts with customers

(i) Disaggregation of revenue

		For the three months ended March 31 2019	2018
Primary geographical markets:			
Taiwan	$	1,535	2,794
Asia		1,391,584	1,630,891
	$	1,393,119	1,633,685
Major products/ services line:			
Biometric authentication IC sensor and its application	$	1,391,524	1,631,264
Data security protection and its application		1,535	1,235
Non-recurring engineering service revenue		60	1,186
	$	1,393,119	1,633,685

(ii) Contract balances

		March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable	$	816,791	616,524	794,233
Less: Allowance for impairment		(336)	(2,197)	(24,020)
Total	$	816,455	614,327	770,213

Please refer to note 6(d) for details on accounts receivable and allowance for impairment.

(v) Remuneration to employees and directors

Pursuant to the Company's articles of incorporation, the Company shall distribute no less than 5% of its profits in the current period as remuneration to its employees, and no more than 1% to its directors. Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, if any, prior to distributing the remuneration to the employees and directors. The aforementioned remuneration to employees could be distributed in the form of cash or stock to the employees of the Company's subsidiaries conforming to certain requirements. The remuneration to directors only can be distributed by cash.

For the three months ended March 31, 2019 and 2018, the Company accrued its remuneration to employees amounting to $19,565 and $14,809, respectively, and its remuneration to directors amounting to $1,957 and $2,962, respectively, which were calculated by using the net profits before tax in the current period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company' s Article of Incorporation, and recognized them as operating expenses. The differences between the distributed and estimated amounts, if any, shall be accounted for as a change in accounting estimate and recognized as profit or loss in the distribution year.

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For the years ended December 31, 2018 and 2017, the Company accrued its remuneration to employees amounting to $46,308 and $38,934, respectively, and its remuneration to directors amounting to $8,972 and $7,787, respectively. The differences between the aforementioned accrued remuneration and the amounts approved by the Board of Directors were $6 and $1, respectively, which shall be accounted as changes in accounting estimates. Related information would be available at the Market Observation Post System website.

(w) Non-operating income and loss

(i) Other income

	For the three months ended March 31	
	2019	**2018**
Interest income	$ 17,802	6,069
Others	311	118
	$ **18,113**	**6,187**

(ii) Other gains and losses

	For the three months ended March 31	
	2019	**2018**
Foreign exchange gains (losses), net	12,902	(33,604)
Net gain (loss) on financial assets at fair value through profit or loss	228	(755)
Others	(152)	(10)
	$ **12,978**	**(34,369)**

(iii) Finance costs

	For the three months ended March 31	
	2019	**2018**
Interest expense on bank loans	$ (3,545)	(2,439)
Lease liabilities	(633)	-
	$ **(4,178)**	**(2,439)**

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(x) Financial instruments

Except for the following disclosures, there was no significant change in the fair value of the Group's financial instruments and in the degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. Please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2018 for the related information.

(i) Categories of financial instruments

1) Financial assets

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets at fair value through profit or loss	$ 46,483	-	-
Financial assets at fair value through other comprehensive income	163,321	41,033	94,051
Financial assets at amortized cost:			
Cash and cash equivalents	2,564,958	2,473,863	1,414,641
Accounts receivable, net	816,455	614,327	770,213
Other financial assets — current and non-current	130,487	29,153	345,411
Refundable deposits	10,633	9,581	10,023
Subtotal	3,522,533	3,126,924	2,540,288
Total	$ 3,732,337	3,167,957	2,634,339

2) Financial liabilities

	March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities at amortized cost:			
Short-term borrowings	$ 918,896	961,315	516,797
Notes and accounts payable	514,628	396,474	513,711
Accrued expenses	295,427	252,916	183,477
	$ 1,728,951	1,610,705	1,213,985

(ii) Foreign currency risk

1) Exposure to foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currency used in these transactions is mainly the US dollar (USD). The Group management continuously controls the net exposure in an acceptable level.

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At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency, other than the respective functional currencies of Group entities, was as follows:

	March 31, 2019				
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)
Financial assets					
USD	$ 107,095	30.82	3,300,688	1 %	33,007
Financial liabilities					
USD	23,640	30.82	738,585	1 %	7,386

	December 31, 2018				
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)
Financial assets					
USD	$ 96,587	30.715	2,966,670	1 %	29,667
Financial liabilities					
USD	18,284	30.715	561,578	1 %	5,616

	March 31, 2018				
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)
Financial assets					
USD	$ 83,407	29.105	2,427,561	1 %	24,276
Financial liabilities					
USD	21,304	29.105	620,053	1 %	6,201

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2) Gains or losses on monetary items

Information related to gains and losses (included unrealized and realized) by the fluctuation of foreign exchange rate is as follows:

	For the three months ended March 31			
	2019		2018	
	Foreign exchange gains (losses) (in thousands)	Exchange rate	Foreign exchange gains (losses) (in thousands)	Exchange rate
Financial assets				
USD:TWD	$ 9,297	30.820	(42,184)	29.105
Financial liabilities				
USD:TWD	3,687	30.820	7,660	29.105

(iii) Information on fair value

1) Financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments measured at fair value

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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	March 31, 2019				
	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
Financial assets at fair value through profit or loss :					
Open-end mutual fund	$ 31,068	31,068	-	-	31,068
Convertible bonds	15,415	-	15,415	-	15,415
Subtotal	$ 46,483	31,068	15,415	-	46,483
Financial assets at fair value through other comprehensive income—non-current:					
Unlisted common shares	163,321	-	-	163,321	163,321
	$ 209,804	31,068	15,415	163,321	209,804

	December 31, 2018				
	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
Financial assets at fair value through other comprehensive income—non-current:					
Unlisted common shares	$ 41,033	-	-	41,033	41,033

	March 31, 2018				
	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
Financial assets at fair value through other comprehensive income—non-current:					
Unlisted common shares	$ 94,051	-	-	94,051	94,051

3) Valuation techniques and assumptions used in fair value measurement

A financial instrument is regarded as being quoted in an active market if quoted prices are ready.

The fair value of open-end fund beneficiary certificates with standard terms and conditions and traded on active liquid markets are determined based on quoted market prices.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

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The fair value of unlisted common shares is estimated by using the market approach and is determined by reference to valuations of similar companies, recent financing acivities, market conditions and other economic indicators. The significant unobservable input is the liquidity discount. Since the possible changes in liquidity discount did not cause any significant potential impact on the financial statements, therefore, the quantitative information need not be disclosed.

4) Transfer between fair value levels

There are no transfers between fair value levels for the three months ended March 31, 2019 and 2018.

5) Reconciliation of Level 3 fair values (financial assets classified as financial assets at fair value through other comprehensive income) were as follows:

	For the three months ended March 31	
	2019	**2018**
Opening balance	$ 41,033	95,010
Loss recognized in other comprehensive income	(777)	(959)
Additions	123,065	-
Ending Balance	$ **163,321**	**94,051**

(y) Financial risk management

There were no significant changes in the Group' s financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements for the year ended December 31, 2018.

(z) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2018. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2018. Please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2018 for further details.

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(aa) Investing and financing activities not affecting current cash flow

(i) The Group's non-cash transactions from investing activities were acquisition of right-of-use assets by lease. Please refer to note 6(c).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2019	Effect of retrospective adoption of IFRS 16	Cash flows	Non-cash changes Additions to lease liabilities	March 31, 2019
Short-term borrowings	$ 961,315	-	(42,419)	-	918,896
Lease liabilities	-	114,259	(8,223)	16,966	123,002
Total amount of liabilities from financing activities	$ 961,315	114,259	(50,642)	16,966	1,041,898

	January 1, 2018	Cash flows	March 31, 2018
Short-term borrowings	$ 280,519	236,278	516,797

7. Related-party transactions

(a) Significant transactions with related parties:

As of March 31, 2018, the Group's credit facilities from financial institutions amounting to $501,050 were guaranteed by the Group's chairman, Mr. Steve Ro.

(b) Compensation for key management personnel

	For the three months ended March 31 2019	 2018
Short-term employee benefits	$ 13,437	11,817
Post-employment benefits	216	189
Share-based payments	3,845	11,430
	$ 17,498	23,436

Please refer to note 6(r) for information on share-based payment.

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8. Pledged assets

Assets	Pledged to secure	March 31, 2019	December 31, 2018	March 31, 2018
Other financial assets—current (time deposits)	Deposit for purchase fulfillment	$ 10,000	10,000	10,000
Other financial assets—current (time deposits)	Credit facilities	-	-	58,210
Other financial assets—non-current (time deposits)	Performance guarantee	465	472	-
		$ 10,465	10,472	68,210

9. Significant commitments and contingencies:None

10. Significant loss from casualty: None.

11. Significant subsequent events: None.

12. Others

(a) Employee benefits, depreciation and amortization of the Group were categorized by function as below:

By function / By item	For the three months ended March 31, 2019			For the three months ended March 31, 2018		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Employee benefits:						
Salaries	-	182,501	182,501	-	127,153	127,153
Labor and health insurances	-	8,592	8,592	-	6,031	6,031
Pension	-	5,690	5,690	-	3,836	3,836
Other employees benefits	-	7,128	7,128	-	5,512	5,512
Depreciation	693	12,945	13,638	496	3,382	3,878
Amortization	-	10,234	10,234	-	5,426	5,426

(b) The operation of the Group is not significantly influenced by seasonal or cyclical factors.

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13. Additional disclosures

(a) Information on significant transactions:

The followings were the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three year ended March 31, 2019:

(i) Financing provided to other parties: None.

(ii) Guarantees and endorsements provided to other parties: None.

(iii) Marketable securities held at reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Nomura Global Financial Bond Fund	-	Financial assets at fair value through profit or loss	98	31,068	-	31,068	
The Company	MEMS Drive Inc.	-	Financial assets at fair value through profit or loss	-	15,415	-	15,415	
The Company	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income	859	10,011	3.51 %	10,011	
The Company	THEIA LIMITED	-	Financial assets at fair value through other comprehensive income	100,000	30,245	11.20 %	30,245	
The Company	Integrated Digital Technologies, Inc.	-	Financial assets at fair value through other comprehensive income	4,000	-	13.95 %	-	
The Company	AIStorm, Inc.	-	Financial assets at fair value through other comprehensive income	4,000	123,065	17.45 %	123,065	

(iv) Marketable securities for which the accumulated purchase or sale amounts exceed $300 million or 20% of the paid-in capital: None.

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: None.

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: None.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: None.

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(ix) Information about derivative instrument transactions: None.

(i) Business relationships and significant intercompany transactions: None.

(b) Information on investees:

Names, locations, and related information of investees over which the Company exercises significant influence for the three-month ended March 31, 2019 (excluding investee companies in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2019			Net Income (Losses) of the Investee	Share of Profit / (Losses) of Investee	Note
				March 31, 2019	December 31, 2017	Shares (in thousands)	Percentage of Ownership	Carrying Value			
The Company	Egis Inc.	Cayman Islands	Investment and holding activity	678,340	678,340	25,848	100.00 %	9,587	68	68	Parent/ subsidiary
The Company	Egis Technology (Japan) Inc.	Japan	Sale of data security software and biometric authentication software and hardware	93,972	83,213	6,600	100.00 %	7,801	(3,327)	(3,327)	Parent/ subsidiary
The Company	Egis Tec USA Inc.	USA	Technology development	31,260	31,260	1,000	100.00 %	13,066	(1,166)	(1,166)	Parent/ subsidiary
The Company	Egis Technology Korea Inc.	Korea	Customer service, business promotion and technical support	18,233	18,233	20	100.00 %	16,564	(1,730)	(1,730)	Parent/ subsidiary
The Company	Tyrafos Technologies Co., Limited	Hong Kong	Technology development	19,517	19,517	5,265	65.00 %	15,148	(16,655)	(10,826)	Joint venture
The Company	Igistec Co., Ltd.	Taiwan	Technology development	59,497	-	16,527	74.69 %	38,867	(27,025)	(20,630)	Parent/sub sidiary
The Company	Sirius Wireless Pte. Ltd.	Singapore	Technology development	61,760	-	40,080	50.05 %	58,498	(6,518)	(3,262)	Associates

Note: The above intercompany transactions of subsidiaries have been eliminated when preparing the consolidated financial statements.

(c) Information on investments in Mainland China: None.

14. Segment information

The Group is mainly engaged in the research and development, design and sale of data security software and biometric identification software and hardware. The overall operating results are regularly reviewed by the Group's chief operating decision maker to assess its performance. Therefore, the Group has only one reportable segment. For the three months ended March 31, 2019 and 2018, there were no material inconsistency between the reportable segment profit or loss and the consolidated financial statements.