Stock Code: 6462

神盾股份有限公司

Egis Technology Inc.

2019 Annual Report

Prepared by Egis Technology Inc.

Printed on April 30, 2020

(Website for viewing this annual report: http://mops.twse.com.tw)

1. Company’s Spokesperson

Name: Yi-Pin Lee

Position: Sr. Deputy General Manager

Telephone: (02) 2658-9768

E-mail：ir@egistec.com

2. Acting Spokesperson

Name: George Chang

Position: Chief Financial Officer

Telephone: (02) 2658-9768

E-mail：ir@egistec.com

3. Addresses and Contact Numbers of Headquarters, Branch Companies and Factories

Headquarters: 2F, No. 360 Ruiguang Road, Neihu District, Taipei City

Telephone: (02) 2658-9768

Addresses and Contact Numbers of Branch Companies: Nil

Addresses and Contact Numbers of Factories: Nil

4. Stock Transfer Agencies

Name: Stock Service Department of Yuanta Securities Co., Ltd.

Address: B1, No. 210, Section 3, Chengde Road, Taipei City

Website: http://www.yuanta.com.tw

Telephone: (02) 2586-5859

5. Certified Public Accountants Responsible for Audit and Certification of the Last Fiscal Year’s Financial Statements

Name of Certified Public Accountant: Accountants Steven Shih and Sonia Chang

Name of Accounting Firm: KPMG Taiwan

Address: 68F, No. 7, Section 5, Xinyi Road, Taipei City (Taipei 101 Building)

Website: http://www.kpmg.com.tw

Telephone: (02) 8101-6666

6. Names of Exchanges where the Company's Securities are Traded Offshore, and the Method for Accessing Information on the said Offshore Securities: Nil

7. Website of the Company: http://www.egistec.com

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I. Report to Shareholders

Dear Shareholders,

The 2019 Business Achievements and Business Plan are provided as follows:

1. 2019 Annual Business Achievements

(1) 2019 Business Plan Implementation Outcome

The consolidated operating revenue of the Company for 2019 amounted to NTD 7,358,411,000, representing an increase of NTD 1,449,108,000 from 2018, and a growth rate of 25%; the net profit before tax is NTD 1,052,201,000 and net profit after tax is NTD 862,681,000, and the consolidated net profit for the current period is NTD 830,085,000.

Unit: Thousand NTD

Item	2018	2019
Operating revenue	5,909,333	7,358,411
Gross operating profit	2,083,902	3,137,307
Net operating profit (loss)	726,177	1,102,652
Non-operating revenue and expenditure	121,919	(50,451)
Net profit (loss) before tax	848,096	1,052,201
Net profit (loss) after tax	670,791	862,681
Total comprehensive income for the current period	617,511	830,085
Basic earnings per share (NTD)	9.62	12.60

(2) Status of Budget Implementation

The financial forecast for 2019 was not disclosed by the Company.

(3) Analysis of Financial Revenue and Expenditure and Profitability

Item		2018	2019
Financial structure	Liabilities to assets ratio (%)	44.48	49.14

Item		2018	2019
	Permanent capital to property, plant and equipment ratio (%)	6,068.32	4.604.57
Solvency	Current ratio (%)	195.81	181.77
	Quick ratio (%)	162.73	146.86
Profitability	Return on assets (%)	17.10	17.85
	Return on equity (%)	28.81	33.16
	Pure rate of return (%)	11.35	11.59
	Earnings per share (NTD)	9.62	12.60

(4) Status of Research and Development

Item	Research and Development Plan	Plan Description
Software	AI Algorithm	It can extract a large number of feature points on a small-area optical fingerprint image to optimize recognition efficiency and reliability performance.
Hardware	Capacitive fingerprint sensor chip	It is equipped with optimized sensing sensitivity and can be hidden within the keys of a mobile phone.
	Optical Fingerprint Sensor Chip	It can be used under the protective glass and screen with a thickness up to 1,400um. It provides an under-screen fingerprint recognition solution in response to the latest trend in full-screen mobile phones (including 5G phones and foldable phones).
	AI Algorithm Chip	We developed powerful, low-cost artificial intelligence chips with exclusive identification software to verify user identity and return the results to the device-side application processor to maintain the confidentiality, integrity and security of the user's biometric computing process, while reducing Egis engineers' time spent at the site of mobile phone clients for integrating and debugging various mobile payment programs.
	Time of Flight Sensor Chip	It provides a 3D Depth Map on the surface of an object. It is suitable for the augmented reality application trend in mobile phones.

2. Overview of 2020 Annual Business Plan

(1) Operational Strategy

In response to the gradual maturity and growing application of biometric recognition technology, the Company is committed to boosting the technological advancement of capacitive fingerprinting and promoting the multiple applications of fingerprint chips, further investing in optical fingerprint recognition and other technological research and development to maintain the Company's technological leadership in the field of biometric recognition. In addition, we are also committed to expanding the emerging applications of biometric recognition in various industries, including smartphones, mobile devices, financial payments, automotive electronics, etc. and make them the main business direction of the Company, with the goal of expanding the market landscape and spearheading entry into the market.

(2) Expected Sales Volume and its Basis

The Company will expand the shipment of fingerprint chip applications to major mobile phone brand customers in China in 2020. It is expected that this may result in a double-digit growth from 2019; we will continue to expand our global market share of fingerprint recognition chip products.

(3) Significant Production and Sales Policies

In response to the continuous increase in demands by customers from different markets, strengthening the management and control of costs and the management of inventory are important for production and sales management for the year of 2020. Therefore, the estimation and guarantee of chip fabrication plant capacity, as well as the confirmation of production and sale time shall continue to be improved. In addition, with regard to the management and control of the overall supply chain, the certification and introduction of second-party manufacturers and new suppliers will also continue uninterruptedly to ensure continuous improvement in the quality of products supplied, stable and flawless supply sources, while optimizing the cost structure and strengthening market competitiveness.

3. Future Development Strategy of the Company

(1) Short-Term

1. In the area of hardware development:

The Company's fingerprint matching algorithm has been used and consistently praised by hundreds of millions of mobile phone users for many years due to its wide market recognition.

In order to maintain the confidentiality (not to be hijacked), integrity (not to be tampered) and security (not to be stolen) of the user's biometric device, the biometric device is using Trusted Execution Environment (TEE) to perform key operations, including the secure storage of fingerprint verification, PIN code input, confidential private keys for mobile payment, and isolating improper fingerprint collection, storage, verification processes in TEE; therefore if the phone is jailbroken or rooted, the attacker still cannot obtain the user's fingerprint information.

Due to this security measure, the TEE program software requires on-site labor force for testing support and time for integration and debugging. With this in mind, the Company will develop high-performance AI chips to strengthen existing hardware and software computing capabilities.

2. In the area of process improvement:

We work closely with the fab to find out the key to process parameter optimization through the use of big data analysis, machine learning, artificial intelligence and other technologies, to achieve goals such as reducing defects, improving process, error detection, reducing cost, and shortening development cycle.

3. In the area of software development:

We use AI technology to strengthen anti-spoofing functions and introduce a cyclic verification test environment to establish a more solid and safer foundation and achieve more diverse applications.

(2) Long-Term

1. Strengthen the core competitiveness of product design and better understand and more rapidly grasp market trends.
2. For new product and new technology investments, we will accelerate the timeline for product introduction through market acquisitions or the introduction of new teams.
3. Solutions for various innovative biometrics will be developed together with

strategic partners to grasp business opportunities while reducing R&D risks.

4. In response to the needs of the customers in the automotive industry, the Company will actively develop ultrasonic fingerprint sensors.

4. Impact of External Competitive Environment, Legal Environment and Overall Business Environment

As optical fingerprint sensing technology is more affordable than ultrasonic sensing technology, there are more companies throughout the entire supply chain that have invested in optical fingerprint sensing technology. With the introduction of such technology by major Chinese mobile phone makers, such as Huawei, Xiaomi, OPPO and Vivo, the application for this technology has seen the fastest development. There is a great opportunity for the application of optical fingerprint sensing technology to develop in the high-end, and mid-to-high end markets, or even in the mid-end markets at the same time. The main competitors for optical fingerprint technology include Goodix, which is invested by MediaTek, and Silead, acquired by GigaDevice, among others.

In July 2019, Goodix filed a lawsuit against the Company for infringement of its patents for under-screen optical fingerprint recognition technology, and at the same time appealed to the court to order the Company to immediately cease the shipping of the infringing products, and to pay for such infringement a royalty fee of CNY 50.5 million (NTD 220 million). This move was aimed at slowing down the Company's penetration into other smartphone manufacturers in China and influencing the decision-making process of these Chinese manufacturers in placing their orders so that the Company would have to make extra efforts to persuade new customers to adopt our designs.

In February 2020, China National Intellectual Property Administration ruled that Goodix's patent rights to the under-screen biometric identification device, biometric identification components, and terminal equipment (patent number: 201820937410.2) were all invalidated; as a result, Goodix lost its cause of action pertaining to its patent infringement claim against the Company. The invalidation of Goodix's patent infringement claim will help Egis expand its market in under-screen fingerprint recognition chips in China.

As COVID-19 continues spreading, it has been proven that iPhone X and its subsequent models that are equipped with 3D face recognition technology (Face ID) can no longer properly detect the facial features of users wearing a mask. At this time, most people think that this technology is not as practical as fingerprint recognition, so facial recognition seems more like a drawback rather than a convenience. Before we can see the end of this pandemic, the inconvenience of this shortcoming will become more and more pronounced. As the infrared laser emitted by the infrared transmitter on the structure light depth sensing camera system (TrueDepth Camera) on Face ID cannot penetrate the mask fabric, and Face ID is the only biometric device on new iPhone series, users will have to remove their mask, or otherwise input the password or use the pattern lock to unlock the phone in order to make payment with Apple Pay and purchase apps.

In addition, the recent deployment and development of the global 5G mobile telecommunication network is expected to drive the growth of global 5G mobile phone demand and the increase in the shipment of under-screen fingerprint sensors for use with AMOLED phone displays. Digitimes estimates that in 2020, global AMOLED mobile phone shipments will grow to 600 million units (annual growth rate of 46%) and the shipment of smartphones equipped with fingerprint sensors will reach 1.25 billion units (penetration rate of 90% or more).

In addition to smartphones, fingerprint recognition is a huge opportunity for multiple applications in mobile devices, mobile payments, automotive electronics, and financial smart cards and so on. The Company has been dedicated to the fingerprint recognition technology for years. In addition to designing fingerprint recognition chips and having its own self-developed algorithms, the Company has more than 100 patents in the fingerprint recognition domain and has become a supplier of automotive electronics.

In response to the development trend of the full screen display, the fingerprint recognition solutions under the screen can increase the proportion of screens and all manufacturers are eager to invest in R&D. Based on the long-term accumulated fingerprint recognition capabilities, the Company recruited new R&D teams and technology partners to develop optical fingerprint recognition chips and have made significant progress. At the same time, the Company has cooperated with customers to import fingerprint recognition solutions under the screen to customers' products.

The Company has also launched the R&D of 3D Depth Map sensing technology based on Time of Flight (ToF), while at the same time developing a more cost-effective wafer solution than the existing technology in the market, which will be more helpful for channel customers to introduce product applications and accelerate the time to market.

The Company's biometric recognition chip product line will continue to follow process evolution and move towards high-resolution, high-recognition rate, and multi-specification. It will develop new applications and forms and expand the field of applications in meeting customer demands, thus maintaining the long-term industrial competitiveness of the Company. The future trend of hardware design will make further efforts towards environmental protection in the areas of saving energy and reducing carbon and the Company will work with upstream and downstream manufacturers to develop products that match this goal, while fulfilling its corporate social responsibility.

Chairman: Sen-Chou Lo

II. Company Profile

1. Date of Establishment: December 26, 2007

2. Company History

December 2007	The Company was founded as Taxxtron International Corporation, with a registered capital of NTD 1,000,000 and paid-in capital of NTD 1,000,000.
January 2008	The Company conducted a capital injection of NTD 128,000,000 in cash and its paid-in capital after the capital injection was NTD 129,000,000.
February 2008	The Company acquired the main business and assets of Ching Hu Technology Corporation that mainly engaged in the development and sales of fingerprint recognition application software.
April 2008	The Company was merged with Egis International Inc. by absorption, with the merger record date as April 1, 2008. The Company issued new shares of NTD 51,000,000 for capital injection upon the merger and the paid-in capital after the capital injection was NTD 180,000,000. It was renamed as Egis Technology Inc.
May 2008	The Company acquired Egis Inc. and its subsidiaries; Egis Inc. and its subsidiaries mainly engaged in the development and sales of security software. The Company conducted a capital injection of NTD 180,500,000 in cash and its paid-in capital after the capital injection was NTD 360,500,000. The Company conducted a capital reduction of NTD 164,000,000 and its paid-in capital after the capital reduction was NTD 196,500,000. The Company conducted a capital injection of NTD 164,000,000 through a transfer from capital reserves and its paid-in capital after the capital injection was NTD 360,500,000.
July 2008	The Company conducted a capital injection of NTD 12,000,000 in cash and its paid-in capital after the capital injection was NTD 372,500,000. The Company acquired LighTuning Technology Inc., with the merger record date set as July 19, 2008. LighTuning Technology Inc. mainly engaged in the development and sales of biometric hardware. The Company issued new shares of NTD 123,799,000 for capital injection upon the

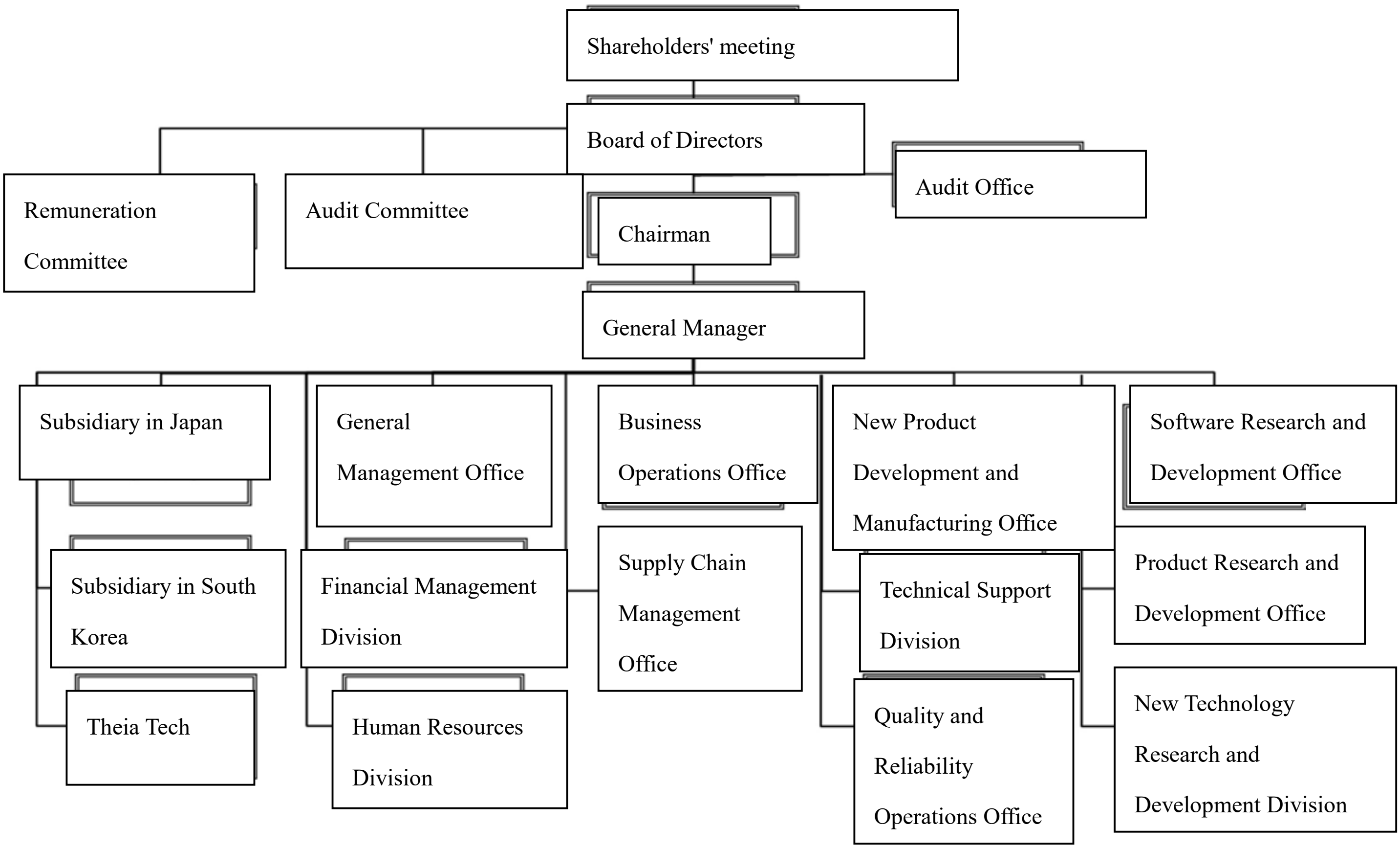
	merger and the paid-in capital after the capital injection was NTD 496,299,000.
August 2009	A subsidiary company, Egis Technology (Japan) Inc., was established in Japan.
July 2010	Employees exercised stock warrants of NTD 384,000 and the paid-in capital after the capital injection was NTD 496,683,000.
December 2013	Employees exercised stock warrants of NTD 25,810,000 and the paid-in capital after the capital injection was NTD 522,493,000.
February 2014	The Company conducted a capital injection of NTD 88,000,000 in cash and its paid-in capital after the capital injection was NTD 610,493,000.
April 2014	Employees exercised stock warrants of NTD 9,950,000 and the paid-in capital after the capital injection was NTD 620,443,000.
May 2014	The Company declared the public offering of shares and employee stock warrants.
June 2014	The Taipei Exchange approved the listing on the emerging stock market.
August 2014	Employees exercised stock warrants of NTD 200,000 and the paid-in capital after the capital injection was NTD 620,643,000.
December 2014	Employees exercised stock warrants of NTD 850,000 and the paid-in capital after the capital injection was NTD 621,493,000.
March 2015	Employees exercised stock warrants of NTD 50,000 and the paid-in capital after the capital injection was NTD 621,543,000.
April 2015	The “Opinions Regarding the Successful Development and Marketability of Products or Technologies Under Application by Technology Enterprises” was issued by the Industrial Development Bureau, Ministry of Economic Affairs and the letter issued by the Taipei Exchange was obtained.
September 2015	Employees exercised stock warrants of NTD 240,000 and the paid-in capital after the capital injection was NTD 621,783,000.
January 2016	The Company conducted a capital injection of NTD 62,910,000 in cash and its paid-in capital after the capital injection was NTD 684,693,000.
April 2016	Employees exercised stock warrants of NTD 2,950,000 and the paid-in capital after the capital injection was NTD 687,643,000.
August 2016	Employees exercised stock warrants of NTD 750,000 and the paid-in capital after the capital injection was NTD 688,393,000.

March 2017	Employees exercised stock warrants of NTD 8,385,000 and the paid-in capital after the capital injection was NTD 696,778,000.
August 2017	Employees exercised stock warrants of NTD 1,700,000 and the paid-in capital after the capital injection was NTD 698,478,000.
December 2017	Employees exercised stock warrants of NTD 710,000. The Company issued new restricted employee shares of NTD 5,720,000 and the paid-in capital after the capital injection was NTD 704,908,000.
March 2018	Employees exercised stock warrants of NTD 4,895,000 and the paid-in capital after the capital injection was NTD 709,803,000.
September 2018	The Company collected new restricted employee shares of NTD 60,000 and its paid-in capital after the capital reduction was NTD 709,743,000.
March 2019	Employees exercised stock warrants of NTD 930,000. The Company collected the new restricted employee shares of NTD 30,000 and the paid-in capital was NTD 710,643,000.
May 2019	Employees exercised stock warrants of NTD 965,000 and the paid-in capital after the capital injection was NTD 711,608,000.
December 2019	Employees exercised stock warrants of NTD 1,045,000 and the paid-in capital after the capital injection was NTD 712,653,000.
March 2020	Employees exercised stock warrants of NTD 1,225,000. The Company collected the new restricted employee shares of NTD 60,000 and the paid-in capital after the capital reduction was NTD 713,818,000.

III. Corporate Governance Report

1. Organization System

(1) Organizational Structure of the Company (March 31, 2020)



(2) Business Operations of Major Departments

Department	Job Description
Audit Office	Audit, assess, study and formulate the internal controls of the Company and provide areas for improvement and suggestions, so as to enhance business efficiency and the effective implementation of internal controls.
General Manager's Office	Be responsible for the overall operation planning and execution of the Company. Develop and implement the medium and long-term business strategy of the Company. Establish, supervise, and manage organizational operations and systems of various departments. Be directly responsible to the Board of Directors.
Subsidiary in Japan	Business development in the Japanese region.
Subsidiary in South Korea	South Korea region customer service, business promotion, and technical support.
Theia Tech	IC design, R&D, test and sales of optical fingerprint identification sensor microchip.
General Management Office	Integrate financial, information, legal, and general affairs resources within the organization and provide professional services related to the organization.
Financial Management Division	Responsible for the Company's accounting and investor relations management.
Human Resources Division	Formulate rules and regulations related to selection, education, use, retention, and implement them according to the Company's human resources policy.
Supply Chain Management	Arrangement of mass production capacity, management of delivery schedule, production-marketing coordination, material planning, and production cost control.

Department	Job Description
Office	Outsourcing production management and warehouse control.
Business Operations Office	Market development, formulation of strategies, customer relationship management, and development of new products.
Technical Support Division	Support products and integrate technical services, follow-up on issues reflected by customers, and improve customer satisfaction.
New Product Development and Manufacturing Office	Carry out internal planning/management/integration/schedule control, deal with customers, and meet customers' needs.
Quality and Reliability Operations Office	Verification and guarantee of product quality. Assist in product development related reliability experiments and failure analysis. Evaluation, quality supervision, and exception handling of outsourcing manufactures. Handle customer complaint and provide customer problem analysis report. Document control. Maintain and promote the quality system/activities.
Software Research and Development Office	Development of algorithms, drivers, and cloud servers. Drafting of technical documents.
Product Research and Development Office	Research and development of IC and hardware. Development, introduction, and process improvement of new technology. Improve engineering capabilities and solve product-related technical problems.
New Technology Research and Development Division	Responsible for the design and R&D of the Company's next-generation products and channeling them into customer products.

2. Information of Directors, Supervisors, General Managers, Deputy General Managers, Associates and Managers of Various Departments and Branch Organizations

(1) Information about Directors

1. Name, Work (Educational) Experience, Shareholding and Nature of the Holding Shares

April 30, 2020; Unit: Shares; %

Position	Name	Gender	Nationality or Place of Registration	Initial Date of Appointment	Date of Appointment	Term of Office	Shareholding upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relation-ship	
Chairman	SEN-CHOU LO	Male	Republic of China	97.08.05	106.6.22	3	2,920,000	4.09	3,546,262	4.97	-	-	5,360,426	7.51	Founder and CEO of Intervideo Inc. in the United States Bachelor of Computer Science, Soochow University California State University Chico MSCS, USA National University MBA, San Jose, USA	Chairman of IvyRock Asset Management Consulting Co., Ltd. Director of HEADWAY CAPITAL LIMITED Director of ORIENTAL GOLD HOLDINGS LIMITED Juristic Person Director of Tyrafos Technologies Co., Ltd. Director of Kiwi Technology Inc. Independent director of Acer Cyber Security Inc. AISTORM, INC. Director Juristic Person Director of Igistec Co., Ltd.	Director	SHIH-HAO HOWARD RO	Father and son	Explanation (Note 1)
Vice Chairman	MING-TO YU (Note 2)	Male	Republic of China	103.10.17	106.6.22	3	-	-	100,000	0.14	-	-	-	-	Master of Public Administration, National Chengchi University Master of Business Administration, Wharton School of the University of Pennsylvania Financial Manager of Taiwan Semiconductor Manufacturing Company, Limited Chief Financial Officer and Spokesperson of MediaTek Inc. Chief Financial Officer of Beijing Xiaomi Technology Co., Ltd.	Independent Director of eMemory Technology Inc. Independent director of Acer Cyber Security Inc. ULSEE INC. juristic person representative director Yixin Techniques Co., Ltd. Chairman GIXIA Group Co. director	-	-	-	

Director	CHEN-JUNG SHIH	Male	Republic of China	103.10.17	106.6.22	3	-	-	-	-	-	-	-	-	Honorary Doctor of International Law, Thunderbird International Management Institute Honorary Fellowship of the University of Wales Honorary Doctor of Science and Technology, Hong Kong Polytechnic University Honorary Doctor of Engineering, National Chiao Tung University Master of Electronic Engineering, National Chiao Tung University Founder and Honorary Chairman of Acer Group	Director of Acer Inc., Limited Independent Director of Taiwan Semiconductor Manufacturing Company, Limited Director of Nan Shan Life Insurance Co., Ltd. Juristic Person Director of Hung Jung Investment Co., Ltd. Juristic Person Director of iD Innovation Inc. Chairman of Dragon Investment Fund I Co., Ltd. Director of DIGITIMES Inc. Director of Taiwan Public Television Service Foundation Chairman of Stans Foundation Director of Jung Hsin Management Consulting Corporation Director of Ping Yu Corporation Director of Chinese Television System Corporation President of Cloud Gate Culture and Arts Foundation Director of the NSFG Foundation Chairman of Chew's Culture Foundation Kewenshuangrong Investment Consultant Inc. Chairman	-	-	-	
Director	HEADWAY CAPITAL LIMITED	N/A	British Virgin Islands	103.10.17	106.6.22	3	2,700,000	3.78	2,700,000	3.78	-	-	-	-	-	-	-	-	-	
	Representative GONG-YI LIN	Male	Republic of China	103.10.17	106.6.22	3	-	-	90,000	0.13	-	-	-	-	Institute of Electronics, National Chiao Tung University Director of Chip Design Consultant Group of Synopsys for Asia Region	Chief Operating Officer and Chief Technology Officer of the Company Juristic Person Director of Evershine BPO Service Corporation Juristic Person Director of Integrated Digital Technologies, Inc. Juristic Person Director of Tyrafos Technologies Co., Ltd. AISTORM, INC. Director	-	-	-	

																Sirius Wireless Pte. Ltd. Director				
	Representative YI-PIN LEE	Male	Republic of China	106.6.22	106.6.22	3	-	-	275,700	0.39	-	-	-	-	Central Missouri State University MBA Department of Economics, Chung Hsing University Chief Financial Officer of Primax Electronics Ltd. Chief Financial Officer of DaStrong Corporation Chief Financial Officer of Central Corporation Manager of Acer Inc.	Sr. Deputy General Manager of the General Management Office of the Company Supervisor of Igistec Co., Ltd. Sirius Wireless Pte. Ltd. Director	-	-	-	
Director	SHIH-HAO HOWARD RO	Male	United States	106.6.22	106.6.22	3	30,000	0.04	132,000	0.18					University of California, Riverside Business Manager and Vice General Manager of Egis Technology Inc. SBI & Capital 22 Mizuho Securities Asia Ltd	General Manager of the Company	Chairman	SEN-CHOU LO	Father and son	Explanation (Note 1)
Independent Director	MING-JENG WENG	Male	Republic of China	103.10.17	106.6.22	3	23,000	0.03	23,000	0.03	-	-	-	-	Master of Business Administration, University of Southern California in the United States Vice President of Citibank General Manager of Smith Barney Shearson, Inc., Taipei Branch Chairman of Lehman Brothers Holdings Inc. Managing Director of Nomura Holdings, Inc. Person-in-charge of Nomura Taiwan	Sr. Partner of Millerful Capital Partners Inc. Director of Lion Travel Service Co., Ltd. Independent director of Independent director Independent director of Clientron Corp. Independent director of United Renewable Energy Co., Ltd.	-	-	-	
Independent Director	DING-JEN LIU	Male	Republic of China	103.10.17	106.6.22	3	-	-	-	-	-	-	-	-	Master's Degree from the Institute of Electronics, National Chiao Tung University Ph.D. Student at the Institute of Electrical Engineering, The State University of New York, not-graduated (Ph.D. Candidate) Executive Deputy General Manager of MediaTek Inc. Director of MediaTek, Ltd.	Independent Director of Leadtrend Technology Corporation H&J Management Corp. consultant	-	-	-	

Independent Director	TA-LUN HUANG	Male	Republic of China	106.6.22	106.6.22	3	-	-	-	-	-	-	-	-	Master's Degree from University of Michigan -- Ann Arbor Partner of AsiaVest Partners, TCW/YFY Ltd.	Director of Parade Technologies, Ltd. Director of Amulaire Thermal Technology, Inc. Director of TCERA CO., LTD. Mikobeauté, Inc. independent director Independent Director of ALi Corporation Global Investment Holdings Chairman	-	-	-	

Note 1: In consideration of the Company's business development and operation management needs, the Chairman of the Board of Directors of the Company, Mr. SEN-CHOU LO, will not continue to concurrently hold the post of General Manager. On December 1, 2018, he was replaced by Mr. SHIH-HAO HOWARD RO as the General Manager. Because the Chairman and the General Manager are father and son, for corporate governance reasons, the Company expects to add one independent director before December 31, 2023; more than half of the directors are not concurrently employees or managers.

Note 2: Assumed the position of Vice Chairman on July 1, 2019

2. Principal Shareholder of the Juristic Person Shareholder

April 30, 2010

Name of Juristic Person Shareholder	Principal Shareholder of the Juristic Person Shareholder	Shareholding Ratio
HEADWAY CAPITAL LIMITED	SEN-CHOU LO	100.00%

The principal shareholder of the juristic person shareholder is the principal shareholder of a juristic person: Nil.

3. Professional Knowledge and Independence of Directors

Criteria / Name	Whether He/She has over Five Years of Work Experience and the Following Professional Qualifications			Compliance with Independence												Number of Other Public Companies in which He/She is Concurrently an Independent Director
	A Lecturer or Above in the Department of Commerce, Law, Finance, Accounting or Other Departments Related to the Company's Business in a Public or Private Tertiary Institution	A Judge, Prosecutor, Attorney, Accountant or Other Professional and Technical Specialist who Has Passed a National Examination and has been Awarded a Certificate in a Profession Necessary for the Business of the Company	Has Work Experience in the Area of Commerce, Law, Finance, Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
SEN-CHOU LO			✓				✓	✓	✓	✓	✓	✓		✓	✓	1
CHEN-JUNG SHIH			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
MING-TO YU			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
HEADWAY CAPITAL LIMITED Corporate Representative - GONG-YI LIN			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
HEADWAY CAPITAL LIMITED Corporate Representative - YI-PIN LEE			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
SHIH-HAO HOWARD RO			✓		✓	✓		✓	✓	✓	✓	✓		✓	✓	0
MING-JENG WENG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
DING-JEN LIU			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
TA-LUN HUANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: Please check "✓" in the blanks of the various criteria codes below if the various directors and supervisors meet the following criteria two years before first appointment or during the term of office.

(1) Not an employee of the Company or its affiliated enterprise.

(2) Not a director, supervisor (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).

(3) A natural person shareholder who does not hold shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total shares issued by the Company, or does not rank among the top ten in terms of shares held

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the managers listed in (1) or the personnel listed in (2) and (3).

(5) Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, is within the top five shareholders, or appointed a representative to be a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).

(6) Not a director, supervisor or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).

(7) Not a director, supervisor or employee of another company or institution with the same person or spouse as the Chairman, General Manager or equivalent of the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).

(8) Not a director (Director), supervisor (Supervisor), manager or shareholder holding five percent or more of the shares of a specific company or institution with financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company and, if the specific company or institution holds more than 20% and less than 50% of the total issued shares of the Company).

(9) Not a professional who provides auditing related services to the Company or its affiliates and did not provide commercial, legal, financial or accounting related services to the Company or its affiliates with cumulative amount of remuneration obtained in the last two years exceeding NT $500000; and is not an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the Remuneration Committee, the Public Takeover Review Committee or the Special Merger and Acquisition Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not a spouse or relative within the second degree of kinship of other directors.

(11) Has not been involved in the various circumstances stipulated in Article 30 of the Company Act.

(12) Has not been elected in the capacity of the government, juristic person or its representative in accordance with Article 27 of the Company Act.

(2) Information about General Managers, Deputy General Managers, Associates and the Managers of Various Departments and Branch Organizations

April 30, 2019; Unit: Shares; %

Position	Name	Gender	Nationality	Date of Appointment			Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
General Manager	SHIH-HAO HOWARD RO	Male	United States	107.12.01	132,000	0.18	-	-	-	-	University of California, Riverside Business Manager and Vice General Manager of Egis Technology Inc. SBI & Capital 22 Mizuho Securities Asia Ltd	Nil	-	-	-	Explanation (Note 1)
Chief Operating Officer and Chief Technology Officer	GONG-YI LIN	Male	Republic of China	103.03.14	90,000	0.13	-	-	-	-	Institute of Electronics, National Chiao Tung University Director of Chip Design Consultant Group of Synopsys for Asia Region	Juristic Person Director of Evershine BPO Service Corporation Juristic Person Director of Integrated Digital Technologies, Inc. Juristic Person Director of Tyrafos Technologies Co., Ltd. AISTORM, INC. Director Sirius Wireless Pte Ltd. Director	-	-	-	

Position	Name	Gender	Nationality	Date of Appointment			Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Sr. Deputy General Manager	YI-PIN LEE	Male	Republic of China	105.09.01	275,700	0.39	-	-	-	-	Central Missouri State University MBA Department of Economics, Chung Hsing University Chief Financial Officer of Primax Electronics Ltd. Chief Financial Officer of DaStrong Corporation Chief Financial Officer of Central Corporation Chief Financial Officer of TSTC Manager of Acer Inc.	Supervisor of Igistec Co., Ltd. Sirius Wireless Pte Ltd. Director	-	-	-	
Chief Financial Officer	GEORGE CHANG	Male	Republic of China	108.04.09	181,000	0.25	9,000	0.01	-	-	University of Southern California, Marshall School of Business Los Angeles, CA Sr. Deputy General Manager of Yuanta Securities Investment Consulting Co., Ltd.	Nil	-	-	-	
Deputy General Manager	SKY SU	Male	Republic of China	97.02.01	125,000	0.18	-	-	-	-	Institute of Management of Technology, National Chiao Tung University Deputy General Manager of the Business Department of Ching Hu Technology Corporation	Egis Tec USA Inc.Director	-	-	-	
Deputy General Manager	DAVID HWANG	Male	Republic of China	101.12.24	30,254	0.04	-	-	-	-	Michigan State University, Master of Statistics General Manager of Wison Technology Corporation	Nil	-	-	-	

Position	Name	Gender	Nationality	Date of Appointment			Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Deputy General Manager	KAREN CHANG	Female	Republic of China	106.11.13	-	-	-	-	-	-	Institute of Science and Technology Management, National Taiwan University of Science and Technology Deputy Director, Industrial Innovation Division, Board of Science and Technology, Executive Yuan Group Leader of Science and Technology Institute, Institute for Information Industry Security iCAST Office Director	Nil	-	-	-	
Deputy General Manager	JIMMY HSU	Male	Republic of China	107.03.05	40,000	0.06	-	-	-	-	Department of Mechanical Engineering, National Sun Yat-sen University Sr. Project Manager of Egis Technology Inc. Associate & Sr. Software Manager of Corel Software Manager & Software Engineer of Intervideo	Egis Technology (Korea) Inc. Director	-	-	-	

Position	Name	Gender	Nationality	Date of Appointment			Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Deputy General Manager	KOS LIN	Male	Republic of China	107.12.01	-	-	-	-	-	-	Graduate Institute of Electronics Engineering, National Taiwan University College of Electrical Engineering and Computer Science, National Taiwan University CEO of Theia Tech Co. Ltd. Technical Adviser of Shenzhen Goodix Technology Co., Ltd. Assistant Technical Manager of MediaTek Inc.	Chairman and General Manager of Igistec Co., Ltd.	-	-	-	
Sr. Deputy General Manager	CHIA-HUA CHUNG	Female	Republic of China	109.03.18	-	-	-	-	-	-	Florida State International University Miami, Florida, USA B.A., Business Administration and Management Puya Semiconductor (Shanghai) Co., Ltd. Overseas Sales Consultant	Nil	-	-	-	
Accountant Manager	KATHY HUANG	Female	Republic of China	102.11.14	20,000	0.03	-	-	-	-	Department of Public Finance, National Chung Hsing University Manager of Accounting Department of Biodenta Corporation	Egis Technology (Japan) Inc. Supervisor	-	-	-	
Deputy Audit Manager	IRIS LEE	Female	Republic of China	102.07.02	-	-	-	-	-	-	Department of Accounting, Shih Chien University Financial Manager of Dynamic Digital Holdings Limited	Nil	-	-	-	

Note 1: In consideration of the Company's business development and operation management needs, the Chairman of the Board of Directors of the Company, Mr. SEN-CHOU LO, will not continue to concurrently hold the post of General Manager. On December 1, 2018, he was replaced by Mr. SHIH-HAO HOWARD RO as the General Manager. Because the Chairman and the General Manager are father and son, for corporate governance reasons, the Company expects to add one independent director before December 31, 2023, and more than half of the directors are not concurrently employees or managers.

3. Remunerations Paid to Directors, Supervisors, General Managers and Deputy General Managers for the Last Fiscal Year

(1) Directors' (Including Independent Directors) Remunerations

December 31, 2019; Unit: NTD'000; %

Position	Name	Directors' Remunerations								Percentage of Aggregate of Four Items A, B, C and D in Net Profit After Tax		Relevant Remunerations Received by Directors who are also Employees												Percentage of Aggregate of Seven Items A, B, C, D, E, F and G in Net Profit After Tax		Remunerations Received from Invested Businesses other than Subsidiaries of the Company or the Parent Company (Note 1)
		Rewards (A)		Severance Pension (B)		Directors' Remuneration (C)		Business Implementation Fee Expenses (D)				Salaries, Bonuses and Special Disbursements, etc. (E)		Retirement Pension (F)		Employee Remunerations (G)				Number of Subscription Shares Received from Employee Stock Warrants (H) (Thousand Shares)		Number of New Restricted Employee Shares Acquired (Thousand Shares)				
		The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company		All Companies in the Financial Reports		The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	
																Amount in Cash	Amount in Shares	Amount in Cash	Amount in Shares							
Chairman	SEN-CHOU LO	-	-	-	-	1,285	1,285	-	-	0.15%	0.15%	12,095	12,095	-	-	16,000	-	16,000	-	-	-	-	-	3.40%	3.40%	Nil
Director	SHIH-HAO HOWARD RO	-	-	-	-	1,285	1,285	-	-	0.15%	0.15%	46,747	46,747	-	-	-	-	-	-	-	-	34	34	5.57%	5.57%	Nil
Vice Chairman	MING-TO YU (Note 1)	-	-	-	-	8,997	8,997	200	200	1.06%	1.06%	10,785	10,785	260	260	4,700	-	4,700	-	-	-	70	70	2.89%	2.89%	Nil
Director	CHEN-JUNG SHIH																									
Director (juristic person)	GONG-YI LIN (Note 2)																									
Director (juristic person)	YI-PIN LEE (Note 2)																									

Position	Name	Directors' Remunerations								Percentage of Aggregate of Four Items A, B, C and D in Net Profit After Tax		Relevant Remunerations Received by Directors who are also Employees												Percentage of Aggregate of Seven Items A, B, C, D, E, F and G in Net Profit After Tax		Remunerations Received from Invested Businesses other than Subsidiaries of the Company or the Parent Company (Note 1)
		Rewards (A)		Severance Pension (B)		Directors' Remuneration (C)		Business Implementation Fee Expenses (D)				Salaries, Bonuses and Special Disbursements, etc. (E)		Retirement Pension (F)		Employee Remunerations (G)				Number of Subscription Shares Received from Employee Stock Warrants (H) (Thousand Shares)		Number of New Restricted Employee Shares Acquired (Thousand Shares)				
		The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company		All Companies in the Financial Reports		The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	
																Amount in Cash	Amount in Shares	Amount in Cash	Amount in Shares							
Chairman	SEN-CHOU LO	-	-	-	-	1,285	1,285	-	-	0.15%	0.15%	12,095	12,095	-	-	16,000	-	16,000	-	-	-	-	-	3.40%	3.40%	Nil
Director	SHIH-HAO HOWARD RO	-	-	-	-	1,285	1,285	-	-	0.15%	0.15%	46,747	46,747	-	-	-	-	-	-	-	-	34	34	5.57%	5.57%	Nil
Independent director	DING-JEN LIU																									
Independent director	MING-JENG WENG																									
Independent director	TA-LUN HUANG																									

1. Please state the policy, system, standard, and structure of independent directors' bonus payment and the relationship between the bonus amount and factors such as responsibilities, risks and contributed time: The remuneration of the independent directors of the Company shall be handled in accordance with the Articles of Association. The Remuneration Committee will deliberate on the extent of their participation in the Company's operation and the value of their contributions. The reasonable risk of the performance risk shall be connected with the remuneration received. After considering the Company's operating performance and the normal level of payment of the same industry, the Remuneration Committee shall make suggestions and submit them to the Board of Directors for resolution.

2.In addition to the disclosure above, the remuneration received by the directors of the Company for providing services (such as serving as outside consultants) to all companies listed in the financial report during the most recent year: Nil

Note 1: Assumed the position of Vice Chairman on July 1, 2019

Note 2: The representative of the juristic person director, HEADWAY CAPITAL LIMITED.

Classification of Remunerations

Classification of Remunerations Paid to Various Directors of the Company	Name of Director			
	Aggregate Amount of First Four Items of Remunerations (A+B+C+D)		Aggregate Amount of First Seven Items of Remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports
Less than NTD 1,000,000				
NTD 1,000,000 (Inclusive) – NTD 2,000,000 (Exclusive)	SEN-CHOU LO; CHEN-JUNG SHIH; DING-JEN LIU; MING-JENG WENG; TA-LUN HUANG; MING-TO YU; SHIH-HAO HOWARD RO; GONG-YI LIN; YI-PIN LEE	SEN-CHOU LO; CHEN-JUNG SHIH; DING-JEN LIU; MING-JENG WENG; TA-LUN HUANG; MING-TO YU; SHIH-HAO HOWARD RO; GONG-YI LIN; YI-PIN LEE	CHEN-JUNG SHIH; DING-JEN LIU; MING-JENG WENG; TA-LUN HUANG	CHEN-JUNG SHIH; DING-JEN LIU; MING-JENG WENG; TA-LUN HUANG
NTD 2,000,000 (Inclusive) – NTD 3,500,000 (Exclusive)				
NTD 3,500,000 (Inclusive) – NTD 5,000,000 (Exclusive)				
NTD 5,000,000 (Inclusive) – NTD 10,000,000 (Exclusive)			MING-TO YU; GONG-YI LIN; YI-PIN LEE	MING-TO YU; GONG-YI LIN; YI-PIN LEE
NTD 10,000,000 (Inclusive) – NTD 15,000,000 (Exclusive)				
NTD 15,000,000 (Inclusive) – NTD 30,000,000 (Exclusive)			SEN-CHOU LO	SEN-CHOU LO
NTD 30,000,000 (Inclusive) – NTD 50,000,000 (Exclusive)			SHIH-HAO HOWARD RO	SHIH-HAO HOWARD RO
NTD 50,000,000 (Inclusive) – NTD 100,000,000 (Exclusive)				
More than NTD 100,000,000				
Total	Nine persons in total	Nine persons in total	Nine persons in total	Nine persons in total

(2) Supervisors' Remunerations

Since the 5th Board of Directors, the Company has established an Audit Committee to replace the function of Supervisors. Therefore, this is not applicable.

(3) Remunerations of General Managers and Deputy General Managers

December 31, 2019; Unit: NTD’000; Shares: %

Position	Name	Salaries (A)		Severance and Pension (B)		Bonuses and Special Disbursements, etc. (C)		Amount of Employee Remunerations (D)				Aggregate of Four Items A, B, C and D as a Percentage of Net Profit After Tax (%)		Remunerations Received from Invested Businesses other than Subsidiaries of the Company or the Parent Company
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Amount in Cash	Amount in Shares	Amount in Cash	Amount in Shares			
General Manager	SHIH-HAO HOWARD	26,258	27,647	835	835	49,523	50,602	12,250	-	12,250	-	10.30%	10.59%	Nil
Deputy General Manager	GONG-YI LIN													
Sr. Deputy General Manager	YI-PIN LEE													
Deputy General Manager	SKY SU													
Deputy General Manager	DAVID HWANG													
Deputy General Manager	JIMMY HSU													
Deputy General Manager	KAREN CHANG													
Deputy General Manager	KOS LIN													
Deputy General Manager	GEORGE CHANG													

Classification of Remunerations

Classification of Remunerations Paid to Various General Managers and Deputy General Managers in the Company	Name of General Manager and Deputy General Manager	
	The Company	All Companies in the Financial Reports
Less than NTD 1,000,000		
NTD 1,000,000 (Inclusive) – NTD 2,000,000 (Exclusive)		
NTD 2,000,000 (Inclusive) – NTD 3,500,000 (Exclusive)	DAVID HWANG	DAVID HWANG
NTD 3,500,000 (Inclusive) – NTD 5,000,000 (Exclusive)	SKY SU; KAREN CHANG; KOS LIN	SKY SU; KAREN CHANG
NTD 5,000,000 (Inclusive) – NTD 10,000,000 (Exclusive)	GONG-YI LIN; YI-PIN LEE; JIMMY HSU; CHIA-CH’I CHANG	GONG-YI LIN; YI-PIN LEE; JIMMY HSU; KOS LIN; CHIA-CH’I CHANG

Classification of Remunerations Paid to Various General Managers and Deputy General Managers in the Company	Name of General Manager and Deputy General Manager	
	The Company	All Companies in the Financial Reports
NTD 10,000,000 (Inclusive) – NTD 15,000,000 (Exclusive)		
NTD 15,000,000 (Inclusive) – NTD 30,000,000 (Exclusive)		
NTD 30,000,000 (Inclusive) – NTD 50,000,000 (Exclusive)	SHIH-HAO HOWARD RO	SHIH-HAO HOWARD RO
NTD 50,000,000 (Inclusive) – NTD 100,000,000 (Exclusive)		
More than NTD 100,000,000		
Total	Nine persons in total	Nine persons in total

(4) Name of Manager Distributing Employee Remunerations and Status of Distribution:

December 31, 2019; Unit: NTD'000; %

	Position	Name	Amount in Shares	Amount in Cash (Note 1)	Total	Total Remuneration to the Net Profit After Tax Ratio (%)
Manager	Chief Operating Officer	GONG-YI LIN	-	12,690	12,690	1.47%
	Sr. Deputy General Manager	YI-PIN LEE				
	Deputy General Manager	SKY SU				
	Deputy General Manager	DAVID HWANG				
	Deputy General Manager	KAREN CHANG				
	Deputy General Manager	KOS LIN				
	Deputy General Manager	JIMMY HSU				
	Deputy General Manager	GEORGE CHANG				
	Accounting Manager	KATHY HUANG				

Note 1: The resolution on employee remunerations was passed by the Board of Directors on March 17, 2020.

(5) Comparison and Explanation of the Analysis on the Ratio of the Aggregate Amount of Remunerations Paid to the Company's Directors, Supervisors, General Managers, and Deputy General Managers by the Company and All Companies in the Consolidated Financial Statements to the Net Profit After Tax in the Parent Company Only Financial Reports or Individual Financial Reports, and Explanations on the Policies, Standards and Portfolios for the Payment of Remunerations, Procedures for Determining Remunerations, as well as the Correlation between Business Performance and Future Risks

1. Analysis of the Ratio of Remunerations Paid to the Directors, Supervisors, General Managers, and Deputy General Managers of the Company in the Last Two Fiscal Years to the Net Profit After Tax

Unit: %

Item / Position	2018		2019	
	Total Remunerations as a Percentage of Net Profit After Tax (%)		Total Remunerations as a Percentage of Net Profit After Tax (%)	
	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report
Directors	8.44	8.44	11.86	11.86
Supervisors	-	-	-	-
General Managers and Deputy General Managers	11.54	11.54	10.30	10.59

2. Policies, Standards and Portfolios for the Payment of Remunerations, Procedures for Determining Remunerations, as well as the Correlation with Business Performance and Future Risks

The total amount of remunerations paid by the Company to the Directors, General Managers, and Deputy General Managers is mainly determined based on their degree of participation and value of contributions to the operations of the Company, and with reference to the industry standards at home and abroad.

The remunerations of the General Managers and Deputy General Managers of the Company include their salaries, bonuses, employee remunerations, and employee stock warrants. The salary standard is determined based on their positions in the Company, their responsibilities, and their contributions to the Company, and with reference to the standards in the same industry. The employee remuneration distribution standards are in compliance with the Articles of Association of the Company and the relevant resolution is passed by the Board of Directors and reported at the shareholders meeting.

IV. Corporate Governance Practices

(1) Practices of the Board of Directors

As of the publication date of this annual report, the Board of Directors has held eight (A) meetings (six in 2019 and two in 2020) in total. The attendance of directors was as follows:

Position	Name	Attendance in Person(B)	Attendance by Proxy	Actual attendance ratio(%)(B/A)	Remarks
Chairman	SEN-CHOU LO	8	0	100.00 %	
Vice Chairman	MING-TO YU	7	0	87.50 %	
Director	CHEN-JUNG SHIH	2	5	25.00 %	
Director	Representative of HEADWAY CAPITAL LIMITED GONG-YI LIN	8	0	100.00 %	
Director	Representative of HEADWAY CAPITAL LIMITED YI-PIN LEE	8	0	100.00 %	
Director	SHIH-HAO HOWARD RO	5	3	62.50 %	
Independent director	MING-JENG WENG	7	1	87.50 %	
Independent director	DING-JEN LIU	7	1	87.50 %	
Independent director	TA-LUN HUANG	7	1	87.50 %	

Other Matters to be Recorded:

1. If the operation of the Board of Directors has one of the following circumstances, the date, period of the board of directors, the content of the proposal, the opinions of all independent directors and the Company's handling of the opinions of independent directors should be clarified:

(1) Matters listed in Article 14(3) of the Securities and Exchange Act

(2) Other resolutions of the Board of Directors that independent directors have an objection or reservation and which have a record or a written statement

Board of Directors	Contents of the Proposals and Subsequent Handling	Items listed in Securities and Exchange Act 14-3	Independent directors hold objections or reservations
The 11th meeting of the 6th Board of	1. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	V	No such situation.
	Opinions of the independent directors: Nil		

Directors January 14,	The Company's handling of the opinions of the independent directors: Nil		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 12th meeting of the 6th Board of Directors March 14, 2019	1. The 2018 Annual Business Report and Financial Statements of the Company.	V	No such situation.
	2. The 2018 Earnings Distribution Plan of the Company.	V	No such situation.
	3. Issuance of the 2018 Statement on Internal Control System of the Company.	V	No such situation.
	4. Appointment and remunerations of the certified public accountants for 2019.	V	No such situation.
	5. Amendment to some clauses in "Operating Procedures for Acquisition or Disposal of	V	No such situation.
	6. Amendment of the "Regulations Governing Approval Authority" of the Company.	V	No such situation.
	7. Dismissal of Chief Financial Officer of the Company.	V	No such situation.
	8. Review of newly recruited Chief Financial Officer.	V	No such situation.
	Opinions of the independent directors: Nil		
	The Company's handling of the opinions of the independent directors: Nil		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 13th meeting of the 6th Board of Directors May 6, 2019	1. Consolidated financial statements of the Company for Q1 of 2019.	V	No such situation.
	2. Proposal for the Company to invest in Drive Inc. equity.	V	No such situation.
	3. Amendment to some clauses in "Operating Procedures for Loaning Funds to Others"	V	No such situation.
	4. Amendment to some clauses in "Operating Procedures for Endorsement/Guarantees"	V	No such situation.
	5. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	V	No such situation.
	Opinions of the independent directors: Nil		
	The Company's handling of the opinions of the independent directors: Nil		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 15th meeting of the 6th Board of Directors August 12, 2019	1. The Company's financial report and consolidated financial report for the second quarter of 2019.	V	No such situation.
	Opinions of the independent directors: Nil		
	The Company's handling of the opinions of the independent directors: Nil		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 16th meeting of the 6th Board of Directors November 11, 2019	1. The Company's consolidated financial report for the third quarter of 2019.	V	No such situation.
	2. The Company's audit plan for 2020.	V	No such situation.
	3. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	V	No such situation.
	4. Amendment of the Company's "Ethical Corporate Management Best Practice	V	No such situation.
	5. Establishment of the Company's "Special Committee on Mergers and Acquisitions", establishment of the "Organizational Rules of the Special Committee on Mergers and	V	No such situation.
	Opinions of the independent directors: Nil		
	The Company's handling of the opinions of the independent directors: Nil		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 17th meeting of the 6th Board of Directors January 15, 2020	1. Proposal for the Company to make an endorsement of and provide a guarantee for CoreSystem Technology Limited.	V	No such situation.
	2. Proposal to authorize the Chairman of the Board of Directors to decide the investment matters during the first half of 2020 and within the amount of NT $600	V	No such situation.
	3. Appointment and remunerations of the certified public accountants by the Company	V	No such situation.
	4. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	V	No such situation.
	Opinions of the independent directors: Nil		
	The Company's handling of the opinions of the independent directors: Nil		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		

The 18th meeting of the 6th Board of Directors March 17, 2020	1. The 2019 Annual Business Report and Financial Statements of the Company.	V	No such situation.
	2. The 2019 Earnings Distribution Plan of the Company.	V	No such situation.
	3. Proposal for the Company to Participate in the Capital Increase of AISTORM, INC.	V	No such situation.
	4. Issuance of the 2019 Statement on Internal Control System of the Company.	V	No such situation.
	5. Amendment to some clauses in "Operating Procedures for Acquisition or Disposal of Assets" of the Company and Approval Authority Table.	V	No such situation.
	6. Proposal for the Company to lend capital to Sirius Wireless Pte. Ltd.	V	No such situation.
	Opinions of the independent directors: Nil		
	The Company's handling of the opinions of the independent directors: Nil		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		

2. In the event that any director has to abstain from voting on any proposal due to a conflict of interest, the name of the director, the content of the proposal, reason(s) for recusal, and the result of the voting should be specified:

Board of Directors Appointment	Cause(s)	Name of Director	Reason(s) for Recusal	Result of Voting
The 11th meeting of the 6th Board of Directors January 14, 2019	The lifting of non-competition restrictions on Managers.	GONG-YI LIN	Director GONG-YI LIN serves assumed a position in the invested company	After Director GONG-YI LIN explained the reason for serving in the invested company to other directors, the proposal was unanimously passed without objection upon consultation with all directors in attendance by the Chairman.
The 12th meeting of the 6th Board of Directors March 14, 2019	The lifting of non-competition restrictions on Managers.	GONG-YI LIN	Director GONG-YI LIN serves assumed a position in the invested company	Except for Director GONG-YI LIN, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	Allocation of year-end bonus and performance bonus and employee remunerations for 2018 to managers.	SEN-CHOU LO, SHIH-HAO HOWARD RO, GONG-YI LIN and YI-PIN LEE	Director and General Manager	Directors SEN-CHOU LO, SHIH-HAO HOWARD RO, GONG-YI LIN, and YI-PIN LEE recused themselves on this proposal. The proposal was presided over by the Independent Director MING-JENG WENG and was unanimously passed without objection upon consultation with all directors in attendance by the Chairman.
	Dismissal of Chief Financial Officer of the Company.	YI-PIN LEE	Director and General Manager	Except for Director YI-PIN LEE, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.

	Appointment and dismissal of the Chief Technology Officer of the Company.	GONG-YI LIN	Director and General Manager	Except for Director GONG-YI LIN, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	Review of salary of the Chairman.	SEN-CHOU LO and SHIH-HAO HOWARD RO	Director SEN-CHOU LO is the related person of the proposal and Director SHIH-HAO HOWARD RO and Director SEN-CHOU LO have a relationship within the second degree of kinship	Director SEN-CHOU LO and Director SHIH-HAO HOWARD RO recused themselves on this proposal. The proposal was presided over by the Independent Director MING-JENG WENG and was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	Allocation of treasury stocks to managers.	YI-PIN LEE	Director and General Manager	Except for Director YI-PIN LEE, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
The 13th meeting of the 6th Board of Directors May 6, 2019	Deliberate on the Vice Chairman's remuneration proposal.	Except Director MING-TO YU, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.	Director MING-TO YU has a conflict of interest with respect to this proposal	Except for Director MING-TO YU, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	Proposal of the Company's 2019 distribution of directors' remuneration	Several directors	Concerning several directors' remuneration	Apart from several directors whose remunerations are involved and did not participate in the discussion and voting, the proposal was unanimously passed without objection upon consultation with all other directors available for voting by the Chairman.
	The lifting of non-competition restrictions on Managers.	YI-PIN LEE	Director and General Manager	Except for, Director YI-PIN LEE, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.

3. The Company shall disclose the evaluation cycle and period, evaluation scope, method, and evaluation content of the Board of Directors' self (or peer) evaluation, and fill in the following form of evaluation implementation of the Board of Directors:

See the form below for details.

4. Goals in the enhancement of the functions of the Board of Directors in the current fiscal year and the last fiscal year (such as the establishment of an audit committee, enhancing information transparency, etc.) and evaluation of such implementations:

(1) Goals in the enhancement of the functions of the Board of Directors

1. The Company has formulated the Rules of Procedures for Board of Directors according to the Regulations Governing Procedure for Board of Directors of Public Companies through the resolution of the Board of Directors; the Board of Directors has been operated in accordance with the Rules of Procedures for Board of Directors.

2. The Company has established independent directors, audit committee, and remuneration committee to strengthen the corporate governance functions of the Board of Directors.

3. The Company will regularly arrange for directors to participate in professional enrichment courses to ensure that directors maintain their core values as well as their professional strengths and abilities.

(2) Assessment of Implementation Status

1. The Company has established the Remuneration Committee and Audit Committee on June 12, 2014 and October 17, 2014 respectively to assist the Board of Directors in performing its duties.

2. The Company published important resolutions on the Market Observation Post System immediately after the board meetings to safeguard the rights and interests of shareholders. A special person was appointed with the responsibility of collecting and disclosing information on the Company and a spokesperson system was established to ensure the timely and proper disclosure of important information, which serves as financial and business-related information of the Company for reference by the shareholders and interested parties.

Evaluation of Implementation by the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation contents
Carry out once a year	Evaluate the performance from January 1, 2019 to December 31, 2019	Performance evaluation of the Board of Directors and individual directors.	The internal self-assessment of the Board of Directors and the self-assessment of the directors.	(1) Board of Directors performance evaluation: On their participation in the operation of the Company, decision-making quality of the Board of Directors, composition and structure of the Board of Directors, selection and continuous learning of directors, internal control, etc. (2) Performance evaluation of individual directors: Mastery of the Company's objectives and tasks, to recognize the responsibilities of directors, to participate

				in the Company's operation, to manage and communicate internal relations, to continue professional and continuing education of directors, to control internal control, etc.

(2) Practices of the Audit Committee

The Audit Committee has convened seven meetings (A) in total in fiscal year 2019 (five times) and 2020 (twice) as of the publication date of this annual report; the attendance of the independent directors was as follows:

Position	Name	Number of meetings actually attended(B)	Attendance by Proxy	Actual attendance ratio(%)(B/A)	Remarks
Independent director	MING-JENG	6	1	85.71 %	
Independent director	DING-JEN LIU	6	1	85.71 %	The Convener and the Chairman
Independent director	TA-LUN HUANG	6	1	85.71%	

Other Matters to be Recorded:

1. Any matter listed in Article 14-5 of the Securities and Exchange Act and other resolutions that were passed by two-thirds or more of all directors but not approved by the Audit Committee should be specified, with the date and session of the board meeting, contents of the proposal, the outcome of the resolution by the Audit Committee, and the Company's handling of the opinions of the Audit Committee provided in detail:

(1) Matters listed in Article 14(5) of the Securities and Exchange Act

(2) Resolutions that were passed by two-thirds or more of all directors but not approved by the Audit Committee save the aforesaid matters:

Board of Directors	Contents of the Proposals and Subsequent Handling	Items listed in Securities and Exchange Act 14-5	Resolutions passed by two-thirds or more of all directors but not approved by the Audit Committee
The 11th meeting of the 6th Board of Directors January 14, 2019	1. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	V	No such situation.
	Resolutions of the Audit Committee (01/14/2019): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee All directors in attendance passed the resolutions.		
The 12th meeting of the 6th Board of Directors March 14, 2019	1. The 2018 Annual Business Report and Financial Statements of the Company.	V	No such situation.
	2. The 2018 Earnings Distribution Plan of the Company.	V	No such situation.
	3. Issuance of the 2018 Statement on Internal Control System of the Company.	V	No such situation.
	4. Appointment and remunerations of the certified public accountants for 2019.	V	No such situation.
	5. Amendment to some clauses in "Operating Procedures for Acquisition or Disposal of Assets" of the Company.	V	No such situation.
	6. Amendment of the "Regulations Governing Approval Authority" of the Company.	V	No such situation.
	7. Dismissal of Chief Financial Officer of the Company.	V	No such situation.
	8. Review of newly recruited Chief Financial Officer.	V	No such situation.
	Resolutions of the Audit Committee (03/14/2019): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee All directors in attendance passed the resolutions.		
	1. Proposal for the Company to invest in Drive Inc. equity.	V	No such situation.

The 13th meeting of the 6th Board of Directors May 6, 2019	2. Amendment to some clauses in "Operating Procedures for Loaning Funds to Others"	V	No such situation.
	3. Amendment to some clauses in "Operating Procedures for Endorsement/Guarantees"	V	No such situation.
	4. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	V	No such situation.
	Resolutions of the Audit Committee (05/06/2019): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee All directors in attendance passed the resolutions.		
The 15th meeting of the 6th Board of Directors August 12, 2019	1. The Company's financial report and consolidated financial report for the second quarter of 2019.	V	No such situation.
	Resolutions of the Audit Committee (08/12/2019): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee All directors in attendance passed the resolutions.		
The 16th meeting of the 6th Board of Directors November 11, 2019	1. The Company's audit plan for 2020.	V	No such situation.
	2. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	V	No such situation.
	3. Amendment of the Company's "Ethical Corporate Management Best Practice	V	No such situation.
	Resolutions of the Audit Committee (11/11/2019): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee All directors in attendance passed the resolutions.		
The 17th meeting of the 6th Board of Directors January 15, 2020	1. Proposal for the Company to make an endorsement of and provide a guarantee for CoreSystem Technology Limited.	V	No such situation.
	2. Proposal to authorize the Chairman of the Board of Directors to decide the investment matters during the first half of 2020 and within the amount of NT $600	V	No such situation.
	3. Appointment and remunerations of the certified public accountants by the Company	V	No such situation.
	4. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	V	No such situation.
	Resolutions of the Audit Committee (01/15/2020): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee All directors in attendance passed the resolutions.		
The 18th meeting of the 6th Board of Directors March 17, 2020	1. The 2019 Annual Business Report and Financial Statements of the Company.	V	No such situation.
	2. The 2019 Earnings Distribution Plan of the Company.	V	No such situation.
	3.Proposal for the Company to Participate in the Capital Increase of AISTORM, INC.	V	No such situation.
	4. Issuance of the 2019 Statement on Internal Control System of the Company.	V	No such situation.
	5. Amendment to some clauses in "Operating Procedures for Acquisition or Disposal of Assets" of the Company and Approval Authority Table.	V	No such situation.
	6. Proposal for the Company to lend capital to Sirius Wireless Pte. Ltd.	V	No such situation.
	Resolutions of the Audit Committee (109.03.17): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee All directors in attendance passed the resolutions.		

2. In the event that any independent director has to abstain from voting on any proposal due to a conflict of interest, the name of the independent director, the content of the proposal, reason(s) for recusal, and the result of the voting should be specified: No such situation.

3. Communications between the independent directors and internal audit supervisors, as well as accountants (such as matters related to the financial or business situation of the Company that were communicated, the mode and outcome of such communications, etc.)

Notes:

After the audit report and follow-up report are submitted, the audit director shall deliver the audit report and follow-up report to each independent director and timely respond to matters raised by the independent directors.

The audit director and accountant shall communicate with the independent directors on financial and business conditions during the quarterly Board of Directors meeting.

The audit director shall attend the audit committee meetings in a non-voting capacity and prepare the audit report. The independent directors of the Company shall communicate with the internal audit director.

The accountant conducts face-to-face meetings with the independent directors on the Company's financial and business conditions, or the independent director communicates by telephone or email with the Deputy General Manager of the financial department at any time.

(3) The Company's Corporate Governance Practices, and Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, as well as Reasons for the Discrepancies

Assessment Item	Implementation Status			Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
1. Did the Company formulate and disclose its Code of Corporate Governance Practices according to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has formulated "Code of Corporate Governance Practices of Egis Technology Inc." which is available on the Company's website for stakeholders to download.	No major discrepancy
2. Shareholding Structure of the Company and Shareholders' Equity (1) Did the Company establish internal operating procedures to deal with the proposals, doubts, disputes and litigation matters of shareholders, and implement these in accordance with the procedures?		✓	(1) The Company has a spokesperson. The spokesperson, acting spokesperson, shareholder services unit, investor relations unit, as well as the relevant departments of the legal unit serve as channels for proposals and communication with shareholders to ensure that these matters can be properly handled.	No major discrepancy
(2) Does the Company have a list of the principal shareholders who are in actual control of the Company and the ultimate controllers of the principal shareholders?	✓		(2) The shareholder services unit is responsible for controlling information related to the Company and maintaining close contact with the principal shareholders.	No major discrepancy
(3) Did the Company establish and implement risk control and firewall mechanisms between itself and its related enterprises?	✓		(3) The Company has established relevant controls in the Company's internal control system and "Regulations for Financial- and Business-Related Operations with Related Enterprises" according to the law.	No major discrepancy
(4) Did the Company establish internal standards to prohibit insiders from trading in securities using information that is undisclosed to the market?	✓		(4) The Company has formulated Article 6 of the "Operating Procedures for the Management of Significant Internal Information" to prohibit directors, supervisors, managers, and employees with knowledge of significant internal information of the Company from disclosing said information to others. In addition, the "Management Procedures for the Prevention of Insider Trading" prohibit the disclosure of any information to the public or the adoption of any prohibited actions before the release of significant information, as to ensure the correctness and popularity of the information.	No major discrepancy
3. Composition and the Duties of the Board of Directors (1) Did the Board of Directors formulate and implement a diversity policy with regard to its membership composition?	✓		(1) The Company has established a diversity policy for members of the Board of Directors in the "Code of Corporate Governance Practices". The Company selects persons who have the knowledge, skills, and literacy necessary for performing the duties as directors, based on the professional background and work fields. The details for the implementation of Board diversity policy by several directors are set out in Note 1.	No major discrepancy
(2) Apart from establishing the Remuneration Committee and Audit Committee in accordance with the law, did the Company establish other functional committees at its own will?	✓		(2) In addition to the Remuneration Committee and the Audit Committee, on November 11, 2019, the Company established a "Special Committee on Mergers and Acquisitions" and adopted the "Organizational Rules of the Special Committee on Mergers and Acquisitions".	No major discrepancy
(3) Does the Company have measures to evaluate the performance of the Board of Directors and its evaluation method, conduct performance evaluation annually and regularly, report the results of performance evaluation to the Board of Directors, and refer to them in relation to salary and remuneration of individual directors and their nomination for renewal?	✓		(3) The Company has formulated the "Methods for Performance Appraisal" for the Board of Directors and conducts the self-evaluation of directors and the board's evaluation indicators for the previous year at each beginning of the year according to the regulations, and reports the results of the performance evaluation to the Board of Directors. It can be used as a reference for salary and remuneration of individual directors and nomination for renewal.	No major discrepancy
(4) Does the Company evaluate the independence of the certified public accountants on a regular basis?	✓		(4) The Financial Department of the Company evaluates the independence of the certified public accountants once a year and reports the results to the Audit Committee and the Board of Directors for consideration and approval. Upon approval, if all are in line with the Company's independence standards then they are able to serve as the Company's certified public accountants. The evaluation criteria for certified public accountant's independence are detailed in Note 2.	No major discrepancy
4. Is the Listed or OTC Company equipped with competent and appropriate number of corporate governance personnel and has it designated a corporate governance director	✓		The Company has promoted the establishment of full-time (part-time) units in the corporate governance area to be the Company's equity unit to undertake the implementation of all corporate governance-related matters, including handling	No major discrepancy

Assessment Item	Implementation Status			Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
to be responsible for corporate governance related matters (including but not limited to providing data required by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, managing meeting related matters of the Board of Directors and shareholders' meeting in accordance with laws, making minutes of the Board of Directors and shareholders' meeting, etc.)?			of matters related to board meetings or shareholders' meetings according to law, modification of registration of the Company, regular reviews and revisions of Code of Corporate Governance, preparing minutes of board meetings and shareholders' meetings, and arranging enrichment courses for directors and managers on a regular basis, etc.	
5. Did the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a stakeholder area on the Company's website, and respond to important corporate social responsibility issues that are of concern to stakeholders in an appropriate way?	✓		In order to maintain a smooth communication channel with stakeholders, the Company has set up a section for stakeholders on the Company's website (http://www.egistec.com). In the event that a stakeholder suffers an infringement of his/her rights, discovers an employee of the Company to be involved in behavior that is illegal or in violation of the Company's corporate governance, or has any doubts or suggestions related to the Company, the stakeholder can contact the Company through this channel. There will be specially assigned personnel who will reply and handle the matter.	No major discrepancy
6. Has the Company appointed a professional shareholder services agency to handle the affairs related to the Board of Shareholders?	✓		The Company has appointed the Stock Service Department of Yuanta Securities Co., Ltd. as the shareholder services agency of the Company and it shall handle affairs related to the Board of Shareholders.	No major discrepancy
7. Information Disclosure (1) Has the Company established a website for the disclosure of its financial, business and corporate governance information?	✓		(1) The Company has disclosed information related to its business, financial, and corporate governance status on the Company's website. (http://www.egistec.com)	No major discrepancy
(2) Has the Company adopted other measures for the disclosure of information (such as setting up an English website, appointing personnel to be responsible for the collection and disclosure of information related to the Company, implementing a spokesperson system, and posting investor conferences on the Company's website, etc.)?	✓		(2) The Company has an appointed spokesperson and an acting spokesperson. It has also designated a personnel to be responsible for the collection and disclosure of information to be released to the public (including the English website and the legal representative explanation meeting), so as to provide the spokesperson, acting spokesperson, and the relevant business departments with the resources to answer inquiries from stakeholders and the competent authorities.	No major discrepancy
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second and third quarters and the operation of each month in advance before the specified time limit?		✓	(3) The Company announced and reported the financial report of the year 2019 in March 2020, the financial report of the first, second and third quarters of the year 2019, and the operation of each month in advance before the specified time limit.	No major discrepancy

Assessment Item	Implementation Status			Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
8. Has the Company disclosed other important information (including but not limited to employee rights, employee welfare, investor relations, supplier relations, the rights of stakeholders, training records of the directors and supervisors, implementation status of risk management policies and risk assessment criteria, implementation status of customer relations policies, and whether the Company has purchased liability insurance for its directors and supervisors) to facilitate a better understanding of its corporate governance practices?	✓		(1) Implementation status of employee rights and employee welfare: The Company has open communication channels and is able to handle, answer, and address the expectations, suggestions, doubts, and grievances of employees in a reasonable and appropriate manner. Attention is paid to the rights and interests of employees and concern is shown towards the employees; a work environment with gender equality and prevention and elimination of sexual harassment among staff was established; the Staff Welfare Committee organizes various travel activities for staff every year; and staff with outstanding work performance are commended as excellent employees at the end of each year. (2) Investor relations: The Company upholds the principles of fairness and openness in its treatment of all shareholders, and convenes the shareholders' meeting every year in accordance with the Company Act, as well as the relevant laws and regulations. It also notifies all shareholders to attend the shareholders' meeting in accordance with the relevant regulations, encourages shareholders to actively participate in motions such as those regarding the election of the directors and supervisors or revisions to the Articles of Association, and reports important financial and business decisions such as the acquisition and disposal of assets, as well as endorsements and guarantees, etc. in the shareholders' meeting. The Company also provides ample opportunities for shareholders to raise inquiries or proposals in order to have effective checks and balances. It has formulated the rules of procedure for shareholders' meetings in accordance with the law and has properly kept the minutes of shareholders' meetings, as well as made full disclosure of the relevant information on the Market Observation Post System. In addition, in order to ensure that shareholders are fully aware of the major issues of the Company, enjoy full participation and decision-making rights, the Company has established the positions of spokesperson and acting spokesperson, as well as designated personnel to handle the suggestions, doubts, and disputes of shareholders. Since the Company's public offering, it has designated personnel to be responsible for the collection and disclosure of information related to the Company, handling of the announcements and declarations of the relevant information, as well as the timely provision of information that may affect the decision-making of investors according to the principles of information disclosure. (3) Supplier relations: The Company carries out the audit and management of suppliers on the basis of good faith to ensure that suppliers are able to meet the various environmental regulations and fulfill its social responsibility and continue to provide price-competitive products that meet the standards of the Company. The Company shall continue to uphold the spirit of mutual trust and mutual benefit with its suppliers in the hope that the suppliers can grow and achieve a win-win situation together with the Company. (4) Rights of stakeholders: Depending on the circumstances, the Company may instruct the investor relations, shareholder services, and legal affairs departments, etc. to communicate with stakeholders, and it has listed the contact information of the spokesperson as well as the various relevant business departments on the Company's website. A section dedicated to stakeholders has been set up on the Company's website (http://www.egistec.com). Stakeholders may communicate with the Company and raise suggestions at any time to safeguard their rights and interests. (5) Implementation status of risk management policies and risk assessment criteria: With regard to the risk management policies and risk assessment criteria of the Company, the Office of the General Manager, the Business Department, Finance Department, and other units are jointly responsible for the implementation of the risk management policies and performance of risk assessment. Please refer to Section VII, (6) Explanation on Risk Management Assessment of the current year's annual report for details. (6) Implementation status of customer relations policies: The Company has always maintained strict confidentiality of the secrets of its customers. Where a competitive relationship exists between customers, the internal department will set up different teams to service the customers, and firewalls will be established to protect the information of the customers. To protect its customers, discussions on the secrets of customers are generally prohibited in the	No major discrepancy

Assessment Item	Implementation Status			Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
			Company as well as in public places. At the same time, a customer complaint handling mechanism has been established for the appropriate identification of problems in customer complaints and for the attribution of responsibility, so as to protect the rights and interests of customers. In addition, customer satisfaction surveys are carried out to ensure that customers are most satisfied with the services provided. (7) Purchase of liability insurance for the directors and supervisors by the Company: The Company has purchased liability insurances from Fubon Insurance for directors and managers as described in Note 3. (8) 2019 training records of directors and managers are as described in Note 4.	
9. Please explain the improvements that have been made with regard to the Corporate Governance Evaluation results released in the last fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, as well as suggest priority enhancement matters and measures to be taken for matters that have not been improved. This year’s improvement of corporate governance includes providing Chinese and English shareholders’ meeting handbooks, annual reports as well as Chinese and English financial reports, and setting up pages with relevant information on the Company’s website, to enhance information transparency (including communication channels with stakeholders), strengthen the structure and operation of the Board of Directors, implement corporate social responsibility as well as the spirit of corporate governance within the stipulated time limits. The Company will continue to demonstrate perpetual strength in economic, environmental, and social aspects. It shall continue to uphold the enterprise’s core values of honesty and integrity in shouldering its long-term and perpetual responsibilities towards various stakeholders and the society.				

Note 1: The implementation of Board diversity policy by some Directors

Core Items of Diversification / Core Projects	Gender	Professional Background (Education)	Operating Judgement Capability Judgment Capability	Accounting and Financial Analysis Capability Financial Analytical ability	Operating Management Capability	Crisis Management Capability	Industry Knowledge	International Market Viewpoint Market view	Leadership Capability	Decision-making Capability
SEN-CHOU LO	Male	National University MBA, San Jose, USA	V		V	V	V	V	V	V
CHEN-JUNG SHIH	Male	Honorary Doctor of International Law, Thunderbird International Management Institute	V		V	V	V	V	V	V
MING-TO YU	Male	Master of Business Administration, Wharton School of the University of Pennsylvania	V	V	V	V		V	V	V
GONG-YI LIN	Male	Institute of Electronics, National Chiao Tung University	V		V	V	V	V	V	V
YI-PIN LEE	Male	Central Missouri State University MBA	V	V	V	V		V	V	V
SHIH-HAO HOWARD RO	Male	University of California, Riverside	V		V	V	V	V	V	V
MING-JENG WENG	Male	Master of Business Administration, University of Southern California in the United States	V	V	V	V		V	V	V
DING-JEN LIU	Male	Master's Degree from the Institute of Electronics, National Chiao Tung University	V		V	V	V	V	V	V
TA-LUN HUANG	Male	Master's Degree from University of Michigan -- Ann Arbor	V	V	V	V		V	V	V

Note 2: Assessment Criteria for Independence of Accountant

Assessment Item	**Assessment**	**Independent or not**
1. The accountant is employed by the Company as a regular employee and receives fixed salary or serves as a director or supervisor	No	Yes
2. The accountant once served as a director, supervisor, manager or an employee who has had a significant influence on the	No	Yes
3. The accounting firm and the Company are related parties to each other	No	Yes
4. The accountant has a spousal relationship or a relationship within the second degree of kinship with the person in charge or manager of the Company	No	Yes

5. The accountant or his/her spouse or minor child has an investment or shared profits in the Company	No	Yes
6. The accountant or his/her spouse or minor child has funds borrowed from or lent to the Company	No	Yes
7. The accountant has been appointed the certification for seven consecutive years	No	Yes
8. The accountant has not provided an independence statement every year	No	Yes
9. The Company has been sued for financial reports or corrected by the competent authority during the year of assessment	No	Yes
10. The quality of service such as auditing and taxation has not met the requirements	No	Yes
11. The size and reputation of the accounting firm have been seriously damaged during the year of assessment	No	Yes
12. Poor interaction between the accountant, management, and internal audit supervisor	No	Yes

Note 3: Purchase of Liability Insurance for Directors and Managers

Insured	Insurer	Insurance Premiums	Duration of Insurance
All the directors and managers	Fubon Insurance Co., Ltd.	USD 7,125	From October 1, 2019 to October 1, 2020

Note 4: 2019 Training Records of Directors and Managers

Position	Name	Training Date	Name of Course	Number of Training Hours
Chairman	SEN-CHOU LO	1080812	Short term trading laws and regulations and cases studies	3
		1081111	Notes on acquisition of foreign assets	3
Director	CHEN-JUNG SHIH	1080320	Corporate governance and legal compliance: discuss from anti-corruption and economic crimes	1.5
		1080508	Information security and insurance and corporate governance	3
		1080807	Recent updates of securities and tax laws	1.5
		1080904	Analysis of Regulations on Anti-Money Laundering and Combating Terrorist Financing (2019)	2.5

		1081225	IFRS17 conversion and insurance industry's response strategy	3
Vice Chairman	MING-TO YU	1080812	Short term trading laws and regulations and cases studies	3
		1081111	Notes on acquisition of foreign assets	3
Director	GONG-YI LIN	1080812	Short term trading laws and regulations and cases studies	3
		1081111	Notes on acquisition of foreign assets	3
Director	YI-PIN LEE	1080812	Short term trading laws and regulations and cases studies	3
		1081111	Notes on acquisition of foreign assets	3
Director	SHIH-HAO HOWARD RO	1080812	Short term trading laws and regulations and cases studies	3
		1081111	Notes on acquisition of foreign assets	3
Independent director	DING-JEN LIU	1080812	Short term trading laws and regulations and cases studies	3
		1081111	Notes on acquisition of foreign assets	3
Independent director	MING-JENG WENG	1081008	How to use entrepreneurship and enthusiasm to explore corporate governance: innovation sharing of the NCCU Griffins	3
		1081111	Notes on acquisition of foreign assets	3
Independent director	TA-LUN HUANG	1080812	Short term trading laws and regulations and cases studies	3
		1081111	Notes on acquisition of foreign assets	3

2019 Training Records of the Managers:

Position	Name	Name of Course	Number of Training Hours
Accountant officer:	KATHY HUANG	Continuing Education Course for Issuer Securities Dealer Accounting Supervisor	12
Audit supervisor	IRIS LEE	How internal auditors interpret business performance and risk from IFRS financial statements	6
		Employment law knowledge required of auditors: from recruitment to departure	6

(4) If the Company has set up a Remuneration Committee, the composition and duties, as well as the operational situation of the committee should be disclosed

1. Particulars of the Members of the Remuneration Committee

Position	Criteria / Name	Whether He/She has Five Years or More of Work Experience and the Following Professional Qualifications			Compliance with the Status of Independence (Indicate 1)										Number of Other Public Companies in which He/She is Concurrently an Independent Director
		A Lecturer or Above in the Department of Commerce, Law, Finance, Accounting or Other Departments Related to the Company's Business in a Public or Private Tertiary Institution	A Judge, Prosecutor, Attorney, Accountant or Other Professional and Technical Specialist who Has Passed a National Examination and has been Awarded a Certificate in a Profession Necessary for the Business of the Company	Possesses Work Experience in the Area of Commerce, Law, Finance, Accounting or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Independent director	MING-JENG WENG			✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	3
Independent director	DING-JEN LIU			✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	1
Independent director	TA-LUN HUANG			✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	2

Note 1: Please place a "✔" in the blanks of the various criteria codes below if the various directors and supervisors meet the following criteria two years before being elected and during the term of office.

(1) Not an employee of the Company or its affiliated enterprise.

(2) Not a director, supervisor (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).

(3) A natural person shareholder who does not hold shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total shares issued by the Company, or does not rank among the top ten in terms of shares held.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in (1) or the personnel listed in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, is within the top five shareholders, or appointed a representative to be a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).

(6) Not a director, supervisor, or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).

(7) Not a director, supervisor, or employee of another company or institution with the same person or spouse as the Chairman, General Manager or equivalent of the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).

(8) Not a director (Director), supervisor (Supervisor), manager, or shareholder holding five percent or more of the shares of a specific company or institution with financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company and, if the specific company or institution holds more than 20% of the total issued shares of the Company, the threshold amount is raised to 50%).

(9) Not a professional who provides auditing related services to the Company or its affiliates and did not provide commercial, legal, financial, or accounting related services to the Company or its affiliates with cumulative amount of remuneration obtained in the last two years exceeding NT $500000; and is not an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the Remuneration Committee, the Public Takeover Review Committee or the Special Merger and Acquisition Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Not in violation of any of the matters listed in Article 30 of the Company Act.

2. Duties and Powers of the Remuneration Committee

The Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official duties and powers listed below and shall submit its recommendations for deliberation by the Board of Directors:

(1) Periodically review the regulation and propose recommendations for amendments.

(2) Establish and periodically review the annual and long-term performance goals, as well as the policies, systems, standards, and structure for remuneration of the directors and managers of the Company.

(3) Periodically assess the degree to which performance goals for the directors and managers of the Company have been achieved, and establish the contents and amounts of their individual remunerations.

3. Information on the Operational Situation of the Remuneration Committee

(1) The Remuneration Committee of the Company comprises of three members.

(2) As of the publication date of this annual report, the Remuneration Committee has held six (A) meetings (four in 2019 and two in 2020) in total. The attendance of the committee members was as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Rate of Attendance in Person (%) (B/A)	Remarks
Committee Member	MING-JENG	5	1	83.33%	
Committee Member	DING-JEN LIU	5	1	83.33%	The Convener and the Chairman
Committee Member	TA-LUN HUANG	6	0	100.00%	

Other Matters to be Recorded:

1. If the Board of Directors does not adopt or amend the recommendation of the Remuneration Committee, it shall state the date, period, contents of the proposal, resolution results of the Board of Directors and the Company's handling of the opinions of the Remuneration Committee (if the salary and remuneration adopted by the Board of Directors is more than the proposal of the Remuneration Committee, the difference and reason shall be stated): No such matter.
2. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the date and session of the Remuneration Committee meeting, content of the proposal, as well as the opinions of all committee members and the handling of their opinions shall be specified: No such matter.
3. Discussion subject and voting results of Remuneration Committee:

Date and Session Number	Content of Proposal	Outcome of the Resolution
The 8th Meeting of the 3rd Board of Directors January 14, 2019	1. The Company's issuance of performance bonus for the second half of 2018.	Remuneration Committee: Relevant proposals have been unanimously approved by members present and submitted to the Board of Directors of the Company for resolution.
The 9th Meeting of the 3rd Board of Directors March 14, 2019	1. Director's and employee's remuneration distribution of the Company for 2018.	
	2. Allocation of year-end bonus and performance bonus and employee remunerations for 2018 to managers.	
	3. Review of newly recruited Chief Financial Officer.	
	4. Review of salary of the Chairman.	
	5. Allocation of treasury stocks to managers.	
The 10th Meeting of the 3rd Board of Directors	1. Deliberate on the Vice Chairman's remuneration proposal.	
	2. Director's remuneration distribution of the Company for 2018.	

May 6, 2019		Board of Directors: All directors in attendance passed the resolutions.
The 11th Meeting of the 3rd Board of Directors August 12, 2019	1. The Company's policies, systems, standards, and structure for remuneration of directors and managers.	
	2. The Company's payment of special bonus for the first half of 2019.	
	3. Adjustment of the appropriation ratio of the Company's employee remunerations for 2019.	
The 12th Meeting of the 3rd Board of Directors January 15, 2020	1. The Company's issuance of performance bonus for the second half of 2019.	
	2. Allocation of managers' year-end and performance bonus and allocation of employee remunerations for 2019.	
The 13th Meeting of the 3rd Board of Directors March 17, 2020	1. Director's and employee's remuneration distribution of the Company for 2019.	
	2. Director's remuneration distribution of the Company for 2019.	
	3. Deliberate the proposal of hiring a new Senior Vice General Manager of Sales.	
	4. Deliberate the proposal of paying the patent bonus.	

(5) The Status of Carrying Out Social Corporate Responsibility and Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies

Assessment Item	Implementation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
A. Does the Company conduct risk assessment on environmental, social, and corporate governance topics related to the Company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		The Company formulated and implemented relevant risk management policies and regularly conducted risk assessment on topics related to the Company's operation.	No major discrepancy
2. Has the Company set up a full-time (part-time) task unit to promote corporate social responsibility, which is authorized by the Board of Directors to be handled by senior management, and whose handling status is to be reported to Board of Directors?	✓		The Company has designated the General Manager's Office as the full-time corporate social responsibility promotion unit. It is responsible for the proposal and implementation of relevant policies, systems, or management policies and plans, as well as the ethical management of the enterprise and the management of employee ethics, and reporting the operation and implementation results to the Board of Directors when necessary.	No major discrepancy
C. Environmental Topics (1) Has the Company established an appropriate environmental management system according to its industrial characteristics?	✓		(1) The Company is a software and hardware design company that does not have factory-manufactured products, therefore does not have a physical product which would cause impact on the environment. The Company is committed to	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
			improving efficiency in the utilization of each resource, to achieve energy conservation, waste reduction, and reduce impact on environment to safeguard earth's resources and protect environmental health.	
(2) Is the Company committed to improving efficiency in the utilization of each resource? Does it use renewable materials that have a low impact on the environment?	✓		(2) In order to make good use of all resources, the Company carries out activities such as sorting, recycling, and reduction of resources and wastes. The Company implements the use of recycled paper and improves the utilization efficiency of all resources, thereby thoroughly implementing the recycling and reuse of resources.	No major discrepancy
(3) Does the Company assess the potential risks and opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate related topics?	✓		(3) The Company's air conditioners are configured to turn off at certain times. Additionally, the Company promotes the concept of energy saving and carbon reduction to employees of all departments of the company, and promote various energy saving measures to achieve energy saving and greenhouse gas reduction policies, reduce the impact on the environment, and fulfill the responsibility of corporate environmental protection.	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
(4) Does the Company gather statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?	✓		(4) The Company is a software and hardware design company and does not engage in manufacturing. So, there is no particular pollution source. The Company aligns itself with and responds to the government's energy conservation measures and has prepared "energy conservation" measures. The Company implemented, on a long-term basis, energy conservation and carbon reduction measures related to the management of internal electricity, water, lighting equipment, resource recovery, etc.	No major discrepancy
D. Social Topics (1) Does the Company formulate relevant management policies and procedures in accordance with relevant laws, regulations, and international human rights conventions?	✓		(1) The Company is in compliance with the relevant laws and regulations such as the Labor Standards Act and Gender Equality in Employment Act and observes the internationally recognized Fundamental Principles of Labor Rights. It has formulated the "Personnel Regulations and Work Management Rules", which specifies the policies for employment, incentives, and disciplinary actions, so as to safeguard the legitimate rights and interests of employees.	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
(2) Does the Company create and implement reasonable employee benefit measures (including compensation, vacation and, other benefits), and properly reflect the operating performance or results in its employee's compensation?	✓		(2) The Board of Directors has a Salary and Remuneration Committee, which is responsible for formulating salary and remuneration policies, systems, standards, and structures, and issuing various bonuses and periodic salary adjustments in combination with the Company's business performance, annual net profit, and employee assessment.	No major discrepancy.
(3) Does the Company provide a safe and healthy working environment for its employees and train them regularly on safety and health education?	✓		(3) The Company has designated staff safety and health management personnel and, on a regular basis, offers refresher courses on safety and health and maintains fire-fighting equipment to provide staff with a safe and healthy working environment.	No major discrepancy.
(4) Has the Company established effective career development training plans for employees?	✓		(4) The Company encourages employees of all departments to cooperate with the work content and actively arranges participation in external refresher courses to improve the professional abilities of employees.	No major discrepancy.
(5) Does the Company follow relevant laws, regulations, and international standards in relation to	✓		(5) The Company attaches great importance to customer feedback, and the service procedures	No major discrepancy.

Assessment Item	Implementation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
customers' health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies, and complaint procedures to protect the rights of consumers?			for customer feedback are handled by the unit-in-charge, so as to ensure the customer receives the ideal service effect and also protect the customer's rights.	
(6) Does the Company have a supplier management policy that requires suppliers to follow relevant specifications in relation to environmental protection, occupational safety and health, labor rights, and other issues? What is the status of its implementation?	✓		(6) The Company implements regular assessment and evaluation of suppliers. When signing a contract with suppliers in the future, the Company will include corporate social responsibility regarding both parties and relevant contract termination terms.	No major discrepancy.
E. Does the Company prepare corporate social responsibility reports and other reports that disclose the Company's non-financial information by reference to internationally accepted reporting standards or guidelines? Is the above-mentioned disclosure report confirmed or guaranteed by a third-party verification unit? The Company has formulated a code of practice on corporate social responsibility to promote corporate social responsibility and has made plans for the preparation of corporate social responsibility reports.				
F. If the Company has formulated its own corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please specify any discrepancies between the formulated principles and its implementation: The Company has formulated a code of practice for corporate social responsibility, and the Company is committed to promoting corporate				

Assessment Item	Implementation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
social responsibility in a way not significantly different from the code that it formulated.				
G. Other important information to facilitate better understanding of the corporate social responsibility practices: The Company is a software and hardware design company that does not have factory-manufactured products. In order to respond to environmental protection and energy conservation, employees are required to start from everyday life and the office environment. (1) The Company manages its employee according to the labor law and other relevant regulations and designated a dedicated staff to handle all work-related benefits of employees in order to protect the rights of employees. (2) The Company's industry does not implicate major environmental pollution problems, but the Company has added energy-saving devices in the computer room to achieve the purpose of environmental protection, energy conservation, and carbon reduction.				
H. It should be specified whether the corporate social responsibility report of the Company has passed the verification standards of the relevant verification institution: Nil				

(6) Ethical Management Practices and Measures Adopted by the Company status of ethical management and discrepancy with TWSE/TPEx Listed Companies' ethical management principles and the reasons for such discrepancy

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
1. Formulation of Ethical Management Policy and Programs (1) Did the Company formulate an ethical management policy that has been approved by the Board of Directors and expressly specify the ethical management policy and measures as well as the commitment on active implementation of the management policy by the Board of Directors and the senior management in its regulations and public documents?	✓		(1) The Company has formulated the "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", "Operating Procedures and Behavioral Guidelines for Ethical Management", as well as the "Code of Corporate Governance Practices", etc. and published them on the Company's website. Integrity is a core value of our Company and it is also fundamental to enterprise management. These principles apply to the directors, managers, employees, and related personnel of the Company.	No major discrepancy
(2) Did the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct and, according the above,	✓		(2) The Company has formulated the "Ethical Corporate Management Best Practice Principles", the "Code of Ethical Conduct", and "Operating Procedures and Behavioral Guidelines for Ethical Management", strictly	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
draw up a plan for preventing unethical conduct, which at least covers the preventive measures for the conduct specified in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? (3) Did the Company, in its programs against unethical conduct, expressly state the operating procedures, behavioral guidelines, disciplinary actions, and grievance system for violations of regulations in the various programs, as well as implement these programs and periodically consider amending them?	 ✓		requiring that all decisions and actions of the Company be made in conformity with the laws and regulations. The Company also promotes and strengthens the concept of ethical management through education. (3) Apart from conducting education and training programs, as well as publishing relevant implementation manuals for the promotion/regulation of ethical conduct, the Company also conducts internal audits or regular rotation of jobs to lower the risks with regard to units/personnel (such as procurement, capital) with potentially higher risk.	 No major discrepancy
2. Implementation of Ethical Management (1) Does the Company assess the ethical records of its trading partners, and does it specify clauses on ethical conduct in contracts signed with its trading partners?	✓		(1) The Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Behavioral Guidelines for Ethical Management". The Company takes into consideration the legitimacy of its trading partners, as well as whether they have any record of unethical conduct in its various	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
			business dealings to ensure that all business activities are in compliance with the "Principle of Ethical Conduct". It has also specified in its contracts with trading partners that the contracts may be unconditionally terminated or rescinded at any time in the event of any involvement of unethical conduct by the trading partners which damages the interests of the Company.	
(2) Has the Company set up a dedicated unit under the Board of Directors to promote the ethical management of the enterprise, regularly (at least once a year) report to the Board of Directors its ethical management policies, and plans to prevent unethical behavior and supervise the status of its implementation?	✓		(2) The Company has formulated the "Ethical Corporate Management Best Practice Principles". The Human Resources Division has been designated as the dedicated unit to assist the Board of Directors and management in checking and assessing the effectiveness of the preventive measures established for the implementation of ethical management and shall report to the Board of Directors whenever necessary.	No major discrepancy
(3) Has the Company formulated policies to prevent conflicts of interest, provided adequate channels for reporting such situations, and implemented these	✓		(3) Policies on conflicts of interest and situations/standards of contravention are specified in the "Ethical Management Policy"	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
measures?			and “Code of Ethical Conduct”, under which the relevant personnel are required to avoid such situations and take the initiative to report to their immediate supervisor, head of the human resources unit, or Board of Directors in the event that they are aware of or are facing a similar situation.	
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management? Has the internal audit unit of the Company, based on the results of assessment of the risk of involvement in unethical conduct, devised relevant audit plans and checked compliance with the plan to prevent unethical conduct, or engage a certified public accountant to carry out the audit?	✓		(4) An evaluation and self-assessment of the design and effectiveness of implementation of the internal control system, including the accounting system, will be carried out annually based on the principle of ethical management, and amendments will be made where necessary. Internal auditors will conduct regular audits on compliance with the system, and accountants will also be commissioned to carry out internal control audits.	No major discrepancy
(5) Does the Company organize regular internal or external education and training programs for ethical management?	✓		(5) At present, the Company has not organized regular internal or external education and training programs for ethical management, but it advocates this to employees during its education	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
			and training of new staff.	
3. Implementation of the Whistleblowing System of the Company (1) Has the Company developed a specific whistleblowing and reward system and established convenient whistleblowing channels, and does it assign appropriate and dedicated personnel to deal with persons of whom the offenses are reported? (2) Has the Company formulated standard operating procedures, follow-up measures that should be taken after investigation and the relevant non-disclosure mechanism with regard to the investigation of offenses	✓ ✓		(1) The Company has formulated the “Ethical Corporate Management Best Practice Principles” and the “Operating Procedures and Behavioral Guidelines for Ethical Management”. It encourages internal employees and external persons to report unethical or improper behavior, and offers a discretionary bonus according to the severity of the reported matter. Disciplinary action will be taken against any personnel who makes false or malicious allegations, and the personnel will be dismissed in serious cases. The Human Resources Division is the dedicated unit responsible for the planning and reviewing of the whistleblowing system to ensure the effectiveness of its implementation. (2) The Company has established a specific whistleblowing system and it has set out clear operating procedures for the raising of grievances, the investigation, and the handling	No major discrepancy No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
reported?			measures after the end of investigation. The identities of whistleblowers and content of the offenses are treated by the Company as confidential.	
(3) Has the Company adopted any measures to protect the whistleblowers from improperly treated after reporting offenses?	✓		(3) The Company should provide protection to the relevant personnel who reported the offense or of whom the offense is reported against, in the course of their participation in the investigation process, so as to ensure that they are not subject to unfair reprisals or treatment. In Section 23 of the "Ethical Corporate Management Best Practice Principles", the Company prescribes measures to protect the confidentiality of the identity of the informant and the content of the whistleblowing and to protect the informant from being improperly treated due to the whistleblowing.	No major discrepancy
4. Enhancing Information Disclosure Did the Company disclose its Ethical Corporate Management Best Practice Principles and effectiveness of its implementation on the Company's website and the Market Observation Post System?	✓		The Company has disclosed its Ethical Corporate Management Best Practice Principles on the Company's website (http://www.egistec.com) and shall disclose the relevant information on the effectiveness of its implementation on the website	No major discrepancy

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>or in the annual report.</td><td></td></tr>
<tr><td colspan="5">5. If the Company has established its Ethical Corporate Management Best Practice Principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies”, please specify any discrepancies between the Principles and their implementation:
The Company has formulated “Ethical Corporate Management Best Practice Principles” and appointed the Human Resources Division as the dedicated unit to handle the revision, implementation, interpretation, and advisory services related to these operating procedures and behavioral guidelines, register and file the content of notifications, and carry out other related operations, as well as oversee such implementation. In addition, the said unit submits reports to the Board of Directors as and when necessary, and there is no major discrepancy between its operations and the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the ethical management practices of the Company: (such as review and amendment of the Ethical Corporate Management Best Practice Principles formulated by the Company, etc.)
(1) The Company’s implementation of ethical management is based on its compliance with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, regulations relevant to TWSE/GTSM listed companies, and other laws related to commercial practice.
(2) The “Rules of Procedures for Board of Directors” has set out a system of recusal for directors in case of conflict of interest. Directors shall comment on and answer to proposals listed in board meetings that affect their personal interests or the interests of the juristic persons they are representing, which may harm the interests of the Company, but they shall exercise recusal and not partake in the discussions and voting and may not act on behalf of other directors in the exercise of their voting rights.
(3) The Company has formulated the “Management Practices for the Prevention of Insider Trading” and “Operating Procedures for the Management of Significant Internal Information”, under which directors, managers, and employees shall not disclose significant internal information that they have knowledge of to others and shall not make inquiries with persons who possess significant internal information of the Company, or collect significant internal information unrelated to their personal duties that has yet been disclosed by the Company. They may also not disclose significant internal information obtained outside of their performance of business activities that has yet been disclosed by the Company to others.
(4) The Company has always upheld the principle of integrity in its operations and practices good management in adherence to the relevant</td></tr>
</table>

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
laws and regulations, as well as the internal control system. It strictly forbids behavior that is unethical or in violation of the law, and it has a legal affairs unit that serves as a basis for consultation and validation whenever necessary. (5) The Company has directors and managers' liability insurance (D&O) for its directors, managers, and important employees which can sufficiently reduce the risks to the Company arising from the performance of duties by the relevant personnel and safeguard the rights and interests of investors.				

Fulfillment of Ethical Management and Adopting of Measures

The Company follows the Company Law, the Securities and Exchange Act, the International Accounting Standards, and other related regulations of listed counters as the basis for implementing the ethical management.

The Rules of Procedures for Board of Directors has set out a system of recusal for directors in case of conflict of interest. For events of the board meeting that have interests with itself or the legal person representing it, directors shall not participate in the discussions and voting, and they may not act on behalf of other directors in the exercise of their voting rights.

The Company's internal control system clearly acknowledges that the person who is making the announcement must not publicly release any information before releasing a major message to ensure the correctness and popularity of the information. The contents of the material information should detail the authenticity of the matter and whether or not it has any effect on the Company's financial affairs.

The Company clearly stipulates the ethical code of conduct, requiring each and every employee of the Company and its subsidiaries to be responsible for complying with the code of conduct and safeguarding the Company's cultural core values and reputation.

(7) If the Company has formulated the Code of Corporate Governance and other relevant regulations, it should disclose the method of inquiry into these practices and regulations.

The Company has drawn up the Code of Corporate Governance, and the Rules of Procedures for Board of Directors, Regulations Governing the Operation and Management of the Audit Committee, Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct, and other relevant regulations have been in place and are disclosed on the Company's website (http://www.egistec.com) to facilitate inquiries.

(8) Other important information that would enhance an understanding of the corporate governance practices of the Company that should be disclosed: Nil

(9) Matters to be disclosed regarding the implementation of the internal control system

1. Statement on Internal Control: Please refer to Page 186~187 for further details.

2. If the Company has commissioned certified public accountants to perform examination of its internal control system, it should disclose the examination reports of the certified public accountants: Nil

(10) Sanctions imposed on the Company and its internal personnel in accordance with the law, sanctions imposed by the Company against internal personnel who violated the regulations of the internal control system, as well as principal deficiencies, and the state of any efforts for improvements during the last fiscal year and the current fiscal year up to the date of publication of the annual report: No such situation.

(11) Important resolutions of Shareholders' meetings and Board meetings during the last fiscal year and the current fiscal year up to the date of publication of the annual report

1. Important Resolutions of the Shareholders' Meeting in 2019

Important Resolutions of the Shareholders' Meeting		
Resolutions of the Shareholders' Meeting Appointment	Cause(s)	Outcome of the Resolution and Its Implementation
June 18, 2019 Shareholders' meeting	Approved the 2018 Annual Business Report and Financial Statements of the Company.	Approved the original proposal of the Board of Directors through voting.
	Approve the 2018 Earnings Distribution Plan.	Approved the original proposal of the Board of Directors through voting. Status of Implementation: Set the dividend record date as July 13, 2019, the distribution date as July 31, 2019, and the distribution of cash dividends of NTD 8.09274157 per share (shareholder cash dividend to be distributed: NTD 554,844,464).

<table>
<tr><td colspan="3">Important Resolutions of the Shareholders' Meeting</td></tr>
<tr><th>Resolutions of the Shareholders' Meeting Appointment</th><th>Cause(s)</th><th>Outcome of the Resolution and Its Implementation</th></tr>
<tr><td rowspan="4"></td><td>Amendment to some clauses in "Operating Procedures for Acquisition or Disposal of Assets" of the Company.</td><td>Approved the original proposal of the Board of Directors through voting.
Status of Implementation: The amendment has been disclosed on the Company's website on June 20, 2019 and handled in accordance with the revised articles of association.</td></tr>
<tr><td>Amendment to some clauses in "Operating Procedures for Loaning Funds to Others" of the Company.</td><td>Approved the original proposal of the Board of Directors through voting.
Status of Implementation: The amendment has been disclosed on the Company's website on June 20, 2019 and handled in accordance with the revised articles of association.</td></tr>
<tr><td>Amendment to some clauses in "Operating Procedures for Endorsement/Guarantees" of the Company.</td><td>Approved the original proposal of the Board of Directors through voting.
Status of Implementation: The amendment has been disclosed on the Company's website on June 20, 2019 and handled in accordance with the revised articles of association.</td></tr>
<tr><td>The lifting of non-compete restrictions for the directors of the Company.</td><td>Approved the original proposal of the Board of Directors through voting.
The directors for whom the non-compete restrictions were lifted are as follows:
<table>
<tr><th>Name of Director</th><th>Concurrently Holding Another Post in Another Company</th></tr>
<tr><td rowspan="3">SEN-CHOU LO</td><td>Director of Tyrafos Technologies Co., Ltd. and Kiwi Technology Inc.</td></tr>
<tr><td>AISTORM, INC., Igistec Co., Ltd.</td></tr>
<tr><td>Independent director of Acer Cyber Security Inc.</td></tr>
<tr><td rowspan="2">GONG-YI LIN</td><td>Director of Integrated Digital Technologies, Inc., Tyrafos Technologies Co., Ltd.</td></tr>
<tr><td>AISTORM, INC., Sirius Wireless Pte. Ltd. Director</td></tr>
<tr><td>MING-TO YU</td><td>Independent director of Acer Cyber Security Inc.</td></tr>
<tr><td rowspan="2">YI-PIN LEE</td><td>Sirius Wireless Pte. Ltd. Director</td></tr>
<tr><td>Director of Gingy Technology Inc.</td></tr>
<tr><td>MING-JENG WENG</td><td>Independent director of United Renewable Energy Co., Ltd.</td></tr>
</table></td></tr>
</table>

2. Important Resolutions of the Board of Directors

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Appointment	Cause(s)	Outcome of the Resolution
The 11th meeting of the 6th Board of Directors January 14, 2019	1. The 2019 Operations Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3. Cancellation of the collected new restricted employee shares in 2017 and determination of the capital reduction record date.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4. The lifting of non-competition restrictions on Managers.	After Director GONG-YI LIN explained the reason for serving in the invested company to other directors, the proposal was unanimously passed without objection upon consultation with all directors in attendance by the Chairman.
	5. Proposal to revise the Methods for Performance Evaluation of the Board of Directors of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 12th meeting of the 6th Board of Directors March 14, 2019	1. The 2018 Annual Business Report and Financial Statements of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2. The 2018 Employee remuneration and director remuneration distribution plans of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3. The 2018 Earnings Distribution Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4. Issuance of the 2018 Statement on Internal Control System of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	5. Appointment and remunerations of the certified public accountants for 2019.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Appointment	Cause(s)	Outcome of the Resolution
	6. Amendment to some clauses in "Operating Procedures for Acquisition or Disposal of Assets" of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	7. Formulation of the Standard Operating Procedures for Handling Directors' Requirement.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	8. Convening the Company's 2019 General Meeting.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	9. The lifting of non-competition restrictions on Managers.	Except for Director GONG-YI LIN, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	10. Allocation of year-end bonus and performance bonus and employee remunerations for 2018 to managers.	Directors SEN-CHOU LO, SHIH-HAO HOWARD RO, GONG-YI LIN and YI-PIN LEE recused themselves on this proposal. The proposal was presided over by the Independent Director MING-JENG WENG and was unanimously passed without objection upon consultation with all directors in attendance by the Chairman.
	11. Dismissal of Chief Financial Officer of the Company.	Except for Director YI-PIN LEE, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	12. Review of newly recruited Chief Financial Officer.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	13. Appointment and dismissal of the Chief Technology Officer of the Company.	Except for Director GONG-YI LIN, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Appointment	Cause(s)	Outcome of the Resolution
	14. Review of salary of the Chairman.	Director SEN-CHOU LO and Director SHIH-HAO HOWARD RO recused themselves on this proposal. The proposal was presided over by the Independent Director MING-JENG WENG and was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	15. Allocation of treasury stocks to managers.	Except for Director YI-PIN LEE, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
The 13th Meeting of the 6th Board of Directors May 6, 2019	1. Selection of Vice Chairman.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2. Deliberate on the Vice Chairman's remuneration proposal.	Except for Director MING-TO YU, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	3.Proposal of the Company's 2019 distribution of directors' remuneration	Apart from several directors whose remunerations are involved and did not participate in the discussion and voting, the proposal was unanimously passed without objection upon consultation with all other directors available for voting by the Chairman.
	4. Consolidated financial statements of the Company for Q1 of 2019.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	5. Proposal for the Company to invest in Drive Inc. equity.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	6. Amendment to some clauses in "Operating Procedures for Loaning Funds to Others" of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	7. Amendment to some clauses in "Operating Procedures for Endorsement/Guarantees" of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Appointment	Cause(s)	Outcome of the Resolution
	8. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	9. The lifting of non-competition restrictions on Managers.	Except for Director YI-PIN LEE, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
The 14th Meeting of the 6th Board of Directors June 18, 2019	1. Determination of the ex-dividend record date of 2018 Earnings Distribution and adjustment of the dividend payout ratio.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 15th Meeting of the 6th Board of Directors August 12, 2019	1. The Company's financial report and consolidated financial report for the second quarter of 2019.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2. The Company's issuance of performance bonus for the first half of 2019.	Director SEN-CHOU LO and Director SHIH-HAO HOWARD RO recused themselves on this proposal. The proposal was presided over by the Director YI-PIN LEE and was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
	3. Adjustment of the appropriation ratio of the Company's employee remunerations for 2019.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 16th Meeting of the 6th Board of Directors November 11, 2019	1. The Company's consolidated financial report for the third quarter of 2019.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2. The Company's audit plan for 2020.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Appointment	Cause(s)	Outcome of the Resolution
	4. Amendment of the Company's "Ethical Corporate Management Best Practice Principles".	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	5. Establishment of the Company's "Special Committee on Mergers and Acquisitions", establishment of the "Organizational Rules of the Special Committee on Mergers and Acquisitions" and appointment of members of the committee.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 17th Meeting of the 6th Board of Directors January 15, 2020	1. The 2020 Operations Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2. Proposal for the Company to make an endorsement of and provide a guarantee for CoreSystem Technology Limited.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3. Proposal to authorize the Chairman of the Board of Directors to decide the investment matters during the first half of 2020 and within the amount of NT $600 million and report the investments to the Board of Directors after the fact.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4. Appointment and remunerations of the certified public accountants by the Company for 2020.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	5. Cancellation of the collected new restricted employee shares in 2017 and determination of the capital reduction record date.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	6. The setting of the capital increase record date for the conversion of issuance of new shares in 2014 Annual Employee Stock Warrant issued by the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	7. The Company's issuance of performance bonus for the second half of 2019.	Director SEN-CHOU LO and Director SHIH-HAO HOWARD RO recused themselves on this proposal. The proposal was presided over by the Director YI-PIN LEE and was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Appointment	Cause(s)	Outcome of the Resolution
	8. Allocation of managers' year-end and performance bonus for 2019 and allocation of employee remunerations for 2019.	Directors SEN-CHOU LO, MING-TO YU, SHIH-HAO HOWARD RO, GONG-YI LIN and YI-PIN LEE recused themselves on this proposal. The proposal was presided over by the Independent Director DING-JEN LIU and was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
The 18th Meeting of the 6th Board of Directors March 17, 2020	1. The 2019 Employee remuneration and director remuneration distribution plans of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2. The 2019 Annual Business Report and Financial Statements of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3. The 2019 Earnings Distribution Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4.Proposal for the Company to Participate in the Capital Increase of AISTORM, INC.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	5. Issuance of the 2019 Statement on Internal Control System of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	6. Amendment to some clauses in "Operating Procedures for Acquisition or Disposal of Assets" of the Company and Approval Authority Table.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	7. Amendment to some clauses in "Rules of Procedures for Shareholders' Meeting" of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	8. Revision of some clauses of the Company's "Rules of Procedure of the Board of Directors" and "Organizational Rules of the Audit Committee".	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Appointment	Cause(s)	Outcome of the Resolution
	9. Election of the directors of the Company and matters relating to nomination period and locations where nominations can be accepted.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	10. Date and venue of the 2020 Annual General Meeting, subject matter of the meeting and time frames, and venue for submission of proposals by shareholders who possess 1% or more shares.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	11. Proposal for the Company to lend capital to Sirius Wireless Pte. Ltd.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	12. Deliberate the proposal of paying the patent bonus.	Except for Director GONG-YI LIN, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.

(12) Main content of any important board resolution passed during the last fiscal year and the current fiscal year up to the date of publication of the annual report that is on record or stated in a written statement for which any director or supervisor has a dissenting opinion: No such situation.

(13) Summary of any resignation or dismissal of the Chairman, General Manager, Chief Accountant, Chief Financial Officer, Internal Audit Supervisor, and Research and Development Director of the Company in the last fiscal year and the current fiscal year up to the date of publication of the annual report:

Position	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chief Financial Officer	YI-PIN LEE	September 1, 2016	April 9, 2019	Transferred to Sr. Deputy General Manager of General Management Office, to coordinate and manage the work of logistics.
Chief Technology Officer	ENLIN JIANG	February 1, 2008	April 1, 2019	In response to the organizational adjustment of the Company, Mr. GONG-YI LIN, the COO, will concurrently serve as the CTO

5. Information about Fees to Certified Public Accountants

(1) Rate Table for Information about Fees to Certified Public Accountants

Name of Accounting Firm	Name of Certified Public Accountant		Intermediate Checks	Remarks
KPMG Taiwan	STEVEN SHIH	SONIA CHANG	2019	

Scale of Amount \ Public Expense Category		Audit Fees	Non-Audit Fees	Total
1	Below NTD 2,000,000		V	
2	NTD 2,000,000 (inclusive) to NTD 4,000,000	V		V
3	NTD 4,000,000 (inclusive) to NTD 6,000,000			
4	NTD 6,000,000 (inclusive) to NTD 8,000,000			
5	NTD 8,000,000 (inclusive) to NTD 10,000,000			
6	NTD 10,000,000 (inclusive) and above			

(2) Cases wherein the non-audit fees paid to the certified public accountants, the accounting firm of the certified public accountants, and any affiliated enterprises of the accounting firm is equivalent to one quarter or more of the audit fees

Unit: NTD'000

Name of Accounting Firm	Name of Certified Public Accountant	Audit Fees	Non-Audit Fees					Certified Public Accountant Intermediate Checks	Remarks
			System Design	Industrial and Commercial Registration	Human Resources	Others(Note)	Sub-Total		
KPMG Taiwan	STEVEN SHIH SONIA CHANG	3, 440	-	-	-	520	3,960	2019	Other non-audit public fees include R&D investment credit and tax service fees.

Note: Please indicate the non-audit fees in correspondence to the services rendered. Should the non-audit fees in "Others" amount to 25% of the total non-audit fees, the details of the services rendered must be indicated in the notes.

(3) If the accounting firm was changed and if the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the reduction in the amount of audit fees, the percentage of reduction, and the reasons for reduction should be disclosed: No such situation.

(4) If the audit fees paid are lower than those for the previous year by 15% or more, the reduction in the amount of audit fees, the percentage of reduction, and the reasons for reduction should be disclosed: No such situation.

6. Information about Change of Certified Public Accountants:

(1) Information about the Former Certified Public Accountants

<table>
<tr><td>Date of Change</td><td colspan="3">March 14, 2019</td></tr>
<tr><td>Reason(s) and Explanation for Change</td><td colspan="3">The change of the former Certified Public Accountants in Q1 2019 is mainly due to the internal adjustment of the accounting firm.</td></tr>
<tr><td rowspan="3">State if the Appointer or the Certified Public Accountant Terminates or Refuses the Appointment</td><td>Parties Involved / Situation</td><td>Certified Public Accountant</td><td>Appointer</td></tr>
<tr><td>Voluntary</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Refusal of (the</td><td>Not applicable.</td><td>Not applicable</td></tr>
<tr><td>Opinions and Reasons for Any Audit Reports Other than Those with an Unqualified Opinion Issued in the Last Two Fiscal Years</td><td colspan="3">Not applicable.</td></tr>
<tr><td rowspan="6">Any Disagreements with the Issuer</td><td rowspan="4">Yes</td><td>-</td><td>Accounting Principles or</td></tr>
<tr><td>-</td><td>Disclosure of Financial</td></tr>
<tr><td>-</td><td>Scope and Steps of Audit</td></tr>
<tr><td>-</td><td>Others</td></tr>
<tr><td>Nil</td><td colspan="2">V</td></tr>
<tr><td colspan="3">Explanation:</td></tr>
<tr><td>Other disclosures
(Disclosures under Point 4, Item 1, Paragraph 5, Article 10 of the Regulations)</td><td colspan="3">Nil</td></tr>
</table>

(2) Information about the New Certified Public Accountants

Name of Accounting Firm	KPMG Taiwan
Name of Certified Public Accountant	Accountants Steven Shih and Sonia Chang
Date of Appointment	March 14, 2019
Inquiries of Any Accounting Treatment Method for or Accounting Principles Applicable to Specific Transactions Undertaken by the Former Certified Public Accountants, or Opinion on the Financial Statements Issued by the Former Certified Public Accountants, and the Results of Such Inquiries	Not applicable
Written Opinions on Matters of Disagreement Between the New Certified Public Accountants and the Former Certified Public Accountants	Not applicable

G. Where the Chairman, General Manager, or manager in charge of financial or accounting affairs of the Company worked in a certified public accountant firm or its affiliated enterprises during the past year, the name, title, and the period of employment in the certified public accountant firm or its affiliated enterprises shall be disclosed: No such situation.

H. Equity transfers and equity pledges made by directors, supervisors, managers, and shareholders with a shareholding ratio of more than 10% during the most recent year and up to the date of printing of the annual report

(1) Changes in Equity Interests Owned by Directors, Supervisors, Managers, and Major Shareholders:

Position	Name	2019		2020 as of April 30	
		Number of shares held Increase (Decrease)	Pledged Shares Increase (Decrease)	Number of shares held Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman	SEN-CHOU LO	-	-	-	-
Vice Chairman	MING-TO YU (Note 1)	-	-	100,000	-
Director	CHEN-JUNG SHIH	-	-	-	-
Director/Chief Operating Officer and Chief Technology Officer	HEADWAY CAPITAL LIMITED	-	-	-	-
	Representative: GONG-YI LIN (Note 2)	(25,000)	-	-	-
Director/Sr. Deputy General Manager Manager	HEADWAY CAPITAL LIMITED	-	-	-	-
	Representative: YI-PIN LEE (Note 3)	48,700	100,000	100,000	50,000
Director/General Manager	SHIH-HAO HOWARD RO (Note 4)	34,000	-	-	-
Independent director	MING-JENG WENG	-	-	-	-
Independent director	DING-JEN LIU	-	-	-	-
Independent director	TA-LUN HUANG	-	-	-	-
Deputy General Manager	SKY SU	(9,000)	-	-	-
Deputy General Manager	DAVID HWANG	7,000	-	-	-
Deputy General Manager	KAREN CHANG	-	-	-	-
Deputy General Manager	JIMMY HSU (Note 5)	2,500	-	(5,000)	-
Deputy General Manager	KOS LIN (Note 6)	-	-	-	-

Position	Name	2019		2020 as of April 30	
		Number of shares held Increase (Decrease)	Pledged Shares Increase (Decrease)	Number of shares held Increase (Decrease)	Pledged Shares Increase (Decrease)
Sr. Deputy General Manager	CHIA-HUA CHUNG (Note 7)	-	-	-	-
Chief Financial Officer	GEORGE CHANG (Note 8)	181,000	-	(10,000)	-
Deputy Audit Manager	IRIS LEE	(5,000)	-	-	-
Accounting Manager	KATHY HUANG	(6,000)	-	(4,000)	-

Note 1: Appointed on July 1, 2019

Note 2: Appointed as the Chief Technology Officer on April 1, 2019

Note 3: Appointed as the Sr. Deputy General Manager of General Management Office on March 14, 2019

Note 4: Appointed as the General Manager on December 1, 2018

Note 5: Promoted on March 5, 2018

Note 6: Appointed on December 1, 2018

Note 7: Appointed on March 18, 2020

Note 8: Appointed on April 9, 2019

(2) Relative personal information on transfer of equity and pledge of equity of directors, supervisors, managers, and major shareholders: Nil

I. Relationship Information, if, Among the Top 10 Shareholders, Anyone is a Related Party, or is the Spouse or a Relative within the Second Degree of Kinship of Another

April 19, 2020; Unit: Shares; %

Name	Shareholding		Shareholding of Spouse and Minor Children		Shares Held in the Name of Others		Title, Name and Relationship of Any Related Party Among the Top 10 Shareholders, or the Spouse and Relatives Within the Second Degree of Kinship of Another		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
SEN-CHOU LO	3,546,262	4.97	-	-	5,360,426	7.51	HEADWAY CAPITAL LIMITED and ORIENTAL GOLD HOLDINGS LIMITED	Director of HEADWAY CAPITAL LIMITED and ORIENTAL GOLD HOLDINGS LIMITED	-
HEADWAY CAPITAL LIMITED	2,700,000	3.78	-	-	-	-	SEN-CHOU LO	Director of ORIENTAL GOLD HOLDINGS LIMITED	-
Representative: SEN-CHOU LO	3,546,262	4.97	-	-	5,360,426	7.51	ORIENTAL GOLD HOLDINGS LIMITED	Director of ORIENTAL GOLD HOLDINGS LIMITED	-
ORIENTAL GOLD HOLDINGS LIMITED	2,660,000	3.73	-	-	-	-	SEN-CHOU LO	Director of HEADWAY CAPITAL LIMITED	-
Representative: SEN-CHOU LO	3,546,262	4.97	-	-	5,360,426	7.51	HEADWAY CAPITAL LIMITED	Director of HEADWAY CAPITAL LIMITED	-
EAGLE FRAME LIMITED	1,150,000	1.61	-	-	-	-	-	-	-
Representative: YEN-FU HO	232,348	0.33	-	-	-	-	-	-	-
HSBC having custody over the Merrill Lynch International Investment Account	1,128,000	1.58	-	-	-	-	-	-	-
The Taipei Branch of JP Morgan Chase Bank acting as custodian for the special investment account of PGIA General Global Equity Index Fund of PGIA Corporation	1,075,582	1.51	-	-	-	-	-	-	-
Standard Chartered Bank, Dunbei Branch acting as custodian for the special investment account of Fidelity Funds	1,030,000	1.44	-	-	-	-	-	-	-
Taipei Branch of JP Morgan Chase Bank acting as custodian for the special investment account of Vanguard Emerging Markets Equity Index Fund of Vanguard Group	970,100	1.36	-	-	-	-	-	-	-
CHI'I-MING LIN	438,000	0.61	-	-	-	-	-	-	-

Name	Shareholding		Shareholding of Spouse and Minor Children		Shares Held in the Name of Others		Title, Name and Relationship of Any Related Party Among the Top 10 Shareholders, or the Spouse and Relatives Within the Second Degree of Kinship of Another		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
ATrack Technology Co., Ltd.	420,000	0.59	-	-	-	-	-	-	-
Representative: JUN-JUN T'ANG	0	0.00	-	-	-	-	-	-	-

10. Total Number of Shares and Total Equity Stake Held in Any Single Invested Enterprise by the Company, Its Directors, Supervisors and Managers, and Any Companies Controlled either Directly or Indirectly by the Company

December 31, 2019 ;Unit: Thousand Shares; %

Name of Invested Enterprise	Investment by The Company		Investment by Directors, Supervisors, Managers, or Directly and Indirectly Controlled Companies		Total Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Egis Inc.	25,546	100.00	-	-	25,546	100.00
Egis Technology (Japan) Inc.	7,680	100.00	-	-	7,680	100.00
Egis Tec USA Inc.	1,000	100.00	-	-	1,000	100.00
Egis Technology (Korea) Inc.	20	100.00	-	-	20	100.00
Tyrafos Technologies Co., Ltd.	5,265	65.00	-	-	5,265	65.00
Igistec Co., Ltd.	16,527	74.69	-	-	16,527	74.69
Sirius Wireless Pte. Ltd.	40,080	50.05	-	-	40,080	50.05

IV. Financing Situation

1. Capital and Shares

A. Source of Share Capital

1. Source of Share Capital

April 30, 2020; Unit: NTD; Shares

Month Year	Issue Price (NTD)	Authorized Share Capital		Paid-in Share Capital		Remarks		
		Number of Shares (Shares)	Amount (NTD)	Number of Shares (Shares)	Amount (NTD)	Source of Share Capital	Those who Use Non-Cash Property to Offset Share Payment	Others
12 / 2007	10	100,000	1,000,000	100,000	1,000,000	Share capital acquired from founding assembly 1,000,000	-	Note 1
01 / 2008	10	12,900,000	129,000,000	12,900,000	129,000,000	Capital injection in cash 128,000,000	-	Note 2
04 / 2008	10	18,000,000	180,000,000	18,000,000	180,000,000	Capital injection through consolidation 51,000,000	-	Note 3
05 / 2008	43.27	60,000,000	600,000,000	36,050,000	360,500,000	Capital injection in cash 180,500,000	-	Note 4
05 / 2008	10	60,000,000	600,000,000	19,650,000	196,500,000	Capital reduction in cash 164,000,000	-	Note 5
05 / 2008	10	60,000,000	600,000,000	36,050,000	360,500,000	Capital injection by transfer of capital reserves 164,000,000	-	Note 6
07 / 2008	75.98	60,000,000	600,000,000	37,250,000	372,500,000	Capital injection in cash 12,000,000	-	Note 7
07 / 2008	23.46	60,000,000	600,000,000	49,629,856	496,298,560	Capital injection through consolidation 123,798,560	-	Note 8
07 / 2010	-	60,000,000	600,000,000	49,668,254	496,682,540	Employee stock warrants	-	Note 9

Month Year	Issue Price (NTD)	Authorized Share Capital		Paid-in Share Capital		Remarks		
		Number of Shares (Shares)	Amount (NTD)	Number of Shares (Shares)	Amount (NTD)	Source of Share Capital	Those who Use Non-Cash Property to Offset Share Payment	Others
						383,980		
12 / 2013	-	60,000,000	600,000,000	52,249,254	522,492,540	Employee stock warrants 25,810,000	-	Note 10
02 / 2014	75	100,000,000	100,000,000	61,049,254	610,492,540	Capital injection in cash 88,000,000	-	Note 11
04 / 2014	-	100,000,000	100,000,000	62,044,254	620,442,540	Employee stock warrants 9,950,000		Note 12
08 / 2014	-	100,000,000	100,000,000	62,064,254	620,642,540	Employee stock warrants 200,000	-	Note 13
12 / 2014	-	100,000,000	100,000,000	62,149,254	621,492,540	Employee stock warrants 850,000	-	Note 14
02 / 2015	-	100,000,000	100,000,000	62,154,254	621,542,540	Employee stock warrants 50,000	-	Note 15
08 / 2015	-	100,000,000	100,000,000	62,178,254	621,782,540	Employee stock warrants 240,000	-	Note 16
12 / 2015	-	100,000,000	100,000,000	68,469,254	684,692,540	Capital injection in cash 62,910,000	-	Note 17
03 / 2016	-	100,000,000	100,000,000	68,764,254	687,642,540	Employee stock warrants 2,950,000	-	Note 18
04 / 2016	-	100,000,000	100,000,000	68,839,254	688,392,540	Employee stock warrants 750,000	-	Note 19
03 / 2017	- -	100,000,000	100,000,000	69,677,754	696,777,540	Employee stock warrants 838,500	-	Note 20
08 / 2017	-	100,000,000	100,000,000	69,847,754	698,477,540	Employee stock warrants 1,700,000	-	Note 21

Month Year	Issue Price (NTD)	Authorized Share Capital		Paid-in Share Capital		Remarks		
		Number of Shares (Shares)	Amount (NTD)	Number of Shares (Shares)	Amount (NTD)	Source of Share Capital	Those who Use Non-Cash Property to Offset Share Payment	Others
12 / 2017	-	100,000,000	100,000,000	70,490,540	704,907,540	Employee stock warrants 710,000 Issuance of 5,720,000 new shares to restrict employee rights		Note 22
03 / 2018	-	100,000,000	100,000,000	70,980,254	709,802,540	Employee stock warrants 4,895,000		Note 23
09 / 2018	-	100,000,000	100,000,000	70,974,254	709,742,540	Cancellation of 60,000 new restricted employee shares		Note 24
03 / 2019	-	100,000,000	100,000,000	71,064,254	710,642,540	Employee stock warrants 930,000 Cancellation of 30,000 new restricted employee shares		Note 25
05 / 2019	-	100,000,000	100,000,000	71,160,754	711,607,540	Employee stock warrants 96,500		Note 26
12 / 2019	-	100,000,000	100,000,000	71,265,254	712,652,540	Employee stock warrants 104,500		Note 27
03 / 2020	-	100,000,000	100,000,000	71,381,754	713,817,540	Employee stock warrants 122,500 Cancellation of 6,000 new restricted employee shares		Note 28

Note 1: Taipei City Government 12/26/2007 Fu Chan Yeh Shang Tzu No. 09693753210. Note 2: Taipei City Government 02/21/2008 Fu Chan Yeh Shang Tzu No. 09781401110.

Note 3: Taipei City Government 04/29/2008 Fu Chan Yeh Shang Tzu No. 09783518310. Note 4: Taipei City Government 06/03/2008 Fu Chan Yeh Shang Tzu No. 09784640010.

Note 5: Taipei City Government 06/18/2008 Fu Chan Yeh Shang Tzu No. 09785509410. Note 6: Taipei City Government 06/27/2008 Fu Chan Yeh Shang Tzu No. 09786113210.

Note 7: Taipei City Government 07/22/2008 Fu Chan Yeh Shang Tzu No. 09787050510. Note 8: Taipei City Government 08/26/2008 Fu Chan Yeh Shang Tzu No. 09787564510.

Note 9: Taipei City Government 10/29/2010 Fu Chan Yeh Shang Tzu No. 09986101620. Note 10: Ministry of Economic Affairs 01/02/2014 Ching Shou Shang Tzu No. 10201267500.

Note 11: Ministry of Economic Affairs 03/10/2014 Ching Shou Shang Tzu No. 10301036470. Note 12: Ministry of Economic Affairs 04/10/2014 Ching Shou Shang Tzu No. 10301060840.

Note 13: Ministry of Economic Affairs 09/03/2014 Ching Shou Shang Tzu No. 10301182950. Note 14: Ministry of Economic Affairs 12/30/2014 Ching Shou Shang Tzu No. 10301270280.

Note 15: Ministry of Economic Affairs 03/20/2015 Ching Shou Shang Tzu No. 10401042210. Note 16: Ministry of Economic Affairs 09/18/2015 Ching Shou Shang Tzu No. 10401180090.

Note 17: Ministry of Economic Affairs 01/11/2016 Ching Shou Shang Tzu No. 10401280730. Note 18: Ministry of Economic Affairs 04/01/2016 Ching Shou Shang Tzu No. 10501065020.

Note 19: Ministry of Economic Affairs 08/24/2016 Ching Shou Shang Tzu No. 10501209650. Note 20: Ministry of Economic Affairs 04/06/2017 Ching Shou Shang Tzu No. 10601043350.

Note 21: Ministry of Economic Affairs 09/01/2017 Ching Shou Shang Tzu No. 10601125800. Note 22: Ministry of Economic Affairs 12/14/2017 Ching Shou Shang Tzu No. 10601169060.

Note 23: Ministry of Economic Affairs 03/28/2018 Ching Shou Shang Tzu No. 10701030910. Note 24: Ministry of Economic Affairs 09/19/2018 Ching Shou Shang Tzu No. 10701116310.

Note 25: Ministry of Economic Affairs 03/07/2019 Ching Shou Shang Tzu No. 10801017040. Note 26: Ministry of Economic Affairs 03/07/2019 Ching Shou Shang Tzu No. 10801061630.

Note 27: Ministry of Economic Affairs 12/06/2019 Ching Shou Shang Tzu No. 10801181030. Note 28: Ministry of Economic Affairs 03/06/2020 Ching Shou Shang Tzu No. 10901026000.

2. Type of Shares

April 19, 2019; Unit; Shares

Type of Shares	Authorized Share Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total	Over-the-counter stock
Common stock	71,381,754	28,618,246	100,000,000	

3. Summary of information related to the declaration system: Not applicable.

B. Shareholder Structure

April 19, 2020; Unit: Person; Shares; %

Shareholder Structure	Government Agencies	Financial Institutions	Other Juristic Persons	Individuals	Foreign Organizations and Foreigners	Total
Number of persons	0	4	139	16,996	147	17,286
Number of shares held	0	400,233	3,809,786	48,787,113	18,384,622	71,381,754
Shareholding ratio	0.00	0.56	5.34	68.34	25.76	100.00

C. Distribution of Shareholders' Equity

April 19, 2020; Unit: Person; Shares; %

Shareholding Level	Number of Shareholders	Number of shares held	Shareholding Ratio
1 to 999	3,920	79,676	0.11
1,000 to 5,000	11,783	20,764,661	29.08
5,001 to 10,000	881	6,932,502	9.71
10,001 to 15,000	213	2,698,861	3.78
15,001 to 20,000	167	3,059,147	4.29
20,001 to 30,000	107	2,769,599	3.88
30,001 to 40,000	53	1,924,354	2.70
40,001 to 50,000	39	1,784,000	2.50
50,001 to 100,000	60	4,115,515	5.77
100,001 to 200,000	34	4,885,418	6.84
200,001 to 400,000	17	4,730,077	6.63
400,001 to 600,000	3	1,275,000	1.79
600,001 to 800,000	0	0	0.00
800,001 to 1,000,000	1	970,100	1.36
1,000,001 shares and more	8	15,392,844	21.56
Total	17,286	71,381,754	100.00

D. List of Principal Shareholders

Name, number of shares held, and shareholding ratio of shareholders with equity stake of five percent (5%) or more or top ten shareholders in terms of equity stake

April 19, 2020; Unit: Shares; %

Shares / Name of Principal Shareholder	Number of shares held	Shareholding Proportion
SEN-CHOU LO	3,546,262	4.97%
HEADWAY CAPITAL LIMITED	2,700,000	3.78%

Name of Principal Shareholder \ Shares	Number of shares held	Shareholding Proportion
ORIENTAL GOLD HOLDINGS LIMITED	2,660,000	3.73%
EAGLE FRAME LIMITED	1,150,000	1.61%
HSBC having custody over the Merrill Lynch International Investment Account	1,128,000	1.58%
The Taipei Branch of JP Morgan Chase Bank acting as custodian for the special investment account of PGIA General Global Equity Index Fund of PGIA Corporation	1,075,582	1.51%
Standard Chartered Bank, Dunbei Branch acting as custodian for the special investment account of Fidelity Funds	1,030,000	1.44%
Taipei Branch of JP Morgan Chase Bank acting as custodian for the special investment account of Vanguard Emerging Markets Equity Index Fund of Vanguard Group	970,100	1.36%
CH'I-MING LIN	438,000	0.61%
ATrack Technology Co., Ltd.	420,000	0.59%

E. Market Price, Net Value, Earnings and Dividends Per Share and Relevant Information for the Last Two Fiscal Years

Unit: NTD; Thousand Shares

Item \ Year			2018	2019	As of April 30 (Note 4)
Market price per share	Maximum		248.00	315.50	247.00
	Minimum		84.10	170.00	117.00
	Average		165.51	235.95	193.06
Net value per share	Before distribution		34.94	40.57	44.06
	After distribution		26.85	40.57	44.06
Earnings per share	Weighted average number of shares		69,710	68,443	69,134
	Earnings per share		9.62	12.60	3.39
Dividends per share	Cash dividends		8.09	9	
	Stock grants	Stock dividends from retained earnings	-	-	
		Stock dividends from capital reserves	-	-	
	Accumulated unpaid dividends		-	-	
Analysis of return on investment	Price-earnings ratio (Note 1)		17.20	18.73	
	Dividend yield (Note 2)		20.43	26.22	
	Cash dividend yield (Note 3)		4.89%	3.81%	

Note 1: Price-earnings ratio = Average closing price per share for the current year/Earnings per share

Note 2: Dividend yield = Average closing price per share for the current year/Cash dividends per share

Note 3: Cash dividend yield = Cash dividends per share/Average closing price per share for the current year

Note 4: Net value per share and earnings per share should be filled with the data audited by the accountants in the latest quarter as of the date of publication of the annual report; the rest should be filled with the information as of the end of the current year.

F. Dividend Policy of the Company and Implementation Status

a. The dividend policy of the Company is as follows:

After the closing of accounts for the fiscal year, if there is net profit after tax for the current period, the Company shall first pay the taxes to make up for accumulated losses (including adjustment of undistributed earnings amount) and then set aside 10% of the said profits as legal reserve; where if such legal reserve amounts to the total paid-in capital of the Company, this provision shall not apply. The Company shall also set aside or reverse another sum as special reserve in accordance with the law or regulations of competent authorities. The Board of Directors shall draft an earnings distribution proposal for the remaining earnings amount, as well as the undistributed earnings at the beginning of the period (including the adjustment of undistributed earnings amount), and submit it for resolution at the shareholders meeting for the distribution of dividends and bonuses to the shareholders.

The Company's dividend policy is in line with the current and future development plans, with the investment environment, capital requirements and domestic and international competition, as well as the interests of shareholders and other such factors taken into account; and with reference to the general standard of dividends issuance in the same industry and capital market as the basis for dividends issuance. Dividends and bonuses may be distributed to shareholders in the form of cash or shares, of which cash dividends shall be no less than 20% of the total shares.

b. Shareholder dividend distribution proposed for the current fiscal year:

The surplus distribution of the Company in 2019 was formulated as shown in the following table by the Board of Directors on March 17, 2020. After the consideration and approval at the general meeting on June 18, 2020, the ex-dividend record date will be determined by the Board of Directors.

2019 Earnings Distribution Statement

Unit: NTD

Item	Amount in Cash
Undistributed earnings at the beginning of period	335,033,924
Actuarial loss included in retained earnings	0
Undistributed earnings after adjustment	0
Net profit after tax for current period	862,681,117
Less: Appropriation to legal reserve	86,268,112
Appropriation to special reserve	32,596,206
Earnings available for distribution in current period	1,078,850,723
- Stock dividends (NTD - per share) - Cash dividends (NTD 9.0 per share)	0 623,535,786
Undistributed earnings at the end of period	455,314,937

Note: The cash dividends shall be rounded down to the nearest dollar, and the total sum of fractional amounts less than a dollar shall be returned to the Company and recorded under the item of Other Revenue.

c. Explanations shall be provided where major changes are expected in the dividend policy: No such situation.

G. Effect of Stock Grants Proposed in this Shareholders' Meeting on the Business Performance and Earnings Per Share of the Company

The Board of Directors of the Company passed the resolution on non-distribution of dividends from 2019 earnings on March 17, 2020, and it has not announced the financial forecast information for 2020. Therefore, this is not applicable.

H. Employee and Directors' Remunerations

1. The percentages and ranges of employee, directors', and supervisors' remunerations stated in the Articles of Association of the Company:

If the Company makes a profit in the fiscal year (the so-called profit refers to the pre-tax profit before the deduction of remunerations payable to the employees and directors), it shall set aside no less than 5% of the profits for employee remunerations and no more than 1% for director remunerations. However, if the Company has accumulated losses (including the adjustment of undistributed earnings amount), the amount for offsetting should first be retained.

The employee remunerations stated above may be paid in the form of shares or cash, and the payee shall include the employees of subsidiaries who meet the conditions set by the Board of Directors. The director remunerations stated above may only be paid in the form of cash.

The two items above shall be handled according to the resolutions of the Board of Directors and reported at the shareholders meeting.

2. The basis for estimating the amount of employee, director, and supervisor remunerations, for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

If there are any changes to the amount of employee and director remunerations in the earnings distribution plan approved in the shareholders' meeting, the difference in amount shall be accounted for as a change in accounting estimate and listed as profit and loss in the fiscal year that the resolution was passed in the shareholders' meeting. It shall not affect the financial reports that have been recognized.

3. Remuneration distribution approved by the Board of Directors:

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

The Company's Board of Directors approved to distribute according to the provisions of the Company Act and Article 24 of the Company's Articles of Association on March 17, 2020, among which 5% of the net profit before tax, that is, NTD 83,367,400 shall be set aside as employee remunerations and 1% of the net profit before tax, that is, NTD 11,567,664 shall be set aside as director remunerations; the remunerations shall be distributed in the form of cash. The difference with that of 2019 recognized in the financial statements is NTD 88, which is adjusted under Articles of Association after taking into account of the actual distribution. The difference is subject to changes in the accounting estimates and is recorded in the year that the resolution of general meeting is made.

(2) The amount of employee remunerations distributed in stocks, and the percentage of the amount of the net profit after tax stated in the parent company and the total employee remuneration for only financial reports or individual financial reports for the current period: Not applicable.

4. The actual distribution of employee and director remunerations for the previous fiscal year (including number of shares, monetary amount, and stock price), and if there is a difference between these and the recognized employee and director remuneration, the difference, reason and handling situation should be stated clearly:

Fiscal Year	2018	
	Resolution amount of the Board of Directors	Actual amount issued
Employee Remunerations	46,308,000	46,308,000
Directors Remuneration	8,972,000	8,972,000

There is no difference between the actual distribution of employee and director remunerations in 2018 and the resolution amount of the Board of Directors.

I. The Company's share repurchase situation:

Item \ Number of Times	First time	Second time
Date of Board Resolution	03/05/2018	09/18/2018
Purpose of Repurchase	Transfer of shares to employees	Transfer of shares to employees
Period of Repurchase	From April 12, 2018 to May 4, 2018	From September 20, 2018 to November 18, 2018
Average Repurchase Price Per Share	NTD 131.46	NTD 99.93
Quantity and Categories of Repurchased Shares	600,000 ordinary shares	2,000,000 ordinary shares
Total Amount of Repurchased Shares	NTD 78,875,372	NTD 199,864,513
Ratio (%) of the number of repurchased shares to the number of shares reserved for repurchase	42.55%	100%
Quantity of Shares Canceled and Transferred	0 share	0 share
Cumulative Shares of the Company Held	600,000 shares	2,600,000 shares
Proportion of Cumulative Shares of the Company Held to Total Quantity of Shares Issued	0.84%	3.64%

2. The Company's Debt Repayment Situation: No such situation.

3. Special Shares Administration Situation: No such situation.

4. Overseas Depository Receipt Administration Situation: No such situation.

5. Employee Stock Warrants Administration Situation

a. The annual report shall disclose unexpired employee stock warrants issued by the Company in existence as of the date of publication of the annual report and shall explain the effect of such warrants upon shareholders' equity.

March 31, 2020

Type of Employee Stock Warrant	2014 employee stock warrants	
Effective Date of Declaration	November 25, 2014	
Issue Date	December 18, 2014	November 3, 2015
Duration	Five years	Five years
Number of Units Issued (Note 1)	1,592 units	408 units
Ratio of Shares Subscribed to Total Issued Shares	2.23%	0.57%
Duration of Subscription	The execution of subscription rights by the warrant holder shall be in accordance with the specific content stipulated in the subscription rights contract, and the said rights shall be exercised before the expiration of the employee stock warrants.	
Method of Contract Performance	Delivery of newly issued shares	
Period and Percentage (%) in which Subscription is Restricted	The warrant holder may exercise his/her subscription rights based on the following periods and percentages granted by the stock warrants two years after the employee stock warrants are granted: (1) Two years after the employee stock warrants are granted, the warrant holder can exercise an accumulated percentage of 50% of shares. (2) Three years after the employee stock warrants are granted, the warrant holder can exercise an accumulated percentage of 100% of shares.	
Number of Shares Received from Exercise of Subscription Rights	1,302,000 shares	363,500 shares
Amount of Shares Subscribed	NTD 127,856,400	NTD 46,229,930
Number of Shares that have not been Subscribed (Note 2)	150,000 shares	18,500 shares
Number of Invalid Shares from Departure	140,000 shares	26,000 shares
Subscription Price Per Share of	NTD 98.20	NTD 127.18

Unsubscribed Shares		
Number of Unsubscribed Shares As a Percentage of Total Issued Shares (%)	0.21%	0.03%
Effect on Shareholders' Equity	There is no significant effect on the dilution of the equity of shareholders with existing common stocks. This can attract and retain necessary talents, improve cohesion, and bring positive benefits to the development of the Company.	There is no significant effect on the dilution of the equity of shareholders with existing common stocks. This can attract and retain necessary talents, improve cohesion, and bring positive benefits to the development of the Company.

Note 1: Every unit of stock warrant can subscribe for 1,000 shares of common stocks.

Note 2: The number of unsubscribed shares refers to the balance of issued shares after deducting the number of subscribed shares and the number of expired and canceled shares.

b. Names, Status of Acquisition, and Subscription of Managers who have Acquired Employee Stock Warrants and of Employees who Rank Among the Top Ten in Terms of the Number of Shares to which they have Subscription Rights through Employee Stock Warrants Acquired, Cumulative to the Date of Publication of the Annual Report

March 31, 2020 Unit: Shares; NTD; %

	Position	Name	Number of Subscription Shares Acquired	Percentage of Number of Subscription Shares Acquired to Total Issued Shares Ratio	Subscribed				Not Yet Subscribed			
					Subscribed Number of Shares	Subscribed Subscription Shares Price	Subscribed Amount of Subscription Shares	Percentage of Number of Shares Subscribed to Total Issued Shares Ratio	Not Yet Subscribed Number of Shares	Shares Not Yet Subscribed Price	Not Yet Subscribed Amount of Subscription Shares	Percentage of Number of Shares Not Yet Subscribed to Total Issued Shares Ratio
Manager	Chairman	SEN-CHOU LO	2,260,000	3.17%	1,415,000 695,000 -	10.00 98.20 127.18	11,450,000 68,249,000 -	2.96%	- 150,000 -	10.00 98.20 127.18	- 14,730,000 -	0.21%
	Vice Chairman	MING-TO YU										
	General Manager	SHIH-HAO HOWARD RO										
	Chief Operating Officer	GONG-YI LIN										
	Chief Financial Officer	GEORGE CHANG										
	Sr. Deputy General Manager	YI-PIN LEE										
	Sr. Deputy General Manager	CHIA-HUA CHUNG										
	Deputy General Manager	SKY SU										
	Deputy General Manager	DAVID HWANG										
	Deputy General Manager	KAREN CHANG										
	Deputy General Manager	JIMMY HSU										
	Deputy General Manager	KOS LIN										
	Accounting Manager	KATHY HUANG										
	Deputy Audit Manager	IRIS LEE										
Employees	Department of General Affairs Manager	LEEANN SHIEH	956,000	1.34%	846,000 110,000 -	10.00 98.20 127.18	8,460,000 10,802,000 -	1.34%	- - -	10.00 98.20 127.18	- - -	0.00%
	Sr. Customer Manager	JUSTIN LIAO										
	Senior Sales Manager	AARON LEE										
	Technology Manager	JACKY LEE										
	R&D Manager	YÜCH'UN CHENG										
	Technology Manager	VINCENT KAO										

	Sr. Manager	ANDREW LING											
	Sr. Manager	SIMON CHANG											
	Marketing Director	MATT WANG											
	Associate Chief Engineer	DRAGON FU											

6. New Restricted Employee Shares Administration Situation:

(1) New Restricted Employee Shares Administration Situation

March 31, 2020

Type of New Restricted Employee Shares (Note 1)	The First Time (Period) New Restricted Employee Shares
Effective Date of Declaration	December 1, 2017
Date of issuance (Note 2)	December 4, 2017
Number of Units Issued	572,000 shares
Price of issuance	0
Ratio of new restricted employee shares issued in as a percentage of total issued shares	0.8%
Vesting Conditions for New Restricted Employee Shares	Vesting Conditions: This is divided into two categories, A and B, and the vesting conditions shall be based on personal performance. 1. Vesting conditions of Type A: (1) Employees who are still serving the Company one year after the expiration date of distributing new restricted employee shares, whose personal performance has met the performance targets set by the Company in the year prior to the expiration date, and who have made due contributions during the said period will receive 1/3 of the shares. (2) Employees who are still serving the Company two years after the expiration date of distributing new restricted employee shares, whose personal performance has met the performance targets set by the Company in the year prior to the expiration date, and who have made due contributions during the said period will receive 1/3 of the shares. (3) Employees who are still serving the Company three years after the expiration date of distributing new restricted employee shares, whose personal performance has met the performance targets set

Type of New Restricted Employee Shares (Note 1)	The First Time (Period) New Restricted Employee Shares
	by the Company in the year prior to the expiration date, and who have made due contributions during the said period will receive 1/3 of the shares. 2. Vesting conditions of Type B: (1) Employees who are still serving the Company in the same year after the expiration date of distributing new shares to restrict employee rights, whose personal performance has met the performance targets set by the Company in the year prior to the expiration date, and who have made due contributions during the said period will receive 1/3 of the shares. (2) Employees who are still serving the Company one year after the expiration date of distributing new restricted employee shares, whose personal performance has met the performance targets set by the Company in the year prior to the expiration date, and who have made due contributions during the said period will receive 1/3 of the shares. (3) Employees who are still serving the Company two years after the expiration date of distributing new restricted employee shares, whose personal performance has met the performance targets set by the Company in the year prior to the expiration date, and who have made due contributions during the said period will receive 1/3 of the shares. 3. According to the Company's Measures for the Management of Performance Appraisal, the results of performance appraisal are rated as A (excellent), B (above average), C (average), and D (need to improve). The aforesaid personal performance-based vesting condition refers to the personal performance meeting the targeted performance of the Company, and the performance result must be A (excellence) or B (above average), etc. It is equal to achieving the contribution of the position when

Type of New Restricted Employee Shares (Note 1)	The First Time (Period) New Restricted Employee Shares
	meeting the performance result.
Restricted Right of New Restricted Employee Shares	1. Employees are not allowed to sell, pledge, transfer, give, 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 Regulation, 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.
Custody Situation of New Restricted Employee Shares	Taishin International Commercial Bank conducts trust custody operations.
The Handling Method for Not Meeting Vesting Conditions After Employees Obtain or Subscribe New Shares	All the shares that have not reached the vesting conditions are recovered by the company and are cancelled.
Number of New Restricted Shares Collected or Purchased	18,000
Number of New Shares with Restricted Right Lifted	487,000
Number of New Shares with Restricted Right Not Lifted	67,000
Rate of Number of New Shares Failing to Lift Restricted Right in Total Number of Shares Issued	0.09%

Type of New Restricted Employee Shares (Note 1)	The First Time (Period) New Restricted Employee Shares
Impact on Shareholder Rights	1. If all vesting conditions are met, the estimated maximum possible expendable amount is approximately NTD 195,000,000. The maximum possible expendable amounts per year for 2017-2020 is 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.

(2) Managers Obtaining New Restricted Employee Shares as well as the Name and Situation of the Top 10 Employees Obtaining New Shares

March 31, 2020

	Position	Name	Number of new restricted employee shares obtained	Ratio of number of new restricted employee shares obtained to total shares issued (Note 2)	Has Relieved Restricted Right				Failed to Relive Restricted Right			
					Number of shares with restriction relieved	Issue Price	Issue Amount in Cash	Ratio of number of shares with restriction relieved to total shares issued (Note 2)	Number of shares failed to relieve restriction	Issue Price	Issue Amount in Cash	Ratio of number of shares failed to relieve restriction to total shares issued (Note 2)
Manager	Sr. Deputy General Manager	YI-PIN LEE	365,000	0.51%	350,000	0	0	0.49%	15,000	0	0	0.02%
	General Manager	SHIH-HAO HOWARD RO										
	Deputy General Manager	DAVID HWANG										
	Deputy General Manager	JIMMY HSU										
	Accounting Manager	KATHY HUANG										
Employee (Note 1)	Associate Chief Engineer	JIMMY TSENG	99,000	0.14%	76,000	0	0	0.11%	23,000	0	0	0.03%
	Associate Chief Engineer	DRAGON FU										
	Sr. Manager	TONY LO										
	Sr. Technology Manager	PHOEBE CHIU										
	Sr. Sales Manager	SANDY CHIU										
	Technology Manager	CH HAN										
	Sr. Manager	SANDRA CHEN										
	Sr. Sales Manager	AARON LEE										
	Director	WEI-HUA HU										
	Manager	EDWARD LO										

Note 1: Top ten employees who acquired restricted employee rights in new shares refers to the employees not the managers.
Note 2: Total number of issued shares refers to the number of shares listed in the change registration data of the Ministry of Economic Affairs.

7. Situation of Mergers and Acquisitions (Including Mergers, Acquisitions, and Demergers)

(1) Any issuance of new shares in connection with a completed merger or acquisition or with the acquisition of any other company's shares during the last fiscal year or during the current fiscal year up to the date of publication of the annual report: No such situation.

(2) Any issuance of new shares in connection with a merger or acquisition or with the acquisition of shares of any other company based on a resolution passed by the Board of Directors during the last fiscal year or during the current fiscal year up to the date of publication of the annual report: No such situation.

8. Status of Implementation of the Funds Utilization Plan

a) Status of implementation of each public issuance or private placement of securities that has yet been completed as of the quarter preceding the date of publication of the annual report: Not applicable.

b) Public issuances or private placements of securities that have been completed in the last three fiscal years but have not yet fully yielded the planned benefits: Not applicable.

c) The Company has not conducted any issuance of new shares or corporate bonds in connection with a merger or acquisition or with the acquisition of any other company's shares during the last three fiscal years or during the current fiscal year up to the date of publication of the annual report, and the situation of the previous capital injection in cash is hereby explained as follows:

1. Content of Plan

(1) Date of approval by competent authority and document number: August 28, 2015; Cheng Kui Shen Tzu No. 1040024519.

(2) Total funds required for this Plan: NTD 723,465,000.

(3) Source of funds: Issuance of 6,291,000 new shares for the purpose of capital injection in cash; the issuance price per share is NTD 115, and the total amount raised is NTD 723,465,000.

(4) Projects under Funds Utilization Plan and projected progress of funds utilization:

Unit: NTD’000

Project(s) Under the Plan	Projected Completion Date	Total Funds Required	Projected Progress of Funds Utilization
			Fourth quarter of 2015
Replenishment of working capital	Fourth quarter of 2015	723,465	723,465

(1) Projected Benefits

This capital injection in cash is conducted for the purpose of replenishing the working capital. In addition to increasing the percentage of its own capital and strengthening the financial structure, the Company is able to acquire long-term and stable funds that will help reduce operational risk, improve the competitiveness of business development, and enable funds planning required for the expansion of the future scale of operations.

(2) Any changes to the plan, the source of funds and the manner of their utilization, the reason(s) for any changes to the plan, the benefits yielded by the funds before and after any change(s) to the plan, the date on which the change(s) to the plan was reported at a shareholders' meeting: Not applicable.

(3) The date on which the aforementioned information was uploaded to the website specified by the Securities and Futures Bureau for reporting of information: Not applicable

2. Status of Implementation

Unit: NTD’000

Project(s) Under the Plan	Status of Implementation		2015 Fourth Quarter	Progress Ahead or Behind Schedule, Reason(s) and Improvement Plan
Replenishment of working capital	Amount Required for Use	Projected	723,465	This plan has been fully implemented according to schedule.
		Actual	723,465	
	Implementation progress	Projected	100%	
		Actual	100%	

3. Performance of Benefits Assessment

The Company has completed the fund-raising plan involving approximately NTD 723,465,000 on December 21, 2015, leading to an increase of NTD 723,465,000 in working capital after the raised funds are fully acquired. In addition to increasing the percentage of its own capital and strengthening the financial structure, the Company is able to acquire long-term and stable funds that will help reduce operational risk, improve the competitiveness of business development, and enable funds planning required for the expansion of the future operations.

5. Operational Highlights

1. Content of Business

(1) Scope of Business

1. Principal Business Content Operated
   - (1) I301010 Information Software Service Industry
   - (2) I301020 Document Processing Service Industry
   - (3) I301030 Electronic Information Supply Service Industry
   - (4) I501010 Product Design Industry
   - (5) F401010 International Trade Industry
   - (6) ZZ99999 Besides those that are subject to approval, all businesses that are not prohibited or restricted by business law shall be operated

2. The Proportion of Primary Business Products (Service)
   - (1) Biometric identification chips: To provide customers with a variety of ICs and modules which can greatly reduce the number of components and size used in notebook PC, smartphones, tablet PC, etc. In addition, application software for fingerprint identification are also included.
   - (2) Data security protection: To provide a variety of data encryption software and integrate security and management functions into one user interface to enhance convenience and business security. Products include data protection, encryption and decryption, data shredding, and other application software.
   - (3) Technical services: To provide software testing and sensor IC development services in response to customer needs.

Unit: NTD ’000

Fiscal Year / Product Items	2018		2019	
	Net Operating Revenue	Percentage (%)	Net Operating Revenue	Percentage (%)
Biometric Recognition Sensing IC and its Applications	5,903,424	100%	7,354,659	100%
Data Security and Protection and its Applications	4,723	0%	3,722	0%
Revenue from Technical Services	1,186	0%	60	0%
Total	5,909,333	100%	7,358,441	100%

3. Current Products (Services) Item

The Company is dedicated to the design, development, manufacture, and sale of biometric identification sensor chips. Besides having both passive capacitive and optical fingerprint sensors, the Company also plans to introduce AI (artificial intelligence) chip, time of flight (ToF) sensor, 3D Depth Map sensor, large-area FoD (Finger on Display) chip, automotive fingerprint chip, as well as the development of fingerprint touch and display driver integration (FTDDI) this year. Currently, the main products of the Company include:

(1) Passive Capacitance Fingerprint Sensor

The Company provides a variety of chips and modules with different specifications to cater to the demands of different customers. The fingerprint sensors designed by the Company are able to significantly reduce the number of components while remaining small and compact. This makes it easier to integrate into mobile devices that are small, slim, and lightweight. Other than hardware chips, the Company also provides various integrated software and hardware application solutions for fingerprint identification.

(2) In-Display Fingerprint Sensor

The Fingerprint on Display (FoD) solution can effectively improve the display to body ratio of mobile phones while maintaining both cost and performance with optical images. In recent years, the Company has launched a series of optical fingerprint sensor chips to apply to flexible and rigid OLED (Organic Light Emitting Diode) screens for fingerprint sensing without the need for fingerprint sensing buttons. Thus, improving the display to body ratio to optimize user experience.

(3) 3D Depth Map Sensing

In response to the AR/VR trend, the Company is expecting to launch 3D Depth Map solution based on high sensing accuracy and precision. Such solution will provide more accurate 3D Depth Map measurements on the surface of objects. Benefits of this solution include cost-effectiveness, less damage to human eye, multi-person identification support, low power consumption, ambient light shielding, augmented reality (AR), and other phenomenal features which will help customers to rapidly develop and introduce new product and accelerate the time to market.

(4) Full Screen Display (or Large-Area Screen) Fingerprint Sensor

In order to achieve the ability for smartphone users to use fingerprint unlock on any region of the screen, the Company has started developing full-screen (or multi-finger large area) fingerprint identification for LCD screen mobile phones as well as large-area FoD fingerprint sensing technology.

(2). Industry Profile

1. Current State of the Industry and Future Developments

Biometric identification is mainly an identity authentication technique through human biometrics. Human biometrics are usually unique and allows a person to be identified and authenticated based on a set of recognizable and verifiable data unique and specific to them. As a result, biometric identification technology has greater advantages over traditional authentication technology. Due to the declining costs of microprocessors and various electronic components, higher precision biometric systems with authorization control are gradually applied for commercial purposes. Due to the uniqueness of human body characteristics, the biological key of human body cannot be replicated, stolen or forgotten, yet at the same time can be identified safely, reliably, and accurately.

Biometric identification was originally used for public security applications such as citizen identification and crime investigation led by government departments. Later, it was gradually incorporated into everyday life, such as fingerprint scanner, fingerprint USB reader, fingerprint mouse, fingerprint keyboard, fingerprint door lock, fingerprint attendance system, and fingerprint access control system. The fingerprint market was not very promising until laptop computers became popular.

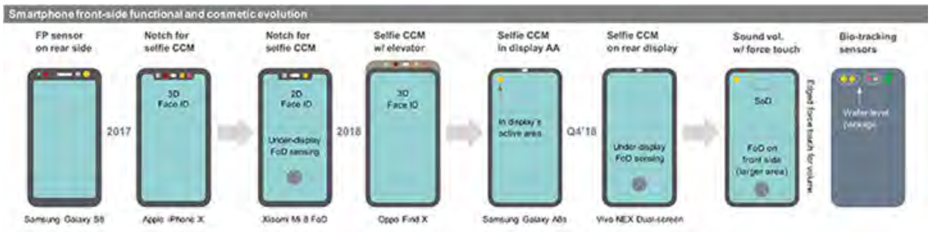
The market of biometrics application was small and unpopular before Apple introduced the iPhone 5S equipped with capacitive fingerprint technology. Some speculate the reasons why it was not popular in the past were due to its practicability, accountability, and cost. For general users, a certain degree of data protection can be achieved by setting a power-on password, hence, the demand for better security via fingerprint recognition is limited. On the other hand, the speed and accuracy of fingerprint recognition were not fast and also less convenient as compared to power-on password; another reason is the attribution of responsibility. Who should be responsible for fraudulent transaction if all transactions were found and done via fingerprint authentication? Lastly, the issue of cost. Before the necessity of fingerprint authentication function is tested, the cost of applying fingerprint sensor solution is still an additional burden for consumers. Therefore, given the same budget, consumers will tend to choose higher resolution panels or mobile phones with camera modules, etc., to display images in a more effective and efficient manner. However, as mobile phones begin to possess and perform functions that of a personal computers (PC), the transition of user behaviors or usage scenarios in which mobile phones equipped with fingerprint technology has gradually taken shape.

With future development of smartphone functions and popularization of fingerprint technology, the application of fingerprint technology will be more tightly integrated with smartphones. The Company has focused fingerprint technology on smartphones as its primary business activity while paying close attention to future trends and integrating past experience for new market opportunities. Furthermore, the Company is the only Taiwanese manufacturer elected as a board member [1] of FIDO Alliance (Fast IDentity Online) international association and actively participates in various international authentication standards meetings. The Company also hopes by joining FIDO Alliance that more sensor chips will be widely used in various new application fields. Therefore, from the perspective of the development trend, the Company no longer positions itself as only a supplier of fingerprint chip provider; rather, more actively joins in FIDO Alliance and other international mobile payment alliances in the formulation of game rules and contributes its expertise and technologies.

Besides having a diverse application development of fingerprint technology, other biometric technologies have also emerged in recent years. Examples like unlock using 3D facial recognition and payment function by Apple iPhone X in 2017, iris recognition by Samsung S8/S9 and Note 8/Note 9 in 2018, and vein recognition by LG G8 ThinQ. However, in terms of convenience and user habits, fingerprint technology is still the market's favorite. In 2019, Samsung S10 series began to adapt Qualcomm ultrasonic fingerprint technology and formally used fingerprint on display (FoD) technology to replace iris technology. China's four major mobile phone manufacturers (Huawei, OPPO, Vivo, and Xiaomi) have also regarded FoD technology as an important function for potential buyers. FoD technology not only will not affect the appearance of the screen panel but also

[1] Board members of FIDO Alliance include Alibaba, Amazon, Apple, Egis, Facebook, Google, Infineon, Intel, Mastercard, Microsoft, NTT Docomo, Qualcomm, Samsung, VISA, etc.

will not require opening a hole (notch). When mobile phone manufacturers wish to place front camera lens by digging a hole or rotating it, the integrity of screen visualization is greatly improved. In contrast, Apple's 3D facial recognition has too many components. It is difficult to skip the notch design if you want to maintain the narrower bezel at the top of the screen, resulting in poor visual integrity of the screen. Although Apple has obtained many patents for FoD fingerprint technology, there is still no clear application timeline. IHS Markit believes that it is ideal to use FoD fingerprint on the front of the smartphone. The original 3D sensing technology, whether it is structured light or time of flight, shall be placed at the back and integrate with rear camera modules to expand the capabilities of AR applications.



(Source: IHS Markit)

In terms of fingerprint applications, the dominant market of capacitive fingerprint which previously occupied over 60 to 70 percent was impacted by the incoming full-screen display trend. Based on the design of full-screen display, the original fingerprint was excluded from the front of mobile phone, making the fingerprint module move to the rear and thus affecting user's convenience. In 2018, many more FoD solutions were released enabling users to do fingerprint identification directly on the front screen with the fingerprint sensing area safely hidden. Thus, there is no need for additional space on the front of the phone to place the sensor. In other words, FoD can be regarded as an upgrade solution of capacitive fingerprint to adapt to the full-screen display trend.

The purpose of fingerprint identification is not only limited to unlocking the screen. For example, Samsung has developed a function based known as private mode. Activating this mode allows phone user to hide certain contents (such as video, gallery, music, my files, etc.) after choosing the preferred screen lock type (Pattern, Pin or Password). Thus, enabling users to maintain privacy of personal files and avoid data breach or leakage of information when the phone is used by someone else. This function is like adding double security to your phone. In addition, when fingerprint identification become widely used, it is likely that a mix of facial, fingerprint, and password functions will take place for financial organizations or other application scenarios which require high security requirements. The Company will uphold the technical foundation and market position established in fingerprint identification by recruiting people with expertise, continuous investment in various advanced biometric fields, and maintain technological leadership in the future with market competitiveness.

Optical fingerprint technology is done by placing a CIS (CMOS image sensor) under a rigid or flexible active matrix organic light-emitting diode (AMOLED) touch screen to sense the light reflected by the fingerprint. Qualcomm's ultrasonic sensor module is also placed under the screen, but it is only limited to flexible AMOLED screen; this is because the transmission of ultrasonic signals is greatly affected by the medium. In a rigid AMOLED screen, nitrogen is added in order to isolate water and oxygen from destroying the OLED material, however, this affects the effectiveness of ultrasonic signals. Both of these FoD technologies chooses the plug-in method by placing the module beneath the screen because using this design will have least impact on the AMOLED screen. It is relatively easy to assemble and to make necessary adjustments and processing to the panel without affecting the yield of the panel. Thus, these changes shall increase time to market speed for FoD applications. However, in terms of sensor design, the position of sensor beneath the panel is too far from the signal source (finger) which results in poor signal-noise ratio. In addition, the thickness of the module also hinders the design of the internal mechanism of the mobile phone, especially the capacity and placement of the battery.

In summary, from 2018 to 2019, the supply chain of the FoD solution has been relatively mature. The FoD technology is defined and separated into optical and ultrasonic fingerprint. Most of those components (lens), manufacturing process, and other modules have been upgraded and have become readily available. The FoD sensor chip performance have also been recognized by various mobile phone manufacturers. However, mobile phone manufacturers are not completely satisfied with the current FoD technology and are especially hoping the future FoD fingerprint technology can be used in larger sensing area to support blind unlocking and multi-finger authentication as a way to improve security and convenience.

2. Relationship between the Upstream, Midstream, and Downstream Sectors of the Industry

In Taiwan’s IC industry, the relationship between the upstream, middle, and downstream sectors can be categorized into IC design companies in the upstream, IC wafer plants in the midstream, and IC packaging and testing plants in the downstream. Many international companies operate through an upstream-downstream vertical integration model, controlling the design, manufacturing, packaging, testing, and even system products. However, with the rapidly changing environment of the industry and increasingly expansion of capital and equipment investment, the horizontal human resource management model is expected to be more suitable to contribute to organizational effectiveness for industry demand trends.

The main business activity of upstream IC design companies comprises in designing and selling their own products or accepting custom-made requests by customers. They belong to the upstream sector in the industrial value chain. Before completing the end product, they need to go through major processes like photomasks, wafer fabrication, chip encapsulation, and testing of the product.

The main business activity of midstream IC wafer plants is to transform the well-designed circuits into chips, using precise equipment, complex processes, and strict quality control.

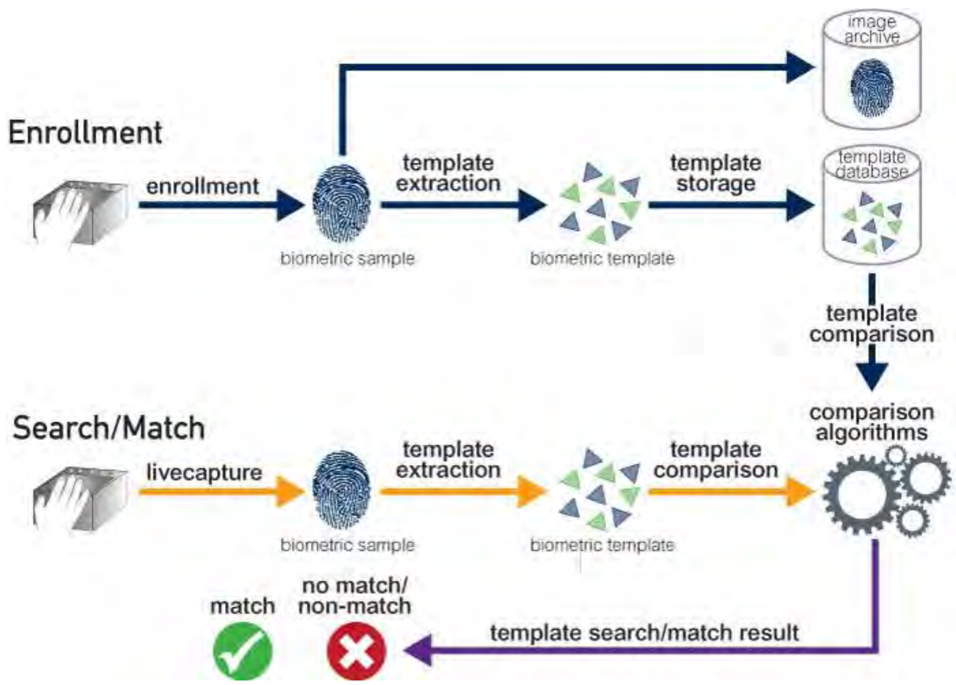
The main business activity of downstream IC packaging and testing plant involves cutting, packaging, testing, and packing the manufactured IC wafers to obtain the final IC product.

In the semiconductor industry chain, IC design companies are considered as knowledge-intensive industry. The high returns on investment, vast number of IC design talents, and relatively well-established support structure of Taiwan's semiconductor industry have encouraged many companies and investors to venture into this industry.

3. Various Development Trends of the Product

(1) The Application and R&D of Biometric Identification Technology

Biometric technology makes extraction and measurement through physiological or behavioral characteristics of the human body in order to identify a person's identity. Biometrics is not a new concept and has been developed for many years. As mentioned above, fingerprint technology for biometrics has long been used in citizen identification, criminal investigation, customs clearance control, and the activation of various digital devices. However, in addition to crime prevention and crime search, the robust growth of IoT (Internet of Things) and mobile payment needs in recent years have also forced biometric technology to apply on other consumer electronics, IoT related applications, and public security domains. As a result, various related products of biometric technology have emerged and the gross output value has begun to grow rapidly. Other related technologies have also thrived and become popular in the daily life of the general public.

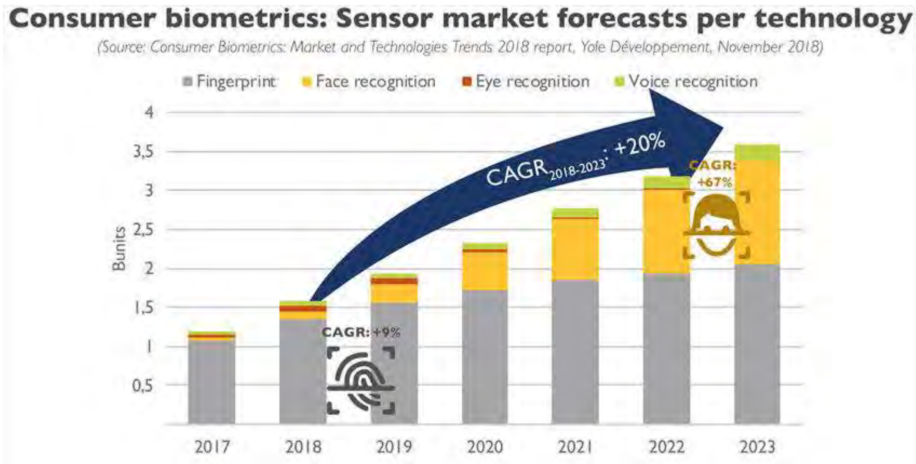


(Source: Aware.com)

Biometric technology differs from conventional authentication technology based on the fact that it is less likely to be recorded, embezzled, cracked, and forged, so users do not need to change their password frequently for security purpose, thus decreasing the inconvenience of use. For the growing problem of information security, biometrics is the only hope for a successful solution.

Biometrics uses the innate and unique physiological or behavioral characteristics of human body: such as human fingerprints, face, voice, iris, retina, and signature. It connects the system through various corresponding input and output interfaces, and then through analyzing and judging various photoelectric information and biological characteristics to identify different users through various algorithms. Compared with the conventional identification technology, such as user passwords, names, and IC cards which will not identify the users again once the password is forgotten or the card is stolen and thus brings inconvenience to the user. On the contrary, the characteristic of biometric identification lies in that users do not need to remember or bring it with them nor have to worry about it being stolen. In addition, because it is equipped with unique characteristics inherited from the human body it will improve the security and reliability of identification.

Yole Development's report states that the global biometric fingerprint sensor will reach 1.35 billion devices by the end of 2018 and will be used on 1.5 billion devices by end of 2019 and 2 billion devices by end of 2023 (compound annual growth rate of 9%). Biometric sensors are estimated to grow to 3.6 billion devices (a compound annual growth rate of 20%) by end of 2023.



(Source: Yole Development, 2018/11)

A. Capacitive Fingerprint Identification

With the increasing popularity of fingerprint recognition on smartphones, capacitive fingerprint recognition has so far been the most matured and widely used. It uses a dedicated chip to detect the sensing capacitance changes of the crest and trough when the chip comes into contact with the finger and then the advanced algorithm will be applied to find out the characteristics to identify different users. The capacitive fingerprint recognition has the advantages of small-sized components, low power consumption, and being applicable to different environments, so it is widely used in different levels.

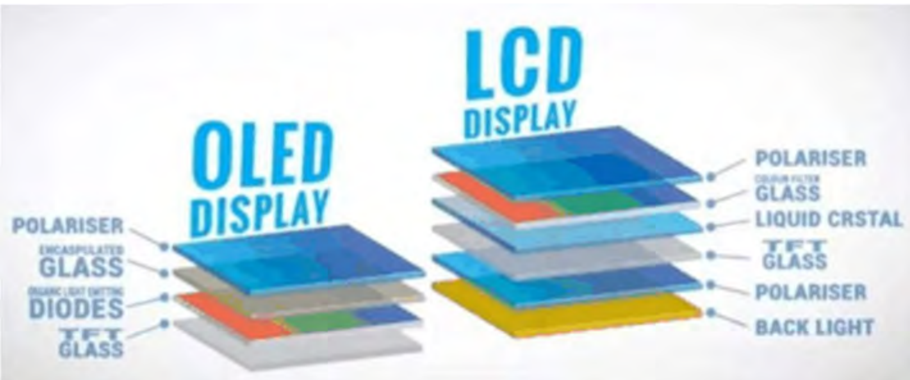
Capacitive fingerprint recognition is currently widely applied on notebooks, smartphones, tablet PC, etc. The release of Apple iPhone 5S using capacitive fingerprint was perhaps the most notable smartphone ever remembered. It was not long before Samsung, Huawei, and other Android mobile phone manufacturers all joined in to support this function to become a standard feature in smartphones at that time.

B. Optical Fingerprint Identification

The development of optical fingerprint sensors occurred earlier than that of the capacitive type. Its identification technology uses OLED as the emission light source. The optical lens is responsible for focusing the laser light reflected by the fingerprint and then the fingerprint image is detected by the combination of CMOS and lens in order to record fingerprint characteristics. With characteristics of low cost, technology readiness, complete and comprehensive supply chain, software, hardware directly controlled by supplier without splitting the module, it is widely used in airport customs clearance, corporate attendance, and access control system, etc. As a result, the enthusiasm for the development of optical fingerprint is soaring as full-screen mobile phones have become a leading trend, and in-display optical fingerprint sensor can be applied under the mobile phone screen.

Although the launch of Face ID once caused the market to worry about the future of fingerprint identification, the introduction of optical FoD solution in 2018 by the Company and other biometric companies, not only makes FoD fully compatible with full-screen design but also more affordable. As a result, many mobile phone manufacturers are competing to invest in FoD technology. In addition, in early 2019, Samsung released their flagship model equipped with Qualcomm ultrasonic solution which helped the market volume of smartphones equipped with FoD reach 200 million units that year.

The principle of optical fingerprint solution is similar to that of a camera. The image is captured through a CMOS image sensor and as each person's fingerprint is uneven, the brightness of the image may vary from person to person and hence different fingerprint images are obtained. In response to the trend of full-screen mobile phones, many vendors have adopted this solution into their mobile phones in 2019, such as Samsung, Huawei, OnePlus, OPPO, RealMe, Vivo, and Xiaomi (includes Redmi).



(Source: Read01.com)

C. Ultrasonic Fingerprint Identification

Ultrasonic fingerprint identification can penetrate the epidermal layer and detect the fingerprint image of the dermal layer, so it can be used to identify the living body with theoretically high accuracy and low interference by stains or ambient light. Since there is no need to implement circuit design, the thickness of the module can be relatively thin. However, the directionality is poor due to the emitted wave is scattered. It is necessary to estimate the difference between the ridge and valley of the fingerprint through a fixed vocal speed and then use the sonic sensor to receive it. Although ultrasonic has strong penetrability, it cannot pass through vacuum, and is also difficult to pass through glass with extra thickness as to prevent inaccurate and low recognition rate. Therefore, it must be tightly adhered to the screen and only supports thin film encapsulated flexible OLED panels which also have high requirements of screen protector film. At the same time, the cost of the sensing layer made of piezoelectric material is also higher than that of optical fingerprint’s CMOS photosensitive components, thus, the overall cost is significantly higher than FoD fingerprint. Ultrasonic fingerprint is so far only used on Samsung Galaxy S10, S20, and Note 10 series flagship models. This solution is currently dominated by Qualcomm and requires an application processor (AP) to work successfully. In 2019, Qualcomm's ultra-sonic fingerprint solution shipments were roughly 50 million units.

D. Facial Recognition

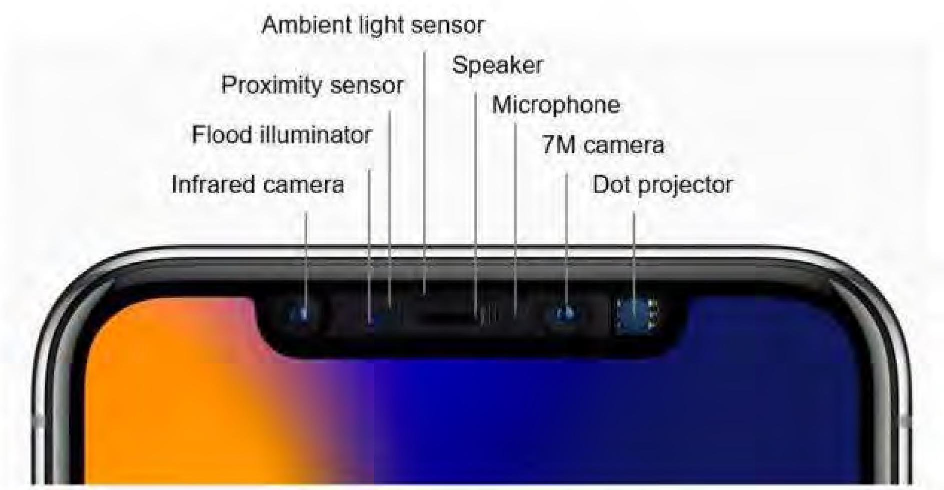
Compared with other biometrics technologies, facial recognition captures fine details of the face through camera lens and recognition algorithm software to validate the user’s identity. The advantage lies in the use of non-contact and non-intrusive identification as long as the camera can obtain images of the face. In the past, facial recognition technology is based on 2D image recognition, and it has been used in many application scenarios and systems such as enterprise attendance, access control, public safety, and social networking sites.

With the launch of Apple's iPhone X, the built-in facial recognition feature using 3D depth map technology (known as Face ID) has become a hot discussion topic. The principle of this is that when a face or object is close, the proximity sensor will activate first, and then the infrared sensor emits infrared light to confirm the capture of the face, and a beam of 30,000 invisible dots will be projected onto the face. Then, uses the displacement of the invisible dots to calculate the distance (depth) of different positions of the face. Finally, send the depth information to the processor to compare the facial characteristics and identify whether it is the user.

According to Wikipedia, a set of twins will occur in about every 90 natural births with probability of being 1.1%, while the probability of identical twins (same gender) is 20%. In other words, the probability of Face ID being cracked will be 110 in 50,000 which is much higher than 1 in 50,000 as compared to fingerprint Touch ID.

Although facial recognition maybe more convenient, its security is relatively weak. Recognition accuracy is affected by various factors such as ambient light, recognition distance, etc. In addition, when the user makes some modification to the face through makeup or cosmetic surgery, it will also affect the accuracy of face recognition.

Finally, although the infrared laser power emitted by VCSEL (vertical cavity surface emitting laser) used by the dot projector is not high, whether there will be long-term effects harming the eye pupils is a question worth exploring for medical research. Therefore, whether or not 3D facial recognition can be further widely used in emerging applications such as smartphones, financial security, mobile payment, etc., will be based on future improvement in recognition accuracy and the security of online transactions as main considerations.

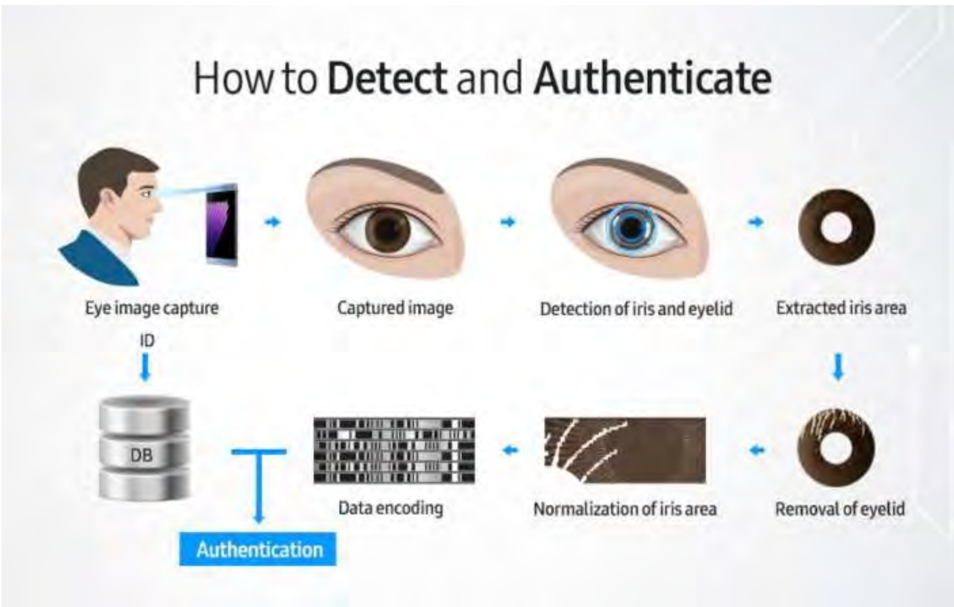


(Source: Apple)

E. Iris Recognition

The human eye structure is composed of sclera, iris, pupil, retina, and other parts. After the iris is formed during the fetal development stage it will no longer be affected by aging over time. These characteristics determine the uniqueness of iris characteristics and identification. Iris recognition technology has been developing for quite a few years and it has become a hot topic after Samsung Galaxy Note 7 was released.

The erroneous recognition of iris recognition is 1 in 1,000,000, and the erroneous recognition of Apple Touch ID is 1 in 50,000. The accuracy of iris recognition is up to 20 times that of the current fingerprint solution and is also a non-contact solution. In addition to the high recognition rate, iris recognition also has the characteristics of stability, non-reproducibility, and living body detection. It has an absolute advantage in comprehensive figure results and highest accuracy level. However, due to the need of scanning pupils with infrared light, it is not easy to develop into a popular product under the consideration of price and safety and hence unable to expand the market rapidly. Iris recognition unlock function was first introduced in Samsung Galaxy Note 7 and later removed in Galaxy Note 10/S10/S20 series mobile phones, replacing it with ultrasonic fingerprint technology while the unlock functions of facial and graphic were still kept. At present, iris recognition has been widely used in the fields of finance, medical treatment, security inspection, surveillance, special industry attendance, gate control, and industrial control, etc.



(Source: Samsung)

F. Vein Recognition

The principle of finger vein recognition is by using the palm or finger vein distribution in human body as sample and extract the biometric results for matching algorithm testing, and then obtain the images of the fingers, palms, and dorsal veins by using infrared scan as a method to distinguish. The benefits of vein recognition are simple and easy to use, high level of anti-counterfeiting, accuracy and rapid identification. More importantly, the characteristics of vein identification have been internationally recognized as unique and equivalent to retina. But the factors that this technology is not popular in the market are:

- May change with age and physiology, permanent existence is unproven;
- There is still the possibility of unsuccessful registration;
- The collecting method is limited by its own characteristics, it is difficult to miniaturize the testing equipment;
- The collecting equipment needs to meet special requirements, the design is relatively complicated with high manufacturing cost.

In 2019, LG Electronics announced that G8 ThinQ is the world's first mobile phone using vein recognition. By recognizing the shape, thickness, and other characteristics of the veins in the palm, the mobile phone can recognize the user and unlock it. In recent years, local ATMs in Taiwan have also begun to provide finger vein recognition to improve the security and recognition rate of users withdrawing cash. In the future, the financial industry has the opportunity to become the most widely used industry for vein recognition technology.

(Source: Liberty Times News)

G. Electrocardiogram (ECG) Recognition

It is necessary to wear a wearable device and use an electrocardiogram to record whether the number of heartbeats is regular. Although the recognition result is extremely accurate, it is less convenient to use and has low market penetration rate and may be less suitable and convenient to use for public in everyday life.

H. DNA Identification

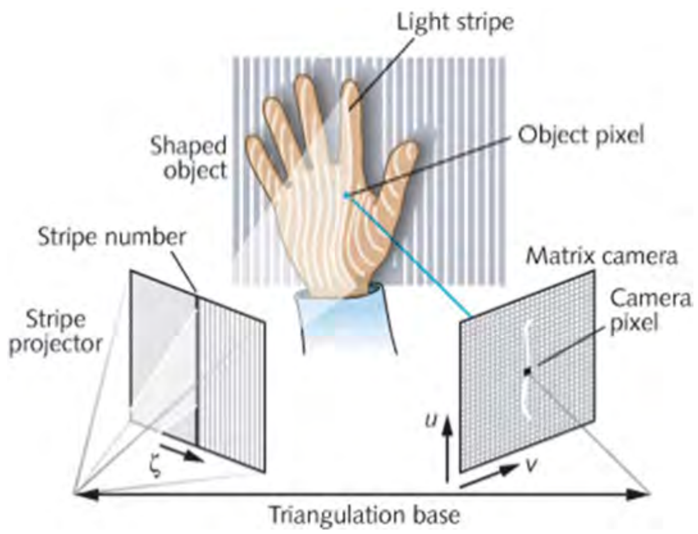
Uses blood to obtain identification to confirm blood relationship or for forensics and other medical purposes. Although everyone's genes and chromosomes are unique, the popularity is relatively low and the identification procedures are complicated. Factors that influence DNA include consumer’s usage habits, acceptability factors, and their growth is relatively slow.

I. Handwriting Recognition

Because everyone's brushstrokes are unique and unlikely to change easily after growing up, handwriting can become a basis for biometrics. Especially under the consideration of not infringing on the privacy of biometrics. With the low cost of handwriting recognition, it is still one of the most common authentication methods in finance.

J. Structured Light Identification

Structured light is an active depth sensing technology. Basic components include infrared emitters, infrared camera modules, and RGB camera modules. The principle is that a projection instrument projects a known image onto the surface of the object by light projection. The image will change due to the shape of the object, the image on the surface of the object is then received through the camera lens to encode and compare the difference with the original projected light pattern, and then use the principle of triangular pattern to measure the depth of field of an object. The advantage of structured light is high depth accuracy, although it is easily affected by natural light and more suitable for short-distance measurement. At present, it has been used in facial recognition, Kinect game consoles, industrial detection, and other fields. At the end of 2013, Apple acquired Israeli company, PrimeSense for $360 million to obtain structured light technology. At present, iPhone X and iPhone 11 series models use an improved structured light solution, but this technology affects users’ visual experience due to its wide notch design on the screen.



(Source: Laser Focus World)

(2) The Research and Development of New Biometric Technology

A. Voiceprint Recognition

Voiceprint Recognition (VPR) is a technology that uses voice to distinguish speaker's identity. The so-called voiceprint is the use of electro-acoustic instruments to present the sound wave spectrum in daily speech messages. The vocal organs used by people when they speak will be different according to the size and shape of the person. It also makes voiceprint recognition a method of identity authentication. Compared with other biological features, voiceprint recognition has the following advantages:

- Voiceprint extraction is convenient and can be done unconsciously, so the user's acceptance rate is high;
- The cost of voice recognition is low, simple to use, just one microphone, no additional recording equipment is needed when using communication equipment;
- Suitable for remote identity confirmation, only need a microphone or phone, mobile phone to achieve remote login through the network (communication network or Internet);
- Algorithm complexity of voiceprint identification is low;
- Can improve accuracy by cooperating with content identification through voice recognition.

The above advantages make the application of voiceprint recognition more favored by system developers and users. With the development and application of fingerprint authentication, facial recognition, and other technologies, voiceprint has become an important biometric recognition technology and is beginning to attract more and more attention nowadays.

B. Full-Screen Optical Fingerprint Recognition

Although ultra-thin fingerprint solution may have the advantages of saving battery space and having a simple layout, however, it is still a single fingerprint solution similar to the existing solution. Therefore, Android mobile phone manufacturers all hope to adopt large-area fingerprint recognition solution. Since various manufacturers are planning to launch larger-sized mobile phones with higher resolution to satisfy the visual effects demands of consumers, the screen size of mobile phones has successively emerged with the use of TFT integrated light-emitting diodes (photodiode) to sense reflected light to detect fingerprint images. Large-screen applications using TFT sensors will be more cost-effective and more competitive than photosensitive element lenses. The TFT sensor can sense a large area at the same time, which is suitable for large-screen applications and also thinner than optical lenses. The Company has started to develop a new generation of full-screen fingerprint touch display driver integrated (FTDDI) sensor chip in cooperation with a well-known touch driver display integrated (TDDI) manufacturer in the industry.

C. Time of Flight (ToF) 3D Sensing Technology

ToF is also an active depth sensing technology. Its principle is that the near infrared light passing through the sensor is reflected after encountering an object. The sensor calculates the time difference or phase difference of light emission and reflection to convert the shooting distance of the scene to generate depth information. In addition to shooting with the camera, the three-dimensional outline of the object is presented in a topographic map with different colors representing different distances.

The ToF sensor has been gradually popularized on mobile phones and will obtain accurate 3D images through 3D sensors, including fine details of the face and hand or objects that need to ensure that the related images match with the original images. This technology have also been applied to payment transactions on mobile phones or ATM card readers. No bank account information, debit card or bank clerk is required and payment can be completed only through facial recognition. This feature requires very reliable and accurate images and returns high-resolution 3D image data.

The same technology has also been applied to 3D image unlocking devices. Many people will compare the time of flight range technology with structured light technology. From the perspective of overall system cost, the cost of structured light is much higher than ToF, but its precision and accuracy are only improved by a few percentages. In contrast, ToF can emit light farther than structured light, which means higher output power. On the contrary, structured light cannot drive the emitted light farther away by increasing the output power because the structured light spot is too fine and diversified. It will be necessary to spend more time re-calculating if some reference points are not captured in time. Therefore, ToF technology will be more widely used than structured light technology in the future. At present, many mobile phone brands on the market have added ToF technology such as Samsung, LG, Vivo, OPPO, and Huawei.

	Stereo vision	Structured light	Laser triangulation	Time of Flight
Distance & range	Medium to far (depending on the distance of the 2 cameras) & limited 2m to 5m	Short to medium & scalable cm to 2m	Short & Limited cms	Far & scalable 30-50cm to 20-50m
Resolution	Medium	Medium	Varies	High
Depth accuracy	Medium	Medium to very high in short range	Very high	Medium
Software complexity	High	Medium	High	Low
Real-time capability	Low	Low	Low	High
Low light behaviour	Weak	Good	Good	Good
Outdoor light	Good	Weak	Weak	Weak to good
Compactness	Medium	Medium	Medium	Very compact
Material costs	Low	High	High	Medium
Total operating cost (including calibration efforts)	High	Medium to high	High	Medium

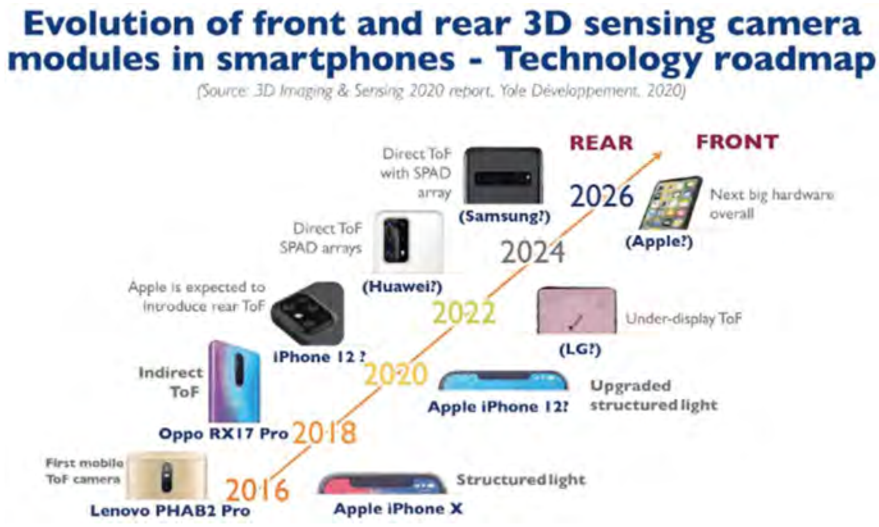
(Source: AZO Materials)

However, the growth of the smartphone 3D sensing market is mainly driven by Apple's iPhone. Although LG, Samsung, and other manufacturers continue to launch mobile phones equipped with 3D sensing modules in 2019, they are limited only to some flagship models. The total annual shipments of 3D ToF sensing are about 170 million units and nearly 3.9 billion dollars of market sales, which in terms has lower market growth as compared to FoD fingerprint sensing.

(Source: TrendForce, 2019/3)

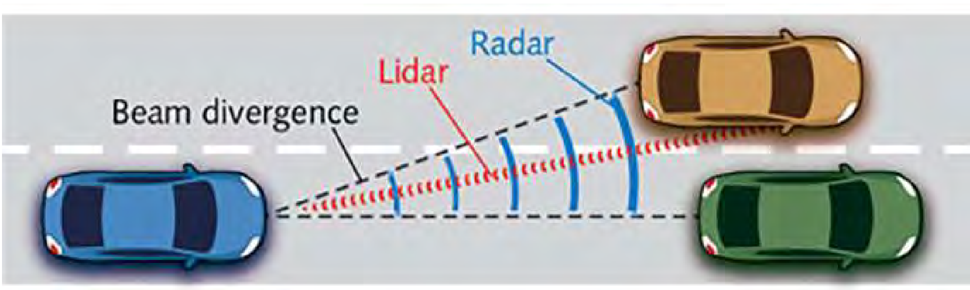
Apple has dominated the development of the smartphone 3D sensing market. Although Apple is showing positive attitude by being aggressive, however, considering the layout of its own AR application development is not yet perfect, it has not followed the pace of other competitors in 2019 by launching mobile phones with ToF solution. It is speculated that Apple will add ToF solution module to the rear of iPhone 12 in 2020 with various types of AR applications, in order to improve consumers' habitual use of AR, which will benefit Apple in developing AR-related products in the future.

The 3D sensing technology on the rear of mobile phones were initially used for photography and night vision and will now expand to include augmented reality and gaming. In addition to smartphones, ToF camera modules also have a broad application market, including smart driving, robots, smart homes, smart TVs, smart monitoring, and VR / AR. At present, the application of ToF sensing technology in these fields is still in the early stages of implementation. The importance of the 3D sensing market means that the transition of imaging to sensing is beginning to take place. Devices and robots driven by artificial intelligence (AI) are beginning to gain a better understanding of their surroundings and have developed deeper learning of human-machine interactions. Stereo cameras for advanced driver assistance systems (ADAS) are one of the highly anticipated applications of 3D imaging and sensing technology.



(Source: Yole Development, 2020)

ToF has the advantages of long distance detection, fast scanning speed, and good anti-light interference. At present, it has been used in medical inspection, industrial machine visualization, and other fields. In terms of consumer electronics, it is supported by major manufacturers such as Google, Microsoft, STM, Texas Instruments, Infineon, etc., and is used in Lidar technology for game consoles, AR / VR, and smart cars.



(Source:Optics Balzers)

The Company has been developing ToF technology since the end of 2019 and hopes that this can be accurately used in mobile phone devices, lidar (light detection and ranging) for self-driving cars, distance measurement, and other application scenarios. At present, the error range of ToF modules in mobile phones on the market is around 1% and even the ToF modules equipped on flagship models rarely have better accuracy than that.

In addition, in the self-driving car domain of automotive application, the Company has also devoted considerable amount of resources to achieve 1% ToF distance error range, this refers to two car’s body lengths including interval distance up to 10 meters and not exceeding 10 cm.

(Source: 2cm.com.tw)

(3) Future Growth

For the purpose of market expansion, the Company will continue visit existing customers in South Korea and China and further strengthen the business sales in China market as well. In terms of procurement strategy by China mobile phone vendors, maintaining two or more suppliers is a basic principle. The Company will use the current foundation to be part of China’s supply chain partner for major mobile phone vendors with the advantages of competitive product cost, patents, algorithms, etc. In the meantime, also cooperate with experienced module technology suppliers to expand the Company's business penetration.

From the perspective of product application, in addition to continuous efforts to expand the application of fingerprints and various biometric technologies in smartphones, mobile devices, wearables, etc., the Company will also strive to expand the following application levels:

A. Financial Payments

After the rise of biometrics in recent years, including fingerprint, facial, and iris have all become security verification methods of modern smartphones. Nowadays, biometrics will further advance into payment services. Biometric payment is a kind of inductive payment, which improves not only the security, but also the smoothness of the payment process. Regardless of banks and consumers believe that contactless payment is the first choice, 88% of banks agree that contactless payment will be the trend in the next few years, but there is still a big difference between banks and consumers. 38% of consumers refuses to use inductive payment due to security concerns, and 51% are worried about fraud. However, biometric payment shall relieve security concerns and create a win-win situation for both banks and consumers.

The FIDO Alliance (Fast IDentity Online) established in July 2012, is an international standardized association which defines protocols, procedures as well as making standardized specifications for biometrics, allowing various connected services to be authenticated faster and more secure in identifying user's identity. Companies participating in FIDO Alliance spans across various industries such as financial institutions, credit card companies, communication service providers, network service companies, and hardware equipment manufacturers. Board members include world class giants such as Microsoft, Google, Samsung, Qualcomm, Amazon, Alibaba, Mastercard, Visa, etc., and now adding another important partner - Apple.

The popularity of network services and mobile devices has created people’s daily need to log in with accounts and passwords to use various services. An average person may have a dozen of accounts. If any service is compromised by hackers, the login information of other services will be threatened. FIDO Alliance’s recommended approach is to replace the password login with a trusted mobile device. The operation method is similar to the two-factor authentication (2FA) used by Apple. However, the FIDO Alliance wants a login method that does not require password. For example, to log in to an application on iPhone, one will only need to enter the account number and then the system sends the identity verification request to another trusted device such as the Apple smart watch. The user can obtain authorization by clicking on the Apple smart watch to complete the login.

B. Artificial Intelligence Chip

In the second quarter of 2019, the Company has cooperated with the development goal of the AITA (AI on Chip Taiwan Alliance) of the Executive Yuan by developing the world's first large-area optical fingerprint identification chip based on re-configurable analog AI computing technology and achieving world-class standards of five TOPS/W (tera operations per second) performance for continuous advanced product innovation. This plan uses analog AI circuit design and self-learning via vast amount of AI fingerprint libraries and databases. Even in the case of poor fingerprint imaging quality, it can still effectively identify the feature points, enhance the fingerprint recognition rate, and provide low cost, low power consumption with high performance and strong anti-counterfeiting ability. This type of AI technology is expected to be widely used in mobile device identification systems, automotive DMS (Driver Monitoring System) and autonomous driving, safety monitoring, security systems, and IoT, etc., to create more effective new AI applications. This plan was therefore approved by the Ministry of Economic Affairs in December 2019 with a subsidy of 200 million yuan. This is the first case since the establishment of the AI on chip plan of the Executive Yuan. Besides establishing the Company's global competitiveness in the semiconductor and panel industry ecosystem, it is also expected to create over 3.3 billion dollars in market value.

C. Smart Car Applications

In 2019, the Company and South Korean car dealer Hyundai took the lead in applying fingerprint recognition technology to the world's first Santa Fe SUV and Genesis Essentia electric conceptual car equipped with fingerprint identification. Currently, the technology is used to open car doors without the use of car key and start the engine by touching the ignition sensor button. The embedded car system can automatically change seating position, rear mirror angles, etc. according to driver's personalized settings.

Meanwhile, the characteristic of fingerprint recognition on Essentia is found in the lifting of butterfly doors. The doors are opened by the sensor camera on the B-pillar using fingerprint recognition with proximity sensor to unlock and open. The interior design was formed with carbon fiber and leather, a blend of innovations and classics.

Hyundai Motor also emphasizes that fingerprint identification actually improves the security to a better extent, and can accurately identify fake fingerprints, the efficiency is more than five times that of electronic car keys. The chance of erroneous identification is 1 in 50,000. The success of this application is likely to attract other international car vendors to open a joint co-operation with the Company.

4. Competitive Situation

From the supplying perspective, Synaptics, a major touch device manufacturer, has withdrawn from the fingerprint market and will focus on OLED DDI after 2019. In contrast, MediaTek's affiliated company, Shenzhen Goodix Technology Co., Ltd. has officially replaced FPC as fingerprint industry leader in 2019 under the influence of “Non-USA Technology” and “China Made as Substitute” as well as benefiting from the role of being a domestic leader in the fingerprint market.

In terms of patents, Huawei, Xiaomi, Vivo, OPPO, and other brands have actively entered the smartphone market in recent years, which has led China fingerprint industry to gain more market share than most European and American manufacturers and also filed more patent litigations than any other parts of the world. In July 2019, the Company faced Goodix's infringement complaint of its patents for optical fingerprint recognition with under-display technology. The lawsuit was also appealed to the Higher People's Court of Beijing to request the Company to immediately stop shipping infringed sensor products and must pay infringement fee of RMB $50.5 million (USD $7.7million). The main purpose of this accusation is speculated to slow down the Company's penetration of other China smartphone manufacturers and affect the decision-making of existing customers in China and South Korea, thus, the Company must make extra efforts to convince new and existing customers to adopt their fingerprint design.

In February 2020, the National Intellectual Property Administration, of People’s Republic in China (CNIPA) declared that the biometric identification device, biometric identification components, and end-product equipment using under-display by Goodix with patent number 201820937410.2 were all invalid and have lost the basis for claims. As a result, the Company has proven the product shipped to customers were entirely legitimate with valid patents.

On March 31, 2020, The Company has received a written civil ruling from Higher People's Court of Beijing stating that the court dismissed the plaintiff Goodix Technology’s lawsuit. As Goodix's complaint against infringement is invalid, it will help the Company to expand fingerprint on-display solution market in mainland China.

(3). General Situation of Technology and Research

1. Research and Development Personnel and their Educational Background & Experience

Unit: People

Fiscal Year / Education Level		2018		2019		March 31, 2020	
		Number of persons	%	Number of persons	%	Number of persons	%
Education Level Distribution	PhD	8	3.72%	12	3.51%	13	3.49%
	Postgraduate	82	38.14%	150	43.86%	178	47.72%
	Bachelor	99	46.05%	176	51.46%	177	47.45%
	College	25	11.63%	4	1.17%	5	1.34%
	Diploma and below	1	0.46%	0	0.00%	0	0.00%
	Total	215	100.00%	342	100.00%	373	100.00%
Average Age and Seniority (Year)		2.31		1.86		1.89	

2. Annual Cost of Research and Development in the Recent Five Years

Unit: NTD ’000

Fiscal Year / Item	2015	2016	2017	2018	2019	March 31, 2020
Cost of Research and Development	268,469	388,960	518,013	852,023	1,441,514	323,110
Net Acquisition Revenue	534,447	1,673,268	4,731,908	5,909,333	7,358,441	1,658,359
As a Percentage of Net Acquisition Revenue (%)	50%	23%	11%	14%	20%	20%

Technologies or Products Successfully Developed in the Recent Five Years

Fiscal Year	Name of Product and Technology
2019	1. Artificial Intelligence Algorithm A large number of biometric dots can be captured on a small-area optical fingerprint image, optimizing identification efficiency and reliability performance. 2. Capacitive fingerprint sensor chip Equip with optimized sensing sensitivity and able to hide within the keypad of mobile phone. 3. Optical fingerprint sensor chip

Fiscal Year	Name of Product and Technology
	Apply to under-display protective glass with a thickness up to ~1,400um. In response to the latest trend of full-screen mobile phones, it provides fingerprint on-display recognition solutions (including 5G and foldable mobile phones). 4. Artificial Intelligence Arithmetic Chip Develop powerful and low-cost artificial intelligence chips with exclusive identification software to confirm user's identity and return the results to the device application processor for maintaining confidentiality, integrity, and security of the user's biometric calculation process. In the meantime, also reduce on-site engineer at client side, shortening the integration and debugging time with many mobile payment applications. 5. Time of Flight Chip Provides a 3D Depth Map on the surface of the object, which is suitable for Augmented Reality application trends on mobile phones.

(4). Long- and Short-Term Business Development Plan

1. Short-Term

(1) Hardware Development:

The Company's fingerprint matching algorithm has been widely recognized by the market and been used by hundreds of millions of mobile phone users for several years and continues to receive positive remarks. In order to maintain confidentiality (cannot hijack), integrity (cannot tamper), and security (cannot steal) of user's biometric device, the biometric device is using Trusted Execution Environment (TEE) to perform key operations including security storage as in mobile payment fingerprint verification, PIN code input, confidential private keys, etc. The use of TEE can isolate improper fingerprint collection, storage, verification, and other processes, even if the phone is jailbroken or rooted, the attacker will not be able to obtain user's fingerprint information. Due to this security measure, the TEE program software requires on-site engineer support, testing and time for integration and debugging. Therefore, the Company has decided to develop high-performance AI chips that can strengthen existing software and hardware computing capabilities.

(2) Manufacturing Process:

The Company is working closely with Fab foundry to find out the key to optimize the process parameter using big data analysis, machine learning, artificial intelligence, and other technologies to achieve the goals of improving yield and process, error detection, reducing cost, and shortening development cycle.

(3) Software Development:

AI technology is used to strengthen anti-spoofing and anti-counterfeiting function. The introduction of cyclic verification test environment will create a more solid and safer foundation to achieve more diversified applications.

2. Long-Term

(1) The core competitiveness of product design and better understanding and rapid grasp of market trends.

(2) Investment in new products and technologies will accelerate the timeline for product introduction through market acquisitions or the introduction of new teams.

(3) Solutions for various innovative biometrics will be developed together with strategic partners to grasp business opportunities while reducing R&D risks.

(4) In response to the needs of customers in automotive industry, the Company will develop ultrasonic fingerprint sensors based on market demand.

2. Overview of Market and Production and Sales

(1) Market Analysis

1. Regions of Sales (Supply) of Primary Products (Services)

Unit: NTD; %

Fiscal Year / Sales Region		2018		2019	
		Amount	Percentage (%)	Amount	Percentage (%)
Domestic Sales		9,551	0.16%	6,250	0.08%
International Sales	Asia	5,899,782	99.84%	7,352,191	99.92%
	Europe	-	–	-	–
	America	-	–	-	–
	Subtotal	5,899,782	99.84%	7,352,191	99.92%
Total		5,909,333	100.00%	7,358,441	100.00%

2. Market Share

According to Gartner, global mobile phone sales in 2019 totaled approximately 1.54 billion units, a slight decline of 1% from 2018. Among them, Samsung's 296 million units and 19.2% market share still lead the pack. Huawei leads Apple by 47 million units in second place and up to 3% of market share at 15.6%. Apple's mobile phone shipments fell to third place with 193 million units worldwide and market share shrank sharply to 12.6%, but it is still the company with highest net profit in the world. Xiaomi came fourth, growing slightly by 0.3% to 8.2%. OPPO came fifth also growing by 0.1% to 7.7%. The strong rise of China based mobile phone vendors have significantly limited the growth of other mobile phone vendors.

Vendor	2019 Units	2019 Market Share (%)	2018 Units	2018 Market Share (%)
Samsung	296,194.0	19.2	295,043.7	19.0
Huawei	240,615.5	15.6	202,901.4	13.0
Apple	193,475.1	12.6	209,048.4	13.4
Xiaomi	126,049.2	8.2	122,387.0	7.9
OPPO	118,693.2	7.7	118,787.1	7.6
Others	565,630.0	36.7	607,445.4	39.0
Total	**1,540,657.0**	**100.0**	**1,555,613.0**	**100.0**

(Source: Gartner, 2020/3)

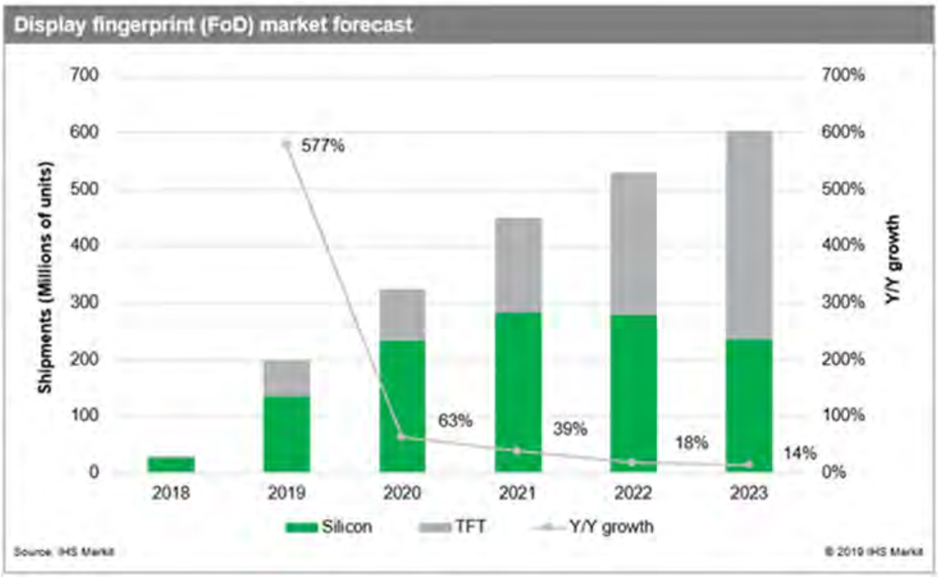
In 2019, the distribution of global mobile phone sales is the highest in Greater China (411 million) followed by Asia-Pacific (352 million). The countries with the largest declines are Japan (-6.5%), Western Europe (-5.3%), and North America (-4.4%) and other regions, while Africa and Eurasia regions has shown positive growth.

Worldwide Smartphone Sales to End Users by Region, Worldwide 2018-2020 (Thousands of Units)

Region	2018	2019	2020
Eastern Europe	47,054	45,043	43,911
Emerging Asia/Pacific	357,208	352,168	382,439
Eurasia	49,083	49,695	51,519
Greater China	423,411	411,095	424,501
Latin America	128,664	125,675	118,268
Mature Asia/Pacific	31,176	30,062	30,863
Middle East and North Africa	75,607	76,336	77,864
North America	174,219	166,510	164,853
Sub-Saharan Africa	88,753	90,104	91,917
Western Europe	147,179	139,421	142,924
Japan	33,914	31,722	31,794
Grand Total	**1,556,269**	**1,517,830**	**1,560,853**

Owing to rounding, figures for 2018 and 2019 do not add up precisely to the grand totals shown.
Source: Gartner (August 2019)

In terms of smartphone fingerprint market share technology, IHS Markit estimates that fingerprint recognition has become a standard function for mid- to high-end smartphones. In 2019, the global mobile phone fingerprint recognition market shipped over 1.03 billion units with a penetration rate of around 67%. Major mobile phone brands supporting OLED with under-display fingerprint function has become a standard function with a penetration rate of more than 90%. Global mobile phone fingerprint market shipments are expected to reach 1.14 billion units in 2021. As global smartphone shipments grow each year, the expansion of China brand vendors and mobile payment has increased, and the market demand for fingerprint sensors shows continued strong growth momentum. Judging from the overall fingerprint sensor market, the total output value is estimated to be as high as US $ 12.82 billion by 2023, with a compound annual growth rate of 15.7%.



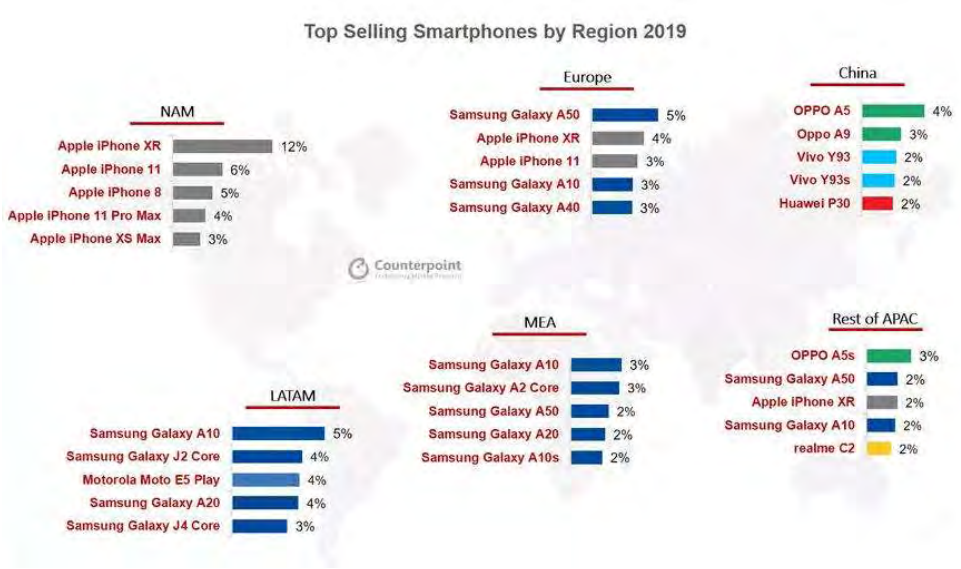
(Source: IHS Markit, 2019/5)

According to the results of the Top 10 Bestselling Mobile Phone Sales in 2019 market survey, published by Counterpoint Research and Omdia, it reflects that the Company's South Korean customer continue to rank second only to Apple and occupy the majority of the world's top ten bestselling mobile phones. The bestselling iOS phone was Apple iPhone XR with 46.3 million units, while the bestselling Android phone was Samsung A10 at 30.3 million units worldwide.

Ranking	2019			2018		
	Model Name	OEM	Mil. Units	Model Name	OEM	Mil. Units
1	iPhone XR	Apple	46.3	iPhone 8	Apple	31.5
2	iPhone 11	Apple	37.3	iPhone X	Apple	27.5
3	Galaxy A10	Samsung	30.3	iPhone 8 Plus	Apple	25.6
4	Galaxy A50	Samsung	24.2	Galaxy Grand Prime Plus	Samsung	25.2
5	Galaxy A20	Samsung	19.2	iPhone XR	Apple	23.1
6	iPhone 11 Pro Max	Apple	17.6	iPhone Xs Max	Apple	21.3
7	iPhone 8	Apple	17.4	Galaxy S9	Samsung	19.3
8	Redmi Note 7	Xiaomi	16.4	Galaxy S9 Plus	Samsung	16.1
9	iPhone 11 Pro	Apple	15.5	P20 Lite	Huawei	16
10	Galaxy J2 Core	Samsung	15.2	iPhone Xs	Apple	15.5

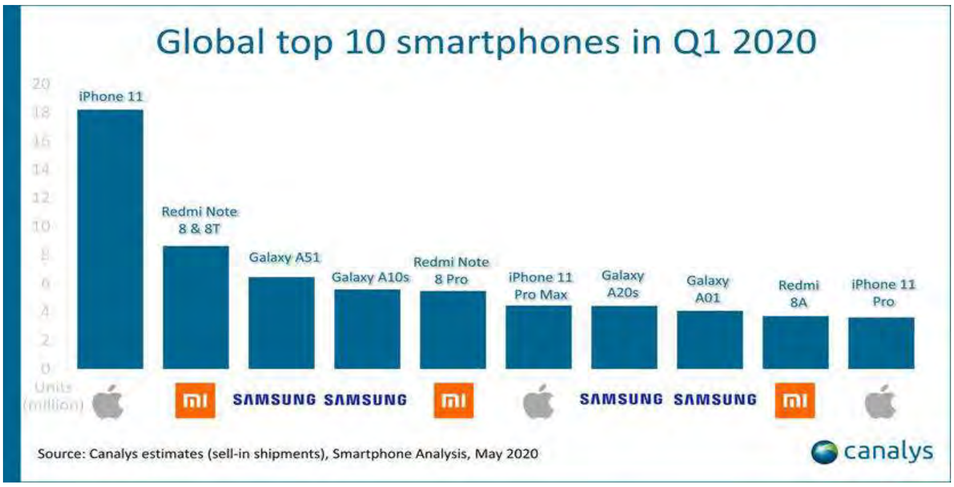
(Source: Omdia)

In 2019's Top Selling Smartphones by Region, Counterpoint Research pointed out that despite Apple's domination in North America in 2019, Samsung's models were able to surpass Apple and other mobile phone manufacturers by obtaining most sold devices in Europe, South America, and the Middle East. Among them, Samsung Galaxy A10 was dazzling because of its excellent cost to price ratio as it is came first in South America and Middle East and fourth in Europe and other Asia-Pacific regions.



(Source: Counterpoint Research)

On the other hand, Canalys has announced Samsung smartphones surpassed Apple iPhones in the Global Top 10 smartphones in First Quarter of 2020. From the chart, Apple and Xiaomi both has three entries, while Samsung has four of the spots filled. The acclaimed models from Samsung are Galaxy A51, Galaxy A10S, Galaxy A20S, and Galaxy A01. Galaxy A10S came fourth with a total of 5 million units shipped, Galaxy A20S came seventh with a total of 4 million units shipped, and Galaxy A51 ranked third having the most impressive sales of 6 million units shipped. Samsung has thus become the world's best-selling Android phone brand in the first quarter of 2020.

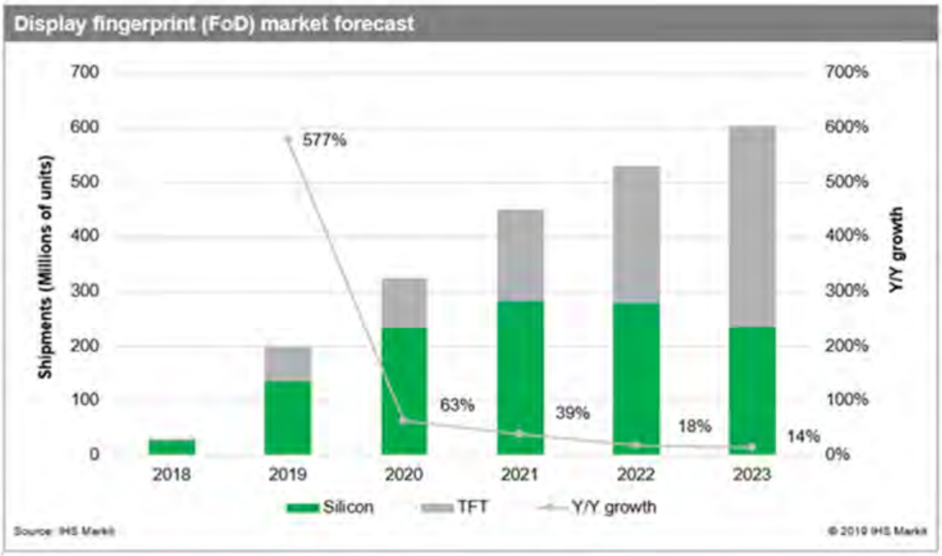


(Source: Canalys, 2020/5)

3. Future Supply and Demand and Growth of the Market

The current under-display fingerprint technology mainly includes optical and ultrasonic solutions. According to CINNO, the global shipment of under-display fingerprint mobile phones was about 200 million units in 2019, an annual increase of 614%, accounting for about 75% of the global optical screen fingerprint shipments as the most used mainstream solution. This is mainly due to the use of lens for improving the image quality without the need to attach touch module onto the screen in the second generation of optical fingerprint. Thus, greatly reducing the cost of the module compared to the first generation solution. The optical fingerprint of the lens solution has driven the penetration rate of applying fingerprint function on OLED panel to grow rapidly in 2019. This data is also in line with IHS Markit's "2019 Fingerprint On-Display Market Forecast" and Topology Research Institute report. In addition to Samsung and Apple, under-display fingerprints of other brands using flexible and rigid AMOLED mobile phones have also become a standard feature. It is estimated that by 2024, the overall shipment of under-display fingerprint mobile phones will reach 1.18 billion units, with a CAGR of 42.5%.

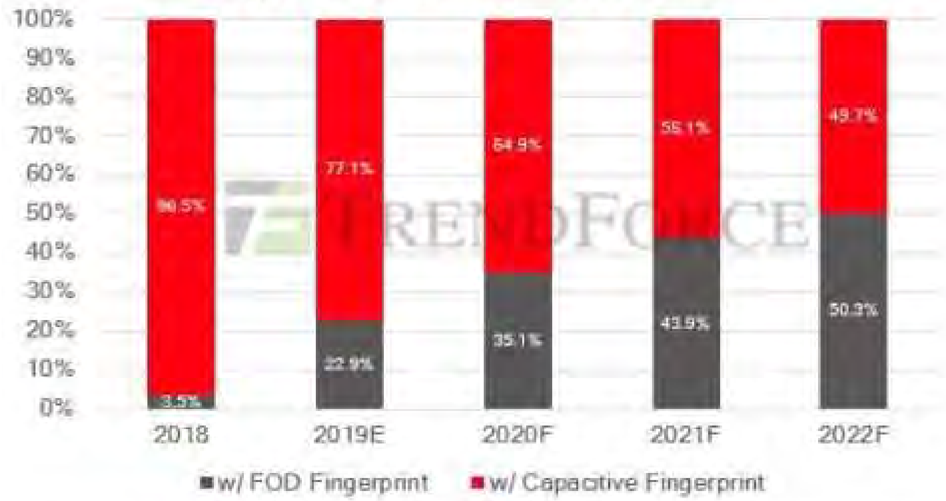
(Source: CINNO Research, 2020/3)



(Source: IHS Markit, 2019/5)

On the other hand, Topology showed that with emerging of China mobile phone vendors, the penetration rate of optical FoD and ultrasonic fingerprint is expected to become a new mainstream from 22.9% in 2019 to 35.1% in 2020 and will continue to improve and fully replace capacitive fingerprint. Samsung, Huawei, OPPO, Vivo, Xiaomi, and other brands have extended FoD (including optical and ultrasonic) under-display fingerprint solution from high end models down to middle high-end mobile phones, which in turn drives the market scale and makes FoD solution more affordable. It is expected that the penetration rate of FoD fingerprint solution including optics and ultrasonic will surpass the traditional capacitive solution in 2022 and become the mainstream fingerprint solution for smartphones.

Figure: Development of Smartphone Fingerprint Recognition Technology Penetration Rates from 2018 to 2022



Note. FOD includes optical and ultrasonic fingerprint recognition solutions.
Source: TrendForce, Apr. 2019

(Source: TrendForce, 2019/4)

The industry generally believes that the elements to a successful fingerprint sensor industry cannot only rely on the basic functions of IC circuit design, but having connections between patents, funds, and suppliers.

In terms of patents, the Company has been deeply involved in the field of fingerprint recognition for many years. The Company uses passive capacitive sensing principles to design its own fingerprint sensor chips with its own algorithm. It has more than 100 patents on the upstream and downstream of fingerprint recognition. The Company has continuously invested in research and development of advanced technologies and patents to strengthen its technological edges.

Regarding the suppliers and funds, based on the size and quantity of fingerprint sensors, it can be imagined that the gap of each chip needs to be minimized while the total dimension must be maximized, resulting in consumption of large amounts of silicon wafer. When the production capacity is tight, the relationship with the foundry becomes extremely important. Moreover, because fingerprint sensor chips consumes a large amount of wafer capacity, large amount of cash deposits are required for reserving production capacity. Thus, this also becomes a test for capital turnover of IC design companies. The Company continues to maintain good cooperative relations with suppliers, while improving the profitability and maintaining flexible use of funds.

The fingerprint recognition industry involves the combination of hardware and software and requires clear image capturing in a very short time to overcome various situations that occur in daily use of the user's fingers, such as wet fingers, grease, etc. Then, re-arrange the image and perform fingerprint algorithm analysis and matching calculation process for making comparisons. The security and convenience of system application needs to be taken into account. Therefore, people with cross-disciplinary knowledge, skills, and many years of experience are required in the IC design industry. Since the establishment of the Company, it has devoted itself to the development of its own technology. At the same time, it has accumulated nearly 200 patents to protect its intellectual property rights. Due to long-term investment in technological development and refinement of its own algorithms, it can optimize system applications with safety and convenience that are most suited for customers.

4. Competitive Niche

In response to the mainstream development trend of full screen display, the under-display fingerprint solution can increase the screen-to-body ratio, and all manufacturers have invested heavily in making such research and development. Based on the long-term accumulated fingerprint recognition strength, the Company has recruited new research and development teams and technical partners to develop optical fingerprint sensors and has made great progress. In the meantime, the Company has cooperated with customers and introduced the under-display fingerprint solution on customer’s products.

The Company's biometric sensor product portfolio will continue to expand with the evolution of wafer process, developing high resolution, recognition rate, and multi standardization. The Company will also develop new applications and types in accordance with customer needs and expand the field of application to maintain Company's long-term competitiveness.

On the other hand, the Company has also made developments based on time of flight sensing technology, striving to develop sensor solutions that are more cost-effective than existing technologies on the market and more beneficial for customers to apply product application and accelerate time to market.

(1) Unique Passive Capacitive Sensing Technology

In terms of the most important chip design technology, the Company's design framework is unique, using passive capacitance sensing principles to design fingerprint identification solution. Other competitors typically employ the active sensing principle, which requires such manufacturing processes as external metal rings, waveform transmission circuits, and internal protective shield. As a result, their cost is higher with stronger noise and higher power consumption compared with Egis' product. As for the Company's unique passive capacitance sensing technology, the chip designed with this technology does not require the aforementioned manufacturing processes and thus has a simpler structure. There is no need for any special manufacturing processes and the module structure is simple. The chip can achieve the goal of accurate fingerprint recognition and this is matched with its smaller size, lower power consumption, and lower cost.

(2) Autonomous Algorithm Technology

Capturing fingerprints accurately is only one part of fingerprint recognition. After the front-end fingerprint sensor captures the image of a fingerprint, the algorithm will then process the fingerprint image and extract the fingerprint feature point. The system then converts the captured fingerprint into a digital template, which is then compared with all of the fingerprint templates in the database in order to verify the correct identity of the user. In the past, the larger surface area of the sensors used on notebook computers allowed larger images of fingerprints to be captured, which made the comparison of fingerprints relatively easier. Today, the images of fingerprints captured are smaller due to the small surface area of the sensors on the smartphones. Hence, the algorithms used in the fingerprint recognition on smartphones have become critical in the determination of the size of the chips and the cost of producing the chips. The Company not only possesses the technology for manufacturing fingerprint sensors, but also developed fingerprint recognition algorithms independently that have passed strict test conditions. We have also integrated the relevant technologies for fingerprint extraction and unique integrated fingerprint algorithms.

The Company's algorithm is flexible and customizable according to different environments and has the features of low memory consumption and savings on operating resources. Besides fulfilling the requirement of secure operations on mobile devices and in embedded equipment, it has the potential of porting over to smartcards and secure chips. The Company also have a fingerprint recognition algorithm for small surface areas and does not have to give a percentage cut to algorithm providers. Thus, in terms of price competitiveness, there remains room for price flexibility and negotiation.

(3) Over 100 Patents in Fingerprint Identification for Upstream and Downstream

The Company has been committed to the research and development of technologies related to capacitive fingerprint recognition sensor chips since its establishment in 2007 and has accumulated over two hundred patents worldwide. These patents include the design and packaging technology of chips, image extraction, algorithm for image reconstruction and comparison, firmware, tools for hardware and software development, identification comparison functions, software applications, mobile payments, compatible software for electronic commerce, security control, data encryption, etc.

It is estimated that fingerprint recognition in smartphone applications will experience rapid development, meaning that protection of patent rights will become an important factor in the development of this particular industry. The development and protection of Intellectual Property (IP) is a useful tool to maintain the competitiveness of the Company's products and technologies, especially when facing strong competition worldwide. Major worldwide brands value the importance of patent rights protection. They have to ensure that all hardware and software used in their products do not constitute an infringement of patent rights before proceeding with procurement. Thus, it is an important niche market for the Company, which possesses over a hundred patents that cover the upstream and downstream of fingerprint recognition.

(4) Experience in Application Development and System Integration

The Company has not only provided chips and algorithms in the past, but also provided companies with application development services like: file encryption and decryption, system logins, fingerprint capturing, website logins, etc. The Company's application development has been highly recognized by customers and even the Company's competitors have used the Company's software applications in the past. In the earlier days, competitors like AuthenTec (acquired by Apple), UPEK (acquired by AuthenTec), and Validity (acquired by Synaptics) outsourced for the fingerprint application software that was designed and developed by the Company. The Company previously also supplied the software to notebook computer companies and it has accumulated experience in the integration of hardware and software platforms as well as the ability to provide instant technical support, providing customers with a complete solution in terms of product development. The flexibility in product development and technical support of the Company is superior compared to other competitors.

5. Advantages and Disadvantages in the Company's Prospect, and Contingency Measures

(1) Advantageous Factors

A. Diversification of Applications, Promising Future of the Industry

The application of biometric identification is not only a security-grade anti-counterfeiting mechanism at a high security level, but the application of biometrics can also be used as a protection function for personal privacy, such as: password management of various accounts, database management, mailbox management, etc. of personal electronic devices. Furthermore, the uniqueness of biometric identification enables the introduction of various types of consumer electronic products, providing individuals with fast and convenient personal management functions for their daily lives. These include: all devices that provide for personal needs such as wearable devices, access control, vehicle anti-theft devices, and smart TV, etc.

According to the ABI Research report, global industries will increase investment in various identification and authentication technologies in response to rising security requirements and the estimated global biometric market output will exceed 10 billion dollars by 2021, so the robust growth of biometric recognition application can be expected in the future.

B. Fingerprint Identification Technology has Patent Restrictions, thus there are High Entry Barriers

As the time taken to train an IC design talent is relatively long, the research and development of a product requires a long-term accumulation of experiences. Furthermore, fingerprint recognition ICs have to capture clear images in an extremely short period of time and overcome all kinds of situations that may be caused by users' fingers in daily use, such as wet fingers, and sensor noise, etc. After capturing the image, the image has to be rearranged and go through a series of analysis and calculations, where the image will then be compared with the analyzed finger characteristic traits using an algorithm. As a result, security and convenience are particularly important in applications. Therefore, the security and convenience of the application must be taken into consideration resulting in needing cross-domain knowledge and skills. The IC design business has a high technical barrier and requires years of cumulative experience. The Company was established in 2007 and acquired key technology and patents related to fingerprint identification through its own development and acquisition. It has not only equipped itself with advanced development technologies and expertise in upstream chip design and production, but has also empowered itself with the ability for self-developing algorithms, as well as hardware and software application development and system integration capabilities due to its long-term accumulative shipment experience in the personal computer market. This enables the Company to provide a full range of products and services for different customers' needs, including those in the upstream, middle, and downstream sectors.

C. The Future of Fingerprint Identification Products is Optimistic

Based on the widespread of the new coronavirus (COVID-19), the subsequent models of iPhone X (excluding iPhone SE 2020) equipped with Face ID technology have confirmed that the device cannot properly detect facial information of users wearing masks. At this time, most people think that the technology is not as practical as fingerprint recognition, so it makes facial recognition feel more like a burden than a convenience. This shortcoming will gradually be magnified as the epidemic continues its course.

Topology Research Institute estimates that under-display fingerprint recognition will be able to surpass and replace capacitive fingerprints in 2022 as the fingerprint market penetration grows every year. In 2019, the Company's shipments of fingerprint identification products have become the second largest in the world, with a total of more than 100 million units. In the case of actively seeking new customers, there will be great opportunities to significantly increase market share and shipments as well as lowering the cost.

D. Exclusive Analog Artificial Intelligence (AI) Chip

The analog AI chip is designed by analog circuits. Benefiting from the improvement of the new process, the chip area can be effectively reduced. Compared with digital circuit design, the area of the two can differ up to multiple times, power consumption can also be lowered and produced through less advanced process.

In addition, the analog AI and the sensor can be integrated on the same chip, and the complex calculation results can be immediately broadcasted after processing to greatly reduce system loading and throughput. The analog chip is equipped with low cost, low power consumption, high efficiency, and strong anti-counterfeiting ability. Analog AI chips can be widely used in mobile device identification systems, driver monitoring systems, autonomous driving, safety monitoring, and IoT as to create more effective new AI applications.

(2) Disadvantageous Factors

A. Uncertainties in the global mobile phone supply chain

With the continuous spread of the new coronavirus (COVID-19) epidemic, most supply chains face the crisis of lack of labor, no materials, or closure of plant and city.

<u>Specific Contingency Measures:</u>

With stringent government policies in Taiwan, the spread of COVID-19 virus has been effectively controlled. The suppliers of the Company were all situated in Taiwan, hence, suppliers of semiconductor design, wafer foundry, IC packaging, and testing companies were unharmed in this incident. In addition, the Company has also made some counter measures by diversifying supply chain, checking inventory management system from time to time to prevent risks and major problems such as a break in supply chain or shortage of production capacity. In the first half of 2020, the Company production capacity was well in control and have also requested semiconductor and wafer OEMs to increase the product capacity to cope with the deferred effect of orders in the second half of 2020.

The Company has formed long-term business partners with suppliers and earned their trust by requesting them to produce over 100 million sensor shipments a year. Thus, this will have bargaining advantages in terms of production capacity and overall cost. The Company is expect to maintain leading position in fingerprint sensor chip market.

B. Impact of Global Mobile Phone Consumption

The global mobile phone market is facing weak sales and deferred shipment in the first half of 2020.

<u>Specific Contingency Measures:</u>

Although COVID-19 epidemic caused weak sales of global market in the first half of 2020, the Company was still actively seeking customers (including 5G models) at the beginning of the year and maintaining good relationships with existing customers. In the first half 2020, the Company has grasped virtually all the orders from South Korean customer for optical fingerprint models without downward adjustment in quantity. Compared to the Apple supply chain suffering from COVID-19 epidemic in China, the Company is fortunate that the customer had their production base mostly in Vietnam, where Vietnam is one of very few countries to have least confirmed cases and lowest death rates during the epidemic attack. The customer's production base was fully restored to normal operation due to local epidemic protection and the full support of Vietnamese government. In addition, the customer is also preparing to build the largest overseas research center in Vietnam.

In terms of China customers, the Company has obtained orders from a customer since last year and is shipping steadily with constant volume. With the closure of first and second tier cities reopened and patents all listed as invalid for Goodix, the Company has since started enquiring new customers.

In terms of consumer's consumption, the spread of the epidemic has led to the effect of lower gross domestic product (GDP) and higher unemployment rate worldwide. Thus, resulting in a sharp decline in labor income and household disposable income. Moreover, the closing or lockdown of cities have forced consumers to stay home. After all, consumers may want to visit mobile device store to see the actual product before making their purchase.

(2). The Important Uses and Production Processes of the Main Products

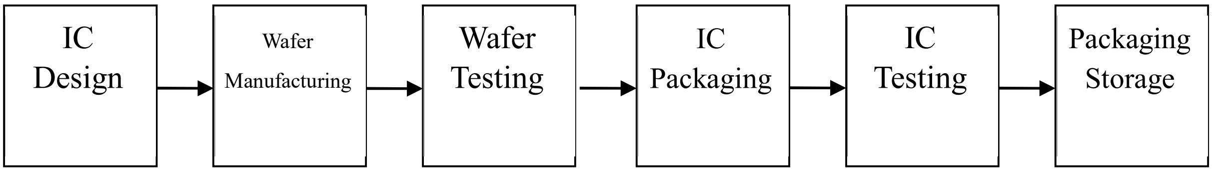
1. Important Uses of Main Products

Main Products	Main Function and Uses
Biometric Recognition Sensing IC and Its Applications	Optical fingerprint sensor chip and fingerprint identification software applications.
Revenue from Technical Services	Provide technical support services, including technical software testing and the development of sensor chips.

2. Manufacturing Process of Main Products

The Company is a design company for fingerprint recognition ICs and its solutions.

The plant is commissioned to manufacture the wafers and the wafers produced by the plant will then be sent to the packing and testing factories for packaging and testing and then stored for sale. The product manufacturing process is as follows: besides the research and development of software, planning and scheduling of the design is based on the orders given so it does not have its own product line, and hence, there is no manufacturing process.



(3) Supply of Primary Raw Materials

Wafers are the major raw materials of the Company's products, and the main supplier of wafers is Company A, which possesses a considerable standard in terms of their quality and manufacturing capacity. The supply quantity and level of accommodation are compatible with the Company's demands and expectations. The Company will discuss the price with the supplier based on the demand and supply in the market and regularly examine the product quality and service conditions. The supplier will provide technical services. In addition, the Company will not only continue to strengthen the current cooperation with the plant, but also actively source out other local and international plants so as to be provided with more security and choices for the source, quality, and price of raw materials.

(4) Names of customers who contributed to more than 10% of total purchase (or sales) amount in one of the most recent two years and the corresponding purchase (or sales) amounts and percentages, as well as reasons for their changes:

1. Names of companies which contributed to more than 10% of total purchase amount in one of the most recent two years and the corresponding purchase amounts and percentages, as well as reasons for their changes:

Unit: NTD'000; %

Item	2018				2019				March 31, 2020			
	Name	Amount in Cash	As a Percentage of Net Purchases (%)	Relationship with Issuer	Name	Amount in Cash	As a Percentage of Net Purchases (%)	Relationship with Issuer	Name	Amount in Cash	As a Percentage of Net Purchases (%)	Relationship with Issuer
1	Company A	2,209,227	76.28	Nil	Company A	1,880,768	53.89	Nil	Company A	262,754	36.12	Nil

2	Company B	320	0.01	Nil	Company B	852,543	24.43	Nil	Company B	151,756	20.86	Nil
3	Company C	0	0	Nil	Company C	389,296	11.15	Nil	Company C	73,161	10.06	Nil
4	Company D	605,919	20.92	Nil	Company D	0	0	Nil	Company D	0	0	Nil
	Others	80,740	2.79	-	Others	367,329	10.53	-	Others	239,859	32.96	-
	Purchases Net Amount	2,896,206	100.00	-	Purchases Net Amount	3,489,936	100.00	-	Purchases Net Amount	727,530	100.00	-

Reasons for Increase and Decrease: The proportion of inbound goods of the Company has changed during the last two years. This is mainly caused by production capacity issues. Some of the models were switched from Company D to Company A starting from the second half of 2018. Moreover, Company B and Company C are the raw material suppliers for new products.

2. Names of customers who contributed to more than 10% of total sales amount in one of the most recent two years and the corresponding sales amounts and percentages, as well as reasons for their changes:

Unit: NTD'000; %

Item	2018				2019				March 31, 2020			
	Name	Amount in Cash	As a Percentage of Net Sales (%)	Relationship with Issuer	Name	Amount in Cash	As a Percentage of Net Sales (%)	Relationship with Issuer	Name	Amount in Cash	As a Percentage of Net Sales (%)	Relationship with Issuer
1	Company A	2,114,610	35.78%	Nil	Company A	1,471,249	19.99%	Nil	Company A	207,920	12.54%	Nil
2	Company B	506,970	8.58%	Nil	Company B	1,702,507	23.14%	Nil	Company B	318,268	19.19%	Nil
3	Company C	2,069,868	35.03%	Nil	Company C	104,617	1.42%	Nil	Company C	-	-	Nil
4	Company D	710,856	12.03%	Nil	Company D	834,823	11.35%	Nil	Company D	225,288	13.58%	Nil
5	Compa	381,566	6.46%	Ni	Compa	2,881,510	39.16%	Ni	Compa	789,019	47.58%	Ni

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	Others	125,463	2.12%	Nil	Others	363,735	4.94%	Nil	Others	117,864	7.11%	Nil
	Sales Net Amount	5,909,333	100%	-	Sales Net Amount	7,358,441	100%	-	Sales Net Amount	1,658,359	100%	-

Reasons for Increase and Decrease: Due to the expansion of new products and customer success, the Company's revenue from brand customers has substantially grown.

(5) Production Volume and Value in the Recent Two Years

Unit: PCS; NTD'000

Fiscal Year / Output Quantity and Value / Primary Product		2018			2019		
		Capacity	Output	Value	Capacity	Output	Value
Biometric Recognition Sensing IC and Its Applications	IC and Application Devices	Note 1	183,788,763	6,600,725	Note 1	175,481,845	4,565,817
	Software Application	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
Data Security and Protection and Its Applications		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
Technical Services		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
Total			183,788,763	6,600,725		175,481,845	4,565,817

Note 1: The Company's main business activity is IC design and it has commissioned the plant to manufacture the wafer, as well as outsource the packaging and testing jobs. Thus, this is not applicable.

Note 2: This is a software application project and thus, it is not applicable.

Analysis and explanation of the changes in the output quantity and value: The main reason for the large increase in output is due to the Company's success in expanding the business.

(6) Sales Quantity and Values in the Recent Two Years

Unit: PCS; NTD'000

Fiscal Year / Sales Quantity / Primary Product		2018				2019			
		Domestic Sales		International Sales		Domestic Sales		International Sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Biometric Recognition Sensing IC and Its Applications	IC and Application Devices	84,000	4,827	180,374,909	5,898,546	36,248	2,528	174,289,192	7,351,281
	Software Application	Note 1	-	Note 1	50	Note 1	-	Note 1	850
Data Security and Protection and Its Applications		Note 1	4,724	Note 1	-	Note 1	3,722	Note 1	-
Technical Services		Note 1	-	Note 1	1,186	Note 1	-	Note 1	60
Others		Note 1	-	Note 1	-	Note 1	-	Note 1	-
Total		84,000	9,551	180,374,909	5,899,782	36,248	6,250	174,289,192	7,352,191

Note 1: This is a software application project and thus, it is not applicable.

Analysis and Explanation of the Changes in Sales Quantity and Value: The Company's fingerprint identification chips have been successfully developed overseas. The volume and amount of foreign sales this year have grown significantly over the previous year.

3. Number of employees hired for the last two fiscal years and during the current fiscal year up to the date of publication of the annual report; their average years of service, average age, and percentage distribution of education levels

Fiscal Year		2017	2018	2019	As of March 31, 2020
Number of Employees	Direct	-	-	-	-
	Indirect	217	273	418	454
	Total	217	273	418	454

Average Age		35.73	36.21	35.87	36.16
Average Length of Service (Years)		2.38	2.54	2.1	2.11
Education Level Ratio (%)	PhD	4.15%	3.30%	3.11%	3.30%
	Postgraduate	34.10%	37.00%	42.82%	45.59%
	University and Diploma	61.29%	58.97%	52.87%	49.78%
	Diploma and below	0.46%	0.73%	1.20%	1.32%
	Total	100.00%	100.00%	100.00%	100.00%

4. Information on Disbursements for Environmental Protection

Total Losses (Including Damages) and Fines for Environmental Pollution in the Current Fiscal Year Up to the Date of Publication of the Annual Report, Explanation of Future Contingency Policies (including the improvement of measures), and Possible Payments (including the possible Losses, fines, and damages incurred for failure to adopt the contingency policies; an explanation should be provided should a reasonable estimation cannot be given): The Company is an IC design company, and thus is not involved in environmental pollution.

5. Labor Relations

(1) List of various employee benefits, further education, training, retirement scheme, and other implementation situations, as well as labor-management agreements and various protective measures for employee rights:

1. Employee Benefits and Implementation

The Company's benefits can be categorized into benefit provided by the Company and benefit provided by the Employee Welfare Committee:

Benefits Provided by the Company:

(1) Labor insurance, national health insurance, and the allocation of labor pension are provided in compliance with the law.

(2) The Company pays for the employee's insurance in full, including life insurance, casualty insurance, medical insurance, cancer insurance, and business travel insurance.

(3) Annual health checkups, overtime dinners, department banquets, year-end company parties and events etc.

(4) Competitive salary including year-end bonuses, performance bonuses, special project bonuses, patent bonuses, and subsidies for business travel expenses etc.

Benefits Provided by the Employee Welfare Committee:

(1) Lucky draws in year-end company parties.

(2) Employee holiday trips and festive celebratory events.

(3) Cash gifts and gifts for the three traditional holidays (namely the Spring Festival, Dragon Boat Festival and Mid-Autumn Festival) and cash gifts for birthdays.

(4) Subsidies for weddings and funerals.

2. Employee Training and Development

The Company provides diverse training courses and arrangements for education training to improve the professional skills and core competitiveness of the employees so that they are able to perform their functions, increase work productivity, and ensure work quality in the achievement of the Company's goals of sustainable operations and development.

The contents of the training courses include the training of new employees, professional skills training, management development training, and general training, etc. By providing employees with opportunities for education and development through various ways of internal and external training and self-learning, colleagues will be able to constantly fulfill and gain new knowledge and unleash their inner potential.

3. Retirement Scheme and its Implementation

The Company adopts the new system in compliance with the Labor Pension Act, where 6% of the monthly salary will be allocated to the pension account; relevant retirement matters will be handled in compliance with the Labor Pension Act.

4. Situation on Labor and Management Relations

The Regulations set by the Company is in compliance with the Labor Standards Act. The Company values its employees' opinions and thus adopts an open and two-way communication approach. This provides a channel for smooth internal communication within the Company, in hopes that the employees and the management can maintain good and harmonious relations.

5. Various Protective Measures for Employee Rights and Interests

The Company has formulated relevant management regulations and systems which clearly state employees' rights and obligations, as well as benefits. The

Company will examine and modify the contents of the benefits regularly, so as to protect the rights and interests of all the employees.

(2) Losses Incurred by the Company as a Result of Labor Disputes in the Current Fiscal Year Up to the Date of Publication of the Annual Report and Disclose and Estimate of Losses Incurred to Date or Likely to be Incurred in the Future, and the Contingency Measures. An Explanation Should be Provided Should a Reasonable Estimation Cannot be Given: No such situation.

6. Important Contracts

List of all marketing contracts, technical assistance agreements, engineering agreements, long-term loan agreements, and any other important contracts that will affect the shareholders' equity, which are still valid up to the date of publication of the annual report and that has expired in the current fiscal year; list the parties involved, main content, terms and conditions, and the date of the subscription agreement:

Nature of Contract	Parties Involved	Date of the Subscription Agreement	Main Content	Terms and Conditions
Tenancy Agreement	Chen○Ying	03/2017 ~ 02/2022	Office Rental	Nil
Software Authorization Contract	Company Shen	01/2015 - Now	Software Authorization	Nil
Software Authorization Contract	Company Yin	01/2015 - Now	Software Authorization	Nil
Manufacturing Process Outsourcing Contract	Company H	08/2015 - Now	Manufacturing Process Outsourcing	Nil
technical service contract	Industrial Technology Research Institute	12/2019~11/2021	Technology Research	Nil

VI. Financial Overview

1. Concise Balance Sheets and Consolidated Income Statements for the Last Five Fiscal Years

1. Concise Financial Information for the Last Five Years

(1) Consolidated Concise Balance Sheet - International Financial Reporting Standards

Unit: NTD’000

Item \ Fiscal Year		Financial Information for the Last Five Fiscal Years					2020
		2015	2016	2017	2018	2019	As of March 31
Current assets		1,380,007	2,170,794	3,238,969	3,750,401	4,809,928	4,487,698
Investments accounted for using equity method		-	-	-	25,963	41,058	37,173
Property, plant, and equipment		17,340	23,874	33,758	39,437	62,589	66,236
Intangible assets		114,141	217,136	200,641	214,695	223,492	215,159
Other assets		57,216	81,254	154,300	278,040	391,000	427,908
Total assets		1,568,704	2,493,058	3,627,668	4,308,536	5,528,067	5,234,174
Current liabilities	Before distribution	218,774	933,703	1,363,586	1,915,374	2,646,112	2,107,401
	After distribution	218,774	933,703	1,665,048	2,470,218	Note 2	Note 2
Non-current liabilities		-	1,285	-	1,038	70,279	66,664
Total liabilities	Before distribution	218,774	934,988	1,363,586	1,916,412	2,716,391	2,174,065
	After distribution	218,774	934,988	1,665,048	2,471,256	Note 2	Note 2
Equity attributable to owners of the parent company		1,349,930	1,558,070	2,264,082	2,392,124	2,803,045	3,052,280
Share capital		684,693	695,573	709,323	710,673	713,878	713,818
Capital reserves		749,662	742,625	942,038	963,159	1,040,153	1,059,155
Retained earnings	Before distribution	(89,590)	114,026	707,217	1,076,546	1,384,383	1,618,922
	After distribution	(89,590)	114,026	405,755	521,702	Note 2	Note 2

Other equities		5,165	5,846	(94,496)	(79,514)	(86,608)	(110,840)
Treasury stock		-	-	-	(278,740)	(248,761)	(228,775)
Non-controlling interests		-	-	-	-	8,631	7,829
Total equity	Before distribution	1,349,930	1,558,070	2,264,082	2,392,124	2,811,676	3,060,109
	After distribution	1,349,930	1,558,070	1,962,620	1,837,280	Note 2	Note 2

Note 1: The financial information of the respective fiscal years has been audited and certified by the certified public accountants, and the consolidated financial statements for the first quarter of 2020 have been reviewed by the certified public accountants.

Note 2: The 2019 Earnings Distribution Plan is still pending resolution of the shareholders' meeting.

(2) Consolidated and Concise Balance Sheet - R.O.C.'s Financial Accounting Standards

The company has fully adopted the International Financial Reporting Standards (IFRS) in 2013 to prepare financial statements

(3) Individual Concise Balance Sheet - International Financial Reporting Standards

Unit: NTD'000

Item \ Fiscal Year		Financial Information for the Last Five Fiscal Years				
		2015	2016	2017	2018	2019
Current assets		1,366,254	2,139,538	3,199,315	3,710,691	4,746,535
Investments accounted for using equity method		13,516	29,879	34,442	68,710	113,559
Property, plant and equipment		16,879	22,705	33,111	37,531	57,567
Intangible assets		114,141	217,136	200,641	213,906	194,630
Other assets		56,229	79,994	154,056	275,885	373,503
Total assets		1,567,019	2,489,252	3,621,565	4,306,723	5,485,794
Current liabilities	Before distribution	217,089	929,897	1,357,483	1,913,561	2,620,762
	After distribution	217,089	929,897	1,658,945	2,468,405	Note 2

Non-current liabilities		-	1,285	-	1,038	61,987
Total liabilities	Before distribution	217,089	931,182	1,357,483	1,914,599	2,682,749
	After distribution	217,089	931,182	1,658,945	2,469,443	Note 2
Equity attributable to owners of the parent company		1,349,930	1,558,070	2,264,082	2,392,124	2,803,045
Share capital		684,693	695,573	709,323	710,673	713,878
Capital reserves		749,662	742,625	942,038	963,159	1,040,153
Retained earnings	Before distribution	(89,590)	114,026	707,217	1,076,546	1,384,383
	After distribution	(89,590)	114,026	405,755	521,702	Note 2
Other equities		5,165	5,846	(94,496)	(79,514)	(86,608)
Treasury stock		-	-	-	(278,740)	(248,761)
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,349,930	1,558,070	2,264,082	2,392,124	2,803,045
	After distribution	1,349,930	1,558,070	1,962,620	1,837,280	Note 2

Note 1: The financial information of the respective fiscal years has been audited and certified by the certified public accountants.

Note 2: The 2019 Earnings Distribution Plan is still pending resolution by the shareholders' meeting.

(4) Concise Individual Balance Sheet - R.O.C.'s Financial Accounting Standards

The company has fully adopted the International Financial Reporting Standards (IFRS) in 2013 to prepare financial statements

2. Concise Consolidated Income Statements

(1) Concise Consolidated Income Statement - International Financial Reporting Guidelines

Unit: NTD'000

Item \ Fiscal Year	Financial Information for the Last Five Fiscal Years					2020 As of March 31
	2015	2016	2017	2018	2019	
Operating revenue	534,447	1,673,268	4,731,908	5,909,333	7,358,441	1,658,359
Gross operating profit	396,856	755,801	1,822,175	2,083,902	3,137,307	767,420
Operating loss	(63,323)	136,019	776,643	726,177	1,102,652	271,531
Non-operating revenue and expenditure	7,673	22,733	(40,757)	121,919	(50,451)	29,247
Net profit (loss) before tax	(55,650)	158,752	735,886	848,096	1,052,201	300,778
Net profit from continuing operations	(89,590)	114,026	593,191	670,791	852,703	233,737
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss) for the current period	(89,590)	114,026	593,191	670,791	852,703	233,737
Other comprehensive income (net amount after tax) for the current period	709	681	(2,608)	(53,280)	(32,596)	(25,693)
Total comprehensive income for the current period	(88,881)	114,707	590,583	617,511	820,107	208,044
Net profit attributable to owners of the parent company	(89,590)	114,026	593,191	670,791	862,681	234,539
Net profit attributable to non-controlling interests	-	-	-	-	(9,978)	(802)
Total comprehensive income attributable to owners of the parent company	(88,881)	114,707	590,583	617,511	830,085	208,846
Total comprehensive income attributable to non-controlling interests	-	-	-	-	(9,978)	(802)
Earnings per share	(1.44)	1.66	8.50	9.62	12.60	3.39

Note 1: The financial information of the respective fiscal years has been audited and certified by the

certified public accountants, and the consolidated financial statements for the first quarter of 2020 have been reviewed by the certified public accountants.

(2) Concise Consolidated Income Statement - R.O.C.'s Financial Accounting Standards

The company has fully adopted the International Financial Reporting Standards (IFRS) in 2013 to prepare financial statements

(3) Concise Individual Consolidated Income Statement - International Financial Reporting Standards

Unit: NTD'000

Fiscal Year / Item	Financial Information for the Last Five Fiscal Years				
	2015	2016	2017	2018	2019
Operating revenue	534,447	1,673,268	4,731,908	5,909,333	7,358,441
Gross operating profit	396,856	755,801	1,822,175	2,083,902	3,137,307
Operating loss	(47,057)	167,854	783,856	728,237	1,155,526
Non-operating revenue and expenditure	(8,593)	(9,312)	(51,898)	113,718	(93,695)
Net profit (loss) before tax	(55,650)	158,542	731,958	841,955	1,061,831
Net profit from continuing operations	(89,590)	114,026	593,191	670,791	862,681
Loss from discontinued operations	-	-	-	-	-
Net profit (loss) for the current period	(89,590)	114,026	593,191	670,791	862,681
Other comprehensive income (net amount after tax) for the current period	709	681	(2,608)	(53,280)	(32,596)
Total comprehensive income for the current period	(88,881)	114,707	590,583	617,511	830,085
Earnings per share	(1.44)	1.66	8.50	9.62	12.60

Note 1: The financial information of the respective fiscal years has been audited and certified by the certified public accountants.

(4) Concise Individual Comprehensive Income Statement - R.O.C.'s Financial Accounting Standards

The company has fully adopted the International Financial Reporting Standards (IFRS) in 2013 to prepare financial statements

3. Names and Audit Opinion of Certified Public Accountants for the Last Five Fiscal Years

Fiscal Year	Name of Accounting Firm	Name of Certified Public Accountant Responsible for Certification Work	Opinion
2015	KPMG Taiwan	Sonia Chang and Philip Tang	Unqualified opinion
2016	KPMG Taiwan	Steven Shih and Philip Tang	Unqualified opinion
2017	KPMG Taiwan	Steven Shih and Philip Tang	Unqualified opinion
2018	KPMG Taiwan	Steven Shih and Philip Tang	Unqualified opinion
2019	KPMG Taiwan	Steven Shih and Sonia Chang	Unqualified opinion

Note: The change to the certified public accountant is due to adjustments in the internal job duties of the accounting firm.

2. Financial Analysis for the Last Five Fiscal Years

(1) Financial Analysis for the Last Five Fiscal Years - International Financial Accounting Standards (Consolidated)

Analysis Item \ Fiscal Year		Financial Analysis for the Last Five Fiscal Years					2020
		2015	2016	2017	2018	2019	As of March 31
Financial structure (%)	Liabilities to assets ratio	13.95	37.50	37.59	44.48	49.14	41.54
	Permanent capital to property, plant and equipment ratio	7,785.06	6,531.60	6,706.80	6,068.32	4,604.57	4,720.65
Solvency	Current ratio (%)	630.79	232.49	237.53	195.81	181.77	212.95
	Quick ratio (%)	554.01	168.75	181.46	162.73	146.86	169.60
	Interest coverage ratio	(151.88)	100.72	80.94	86.52	55.43	49.64
Operational capability	Receivables turnover ratio (number of times)	11.66	6.85	8.32	8.80	15.37	10.91
	Average collection period	31	53	44	42	24	33
	Inventory turnover ratio (number of times)	1.58	2.62	4.66	6.09	6.40	4.70
	Payables turnover ratio (number of times)	3.29	3.38	5.24	7.36	8.81	7.64
	Average sales days of inventory	231	139	78	60	57	78
	Property, plant and equipment turnover ratio (number of times)	34.75	81.2	164.21	161.47	144.25	102.98
	Total assets turnover ratio (number of times)	0.46	0.82	1.55	1.49	1.50	1.23
Profitability	Return on assets (%)	(7.68)	5.68	19.63	17.10	17.85	17.80
	Return on equity (%)	(8.90)	7.84	31.04	28.81	33.16	31.95

Analysis Item \ Fiscal Year		Financial Analysis for the Last Five Fiscal Years 2015	2016	2017	2018	2019	2020 As of March 31
	Pre-tax profit to paid-in capital ratio (%)	(8.13)	22.82	103.74	119.34	147.39	42.14
	Net profit margin (%)	(16.76)	6.81	12.54	11.35	11.72	14.14
	Earnings per share (NTD)	(1.44)	1.66	8.50	9.62	12.60	3.39
Cash Flow	Cash flow ratio (%)	(66.75)	(14.14)	43.47	47.26	55.69	(26.26)
	Cash flow adequacy ratio (%)	(223.43)	(77.43)	6.12	94.95	144.17	132.62
	Cash reinvestment ratio (%)	(10.42)	(8.22)	25.66	24.69	31.09	(17.26)
Degree of leverage	Degree of operating leverage	(5.49)	4.70	1.91	2.50	2.57	2.59
	Degree of financial leverage	0.99	1.01	1.01	1.01	1.02	1.02

The explanations for financial ratios with changes in excess of 20% for 2019 as compared to 2018 are as follows:

1. Permanent capital to property, plant, and equipment ratio: It is mainly due to the growth of operation in the current period, the increase of purchase of R&D equipment and lease improvement.
2. Interest coverage ratio: It is mainly due to the increase of loan for purchasing materials and the increase of interest expense.
3. Turnover rate (number of times) and average collection period in days for receivables: It is mainly due to a client’s early remittance at the end of the period, which resulted in a significant decrease in the accounts receivable at the end of the period.
4. Payables turnover ratio: It is mainly caused by the decrease of average accounts payable due to the adjustment of inventory and the decrease of purchasing materials at the end of the period.
5. Pre-tax profit to paid-in capital ratio: It is mainly caused by the increase of net profit before tax due to the growth of revenue in the current period.
6. Earnings per share (NTD): It is mainly caused by the increase of net profit after tax due to the growth of revenue in the current period.
7. Cash flow adequacy ratio: This is mainly caused by substantial growth in this period’s operating revenue resulting in increased net cash inflow due to business activities in the recent five years.
8. Cash reinvestment ratio: This is mainly caused by substantial growth in this period’s operating revenue resulting in increased net cash inflow due to business activities.

Information source: The financial statements audited and certified by the certified public accountants, and the consolidated financial statements for the first quarter of 2020 reviewed by the certified public accountants.

The formulae for analysis are as follows:

1. Financial structure

(1) Liabilities to assets ratio = total liabilities/total assets.

(2) Permanent capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net value of property, plant, and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventories - prepaid expenses)/current liabilities.

(3) Interest coverage ratio = profit before income tax and interest expenses/interest expenses for the current period.

3. Operational capability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover ratio = net sales/average receivables (including accounts receivable and notes receivable arising from business operations) balance for each period.

(2) Average collection period = 365/receivables turnover ratio.

(3) Inventory turnover ratio = cost of goods sold/average inventory value.

(4) Payables (including accounts payable and notes payable arising from business operations) turnover ratio = cost of goods sold/average payables (including accounts payable and notes payable arising from business operations) balance for each period.

(5) Days' sales in inventory = 365/inventory turnover ratio.

(6) Property, plant and equipment turnover ratio = net sales/average net value of property, plant and equipment.

(7) Total assets turnover ratio = net sales/average total assets.

4. Profitability

(1) Return on assets = [profit or loss after tax + interest expenses x (1 - tax rate)]/average total assets.

(2) Return on equity = profit or loss after tax/average total equity.

(3) Net profit margin = profit or loss after tax/net sales.

(4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred

dividends)/weighted average number of issued shares.

5. Cash Flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities for the last five fiscal years/(capital expenditures + inventory increase + cash dividends) for the last five fiscal years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross value of property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

(1) Degree of operating leverage = (net operating revenue – variable operating costs and expenses)/operating income.

(2) Degree of financial leverage = operating income/(operating income - interest expenses).

(2) Financial Analysis for the Last Five Fiscal Years - R.O.C. Financial Accounting Standards (Consolidated)

The company has fully adopted the International Financial Reporting Standards (IFRS) in 2013 to prepare financial statements

(3) Financial Analysis for the Last Five Fiscal Years - International Financial Accounting Standards (Individual)

Analysis Item \ Fiscal Year		Financial Analysis for the Last Five Fiscal Years				
		2015	2016	2017	2018	2019
Financial structure（%）	Liabilities to assets ratio	13.85	37.41	37.48	44.46	48.90
	Permanent capital to property, plant, and equipment ratio	7,997.69	6,867.89	6,837.85	6,376.49	4,976.87
Solvency	Current ratio (%)	629.35	230.08	235.68	193.92	181.11
	Quick ratio (%)	552.02	166.11	179.39	160.83	145.87
	Interest coverage ratio	(151.88)	100.59	80.51	85.90	57.43
Operational capability	Receivables turnover ratio (number of times)	11.66	6.85	8.32	8.80	15.37
	Average collection period	31	53	44	42	24
	Inventory turnover ratio (number of times)	1.58	2.62	4.66	6.09	6.40
	Payables turnover ratio (number of times)	3.29	3.38	5.24	7.36	8.81
	Average sales days of inventory	231	139	78	60	57
	Property, plant and equipment turnover ratio (number of times)	35.87	84.54	169.55	167.30	154.75
	Total assets turnover ratio (number of times)	0.46	0.83	1.55	1.49	1.50
Profitability	Return on assets (%)	(7.70)	5.69	19.66	17.65	17.74
	Return on equity (%)	(8.90)	7.84	31.04	32.77	31.85
	Pre-tax profit to paid-in capital ratio (%)	(8.13)	22.79	103.19	118.47	148.74
	Net profit margin (%)	(16.76)	6.81	12.54	11.59	14.09
	Earnings per share (NTD)	(1.44)	1.66	8.50	9.62	12.60

Cash Flow	Cash flow ratio (%)	(58.94)	(11.00)	44.29	47.91	57.27
	Cash flow adequacy ratio (%)	(169.79)	(63.21)	15.08	101.62	149.95
	Cash reinvestment ratio (%)	(9.13)	(6.37)	26.03	25.18	32.25
Degree of leverage	Degree of operating leverage	(7.39)	3.81	1.89	2.49	2.46
	Degree of financial leverage	0.99	1.01	1.01	1.01	1.02
	The explanations for financial ratios with changes in excess of 20% for 2019 as compared to 2018 are as follows: 1. Permanent capital to property, plant, and equipment ratio: It is mainly due to the growth of operation in the current period, the increase of purchase of R&D equipment and lease improvement. 2. Interest coverage ratio: It is mainly due to the increase of loan for purchasing materials and the increase of interest expense. 3. Turnover rate (number of times) and average collection period in days for receivables: It is mainly due to a client's early remittance at the end of the period, which resulted in a significant decrease in the accounts receivable at the end of the period. 4. Payables turnover ratio: It is mainly caused by the decrease of average accounts payable due to the adjustment of inventory and the decrease of purchasing materials at the end of the period. 5. Pre-tax profit to paid-in capital ratio: It is mainly caused by the increase of net profit before tax due to the growth of revenue in the current period. 6. Earnings per share (NTD): It is mainly caused by the increase of net profit after tax due to the growth of revenue in the current period. 7. Cash flow ratio: This is mainly caused by growth in this period's operating revenue resulting in increased net cash inflow due to business activities. 8. Cash flow adequacy ratio: This is mainly caused by substantial growth in this period's operating revenue resulting in increased net cash inflow due to business activities in the recent five years. 9. Cash reinvestment ratio: This is mainly caused by substantial growth in this period's operating revenue resulting in increased net cash inflow due to business activities.					

Information source: The financial statements audited and certified by the certified public accountants.

The formulae for analysis are as follows:

1. Financial structure

(1) Liabilities to assets ratio = total liabilities/total assets.

(2) Permanent capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net value of property, plant and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventories - prepaid expenses)/current liabilities.

(3) Interest coverage ratio = profit before income tax and interest expenses/interest expenses for the current period.

3. Operational capability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover ratio = net sales/average receivables (including accounts receivable and notes receivable arising from business operations) balance for each period.

(2) Average collection period = 365/receivables turnover ratio.

(3) Inventory turnover ratio = cost of goods sold/average inventory value.

(4) Payables (including accounts payable and notes payable arising from business operations) turnover ratio = cost of goods sold/average payables (including accounts payable and notes payable arising from business operations) balance for each period.

(5) Days' sales in inventory = 365/inventory turnover ratio.

(6) Property, plant and equipment turnover ratio = net sales/average net value of property, plant and equipment.

(7) Total assets turnover ratio = net sales/average total assets.

4. Profitability

(1) Return on assets = [profit or loss after tax + interest expenses x (1 - tax rate)]/average total assets.

(2) Return on equity = profit or loss after tax/average total equity.

(3) Net profit margin = profit or loss after tax/net sales.

(4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred dividends)/weighted average number of issued shares.

5. Cash Flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities for the last five fiscal years/(capital expenditures + inventory increase + cash dividends) for the last five fiscal years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross value of property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

(1) Degree of operating leverage = (net operating revenue – variable operating costs and expenses)/operating income.

(2) Degree of financial leverage = operating income/(operating income - interest expenses).

(4) Financial Analysis for the Last Five Fiscal Years - R.O.C. Financial Accounting Standards (Individual)

The company has fully adopted the International Financial Reporting Standards (IFRS) in 2013

3 . Audit Committee's Audit Report for the Financial Statements of the Last Fiscal Year: Please refer to Page 188 for details.

4. Financial Statements for the Last Fiscal Year, including an Audit Report Prepared by Certified Public Accountants, a Two-Year Comparative Balance Sheet and Consolidated Income Statement, Statement of Changes in Equity, Cash Flow Statement, and Any Attached Notes or Appendices: Please refer to Consolidated Financial Statements.

5. Parent Company Only Financial Statements for the Last Fiscal Year, Audited and Certified by Certified Public Accountants: Please refer to Parent Company Only Financial Statements.

6. In the most recent year and up to the date of publication of the annual report, if the Company or its affiliated enterprises experience any difficulty in financial turnover, the impact on the financial position of the Company shall be listed: No such situation.

VII. Review and Analysis of Financial Status and Financial Performance, and Risk Matters

6. Financial Situation: Main reason(s) for any material change to the assets, liabilities or equity over the last two fiscal years, and the impact of such changes. An explanation on the planned future contingency measures should be included if the impact is of material significance

Unit: NTD'000

Item \ Fiscal Year	2019	2018	Difference	
			Amount	%
Current assets	4,809,928	3,750,401	1,059,527	28
Investments accounted for using equity method	41,058	25,963	15,095	58
Property, plant and equipment	62,589	39,437	23,152	59
Intangible assets	223,492	214,695	8,797	4
Other assets	391,000	278,040	112,960	41
Total assets	5,528,067	4,308,536	1,219,531	28
Current liabilities	2,646,112	1,915,374	730,738	38
Non-current liabilities	70,279	1,038	69,241	6,671
Total liabilities	2,716,391	1,916,412	799,979	42
Share capital	713,878	710,673	3,205	0
Capital reserves	1,040,153	963,159	76,994	8
Retained earnings	1,384,383	1,076,546	307,837	29
Other equities	(86,608)	(79,514)	-7,094	9
Treasury stock	(248,761)	(278,740)	29,979	(11)
Total equity	2,811,676	2,392,124	419,552	18

1. For items with a 20% or more variation between the previous and current periods, and the variation amount reaches NTD 10 million, an explanation should be provided:

   (1) Current assets: This is mainly caused by the growth of sales volume during the current period, resulting in an increase in bank deposits.

   (2) Investments accounted for using equity method: The main reason is the additional investment in Sirius during this period.

   (3) Property, plant and equipment: It is mainly due to the growth of operation in the current period, the increase of purchase of R&D equipment and lease improvement.

   (4) Other assets: In the current period, due to IFRS16 lease rules, a new item – use right assets – was added.

   (5) Current liabilities: It is mainly due to the growth of operation scale in the current period, resulting in the increase of purchase price and related payable expenses.

   (6) Non-current liabilities: In the current period, due to IFRS16 lease rules, a new item – lease liabilities – was added.

   (7) Retained earnings: NTD 554,844,000 of the 2018 net profit after tax was distributed based on the resolution of shareholder meeting on June 18, 2019, and the net profit for the year ended in 2019 is NTD 852,703,000.

2. Planned future contingency measures when the impact is of material significance: Nil

7. Financial Performance: Main Reasons for Any Material Change to Operating Revenue, Operating Profit or Pre-tax Profit for the Last Two Fiscal Years; the Sales Volume Forecast and the Basis, and the Possible Impact on the Company's Future Financial Operations and Contingency Measures

1. Comparative Analysis of Financial Performance

Unit: NTD'000

Item \ Fiscal Year	2019	2018	Increase (Decrease) Amount	Percentage of Change (%)
Operating revenue	7,358,441	5,909,333	1,449,108	25
Gross operating profit	3,137,307	2,083,902	1,053,405	51
Net operating profit	1,102,652	726,177	376,475	52
Non-operating revenue and expenditure	(50,451)	121,919	(172,370)	(141)
Net profit before tax	1,052,201	848,096	204,105	24
Income Tax Expenses	199,498	177,305	22,193	13
Net profit for the current period	852,703	670,791	181,912	27
Other comprehensive income (net amount after tax) for the current period	(32,596)	(53,280)	20,684	(39)
Total comprehensive income for the current period	820,107	617,511	202,596	33

1. For items with a 20% or more variation between the previous and current periods, and the variation amount reaches NTD 10 million, an explanation should be provided:
   (1) Operating revenue: This is mainly due to a substantial growth in operating revenue arising from continued successful business development.
   (2) Operating margin: The main reason is the lower cost of optical products and their higher selling price.
   (3) Net operating profit: This is mainly due to a substantial growth in operating revenue arising from continued successful business development.
   (4) Non-operating revenue and expenditure: This is mainly due to exchange rate losses arising from exchange rate fluctuations.

Item \ Fiscal Year	2019	2018	Increase (Decrease) Amount	Percentage of Change (%)

(5) Income tax expenses: This is mainly due to an increase in income tax expenses arising from a substantial growth in operating revenue.

(6) Other comprehensive income for the current period: This is mainly due to the valuation loss on financial assets as measured by fair value through other comprehensive income.

2. Sales volume forecast and the basis therefore, as well as the possible impact on the company's future financial operations and contingency measures:

The Company's main products are biometric sensing IC and its applications. The Business Department formulated the sales volume forecast based on the sales forecast of existing products, development progress of new products, forecast value of customer production demand, with the business development strategy taken into account. Along with the trend on the introduction of fingerprint recognition applications into handheld devices, it is estimated that there will be a growth in sales volume.

3. Cash Flow: Explanation on the Analysis of Cash Flow Changes During the Last Fiscal Year; Improvement Measures to be Taken in Response to Illiquidity; and the Liquidity Analysis for the Coming Year

(1) Explanation on the analysis of cash flow changes during the last fiscal year (2019)

1. Financial Analysis

Unit: NTD'000

Opening cash balance (1)	Net cash flow from operating activities for the year (2)	Cash outflows (inflows) for the year (3)(Note)	Surplus (insufficient) cash amount (1)+(2)-(3)	Remedial measures for insufficient cash	
				Investment Plan	Money management Plan
2,473,863	1,473,527	785,160	3,162,230	NA	NA

Note: Inclusive of the effect of exchange rate fluctuations on cash and cash equivalents, that is, NTD (1,546,000).

Analysis of cash flow changes during the current fiscal year:

(1) Operating activities: The net cash inflow from operating activities added up to NTD 1,473,527,000 due to an increase in operating revenue arising from business growth.

(2) Investment activities: The main reason is that the net cash outflow from investment activities is NTD 492,391,000 due to redeposit being greater than the increase of fixed deposit over 3 months.

(3) Financing activities: The main reason is the issuance of NTD 554,844,000 cash dividends, resulting in net cash outflow from financing activities of NTD 291,223,000.

2. Improvement measures for illiquidity: The Company is not subject to any situation of illiquidity.

3. Liquidity analysis for the coming year (2020)

Unit: NTD'000

Cash at the beginning of the period Balance (1)	Estimated net income from operating activities for the whole year Cash Flow (2)	Estimated cash outflows (inflows) for the year (3)	Estimated cash surplus (deficit) Amount (1)+(2)-(3)	Remedial measures for estimated insufficient cash	
				Investment plan	Financial plan
3,162,230	1,620,880	942,192	3,840,918	NA	NA

1. Liquidity analysis for the coming year:

(1) Operating activities: The operating revenue of the Company is expected to grow uninterruptedly in 2020, thus resulting in a net cash inflow from operating activities.

(2) Investment activities: The development of new products and investment in professional technology results in net cash outflow being generated from business activities.

(3) Financing activities: This is mainly due to the distribution of cash dividends and repayment of short-term loans, thus resulting in a net cash outflow from financing activities.

2. Remedial measures for estimated insufficient cash: There is no situation of estimated insufficient cash. Therefore, this is not applicable.

4. Effect of Major Capital Expenditures on Financial Operations for the Last Fiscal Year: Nil

5. Reinvestment Policy for the Last Fiscal Year; the Main Reasons for the Profits or Losses Generated Thereby and the Plan for Improvement; and Investment Plans for the Coming Year

1. Reinvestment Policy

The Company has drafted the "Operating Procedures of Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" formulated by the competent authority, which serves as the basis for the Company's conduct of its reinvestment business, enabling the Company to master the relevant business and financial situation. Furthermore, in order to improve the supervision and management of the invested companies, the Company has formulated the monitoring and management methods for the subsidiaries in the internal control system and formulated the relevant regulations for the disclosure of information, finance, business, inventories and financial management, so as to realize the greatest effectiveness in the reinvestment matters of the Company.

2. Main Reasons for the Profits or Losses Generated from the Reinvestment Business in the Last Fiscal Year, and the Plan for Improving Reinvestment Profitability

Unit: NTD'000

Reinvestment Business Name	Main Business Item	Investment (losses) and Gains Recognized in 2019	Main Reasons for Profits or Losses	Plan for Improving Reinvestment Profitability
Egis Inc.	Holding company	(198)	Operating losses	In liquidation
Egis Technology (Japan) Inc.	Sales of information security software, biometric application software and hardware	(12,490)	Operating losses	Continue to strengthen business expansion in Japan
Egis Tec USA Inc.	Technology development	(9,916)	Operating losses	In liquidation
Egis Technology (Korea) Inc.	Customer service, business promotion and technical support	6,964	Revenue from Technical Services	
Tyrafos Technologies Co., Ltd.	Technology development	(26,309)	Operating losses	Accelerate development integration and use its technology to become part of the supply

Reinvestment Business Name	Main Business Item	Investment (losses) and Gains Recognized in 2019	Main Reasons for Profits or Losses	Plan for Improving Reinvestment Profitability
				chain
Igistec Co., Ltd.	Technology development	(29,444)	Operating losses	Accelerate development integration and use its technology to become part of the supply chain
Sirius Wireless Pte. Ltd.	Technology development	(20,400)	Operating losses	Accelerate development integration and use its technology to become part of the supply chain

3. Investment Plan for the Coming Year

In response to the decreasing size of mobile phone display bezels, it is estimated that multiple forms of biometric identification will be the trend in the next generation of smartphones. The chip design of large display multi-point fingerprint sensor and the algorithm of artificial intelligence deep learning can be applied to virtual reality and the field of automobiles. The Company will accelerate the development of integrated application terminal, launch a new integrated chip to meet the market demand of large display multi-point under-display fingerprint sensors and further cooperate with major Chinese mainland mobile phone manufacturers to expand our share in the mainland mobile phone market.

6. Risk Management Analysis and Evaluation

(I) Risk Management Policy

1. The Company intends to gradually strengthen the management of corporate risks in accordance with the latest development of internal auditing and standards requirements; the organizational structure of risk management is divided into three levels (mechanisms):

The first mechanism: For the organizer or contractor, it must be responsible for the measurement, design, and prevention of the initial risk detection, evaluation, and control.

The second mechanism: For the assessment of the general manager (or chief executive officer and vice president), in addition to being responsible for feasibility assessment, it also includes various risk assessments.

The third mechanism: For review of the legal affairs and audit department and deliberation of the Board of Directors/Audit Committee.

2. If the Company's important risk assessment matters do not need to be reviewed by the second and third mechanisms for implementation matters, it will conduct legal affairs to identify, assess, and prevent risks with the audit office if necessary; usually if it finds that there is immediately potential risks, it can also be immediately reported to the superiors for prevention.

3.According to the provisions of "Guidelines for Handling Internal Control of Public Issuance Companies", the Company establishes Self-inspection Procedures, Operation and Methods, handles regularly self-assessment internal control operations of each department and operation unit each year, so as to implement the company's self-supervision mechanism, to change the corresponding environment in a timely manner, to adjust the design and implementation of the internal control system, and to enhance the audit quality and efficiency of the internal audit unit; its scope of self-assessment covers the execution and design of various internal control systems of the Company.

(2) Risk Management Organization Form

Important Risk Assessment Matters	(The First Mechanism) Direct Risk Control Unit	(The Second Mechanism) Risk Review and Control	(The Third Mechanism) Board of Directors, Audit Committee, and Audit Office
1. Interest Rate, Exchange Rate, and Financial Risks	Financial contractor	Directors at all levels and general manager	Board of Directors and Audit Committee (Decision-making and final control of risk assessment and control)
2. High-risk, high-leverage investment, capital loans to others, derivative commodity transactions,	Financial contractor	Directors at all levels and general manager	

financial investment			
3. Investment, Transfer of Investment, and M&A Benefits	Stock and financial staff	Directors at all levels and general manager	
4. Research and Development Plan	Research and Development personnel	Directors at all levels, operation officer and general manager	Audit Office (Inspection, Improvement Tracking and Report of Risk)
5. Concentrated sales or purchases	Business Department, Purchasing Department and Financial Staff	Production and marketing meeting	
6. Changes in equity of directors and major shareholders	Stock	Board of Directors	
7. Changes in operating rights	Stock	Board of Directors	
8. Litigation and non-contentious matters	Legal affairs	General Manager	
9. Other business operations	Directors at all levels	General Manager	
10. Personnel behavior, morality and ethics	Directors at all levels and Personnel Administration Department	Labor-management conference	
11. Compliance with regulations	Directors at all levels	Legal affairs and audit	
12. Management of Board Meetings	Stock	Legal affairs and audit	

(3) Effect of Interest Rate, Exchange Rate Fluctuations, and Inflation on the Profit and Loss of the Company and Future Contingency Measures

1. Interest Rate Fluctuations

(1) Effect on the Profit and Loss of the Company

The Company operates mainly on its own capital. The percentages of bank loans to total assets for the fiscal years 2018 and 2019 are 22.31% and 21.59%, respectively. The percentages of interest expenses to the net operating revenue are 0.17% and 0.26%, respectively, which are relatively small percentages. Therefore, interest rate fluctuations have a limited effect on the profit and loss of the Company. The Company will continue to closely monitor changes in the global and domestic economic environments in the future and take necessary measures whenever needed, in order to minimize the risk of interest rate fluctuations on the profits and losses of the Company.

(2) Specific Contingency Measures

The Company evaluates the bank loan interest rate on a regular basis and constantly monitors the financial market for any effects of interest rate fluctuations on the Company's allocation of funds, so as to duly implement adaptation measures. Therefore, interest rate fluctuations do not have any significant effect on the profits and losses of the Company.

2. Exchange Rate Fluctuations

(1) Effect of Exchange Rate Fluctuations on the Profit and Loss of the Company

The purchase and sales transactions of the Company are mainly denominated, paid, and received in the U.S. dollar. The net exchange (losses) profits of the Company in the fiscal years 2018 and 2019 are USD 84,481,000 and USD (72,462,000), respectively, accounting for approximately 1.43% and (0.98%) of the Company's net operating revenue, respectively, and accounting for 9.96% and (6.98%) of the net loss before tax, respectively. Therefore, the exchange rate fluctuated within a reasonable range and had a limited effect on the Company.

(2) Specific Contingency Measures

A. When providing customers with price quotations, the Business Department will take into account the exchange rate trends for quotation decision-making and make dynamic adjustments to quoted prices offered to customers, so as to avoid any significant impact on the Company's profits due to the exchange rate fluctuations.

B. The natural hedging of foreign exchange risk will continue to be the main strategy for exchange rate risk control and management in the future, and the foreign currency assets and liabilities will be appropriately adjusted to lower the risks arising from exchange rate fluctuations.

3. Inflation

(1) Analysis of the Impact on the Company

The Company has not experienced any significant adverse impact from inflation up to this date. However, changes in the relevant economic environments and fluctuations in the market situations must be closely monitored for quick response to the situation accordingly.

(2) Specific Contingency Measures

A. The Company will be aware of the fluctuations in market prices of upstream raw materials at all times, and maintain good interactions with suppliers and customers, so as to predict the market trends of the raw materials and lower the impact of rising prices.

B. In accordance with fluctuations in the costs of raw materials, the Company will dynamically adjust the prices offered to customers when the preset tolerance intervals are exceeded, so as to avoid any significant impact on the Company due to inflation.

(4) Policies for High-Risk and High-Leverage Investments, Capital Loan to Others, Endorsements and Guarantees, and Derivative Transactions as well as Major Causes of Profits and Losses and Future Contingency Measures

Risk Item	Implementation Status	Policies and Contingency Measures
High-Risk and High-Leverage Investments	The Company did not engage in any high-risk or high-leverage investments in the last fiscal year and the current fiscal year up to the date of publication of the annual report.	The Company is focused on its core business operations and hence did not allocate funds in any high-risk or high-leverage investments.
Loan of Funds to Other Parties	The Company did not loan any funds to other parties in the last fiscal year and the current fiscal year up to the date of publication of the annual report.	Should the Company provide any loan of funds to other parties in the future, it shall be handled in accordance with the "Operating Procedures for Loan of Funds to Other Parties" formulated by the Company, and the operation should be publicly declared in accordance with the relevant laws and regulations.
Endorsements and Guarantees	The Company did not provide any endorsements or guarantees to other parties in the last fiscal year and the current fiscal year up to the date of publication of the annual report.	Should the Company provide any endorsements or guarantees to other parties in the future, it shall be handled in accordance with the "Operating Procedures for Endorsements and Guarantees" formulated by the Company, and the operation should be publicly declared in accordance with the relevant laws and regulations.
Derivative Transactions	The Company did not engage in any derivative transactions in the	Should there be a need for the Company to engage in derivative

Risk Item	Implementation Status	Policies and Contingency Measures
	last fiscal year and the current fiscal year up to the date of publication of the annual report.	transactions in the future, the Company shall adhere to the conservatism principle for the primary purpose of avoiding the risks arising from foreign exchange fluctuations, and shall publicly declare the operation in accordance with the relevant laws and regulations.

(5) Future Research and Development Plan and Estimated Research and Development Expenses Invested

1. Future Research and Development Plan

   The Company is expected to invest in the 3D modeling sensing technology of time of flight (TOF), research and develop chip design for large display multi-point fingerprint sensor and artificial intelligence deep learning algorithm, develop chip scheme that is more cost effective than existing technology in the market, and expand practical AR and other product applications.

2. Estimated Research and Development Expenses

   The estimated research and development expenses of the Company are gradually allocated based on the progress of the development of new products and new technologies and adjusted according to the market changes and the progress in the research and development of new products. The Company expects to invest approximately NTD 1,788,191,000 in research and development in 2020 in continual support of the future research and development plans, so as to sustain the market competitive advantages of the Company's products.

(6) Effect of Changes in Major Domestic and International Policies and Laws on the Financial Operations of the Company and Contingency Measures

The Company's routine operations shall be in compliance with the relevant domestic and international laws and regulations, and the Company will monitor the development trends of domestic and international policies and changes in the laws at all times. The Company will also gather relevant information as reference for decision-making at the operational level and make adjustments to the relevant operational strategies of the Company. The Company's financial operations have not been affected by any changes in major domestic and international policies and laws in the last fiscal year and the current fiscal year up to the date of publication of the annual report.

(7) Effect of Technological Innovation and Industrial Changes on the Financial Operations of the Company and Contingency Measures

The Company will monitor the relevant technological development and changes of its industry at all times so as to grasp the industry trends and continually improve its research and development capabilities. The Company will actively expand the field of applications for the future market so as to ensure that the Company maintains its market competitive advantages. The Company's financial operations have not been affected by any technological innovation or industrial changes in the last fiscal year and the current fiscal year up to the date of publication of the annual report.

(8) Effect of Changes in Corporate Image on Crisis Management and Contingency Measures

Since its establishment, the Company has focused on its core business operations, adhering to relevant laws and regulations, actively strengthening internal control, and improving management quality and performance, so as to uphold the good corporate image of the Company and increase customer's trust. The Company has not faced any operational crisis due to changes in the Company's corporate image in the last fiscal year and the current fiscal year up to the date of publication of the annual report. However, as the enterprise may face considerably huge damages due to corporate crisis, the Company will continue to execute all the requirements of corporate governance so as to minimize the occurrence of corporate risk and such impact on the Company.

(9) Expected Benefits and Potential Risks of Mergers and Acquisitions as well as Contingency Measures

The Company has no plans for mergers and acquisitions in the last fiscal year and the current fiscal year up to the date of the printing of the annual report. Should there be any plans for mergers and acquisitions in the future, the Company shall adhere to the "Operating Procedures of Acquisition or Disposal of Assets" and uphold the attitude of prudential assessment when conducting various cost-benefit evaluations and risk control management, so as to protect the Company's interests and shareholders' equity.

(10) Expected Benefits and Potential Risks of Factory Expansion as well as Contingency Measures

The Company does not have a factory site and has no plans for the establishment or expansion of a factory in the future. Therefore, this is not applicable.

(11) Risks and Contingency Measures for Purchases or Sales

1. In Terms of Purchases

The Company is a professional IC design company and thus does not own a foundry. At present, its purchases are concentrated in the foundry in Taiwan. In order to achieve reliable and stable production capacity and shorten the time to market of products, IC design companies have the industrial characteristics of using the same semiconductor process and also consider factors such as process technology, quality efficiency, full capacity, delivery coordination, etc. Thus, they tend to maintain long-term and close cooperation with specific wafer foundries. Should the production output of the collaborating foundry be insufficient, the Company may face the risk of supply shortage or delay in goods delivery. In view of the aforementioned risks, besides maintaining a good cooperative relationship between the Company and the collaborating foundry, the Company shall also not exclude the possibility of working with other foundries, so as to provide more choices and security in terms of the quality, source, and prices of the raw materials.

2. In Terms of Sales

The sales amount of the Company to Company Jia in the fiscal year 2019 is USD 1,471,249,000, accounting for 19.99% of operating revenue in the current fiscal year, with the risk of sales concentration. Following the rise in market demand for fingerprint sensor chips, the Company will continue to develop new products to accommodate different end application markets. The Company will also actively acquire new customers and provide new services so as to reduce sales concentration, thus lowering the risk arising from sales concentration.

(12) Effect and Risks of Material Transfer of or Change in the Equity of Directors, Supervisors or Major Shareholders with shareholding of More Than 10% on the Company as well as Contingency Measures: No such situation.

(13) Effect and Risk of Changes in Management Rights on the Company as well as Contingency Measures: No such situation.

(14) With regard to litigious and non-litigious matters, major litigious matters, non-litigious matters, and administrative litigious matters involving the Company and its directors, supervisors, general manager, de facto responsible person, major shareholders with shareholding of more than 10%, and subsidiary companies for which a judgment has become final or is still pending judgment, as well as those whose outcome could significantly affect shareholders' equity or the prices of the Company's securities should be clearly listed; the facts in contention, the value of the object of litigation, the start date of litigation, the main party or parties involved,

and the status of the case up to the date of publication of the annual report should be disclosed: No such situation.

(15) Other Important Risks and Contingency Measures:

Information Security Policy

In order to implement the requirements of information security management, Egis focuses on its processes and systems, policy compliance, personnel training and technology application, and strengthens its capability in securing and protecting data, information system, equipment, and network communications to effectively minimize the risks of theft, improper use, disclosure, tampering, or destruction of information assets due to human error, deliberateness or natural disasters, in a bid to deliver on commitments to shareholders and customers and sustainable operation of the company.

Effective Operation and Continuous Improvement of Information Security Management

Management mechanisms include:

1. Establishing a set of complete specifications and define operation procedures to ensure the systematic implementation of information security management;
2. Identifying, protecting, detecting, responding to, and recovering information in a timely and effective manner with the use of technologies and tools;
3. Establishing a contingency and recovery operation process for information security anomalies so as to minimize their impact by quickly isolating and removing threats;
4. Performing disaster recovery drills on a regular basis for critical application system to ensure its effectiveness;
5. Performing social engineering drills and employee education for information security to comprehensively enhance their awareness of information security;
6. Examining the entire management system through internally and externally auditing on a regular basis every year to guarantee proper operation and continuous improvement.

Evaluation of Information Security and Network Risks

Check the “Information Asset Inventory” regularly every year, perform risk assessment based on internal and external information security issues, information security incidents, and audit results and invest proper resources for high-risk projects to improve or increase control measures, so as to minimize or eliminate risks.

Impact of Significant Information Security Incidents and Contingency Measures

No significant incidents in relation to information security occurred in 2018.

In response to the dynamics of external changes and attack techniques, we will keep a close eye on the news and new technologies of information security and update our defensive and management measures, in a bid to block new information security threats and decrease operational risks.

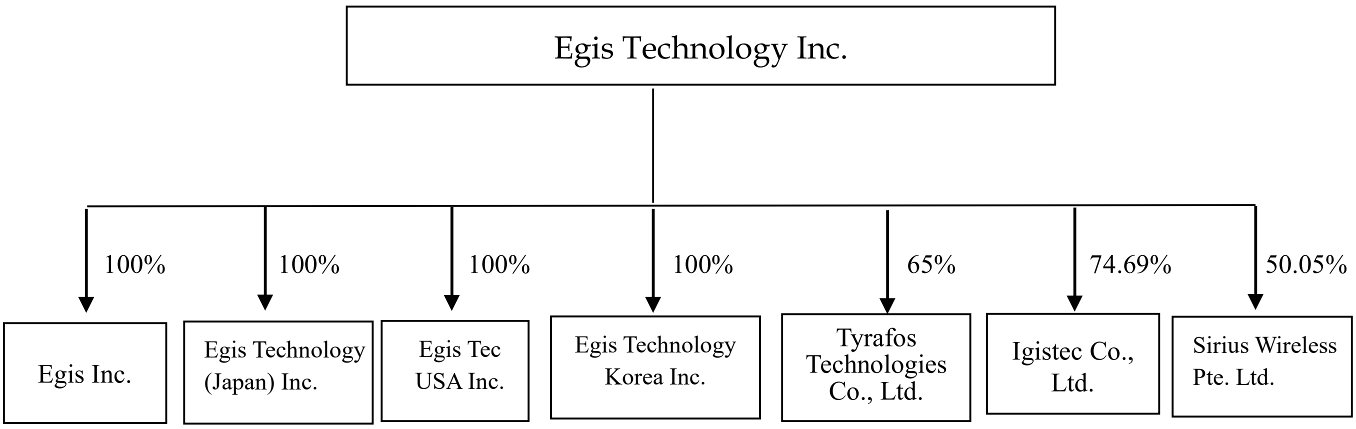
7. Other Significant Matters: Nil

VIII. Special Notes

1. Relevant Information on Affiliated Enterprises

(1) Affiliated Enterprises

December 31, 2019



(2) Basic Information of Affiliated Enterprises

Unit: NTD'000

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business Item
Egis Inc.	2007.06.04	Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112 , Cayman Islands	785,504	Holding company
Egis Technology (Japan) Inc.	2009.08.18	Mita Kokusai Bldg. 3F., 1-4-28, Mita, Minato-ku, Tokyo,108-0073 Japan	10,502	The sales of information security software, biometric application software and hardware
Egis Tec USA Inc.	2016.08.15	2050 Ringwood Ave., Ste. A, San Jose, CA 95131-1728	31,260	Technology development
Egis Technology (Korea) Inc.	2017.11.23	17 Daehak 4-ro, Ace Gwanggyo Tower #516, Yeongtong, Suwon, Gyeonggi	5,706	Customer service, business promotion, and technical support
Tyrafos Technologies Co., Ltd.	2017.08.28	Unit 1904 19/F Podium Plaza 5 Hanoi Road Tsim Sha Tsui KL	31,177	Technology development
Igistec Co., Ltd.	2018.10.30	Room 1, Floor 8, No. 168, Fuxing Third Road Section 2, Zhubei City, Xinzhu County	221	Technology development
Sirius Wireless Pte. Ltd.	2017.12.08	1 COLEMAN STREET #10-06 THE ADELPHI SINGAPORE (179803)	60,189	Technology development

(3) Information on Shareholders Representing Both the Holding Company and Subordinates: Nil

(4) Industries covered by the operations of all affiliated enterprises: The design, development, and production and sales of capacitive fingerprint sensor chips, and the integration of the IC design and solutions of domestic fingerprint sensors chips and software design.

(5) Names and Shareholding or Capital Contribution Status of Directors, Supervisors, and General Managers of Affiliated Enterprises

December 31, 2019 Unit: Thousand Shares; %

Name of Enterprise	Position	Name or Representative		
			Number of Shares	Shareholding Ratio
Egis Inc.	Director	Representative of Egis Technology Inc.: SEN-CHOU LO	25,546	100.00%
Egis Technology (Japan) Inc.	General Manager	Representative of Egis Technology Inc.: Tang, Hsien Chih	7,680	100.00%
Egis Tec USA Inc.	Director	Representative of Egis Technology Inc.: SKY SU	1,000	100.00%
Egis Technology (Korea) Inc.	Director	Representative of Egis Technology Inc.: JIMMY HSU	20	100.00%
Tyrafos Technologies Co., Ltd.	Director	Representative of Egis Technology Inc.: SEN-CHOU LO; GONG-YI LIN	5,265	65.00%
Igistec Co., Ltd.	Director Supervisor	Representative of Egis Technology Inc.: SEN-CHOU LO YI-PIN LEE	16,527	74.69%
Sirius Wireless Pte. Ltd.	Director	Representative of Egis Technology Inc.: YI-PIN LEE, GONG-YI LIN	40,080	50.05%

(6) Overview of Business Operations of Affiliated Enterprises

December 31, 2019 Unit: NTD'000

Name of Enterprise	Capital	Total assets	Total liabilities	Net Value	Operating revenue	Operating income	Profit and loss for the current period (After Tax)	Earnings Per Share (NTD) (After Tax)
Egis Inc.	785,504	-	-	-	-	-444	-198	-0.008
Egis Technology (Japan) Inc.	10,502	15,066	1,298	13,768	-	-12,433	-12,490	-1.63
Egis Tec USA Inc.	31,260	4,298	-	4,298	39,354	-7,766	-9,916	-9.92
Egis Technology (Korea)Inc.	5,706	38,771	14,389	24,382	47,837	6,891	6,964	348.18
Tyrafos Technologies Co., Ltd.	31,177	16,577	23,856	-7,279	17,282	-47,489	-48,002	-5.93
Igistec Co., Ltd.	221	33,002	22,969	10,033	67,500	-37,445	-36,261	-1.64
Sirius Wireless Pte. Ltd.	60,189	13,860	6,710	7,150	-	-42,789	-40,932	-0.51

Note: If the affiliated enterprise is a foreign company, the relevant numbers shown will be based on conversion to NTD using the exchange rate on the date of the report.

2. Status of Private Placement of Securities in the Last Fiscal Year and the Current Fiscal Year Up to the Date of Publication of the Annual Report: No such situation.

3. Shares in the Company Held or Disposed of by Subsidiaries in the Last Fiscal Year and the Current Fiscal Year Up to the Date of Publication of the Annual Report: No such situation.

4. Other Necessary Supplementations:

Explanation on the Non-fulfillment of OTC Trading Commitments by the Company

OTC Trading Commitments	Status of Compliance with Commitments
In the "Operating Procedures of Acquisition or Disposal of Assets", the addition of "The Company shall not cease capital injections into Egis Inc. and Egis Technology (Japan) for the respective fiscal years in the future. Should the Company have to cease the capital injections into or to dispose of the aforementioned company due to strategic alliance considerations or other factors, the Company must gain the approval of Taipei Exchange and raise it to the Company's Board of Directors for the passing of a special resolution." Should the said operating procedures be revised after the approval by the Board of Directors, it should be entered into the Market Observation Post System as material information disclosure and reported to Taipei Exchange for future reference.	1. The Company has provided the Letter of Commitment which will be disclosed in the prospectus. 2. The Company has passed the resolution on the addition of the content stated on the left to Article 5, Paragraph 6 of the "Operating Procedures of Acquisition or Disposal of Assets" during the Board meeting on August 13, 2015, and this has been entered into the Market Observation Post System as material information disclosure on the same day.

IX. Matters that Significantly Affected Shareholders' Equity and Prices of Securities Pursuant to Item 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Last Fiscal Year and the Current Fiscal Year Up to the Date of Publication of the Annual Report: Nil

Egis Technology Inc.

Statement on Internal Control System

Date: March 17, 2020

In accordance with the result of self-assessment on the internal control system for 2019, the Company hereby declares as follows:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of the internal control system are the responsibilities of the Board of Directors and managers of the Company, and the Company has already established such a system. The purpose of the system is to provide reasonable guarantee for the achievement of goals such as effectiveness and efficiency of business operations (including profitability, performance and security of assets, etc.), reliability, timeliness, and transparency of reporting, as well as compliance with relevant regulatory requirements.

2. There are inherent limitations to even the most well-designed internal control system. Thus, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. Moreover, changes in the operating environment and circumstances may also affect the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism. Once identified, any deficiency will be rectified immediately by the Company.

3. The Company determines the effectiveness of the internal control system in design and enforcement in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “the Regulations”), which are instituted for judging the effectiveness of internal control systems. The internal control system comprises five components as specified in the Regulations for judging the effectiveness of internal control systems, and these components are examined throughout the internal control process: 1. Control Environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring Operation. Each of the elements in turn contains several items, please refer to “the Regulations” for details on the aforementioned items.

4. The Company has adopted the aforementioned internal control system for the assessment on the effectiveness of the design and enforcement of the internal control system.

5. According to the findings of the aforementioned assessment, the Company holds that it is able to reasonably ensure the achievement of the aforementioned goals with the internal control system (including the monitoring and management of the subsidiaries) as of

December 31, 2019, including understanding of the effectiveness and efficiency in operation, reliability, timeliness, and transparency in reporting, as well as compliance with relevant regulatory requirements, and that the design and enforcement of the internal control system are effective.

6. This statement shall form an integral part of the annual report and prospectus of the Company, and will be announced to the public. If any fraudulent information, concealment, or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

7. This statement was approved by the Board of Directors of the Company on March 17, 2020 in the presence of nine directors, who concurred unanimously on the contents of this statement with no objection. This statement is hereby provided.

Egis Technology Inc.

Chairman: SEN-CHOU LO

General Manager: SHIH-HAO HOWARD RO

Auditors' Report of Audit Committee

It is hereby approved that

The Board of Directors delivered the Company's parent-company-only financial statements and consolidated financial statements, business report and earnings distribution table for the year of 2019, among which the parent-company-only financial statements and consolidated financial statements for the year of 2019 had been audited by CPAs Steven Shih and SONIA CHANG from KPMG Taiwan, and an audit report had been accordingly issued.

All the tables prepared by the above-mentioned Board of Directors are considered no discrepancy after being reviewed by the Audit Committee. In accordance with the provisions of Articles 14(4) of the Security Exchange Act and Article 219 of the Company Law, the Report is subject to inspection.

2020 Annual General Meeting of Egis Technology Inc.

Audit committee convener: DING-JEN LIU

March 17, 2020

Stock Code:6462

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Egis Technology Inc. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Egis Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Egis Technology Inc.
Chairman: Sen Chou, Lo
Date: March 17, 2020

安侯建業聯合會計師事務所
KPMG
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Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
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Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Egis Technology Inc.:

Opinion

We have audited the consolidated financial statements of Egis Technology Inc. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 are stated as follows:

1. Impairment of goodwill

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

KPMG

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: obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected sales growth rate and future cash flow projections, used by the management in measuring the recoverable amount; and assessing the adequacy of the Group's disclosures with respect to the related information.

2. Valuation of inventories

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

The Company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 exercise professional judgment and maintain profession skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, base on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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)
March 17, 2020

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes 6(a) and 8)	$ 3,162,230	57	2,473,863	57
1110	Financial assets at fair value through profit or loss—current (notes 6(b) and 13)	62,541	1	-	-
1170	Accounts receivable, net (notes 6(d)(u))	343,355	6	614,327	14
130X	Inventories (note 6(e))	762,907	14	555,919	13
1410	Prepaid expenses and other current assets	160,921	3	77,611	2
1476	Other financial assets—current (notes 6(f) and 8)	317,974	6	28,681	1
	Total current assets	4,809,928	87	3,750,401	87
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b) and 13)	5,309	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c) and 13)	195,216	4	41,033	1
1550	Investments accounted for using equity method (note 6(g) and 13)	41,058	1	25,963	1
1600	Property, plant and equipment (note 6(j))	62,589	1	39,437	1
1755	Right-of-use assets (note 6(k))	104,939	2	-	-
1780	Intangible assets (notes 6(i)(l))	223,492	4	214,695	5
1840	Deferred income tax assets (note 6(q))	74,540	1	40,361	1
1960	Prepayments for investments (note 6(h))	-	-	186,593	4
1920	Refundable deposits	10,551	-	9,581	-
1980	Other financial assets—non-current (note 8)	445	-	472	-
	Total non-current assets	718,139	13	558,135	13
	Total assets	$ 5,528,067	100	4,308,536	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(m)(aa) and 8)	$ 1,193,486	22	961,315	22
2170	Notes and accounts payable	561,738	10	396,474	9
2230	Current tax liabilities	166,761	3	110,812	3
2280	Current lease liabilities (notes 6(n)(aa))	37,053	1	-	-
2399	Accrued expenses and other current liabilities (notes 6(v))	687,074	12	446,773	10
	Total current liabilities	2,646,112	48	1,915,374	44
	Non-current liabilities:				
2570	Deferred income tax liabilities (note 6(q))	75	-	1,038	-
2580	Non-current lease liabilities (notes 6(n)(aa))	70,204	1	-	-
	Total non-current liabilities	70,279	1	1,038	-
	Total liabilities	2,716,391	49	1,916,412	44
	Equity (notes 6(r)(s)):				
3110	Common stock	712,653	13	709,743	16
3140	Common stock subscribed	1,225	-	930	-
3200	Capital surplus	1,040,153	19	963,159	22
	Retained earnings:				
3310	Legal reserve	137,801	2	70,722	2
3320	Special reserve	48,867	1	-	-
3350	Unappropriated earnings	1,197,715	22	1,005,824	23
	Other equity interest:				
3411	Exchange differences on translation of foreign financial statements	2,361	-	3,935	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(83,824)	(2)	(52,802)	(1)
3491	Deferred compensation cost arising from issuance of restricted stock	(5,145)	-	(30,647)	-
3500	Treasury stock	(248,761)	(4)	(278,740)	(6)
	Equity attributable to shareholders of the Company	2,803,045	51	2,392,124	56
36XX	Non-controlling interests	8,631	-	-	-
	Total equity	2,811,676	51	2,392,124	56
	Total liabilities and equity	$ 5,528,067	100	4,308,536	100

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Revenue (note 6(u))**	$ 7,358,441	100	5,909,333	100
5000	**Costs of revenue (notes 6(e)(j) and 12)**	(4,221,134)	(57)	(3,825,431)	(65)
	Gross profit	3,137,307	43	2,083,902	35
	Operating expenses (notes 6(d)(j)(k)(l)(n)(o)(p)(s)(v), 7 and 12):				
6100	Selling expenses	(315,972)	(4)	(293,377)	(5)
6200	Administrative expenses	(277,169)	(4)	(212,325)	(4)
6300	Research and development expenses	(1,441,514)	(20)	(852,023)	(14)
	Total operating expenses	(2,034,655)	(28)	(1,357,725)	(23)
	Operating income	1,102,652	15	726,177	12
	Non-operating income and loss:				
7010	Other income (note 6(w))	90,379	1	44,568	1
7020	Other gains and losses, net (note 6(w))	(74,789)	(1)	80,414	1
7050	Finance costs (notes 6(n)(w))	(19,332)	-	(9,917)	-
7060	Share of profits of associates and joint ventures accounted for using equity method (notes 6(g) and 13)	(46,709)	(1)	6,854	-
	Total non-operating income and loss	(50,451)	(1)	121,919	2
	Net income before taxes	1,052,201	14	848,096	14
7950	Less: Income tax expenses (note 6(q))	(199,498)	(2)	(177,305)	(3)
	Net income	852,703	12	670,791	11
	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))	(31,022)	(1)	(53,977)	(1)
8349	Income tax related to items that will not be reclassified to profit or loss	-	-	-	-
		(31,022)	(1)	(53,977)	(1)
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations (notes 6(g)(r))	(1,574)	-	697	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-
		(1,574)	-	697	-
	Other comprehensive income (loss), net	(32,596)	(1)	(53,280)	(1)
	Comprehensive income	$ **820,107**	**11**	**617,511**	**10**
	Net income attributable to:				
8610	Shareholders of the Company	$ 862,681	12	670,791	11
8620	Non-controlling interests	(9,978)	-	-	-
		$ **852,703**	**12**	**670,791**	**11**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 830,085	11	617,511	10
8720	Non-controlling interests	(9,978)	-	-	-
		$ **820,107**	**11**	**617,511**	**10**
	Earnings per share (in New Taiwan dollars) (note 6(t)) :				
9750	Basic earnings per share	$ **12.60**		**9.62**	
9850	Diluted earnings per share	$ **12.46**		**9.54**	

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 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	Special 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
Balance at January 1, 2018 after adjustments	704,908	4,415	942,038	11,403	-	695,814	3,238	1,175	(97,734)	-	2,265,257	-	2,265,257
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	-	59,319	-	(59,319)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(301,462)	-	-	-	-	(301,462)	-	(301,462)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(278,740)	(278,740)	-	(278,740)
Issuance of common stock from exercise of employee stock options	4,895	(3,485)	15,508	-	-	-	-	-	-	-	16,918	-	16,918
Compensation cost of employee stock options	-	-	2,810	-	-	-	-	-	-	-	2,810	-	2,810
Compensation cost arising from restricted shares of stock issued to employees	-	-	2,743	-	-	-	-	-	67,087	-	69,830	-	69,830
Retirement of restricted shares of stock issued to employees	(60)	-	60	-	-	-	-	-	-	-	-	-	-
Net income in 2018	-	-	-	-	-	670,791	-	-	-	-	670,791	-	670,791
Other comprehensive income in 2018	-	-	-	-	-	-	697	(53,977)	-	-	(53,280)	-	(53,280)
Total comprehensive income in 2018	-	-	-	-	-	670,791	697	(53,977)	-	-	617,511	-	617,511
Balance at December 31, 2018	709,743	930	963,159	70,722	-	1,005,824	3,935	(52,802)	(30,647)	(278,740)	2,392,124	-	2,392,124
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	-	67,079	-	(67,079)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	48,867	(48,867)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(554,844)	-	-	-	-	(554,844)	-	(554,844)
Treasury stock transferred to employees	-	-	(90)	-	-	-	-	-	-	29,979	29,889	-	29,889
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	18,609	18,609
Issuance of common stock from exercise of employee stock options	2,940	295	33,995	-	-	-	-	-	-	-	37,230	-	37,230
Compensation cost of employee stock options	-	-	41,071	-	-	-	-	-	-	-	41,071	-	41,071
Compensation cost arising from restricted shares of stock issued to employees	-	-	1,988	-	-	-	-	-	25,502	-	27,490	-	27,490
Retirement of restricted shares of stock issued to employees	(30)	-	30	-	-	-	-	-	-	-	-	-	-
Net income in 2019	-	-	-	-	-	862,681	-	-	-	-	862,681	(9,978)	852,703
Other comprehensive income in 2019	-	-	-	-	-	-	(1,574)	(31,022)	-	-	(32,596)	-	(32,596)
Total comprehensive income in 2019	-	-	-	-	-	862,681	(1,574)	(31,022)	-	-	830,085	(9,978)	820,107
Balance at December 31, 2019	$ 712,653	1,225	1,040,153	137,801	48,867	1,197,715	2,361	(83,824)	(5,145)	(248,761)	2,803,045	8,631	2,811,676

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Income before income taxes	$ 1,052,201	848,096
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	60,490	15,545
Amortization	42,826	24,589
Expected credit loss (gain) / Provision for bad debt expense	-	(1,300)
Net loss on financial assets at fair value through profit or loss	415	755
Interest expense	19,332	9,917
Interest income	(80,063)	(41,767)
Share-based payments	68,561	72,640
Share of loss of associates and joint ventures accounted for using equity method	46,709	(6,854)
Loss on disposal of assets	724	11
Gain arising from lease modifications	(139)	-
Total adjustments to reconcile profit	158,855	73,536
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	270,972	116,262
Inventories	(206,988)	143,634
Prepayments and other current assets	(81,476)	(13,763)
Total changes in operating assets	(17,492)	246,133
Changes in operating liabilities:		
Notes and accounts payable	165,264	(246,124)
Accrued expenses and other current liabilities	233,091	130,648
Total changes in operating liabilities	398,355	(115,476)
Total changes in operating assets and liabilities	380,863	130,657
Cash provided by operations	1,591,919	1,052,289
Interest received	77,962	41,045
Interest paid	(19,253)	(9,501)
Income taxes paid	(177,101)	(178,646)
Net cash provided by operating activities	1,473,527	905,187

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(62,140)	-
Acquisition of financial assets at fair value through profit or loss	(98,508)	-
Proceeds from disposal of financial assets at fair value through profit or loss	30,243	57,157
Acquisition of investments accounted for using equity method	(43,232)	(19,517)
Increase in prepayments for investments	-	(186,593)
Net cash flows from acquisition of subsidiaries	34,034	-
Acquisition of property, plant and equipment	(45,157)	(21,222)
Proceeds from disposal of property, plant and equipment	3	-
Acquisition of intangible assets	(20,070)	(38,643)
Decrease (increase) in other financial assets	(287,165)	504,985
Decrease (increase) in refundable deposits	(399)	194
Net cash provided by (used in) investing activities	(492,391)	296,361
Cash flows from financing activities:		
Proceeds from short-term borrowings	6,967,837	3,575,763
Repayments of short-term borrowings	(6,735,666)	(2,894,967)
Payment of lease liabilities	(35,669)	-
Cash dividends distributed to shareholders	(554,844)	(301,462)
Proceeds from exercise of employee stock options	37,230	16,918
Purchase of treasury stock	-	(278,740)
Treasury stock transferred to employees	29,889	-
Net cash provided by (used in) financing activities	(291,223)	117,512
Effects of foreign exchange rate changes	(1,546)	1,092
Net increase in cash and cash equivalents	688,367	1,320,152
Cash and cash equivalents at beginning of the period	2,473,863	1,153,711
Cash and cash equivalents at end of the period	$ 3,162,230	2,473,863

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 were authorized for issue by the Board of Directors on March 17, 2020.

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.

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(k).

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 equipment and employees' dormitories.

For leases previously classified as operating leases under IAS 17, at transition, 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 lease liabilities for leases with lease term that ends within 12 months at the date of initial application;

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 recognized additional $114,259 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 endorsed by FSC but not yet effective

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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) 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 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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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**

The significant accounting policies presented in the consolidated financial statements are summarized as below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the Group's consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost:

1) Financial assets meaured at fair value through profit or loss are measured at fair value; and

2) Financial assets at fair value through other comprehensive income are measured at fair value.

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

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its controlled entities (subsidiaries). The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company balances, transactions, and the resulting unrealized income and loss are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, the financial statements of subsidiaries will be adjusted to align their accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The differences between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders of the Company.

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

			Shareholding	
Name of Investor	**Name of Subsidiary**	**Principal Activity**	**December 31, 2019**	**December 31, 2018**
The Company	Egis Inc.(Cayman Islands)	Investment and holding activity	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 %
The Company	Egis Tec USA Inc.	Technology development	100.00 %	100.00 %
The Company	Egis Technology Korea Inc.	Customer service, business promotion and technical support	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.

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

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income , which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group' s consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Group's consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Group are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group' s ownership interest in an associate or joint venture, the proportionate share of the accumulated exchanges in equity is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

(i) It expects to be realized, or intended to be sold or consumed in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting date; or
(iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting date; or
(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash consist of cash on hand, checking deposits and demand deposits. Cash equivalents consist of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits and repurchase agreements that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, financial assets are classified as: measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing its financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, refundable deposit and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· bank balances and repurchase agreements-bond for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights of the cash inflow from the assets are terminated, when the Group transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

Interest and gain or loss related to financial liabilities are recognized in profit or loss, and included in non-operating income and loss.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(Continued)

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition calculated ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(i) 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, but not control or joint control, over its financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Group recognizes its share of the profit or loss and other comprehensive income of those associates from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

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

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss (or retained earnings).

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28, unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Group reevaluates whether the classification of the joint arrangement has changed.

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows: tooling- 2 years; research and development equipment- 3 years; leasehold improvement- 3 years; and other equipment- 3 to 7 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any change in estimate accounted for on a prospective basis.

(k) 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- The customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- The relevant decisions about how and for what purpose the asset is used are predetermined; and

  — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  — the customer designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

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.

(Continued)

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 evaluated and 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, including in-substance 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 subsequently 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 in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or

— there is any lease modifications in lease subject, scope of the lease or other terms.

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.

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 for 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 properties, and lease liabilities as a separate line item respectively in the balance sheet.

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.

(Continued)

Applicable before December 31, 2019

Leases are classified as finance leases when the Group assumes substantially all the risks and rewards incidental to ownership of the assets. All other leases are classified as operating leases and are not recognized in the Group's balance sheets.

Payments made under an operating lease (excluding insurance and maintenance expense) are charged to expense over the lease term on a straight-line basis. Contingent rents are recognized as expense in the period in which it is incurred.

(l) Intangible assets

(i) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Please refer to Note 4(s) for the description of the measurement of goodwill at initial recognition. Goodwill arising from the acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other separately acquired intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: computer software- 1 to 3 years; patent- 3 to 15 years; technology- 8 years.

The residual values, amortization period, and amortization method are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories, contract assets, and deferred tax assets) may be impaired. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(Continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Treasury stock

Common stock repurchased by the Group treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus—treasury stock. If the sales proceeds are less than the cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus—treasury stock. If the remaining balance of capital surplus —treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

If a treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus— treasury stock, or a reduction of retained earnings for any deficiency where capital surplus — treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus—treasury stock.

(o) Revenue recognition

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are expensed during the year in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payment as a result of past service provided by the employees, and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The grant date of options for employees to subscribe new shares for a cash injection is the date when the price and shares that employees can subscribe have been notified to its employees.

(r) Income taxes

Income tax comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill, if any.

(Continued)

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of 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 amount calculated above is a deficit balance, the Group recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

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.

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 new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(t) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the consolidated financial statements. Basic EPS are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group' s dilutive potential common shares include employee stock options, restricted stock to employee and profit sharing for employees to be settled in the form of common stock.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker, who decides on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements, in conformity with the Regulations and Taiwan-IFRSs, 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Impairment of goodwill

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. Any changes in these estimates could result in significant adjustment in future years.

Refer to note 6(l) for further description of the impairment of goodwill.

(b) Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The Group uses judgment and estimates to determine the net realizable value of inventory at each reporting date.

Due to rapid technological changes, the Group estimates the net realizable value of inventory, taking into account obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

Refer to note 6(e) for more details of the valuation of inventories.

6. **Significant account disclosures**

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 869	728
Bank deposits	762,961	513,814
Time deposits	2,398,400	1,867,176
Repurchase agreements—bond	-	92,145
	$ 3,162,230	2,473,863

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

	December 31, 2019	December 31, 2018
Current:		
Open-end mutual fund	$ 62,541	-
Non-current:		
Privately offered fund	$ 5,309	-

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

	December 31, 2019	December 31, 2018
Equity instruments at fair value through other comprehensive income：		
Unlisted common shares	$ 195,216	41,033

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 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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(d) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	$ 343,682	616,524
Less: Allowance for impairment	(327)	(2,197)
	$ 343,355	614,327

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:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 343,355	0.0001%	-
More than 180 days past due	327	100%	327
	$ 343,682		327

	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

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

	2019	2018
Balance at January 1	$ 2,197	24,560
Impairment loss reversed	-	(1,300)
Write-off	(1,917)	(22,708)
Foreign exchange losses (gain)	47	1,645
Balance at December 31	$ 327	2,197

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(e) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 404,900	17,249
Work in process	346,282	508,556
Finished goods	11,725	30,114
	$ 762,907	555,919

For the years ended December 31, 2019 and 2018, the cost of inventories sold, which were included in costs of revenue, amounted to $3,671,843 and $3,784,657, respectively, of which the write-downs of inventories to net realizable value amounted to $105,005 in 2019; the reversal of write-down amounted to $14,461 due to the disposal of slow-moving inventories in 2018.

(f) Other financial assets—current

	December 31, 2019	December 31, 2018
Time deposit (with original maturities of between three months and one year)	$ 239,840	9,215
Restricted bank deposits	65,093	10,000
Other receivables	13,041	9,466
	$ 317,974	28,681

(g) Investments accounted for using equity method

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

	December 31, 2019	December 31, 2018
Associates	$ 41,058	-
Joint ventures	-	25,963
	$ 41,058	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.

	2019	2018
Attributable to the Group:		
Net income (loss)	$ (46,709)	6,854
Other comprehensive income (loss)	44	(408)
Total comprehensive income (loss)	$ (46,665)	6,446

(Continued)

(h) Prepayments for investments

As of December 31, 2018, the Group invested the amounts of $186,593 to acquire the common shares of its investees for the development techniques of its optical sensing and fingerprint identification. During the first quarter of 2019, the prepayments for investments were reclassified to investments in subsidiary, investments accounted for using the 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 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.

(iii) Intangible assets—technology

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

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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 December 31, 2019, Igistec contributed revenue of $0 and net loss of $(105,129) to the Group's results. However, if this acquisition had occurred on January 1, 2019, the management estimates that the consolidated revenue and net income after tax from January 1 to December 31, 2019 would have been $7,358,441 and $852,588, respectively.

(j) Property, plant and equipment

		Tooling	Research and development equipment	Leasehold improvement	Other equipment	Total
Cost:						
Balance at January 1, 2019	$	15,343	19,393	8,528	48,455	91,719
Acquisition through business combination		-	-	-	501	501
Additions		145	17,414	8,792	18,806	45,157
Disposals		(16)	(802)	(289)	(1,014)	(2,121)
Effect of exchange rate changes		-	(45)	(59)	(9)	(113)
Balance at December 31, 2019	$	15,472	35,960	16,972	66,739	135,143
Balance at January 1, 2018	$	22,404	11,343	7,912	38,270	79,929
Additions		1,284	8,290	607	11,041	21,222
Disposals		(8,345)	(240)	-	(886)	(9,471)
Effect of exchange rate changes		-	-	9	30	39
Balance at December 31, 2018	$	15,343	19,393	8,528	48,455	91,719
Depreciation:						
Balance at January 1, 2019	$	14,113	10,221	4,534	23,414	52,282
Acquisition through business combination		-	-	-	10	10
Depreciation		682	6,557	3,611	11,513	22,363
Disposals		(16)	(802)	(286)	(969)	(2,073)
Effect of exchange rate changes		-	(5)	(25)	2	(28)
Balance at December 31, 2019	$	14,779	15,971	7,834	33,970	72,554
Balance at January 1, 2018	$	21,882	7,127	2,117	15,045	46,171
Depreciation		576	3,334	2,410	9,225	15,545
Disposals		(8,345)	(240)	-	(875)	(9,460)
Effect of exchange rate changes		-	-	7	19	26
Balance at December 31, 2018	$	14,113	10,221	4,534	23,414	52,282
Carrying amounts:						
Balance at December 31, 2019	$	693	19,989	9,138	32,769	62,589
Balance at December 31, 2018	$	1,230	9,172	3,994	25,041	39,437

(Continued)

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(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		39,400
Disposals		(13,374)
Balance at December 31, 2019	$	140,285
Accumulated depreciation:		
Balance at January 1, 2019	$	-
Depreciation		38,127
Disposals		(2,781)
Balance at December 31, 2019	$	35,346
Carrying amount:		
Balance at December 31, 2019	$	104,939

The Group leases office, employee dormitories and other office equipment under operating leases for the year ended December 31, 2018, please refer to note 6(o).

(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	-	-	-	20,070	20,070
Disposals	-	-	-	(842)	(842)
Effect of exchange rate changes	-	-	-	13	13
Balance at December 31, 2019	$ 111,403	25,714	112,078	73,062	322,257
Balance at January 1, 2018	$ 106,827	25,714	84,726	14,873	232,140
Additions	-	-	-	38,643	38,643
Balance at December 31, 2018	$ 106,827	25,714	84,726	53,516	270,783

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	Goodwill	Patent	Technology	Computer software	Total
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	-	7,023	13,867	21,936	42,826
Disposals	-	-	-	(163)	(163)
Effect of exchange rate changes	-	-	-	1	1
Balance at December 31, 2019	$ -	23,348	37,697	37,720	98,765
Balance at January 1, 2018	$ -	9,302	13,239	8,958	31,499
Amortization	-	7,023	10,591	6,975	24,589
Balance at December 31, 2018	$ -	16,325	23,830	15,933	56,088
Carrying amount:					
Balance at December 31, 2019	$ 111,403	2,366	74,381	35,342	223,492
Balance at December 31, 2018	$ 106,827	9,389	60,896	37,583	214,695

(i) Amortization

The amortization of intangible assets is included in the following line items of the statement of comprehensive income:

	2019	2018
Operating expenses	$ 42,826	24,589

(ii) Impairment test on goodwill

The carrying amounts of goodwill and the respective cash-generating units ("CGUs") to which the goodwill was allocated for impairment test purpose were as follows:

	December 31, 2019	December 31, 2018
Biometric authentication IC sensor and its application	$ 111,403	106,827

At the end of each reporting period, the Group's goodwill is tested annually for impairment. The recoverable amount of a CGU was determined based on the value in use. As of December 31, 2019 and 2018, no impairment loss was recognized for the biometric authentication IC sensor and its application based on the tested result.

The key assumptions in assessing the value in use were as follows:

	December 31, 2019	December 31, 2018
Discount rates (before tax)	12.87 %	13.05 %
Revenue growth rates	5%～21%	10%～52%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the Taiwan government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific CGU.

The cash flow projections approved by management were based on future financial budgets, covering a period of 5 years. Cash flows beyond that 5-year period have been extrapolated using the revenue growth rate of 0%.

(m) Short-term borrowings

	December 31, 2019	December 31, 2018
Secured bank loans	$ 1,193,486	961,315
Unused credit facilities	$ 2,095,594	1,244,425
Interest rate	1.06%~1.30%	1.15%~3.04%

(n) Lease liabilities

The Group's lease liabilities were as follows:

	December 31, 2019
Current	$ 37,053
Non-current	$ 70,204

For the maturity analysis, please refer to note 6(y).

The amounts recognized in profit or loss were as follows:

	2019
Interest expenses on lease liabilities	$ 2,359
Expenses relating to short-term leases	$ 4,949

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

	2019
Total cash outflow for leases	$ 42,977

(i) Buildings leases

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

(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 equipment, employees' dormitories and warehouses.

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(o) Operating lease

Non-cancellable operating lease rentals payable was as follows:

	December 31, 2018
Less than one year	$ 34,255
Between one year and five years	86,138
	$ 120,393

The Group leases several office spaces, staff dormitory and equipment under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the leases upon maturity. Lease payments are paid based on the terms of the lease contracts.

For the year ended December 31, 2018, rental expenses recognized in profit or loss in respect of operating leases was $33,187.

(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 years ended December 31, 2019 and 2018, the Group recognized the pension expenses of $26,017 and $17,075, respectively, in relation to the defined contribution plans.

(q) Income taxes

(i) Income tax expense

	2019	2018
Current income tax expense		
Current period	$ 238,113	171,675
Adjustments for prior years	(3,473)	(5,737)
	234,640	165,938
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(35,142)	20,312
Adjustment in tax rate	-	(8,945)
	(35,142)	11,367
Income tax expense	$ 199,498	177,305

In 2019 and 2018, there were no income tax expense recognized in other comprehensive income.

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Reconciliation between the expected income tax expense calculated based on the Company's statutory tax rate and the actual income tax expense reported in the consolidated statements of comprehensive income for 2019 and 2018 were as follows:

	2019	2018
Income before income tax	$ 1,052,201	848,096
Income tax using the Company's statutory tax rate	$ 210,440	169,619
Adjustment in tax rate	-	(8,945)
Adjustments for prior years	(3,473)	(5,737)
Income tax credit	(21,513)	(14,476)
Change in unrecognized temporary differences	(1,237)	(1,026)
Undistributed earnings additional tax at 10%	-	23,241
Others	15,281	14,629
	$ 199,498	177,305

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

As of December 31, 2019 and 2018, the temporary differences associated with investments in subsidiaries, joint ventures and associates were not recognized as deferred income tax assets as these temporary differences are not expected to reverse in the foreseeable future by the Group. The related amounts were as follows:

	December 31, 2019	December 31, 2018
Losses in subsidiaries, joint ventures and associates	$ 153,291	154,528

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Inventory provisions	Unrealized foreign currency exchange loss	Others	Total
Balance at January 1 , 2019	$ 34,527	-	5,834	40,361
Recognized in profit or loss	21,001	12,336	842	34,179
Balance at December 31, 2019	$ 55,528	12,336	6,676	74,540
Balance at January 1 , 2018	$ 31,806	-	18,884	50,690
Recognized in profit or loss	2,721	-	(13,050)	(10,329)
Balance at December 31, 2018	$ 34,527	-	5,834	40,361

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Deferred income tax liabilities:

	Unrealized foreign currency exchange gain	Others	Total
Balance at January 1 , 2019	$ 1,038	-	1,038
Recognized in profit or loss	(1,038)	75	(963)
Balance at December 31, 2019	$ -	75	75
Balance at January 1 , 2018	$ -	-	-
Recognized in profit or loss	1,038	-	1,038
Balance at December 31, 2018	$ 1,038	-	1,038

(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

(i) Common stock

As of December 31, 2019 and 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 71,265 thousand shares and 70,974 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	
	2019	**2018**
Balance at January 1	68,111	70,036
Exercise of employee stock options	294	490
Vested restricted stock issued to employees	181	185
Purchase of treasury stock	-	(2,600)
Treasury stock transferred to employees	300	-
Balance at December 31	68,886	68,111

As of December 31, 2019 and 2018, the related registration process had been completed except for 123 thousand shares and 93 thousand shares for issuance of new shares for employee stock options, which were classified as common stock subscribed, respectively.

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(ii) Capital surplus

	December 31, 2019	December 31, 2018
Paid-in capital in excess of par value	$ 980,974	881,352
Compensation cost of employee stock options	1,012	23,757
Restricted stock issued to employees	17,186	58,050
Treasury share transactions	40,981	-
	$ 1,040,153	963,159

Pursuant to the Company Act, any realized capital surplus is initially used to cover any accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends, based on the original shareholding ratio or distributed by cash, according to a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(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.

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.

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Earnings are distributed in consideration of long-term interest of its shareholders, operating and the overall economic environment 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.

The appropriations of 2018 and 2017 earnings were resolved by the shareholder's meeting held on June 18, 2019, and May 30, 2018, respectively; and the distribution to shareholders were as follows:

		2018		2017	
		Dividends per share (NT$)	Amount	Dividends per share (NT$)	Amount
Dividends distributed to ordinary shareholders：					
Cash	$	8.09	554,844	4.25	301,462

On March 17, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

		2019	
		Dividends per share (NT$)	Amount
Dividends distributed to ordinary shareholders：			
Cash	$	9.00	623,536

(iv) Treasury shares

1) The Company's Board of Directors meeting resolved on March 5 and September 18, 2018, respectively, to buy back the Company's ordinary shares. The number of shares repurchased should not exceed 5 percent of all shares issued for the purpose of transferring them to its employees within three years. The Company purchased 2,600 thousand of its own ordinary shares for an aggregate amount of $278,740.

   In accordance with Article 28-2 of the Securities and Exchange Act, the number of shares repurchased should not exceed 10 percent of all shares issued and 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 cannot be collateralized and do not bear any shareholder rights prior to being sold to third parties.

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2) The movement in treasury shares were as follows (in thousands of shares):

	2019	2018
Balance at January 1	2,600	-
Additions	-	2,600
Transfer	(300)	-
Balance at December 31	2,300	2,600

(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	(1,618)	-	-
Joint ventures and associates	44	-	-
Deferred compensation cost	-	25,502	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	-	-	(31,022)
Balance at December 31, 2019	$ 2,361	(5,145)	(83,824)
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	1,105	-	-
Joint ventures	(408)	-	-
Deferred compensation cost	-	67,087	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	-	-	(53,977)
Balance at December 31, 2018	$ 3,935	(30,647)	(52,802)

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

	2019	2018
Balance at January 1	$ -	-
Acquisition of subsidiary	18,609	-
Equity attributable to non-controlling interest:		
Net loss	(9,978)	-
Balance at December 31	$ 8,631	-

(s) Share-based payment

(i) Employee stock options

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.

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

	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	115.09	(323,500)	119.99	(141,000)
Forfeited	99.32	(156,000)	127.18	(4,000)
Outstanding, end of year	127.18	18,500	110.60	498,000
Exercisable, end of year	127.18	18,500	110.60	498,000

December 31, 2019				
Year of grant	Number of shares outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Number of shares exercisable
2015	18,500	0.84	$ 127.18	18,500

(Continued)

	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

(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.

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

	2019	2018
Balance at January 1	563	572
Forfeited	(6)	(9)
Balance at December 31	557	563
Accumulated vested shares	(484)	(302)
Unvested shares	73	261

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.

(iii) Treasury stock transferred to employees

In 2019, the Company transferred 300 thousand shares to its employees at exercise price of NT$99.93 per share. The compensation cost was measured at fair value using the difference between the exercise price and the market price of the share at the grant date, which was NT$235~240.5 per share.

(iv) Expenses resulted from share-based payments

	2019	2018
Treasury stock transferred to employees	$ 41,071	-
Restricted stock	27,490	69,830
Employee stock options	-	2,810
	$ 68,561	72,640

(t) Earnings per share ("EPS")

(i) Basic earnings per share

	2019	2018
Net income attributable to the shareholders of the Company	$ 862,681	670,791
Weighted-average number of ordinary shares outstanding (in thousands)	68,443	69,710
Basic earnings per share (in New Taiwan dollars)	$ 12.60	9.62

(Continued)

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

(ii) Diluted earnings per share

	2019	2018
Net income attributable to the shareholders of the Company	$ 862,681	670,791
Weighted-average number of ordinary shares outstanding (in thousands)	68,443	69,710
Effect of diluted potential ordinary shares:		
Stock options	201	91
Employees compensation	395	271
Restricted stock	219	218
Weighted-average shares of ordinary shares outstanding (in thousands) (including effect of dilutive potential ordinary shares)	69,258	70,290
Diluted earnings per share (in New Taiwan dollars)	$ 12.46	9.54

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019	2018
Primary geographical markets:		
Taiwan	6,250	9,551
Asia	7,352,191	5,899,782
	$ 7,358,441	5,909,333
Major products/ services line:		
Biometric authentication IC sensor and its application	7,354,659	5,903,424
Data security protection and its application	3,722	4,723
Non-recurring engineering service revenue	60	1,186
	7,358,441	5,909,333

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable	$ 343,682	616,524	753,849
Less: Allowance for impairment	(327)	(2,197)	(24,560)
Total	$ 343,355	614,327	729,289

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

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

(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 years ended December 31, 2019 and 2018, the Company accrued its remuneration to employees amounting to $83,367 and $46,308, respectively, and its remuneration to directors amounting to $11,568 and $8,972, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as operating expenses. The aforementioned accrued remunerations to employees and directors were same as the amounts approved by the Board of Directors. The related information would be available at the Market Observation Post System website.

(w) Non-operating income and loss

(i) Other income

	2019	2018
Interest income	$ 80,063	41,767
Others	10,316	2,801
	$ 90,379	44,568

(ii) Other gains and losses

	2019	2018
Foreign exchange gains (losses), net	(72,462)	84,481
Net loss on financial assets at fair value through profit or loss	(415)	(755)
Others	(1,912)	(3,312)
	$ (74,789)	80,414

(iii) Finance costs

	2019	2018
Interest expense on bank loans	$ (16,973)	(9,917)
Lease liabilities	(2,359)	-
	$ (19,332)	(9,917)

(x) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss—current and non-current	$ 67,850	-
Financial assets at fair value through other comprehensive income	195,216	41,033
Financial assets at amortized cost:		
Cash and cash equivalents	3,162,230	2,473,863
Accounts receivable, net	343,355	614,327
Other financial assets—current and non-current	318,419	29,153
Refundable deposits	10,551	9,581
Subtotal	3,834,555	3,126,924
Total	$ 4,097,621	3,167,957

2) Financial liabilities

	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Short-term borrowings	$ 1,193,486	961,315
Notes and accounts payable	561,738	396,474
Accrued expenses	352,301	252,916
Lease liabilities—current and non-current	107,257	-
	$ 2,214,782	1,610,705

(ii) 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.

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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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).

	December 31, 2019				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss-current:					
Open-end mutual fund	$ 62,541	62,541	-	-	62,541
Financial assets at fair value through profit or loss—non-current:	-	-	-	-	-
Privately offered fund	5,309	-	-	5,309	5,309
Financial assets at fair value through other comprehensive income—non-current:					
Unlisted common shares	195,216	-	-	195,216	195,216
	$ 263,066	62,541	-	200,525	263,066

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

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.

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 activities, market conditions and other economic indicators.

4) Quantified information of significant unobservable inputs

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity investments measured at fair value through other comprehensive income	Comparable company valuation	Discount for lack of marketability (10%~30%)	The estimated fair value would decrease if the discount for lack of marketability was higher
		Price-Book ratio (3.87~5.80 and 1.87~3.21 on December 31, 2019 and 2018, respectively)	The estimated fair value would increase if the Price-Book ratio was higher

5) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is reasonable, but it may change if different valuation models or inputs are used. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income:

	Input	Change in assumptions	Other comprehensive income: Favorable	Other comprehensive income: Unfavorable
December 31, 2019				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	1,522	(1,522)
December 31, 2018				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	405	(405)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. If the fair value of a financial instrument is subject to more than one inputs, the analysis above reflects only the effects of changes in a single input and does not include the interrelationships with another input.

(iii) Transfer between fair value levels

There are no transfers between fair value levels for the years ended December 31, 2019 and 2018.

(iv) Movement in financial assets included Level 3 fair values hierarchy were as follows:

	2019		2018	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Opening balance	$ -	41,033	-	95,010
Total gains or losses:				
Recognized in profit and loss	(975)	-	-	-
Recognized in other comprehensive income	-	(31,022)	-	(53,977)
Additions	6,284	185,205	-	-
Ending Balance	$ 5,309	195,216	-	41,033

(y) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group' s management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(Continued)

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, accounts receivable, and other financial assets. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. As of December 31, 2019 and 2018, 78% and 81%, respectively, of accounts receivable were concentrated on three customers, thus, credit risk is significantly centralized.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of loan agreements. As of December 31, 2019 and 2018, the Group had unused credit facilities of $2,095,594 and $1,244,425, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Contractual cash flows	Within 1 year	1-5 years
December 31, 2019			
Short-term borrowings carrying floating interest rates	$ 1,194,203	1,194,203	-
Notes and accounts payable	561,738	561,738	-
Accrued expenses	352,301	352,301	-
Lease liabilities—current and non-current	110,617	37,395	73,222
	$ 2,218,859	2,145,637	73,222
December 31, 2018			
Short-term borrowings carrying floating interest rates	961,972	961,972	-
Notes and accounts payable	396,474	396,474	-
Accrued expenses	252,916	252,916	-
	$ 1,611,362	1,611,362	-

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank loans that are denominated in a currency other than the functional currency. 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.

a) Exposure to foreign currency risk

The carrying amounts of the Group's significant financial assets and liabilities denominated in a currency, other than the respective functional currencies of Group entities, was as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)
Financial assets						
Monetary items						
USD	$ 121,436	29.980	3,640,651	96,587	30.715	2,966,670
Non-Monetary items						
USD	8,263	29.980	247,725	1,000	30.715	30,715
Financial liabilities						
USD	28,429	29.980	852,301	18,284	30.715	561,578

b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of cash and cash equivalents, accounts receivables, notes and accounts payable and bank loans that are denominated in a currency other than the respective functional currencies of Group entities. As of December 31, 2019 and 2018, a 1% depreciation of the TWD against the USD would have increased the Group's income before tax for the years ended December 31, 2019 and 2018 by $27,884, and $24,050, respectively. This analysis assumes that all other variables remain constant and is performed on the same basis for the current and prior periods.

c) Gains or losses on monetary items

Information related to gains and losses (included unrealized and realized) is as follows:

	2019		2018	
	Foreign exchange gains (losses)	**Average exchange rate**	**Foreign exchange gains (losses)**	**Average exchange rate**
Financial assets				
USD:TWD	$ (104,284)	30.911	91,196	30.175
Financial liabilities				
USD:TWD	30,709	30.911	(8,613)	30.175

2) Interest rate risk

The Group's short-term borrowings carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to adjust the composition of working capital as well as the risk arising from fluctuation of interest rates.

If interest rates had been 100 basis points (1%) higher/lower with all other variables held constant, the pre-tax income/loss for the years ended December 31, 2019 and 2018 would have been $11,935 and $9,613, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Group holds open-ended fund, where most of its tagets are currency and bonds. The Group anticipates that there is no significant market risk related to its investments.

The Group has strategic investments in unlisted common shares, which the Group does not actively participate in trading. Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2019 and 2018 would have increased or decreased by $9,761 and $2,052, respectively.

(z) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(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(k).

(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	December 31, 2019
Short-term borrowings	$ 961,315	-	232,171	-	1,193,486
Lease liabilities	-	114,259	(35,669)	28,667	107,257
Total amount of liabilities from financing activities	$ 961,315	114,259	196,502	28,667	1,300,743

	January 1, 2018	Cash flows	December 31, 2018
Short-term borrowings	$ 280,519	680,796	961,315

7. Related-party transactions

(a) Names and relationship with related parities

The following are entities that have had transactions with related party during the reporting period.

Name of related party	Relationship with the Group
Tyrafos Technologies Co., Limited, Taiwan Branch	Branch of the joint venture
Yinscorp Ltd.	Subsidiary of the joint venture

(b) Significant transactions with related parties

(i) Research and development expenses

The Group has authorized its related parties to assist and develop its optical finger print sensor technology. The operating expenses related to the R&D services were as follows:

	2019	2018
Joint ventures:		
Tyrafos Technologies Co., Limited, Taiwan Branch	$ -	58,493
Yinscorp Ltd.	-	24,952
	$ -	83,445

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(c) Compensation for key management personnel

		2019	2018
Short-term employee benefits	$	151,198	94,810
Post-employment benefits		986	765
Share-based payments		41,187	43,101
	$	193,371	138,676

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

8. Pledged assets

Assets	Pledged to secure		December 31, 2019	December 31, 2018
Other financial assets—current (time deposits)	Deposit for purchase fulfillment	$	10,000	10,000
Other financial assets—current (bank deposits)	Performance guarantee		55,093	-
Other financial assets—non-current (time deposits)	Performance guarantee		445	472
		$	65,538	10,472

9. Significant commitments and contingencies

(a) As of December 31, 2019 and 2018, the Group had issued promissory notes amounting to \$3,642,255 and \$2,205,740, respectively, as collaterals for the Group to obtain credit facilities from financial institutions and subsidy R&D program from government.

(b) Shenzhen Goodix Technology Co., Ltd. (Goodix) has filed a patent infringement complaint with the Beijing Intellectual Property Court against the Company in July 2019, wherein it requested the Company to pay the compensation amounting to CNY 50,500 thousand (approximately NT$228,000 thousand) for the damage. The Company received the complaint in August 2019, and submitted a request of patents invalidity to the China National Intellectual Property Administration (CNIPA). In February 2020, the Company received patent invalidation decision from CNIPA, which the patent asserted in patent infringement litigation against the Company was declared invalid by CNIPA. Therefore, the patent infringement lawsuit thus becomes baseless lawsuit. The Company has engaged attorney to take further action. The final result remains unknown and the management predicts no immediate material negative effect on the Group's operating and finance activities.

10. Significant loss from casualty: None.

11. Significant subsequent events: None.

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

12. Others

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

By function / By item	2019 Cost of sales	2019 Operating expenses	2019 Total	2018 Cost of sales	2018 Operating expenses	2018 Total
Employee benefits:						
Salaries	-	868,896	868,896	-	547,172	547,172
Labor and health insurances	-	34,798	34,798	-	21,348	21,348
Pension	-	26,017	26,017	-	17,075	17,075
Other employees' benefits	-	35,472	35,472	-	25,466	25,466
Depreciation	2,773	57,717	60,490	1,983	13,562	15,545
Amortization	-	42,826	42,826	-	24,589	24,589

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 years ended December 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: Shares (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Maximum ownership during 2019: Shares (thousands)	Maximum ownership during 2019: Percentage of ownership (%)	Note
The Company	Nomura Global Financial Bond Fund	-	Financial assets at fair value through profit or loss—current	98	32,237	-	32,237	98	-	
The Company	Nomura NN (L) Asian Debt (Hard Currency)	-	Financial assets at fair value through profit or loss—current	1	30,304	-	30,304	1	-	
The Company	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income	859	10,011	3.18 %	10,011	859	3.51 %	
The Company	THEIA LIMITED	-	Financial assets at fair value through other comprehensive income	100,000	-	11.20 %	-	100,000	11.20 %	
The Company	Integrated Digital Technologies, Inc.	-	Financial assets at fair value through other comprehensive income	4,000	-	13.96 %	-	4,000	13.96 %	
The Company	AIStorm, Inc.	-	Financial assets at fair value through other comprehensive income	4,000	123,065	17.22 %	123,065	4,000	17.45 %	
The Company	MEMS DRIVE INC.	-	Financial assets at fair value through other comprehensive income	188	62,140	3.25 %	62,140	188	3.37 %	
The Company	Vertex Growth (SG) LP	-	Financial assets at fair value through profit or loss—non-current	-	5,309	-	5,309	-	-	

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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.

(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 years ended December 31, 2019 (excluding investee companies in Mainland China):

(In Thousands of New Taiwan Dollars)

				Original Investment Amount		Balance as of December 31, 2019			Maximum Ownership during 2019				
Investor	Investee	Location	Main Businesses and Products	December 31, 2019	December 31, 2018	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership	Net Income (Losses) of the Investee	Share of Profit / (Losses) of Investee	Note
The Company	Egis Inc.	Cayman Islands	Investment and holding activity	669,233	678,340	25,546	100.00 %	-	25,848	100.00 %	(198)	(198)	Parent/ subsidiary
The Company	Egis Technology (Japan) Inc.	Japan	Sale of data security software and biometric authentication software and hardware	109,279	83,213	7,680	100.00 %	13,768	7,680	100.00 %	(12,490)	(12,490)	Parent/ subsidiary
The Company	Egis Tec USA Inc.	USA	Technology development	31,260	31,260	1,000	100.00 %	4,298	1,000	100.00 %	(9,916)	(9,916)	Parent/ subsidiary
The Company	Egis Technology Korea Inc.	Korea	Customer service, business promotion and technical support	18,233	18,233	20	100.00 %	24,382	20	100.00 %	6,964	6,964	Parent/ subsidiary
The Company	Tyrafos Technologies Co., Limited	Hong Kong	Technology development	19,517	19,517	5,265	65.00 %	-	5,265	65.00 %	(48,002)	(26,309)	Joint venture
The Company	Igistec Co., Ltd.	Taiwan	Technology development	59,497	-	16,527	74.69 %	30,053	16,527	74.69 %	(36,261)	(29,444)	Parent/ subsidiary
The Company	Sirius Wireless Pte. Ltd.	Singapore	Technology development	61,760	-	40,080	50.05 %	41,058	4,080	50.05 %	(40,932)	(20,400)	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

(a) General information

The Group is mainly engaged in the research and development, design and sale of 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. In 2019 and 2018, there were no material inconsistency between the reportable segment profit or loss and the consolidated financial statements.

(b) Product information

Revenues from external customers are detailed below:

Products and services		2019	2018
Biometric authentication IC sensor and its application	$	7,354,659	5,903,424
Data security and its application		3,722	4,723
Non-recurring engineering service revenue		60	1,186
	$	7,358,441	5,909,333

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers, and segment assets are based on the geographical location of the assets.

Region		2019	2018
Revenues from external customers are detailed below:			
Asia	$	7,352,191	5,899,782
Taiwan		6,250	9,551
	$	7,358,441	5,909,333

Region		December 31, 2019	December 31, 2018
Non-current assets:			
Taiwan	$	382,548	251,437
Others		8,472	2,695
	$	391,020	254,132

Non-current assets include property, plant and equipment, right-of-use assets and intangible assets, and do not include financial instruments and deferred income tax assets.

(d) Major customer information

		2019	2018
Customer A	$	2,881,510	381,566
Customer B		1,702,507	506,970
Customer C		1,471,249	2,114,610
Customer D		834,823	710,856
Customer E		104,617	2,069,818
	$	6,994,706	5,783,820

Stock Code:6462

EGIS TECHNOLOGY INC.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of 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, 2019 and 2018, 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, 2019 and 2018, 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 parent-company-only 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 parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only 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, 2019 are stated as follows:

1. Impairment of goodwill

   Please refer to Note 4(m) "Impairment of non-financial assets" for the significant accounting policies on goodwill impairment, Note 5 "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of goodwill impairment and Note 6(k) "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: obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected sales growth rate and future cash flow projections, used by the management in measuring the recoverable amount; and assessing the adequacy of the Company's disclosures with respect to the related information.

2. Valuation of inventories

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

Auditors' Responsibilities for the Audit of the Parent-Company-Only 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 auditors' 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess 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. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, base 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate 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. Obtain sufficient and appropriate audit evidence regarding the financial information of the investee companies accounted for using 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 remain solely responsible for our audit opinion.

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

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

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

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)
March 17, 2020

Notes to Readers

The accompanying financial statements are intended only to present the parent-company-only 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 audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent-company-only 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' report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

EGIS TECHNOLOGY INC.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (notes 6(a))	$ 3,099,110	57	2,443,774	57
1110	Financial assets at fair value through profit or loss—current (notes 6(b))	62,541	1	-	-
1170	Accounts receivable, net (notes 6(d)(t))	343,355	6	614,327	14
1210	Other receivables from related parties (note 7)	-	-	109	-
130X	Inventories (note 6(g))	762,907	14	555,919	13
1470	Prepaid expenses and other current assets	160,648	3	77,130	2
1476	Other financial assets—current (notes 6(f) and 8)	317,974	6	19,432	-
	Total current assets	4,746,535	87	3,710,691	86
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	5,309	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	195,216	3	41,033	1
1550	Investments accounted for using equity method (note 6(g))	113,559	2	68,710	2
1600	Property, plant and equipment (note 6(i))	57,567	1	37,531	1
1755	Right-of-use assets (note 6(j))	90,173	2	-	-
1780	Intangible assets (note 6(k))	194,630	4	213,906	5
1840	Deferred income tax assets (note 6(p))	74,540	1	40,361	1
1960	Prepayments for investments (note 6(h))	-	-	186,593	4
1995	Refundable deposits	8,265	-	7,898	-
	Total non-current assets	739,259	13	596,032	14
	Total assets	$ 5,485,794	100	4,306,723	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(l)(z) and 8)	$ 1,193,486	22	961,315	22
2170	Notes and accounts payable	561,738	10	396,474	9
2220	Other payables to related parties (note 7)	5,015	-	5,998	-
2230	Current tax liabilities	165,836	3	110,442	3
2280	Current lease liabilities (notes 6(m)(z))	30,164	1	-	-
2399	Accrued expenses and other current liabilities (note 6(u))	664,523	12	439,332	10
	Total current liabilities	2,620,762	48	1,913,561	44
	Non-current liabilities:				
2570	Deferred income tax liabilities (note 6(p))	75	-	1,038	-
2580	Non-current lease liabilities (notes 6(m)(z))	61,912	1	-	-
	Total non-current liabilities	61,987	1	1,038	-
	Total liabilities	2,682,749	49	1,914,599	44
	Equity (notes 6(q)(r)):				
3110	Common stock	712,653	13	709,743	16
3140	Common stock subscribed	1,225	-	930	-
3200	Capital surplus	1,040,153	19	963,159	22
	Retained earnings:				
3310	Legal reserve	137,801	3	70,722	2
3320	Special reserve	48,867	1	-	-
3350	Unappropriated earnings	1,197,715	22	1,005,824	23
	Other equity interest:				
3411	Exchange differences on translation of foreign financial statements	2,361	-	3,935	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(83,824)	(2)	(52,802)	(1)
3491	Deferred compensation cost arising from issuance of restricted stock	(5,145)	-	(30,647)	-
3500	Treasury stock	(248,761)	(5)	(278,740)	(6)
	Total equity	2,803,045	51	2,392,124	56
	Total liabilities and equity	$ 5,485,794	100	4,306,723	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EGIS TECHNOLOGY INC.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Revenue (note 6(t))**	$ 7,358,441	100	5,909,333	100
5000	**Costs of revenue (notes 6(e)(i) and 12)**	(4,221,134)	(57)	(3,825,431)	(65)
	Gross profit	3,137,307	43	2,083,902	35
	Operating expenses (notes 6(d)(i)(j)(k)(m)(n)(o)(v), 7 and 12):				
6100	Selling expenses	(303,537)	(4)	(271,985)	(5)
6200	Administrative expenses	(253,463)	(4)	(212,139)	(4)
6300	Research and development expenses	(1,424,781)	(19)	(871,541)	(14)
	Total operating expenses	(1,981,781)	(27)	(1,355,665)	(23)
	Operating income	1,155,526	16	728,237	12
	Non-operating income and loss:				
7010	Other income (note 6(v))	89,829	1	44,303	1
7020	Other gains and losses, net (note 6(v))	(72,915)	(1)	80,588	1
7050	Finance costs (notes 6(m)(v))	(18,816)	-	(9,917)	-
7060	Share of losses of associates and joint ventures accounted for using equity method (note 6(g))	(91,793)	(1)	(1,256)	-
	Total non-operating income and loss	(93,695)	(1)	113,718	2
	Income before taxes	1,061,831	15	841,955	14
7950	Less: Income tax expenses (notes 6(p))	(199,150)	(3)	(171,164)	(3)
	Net income	862,681	12	670,791	11
	Other comprehensive income (loss):				
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(q))	(31,022)	(1)	(53,977)	(1)
8349	Income tax related to items that will not be reclassified to profit or loss	-	-	-	-
		(31,022)	(1)	(53,977)	(1)
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations (note 6(g)(q))	(1,574)	-	697	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-
		(1,574)	-	697	-
	Other comprehensive income (loss), net	(32,596)	(1)	(53,280)	(1)
	Comprehensive income	$ 830,085	11	617,511	10
	Earnings per share (in New Taiwan dollars) (note 6(s)) :				
9750	Basic earnings per share	$	12.60		9.62
9850	Diluted earnings per share	$	12.46		9.54

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EGIS TECHNOLOGY INC.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings			Other equity interest				
	Common stock	Common stock subscribed	Capital Surplus	Legal reserve	Special 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 equity
Balance at January 1, 2018	$ 704,908	4,415	942,038	11,403	-	695,814	3,238	-	(97,734)	-	2,264,082
Effects of retrospective application	-	-	-	-	-	-	-	1,175	-	-	1,175
Balance at January 1, 2018 after adjustments	704,908	4,415	942,038	11,403	-	695,814	3,238	1,175	(97,734)	-	2,265,257
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	59,319	-	(59,319)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(301,462)	-	-	-	-	(301,462)
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(278,740)	(278,740)
Retirement of restricted shares of stock issued to employees	(60)	-	60	-	-	-	-	-	-	-	-
Issuance of common stock from exercise of employee stock options	4,895	(3,485)	15,508	-	-	-	-	-	-	-	16,918
Compensation cost of employee stock options	-	-	2,810	-	-	-	-	-	-	-	2,810
Compensation cost arising from restricted shares of stock issued to employees	-	-	2,743	-	-	-	-	-	67,087	-	69,830
Net income in 2018	-	-	-	-	-	670,791	-	-	-	-	670,791
Other comprehensive income in 2018	-	-	-	-	-	-	697	(53,977)	-	-	(53,280)
Total comprehensive income in 2018	-	-	-	-	-	670,791	697	(53,977)	-	-	617,511
Balance at December 31, 2018	709,743	930	963,159	70,722	-	1,005,824	3,935	(52,802)	(30,647)	(278,740)	2,392,124
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	67,079	-	(67,079)	-	-	-	-	-
Special reserve	-	-	-	-	48,867	(48,867)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(554,844)	-	-	-	-	(554,844)
Treasury stock transferred to employees	-	-	(90)	-	-	-	-	-	-	29,979	29,889
Issuance of common stock from exercise of employee stock options	2,940	295	33,995	-	-	-	-	-	-	-	37,230
Compensation cost of employee stock options	-	-	41,071	-	-	-	-	-	-	-	41,071
Compensation cost arising from restricted shares of stock issued to employees	-	-	1,988	-	-	-	-	-	25,502	-	27,490
Retirement of restricted shares of stock issued to employees	(30)	-	30	-	-	-	-	-	-	-	-
Net income in 2019	-	-	-	-	-	862,681	-	-	-	-	862,681
Other comprehensive income in 2019	-	-	-	-	-	-	(1,574)	(31,022)	-	-	(32,596)
Total comprehensive income in 2019	-	-	-	-	-	862,681	(1,574)	(31,022)	-	-	830,085
Balance at December 31, 2019	$ 712,653	1,225	1,040,153	137,801	48,867	1,197,715	2,361	(83,824)	(5,145)	(248,761)	2,803,045

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EGIS TECHNOLOGY INC.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Income before income taxes	$ 1,061,831	841,955
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	49,959	14,890
Amortization	39,256	24,548
Expected credit loss (gain) / Provision for bad debt expense	-	(1,300)
Net loss on financial assets at fair value through profit or loss	415	755
Interest expense	18,816	9,917
Interest income	(79,765)	(41,583)
Share-based payments	68,561	72,640
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	91,793	1,256
Total adjustments to reconcile profit	189,035	81,123
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	270,972	116,262
Other receivables from related parties	109	(109)
Inventories	(206,988)	143,634
Prepayments and other current assets	(83,518)	(13,791)
Total changes in operating assets	(19,425)	245,996
Changes in operating liabilities:		
Notes and accounts payable	165,264	(246,124)
Other payables to related parties	(983)	5,998
Accrued expenses and other current liabilities	223,153	128,468
Total changes in operating liabilities	387,434	(111,658)
Total changes in operating assets and liabilities	368,009	134,338
Cash provided by operations	1,618,875	1,057,416
Interest received	77,630	40,877
Interest paid	(18,737)	(9,501)
Income taxes paid	(176,939)	(172,031)
Net cash provided by operating activities	1,500,829	916,761

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EGIS TECHNOLOGY INC.

Statements of Cash Flows (Continued)

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(62,140)	-
Acquisition of financial assets at fair value through profit or loss	(98,508)	-
Proceeds from disposal of financial assets at fair value through profit or loss	30,243	57,157
Acquisition of investments accounted for using equity method	(83,795)	(34,827)
Increase in prepayments for investments	-	(186,593)
Proceeds from capital reduction of investments accounted for using equity method	9,107	-
Acquisition of property, plant and equipment	(39,594)	(20,376)
Proceeds from disposal of property, plant and equipment	-	1,066
Acquisition of intangible assets	(19,980)	(37,813)
Decrease (increase) in other financial assets	(296,407)	505,743
Decrease (increase) in refundable deposits	(367)	1,633
Net cash provided by (used in) investing activities	(561,441)	285,990
Cash flows from financing activities:		
Proceeds from short-term borrowings	6,967,837	3,575,763
Repayments of short-term borrowings	(6,735,666)	(2,894,967)
Payment of lease liabilities	(28,498)	-
Cash dividends distributed to shareholders	(554,844)	(301,462)
Proceeds from exercise of employee stock options	37,230	16,918
Purchase of treasury stock	-	(278,740)
Treasury stock transferred to employees	29,889	-
Net cash provided by (used in) financing activities	(284,052)	117,512
Net increase in cash and cash equivalents	655,336	1,320,263
Cash and cash equivalents at beginning of the period	2,443,774	1,123,511
Cash and cash equivalents at end of the period	$ 3,099,110	2,443,774

See accompanying notes to financial statements.

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

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(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 is 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 financial statements

The accompanying parent-company-only financial statements were authorized for issue by the Board of Directors on March 17, 2020.

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 Company believes that the adoption of the above IFRSs would not have any material impact on its 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.

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company 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 Company 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 Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

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

For leases previously classified as operating leases under IAS 17, at transition, its right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company'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 Company 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 lease liabilities for leases with lease term that ends within 12 months at the date of initial application;

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

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

3) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $105,158 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 1.98%.

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 Company's financial statements	$ 110,693
Recognition exemption for:	
Short-term leases	(1,365)
Leases of low-value assets	(136)
	$ **109,192**
Lease liabilities recognized at January 1, 2019 (Discounted using the incremental borrowing rate at January 1, 2019)	$ **105,158**

(b) The impact of IFRS endorsed by FSC but not yet effective

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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

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(c) 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 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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

4. Summary of significant accounting policies

The significant accounting policies presented in the parent-company-only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

The accompanying parent-company-only financial statements have been prepared in accordance with the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

1) Financial assets measured at fair value through profit or loss are measured at fair value; and

2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment. The parent-company-only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

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(c) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income , which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the parent-company-only financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the parent-company-only financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Company losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Company' s ownership interest in an associate or joint venture, the proportionate share of the accumulated exchanges in equity is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

(i) It expects to be realized, or intended to be sold or consumed in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting date; or
(iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting date; or
(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash consist of cash on hand, checking deposits and demand deposits. Cash equivalents consist of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits and repurchase agreements that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, financial assets are classified as: measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing its financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

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Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive the dividends is established (usually the ex-dividend date).

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, refundable deposit, and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· bank balances and repurchase agreements-bond for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company' s historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individaully makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights of the cash inflow from the assets are terminated, when the Company transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(Continued)

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

Interest and gain or loss related to financial liabilities are recognized in profit or loss, and included in non-operating income and loss.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

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(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition calculated ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(h) Investment in subsidiaries

The Company accounts the investee companies that it possesses control using the equity method. Net income, other comprehensive income, and shareholder' s equity in the financial reports of the Company, and the net income, other comprehensive income, and shareholder's equity that belongs to shareholders of the Company in the consolidated financial reports, should be the same.

The Company accounts the changes in equity only when its control over the equity transaction between proprietors is still present.

(i) 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 Company has significant influence, but not control or joint control, over its financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Company recognizes its share of the profit or loss and other comprehensive income of those associates from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

Adjustments are made to associates' financial statements to conform to the accounting polices applied by the Company.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Company' s ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss (or retained earings).

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company' s proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28, unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Company considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows: tooling- 2 years; research and development equipment- 3 years; leasehold improvement- 3 years; and other equipment- 3 to 7 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any change in estimate accounted for on a prospective basis.

(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company 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 Company 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 customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- The customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- The relevant decisions about how and for what purpose the asset is used are predetermined; and

  — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

— the customer designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company 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 evaluated and 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

— fixed payments, including in-substance 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 subsequently 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 in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or

— there is any lease modifications in lease subject, scope of the lease or other terms.

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.

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 Company 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 for any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the balance sheets.

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

Applicable before December 31, 2019

Leases are classified as finance leases when the Company assumes substantially all the risks and rewards incidental to ownership of the assets. All other leases are classified as operating leases and are not recognized in the Company's balance sheets.

Payments made under an operating lease (excluding insurance and maintenance expense) are charged to expense over the lease term on a straight-line basis. Contingent rent is recognized as expense in the period in which it is incurred.

(l) Intangible assets

(i) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Please refer to Note 4(s) for the description of the measurement of goodwill at initial recognition. Goodwill arising from the acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other separately acquired intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: computer software- 1 to 3 years; patent- 3 to 15 years; technology- 8 years.

The residual values, amortization period, and amortization method are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

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The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Treasury stock

Common stock repurchased by the Company treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus— treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus— treasury stock. If the remaining balance of capital surplus— treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

If a treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus— treasury stock, or a reduction of retained earnings for any deficiency where capital surplus—treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus—treasury stock.

(o) Revenue recognition

(i) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are expensed during the year in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payment as a result of past service provided by the employees, and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The grant date of options for employees to subscribe new shares for a cash injection is the date when the price and shares that employees can subscribe have been notified to its employees.

(r) Income taxes

Income tax comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business combinations

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of 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 amount calculated above is a deficit balance, the Company recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

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

(Continued)

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.

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 Company'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 new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(t) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the parent-company-only financial statements. Basic EPS are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year is adjusted for the effects of dilutive potential common shares. The Company's dilutive potential common shares include employee stock options, restricted stock to employee and profit sharing for employees to be settled in the form of common stock.

(u) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the parent-company-only financial statements, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Impairment of goodwill

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. Any changes in these estimates could result in significant adjustment in future years.

Refer to note 6(k) for further description of the impairment of goodwill.

(b) Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The Company uses judgment and estimates to determine the net realizable value of inventory at each reporting date.

Due to rapid technological changes, the Company estimates the net realizable value of inventory, taking into account obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

Refer to note 6(e) for more details of the valuation of inventories.

6. **Significant account disclosures**

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 828	704
Bank deposits	699,882	495,739
Time deposits	2,398,400	1,855,186
Repurchase agreements—bond	-	92,145
	$ 3,099,110	2,443,774

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

	December 31, 2019	December 31, 2018
Current:		
Open-end mutual fund	$ 62,541	-
Non-current:		
Privately offered fund	$ 5,309	-

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

	December 31, 2019	December 31, 2018
Equity instruments at fair value through other comprehensive income :		
Unlisted common shares	$ 195,216	41,033

The Company 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 Company intends to hold for long-term for strategic purposes.

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

(d) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	$ 343,682	616,524
Less：Allowance for impairment	(327)	(2,197)
	$ 343,355	614,327

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

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 343,355	0.0001%	-
More than 180 days past due	327	100%	327
	$ 343,682		327

	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

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

	December 31, 2019	December 31, 2018
Balance on January 1	$ 2,197	24,560
Impairment loss reversed	-	(1,300)
Write-off	(1,917)	(22,708)
Foreign exchange losses (gain)	47	1,645
Balance on December 31	$ 327	2,197

(e) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 404,900	17,249
Work in process	346,282	508,556
Finished goods	11,725	30,114
	$ 762,907	555,919

For the years ended December 31, 2019 and 2018, the cost of inventories sold, which were included in costs of revenue, amounted to $3,671,843 and $3,784,657, respectively, of which the write-downs of inventories to net realizable value amounted to $105,005 in 2019; the reversal of write-down amounted to $14,461 due to the disposal of slow-moving inventories in 2018.

(f) Other financial assets—current

	December 31, 2019	December 31, 2018
Time deposit (with original maturities of between three months and one year)	$ 239,840	-
Restricted bank deposits	65,093	10,000
Other receivables	13,041	9,432
	$ 317,974	19,432

(g) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Subsidiaries	$ 72,501	42,747
Associates	41,058	-
Joint ventures	-	25,963
	$ 113,559	68,710

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The Company's share of profit (loss) of investments accounted for using equity method were as follows:

	2019	2018
Subsidiaries	$ (45,084)	(8,110)
Associates	(20,400)	-
Joint ventures	(26,309)	6,854
	$ (91,793)	(1,256)

(i) Subsidiaries

Refer to the 2019 consolidated financial statements for more details.

(ii) Associate

The Company's financial information on its investment in individually insignificant associate accounted for using the equity method at the reporting date, was as follows. The financial information is included in the parent-company-only financial statements.

	December 31, 2019	December 31, 2018
Sirius Wireless Pte. Ltd.	$ 41,058	-

	2019	2018
Attributable to the Company:		
Net income (loss)	$ (20,400)	-
Other comprehensive loss	(302)	-
Comprehensive income (loss)	$ (20,702)	-

(iii) Joint venture

The Company's financial information on its investment in individually insignificant joint venture accounted for using the equity method at the reporting date, was as follows. The financial information is included in the parent-company-only financial statements.

	December 31, 2019	December 31, 2018
Tyrafos Technologies Co., Limited	$ -	25,963

	2019	2018
Attributable to the Company:		
Net income (loss)	$ (26,309)	6,854
Other comprehensive income (loss)	346	(408)
Comprehensive income (loss)	$ (25,963)	6,446

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(h) Prepayments for investments

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

(i) Property, plant and equipment

	Tooling	Research and development equipment	Leasehold improvement	Other equipment	Total
Cost:					
Balance at January 1, 2019	$ 15,343	18,706	6,397	47,287	87,733
Additions	145	16,171	5,422	17,856	39,594
Disposals	(16)	(802)	-	(310)	(1,128)
Balance at December 31, 2019	$ 15,472	34,075	11,819	64,833	126,199
Balance at January 1, 2018	$ 22,404	11,343	7,637	37,426	78,810
Additions	1,284	7,603	581	10,908	20,376
Disposals	(8,345)	(240)	(1,821)	(1,047)	(11,453)
Balance at December 31, 2018	$ 15,343	18,706	6,397	47,287	87,733
Depreciation:					
Balance at January 1, 2019	$ 14,113	10,202	3,204	22,683	50,202
Depreciation	682	6,132	2,194	10,550	19,558
Disposals	(16)	(802)	-	(310)	(1,128)
Balance at December 31, 2019	$ 14,779	15,532	5,398	32,923	68,632
Balance at January 1, 2018	$ 21,882	7,127	2,005	14,685	45,699
Depreciation	576	3,315	2,059	8,940	14,890
Disposals	(8,345)	(240)	(860)	(942)	(10,387)
Balance at December 31, 2018	$ 14,113	10,202	3,204	22,683	50,202
Carrying amounts:					
Balance at December 31, 2019	$ 693	18,543	6,421	31,910	57,567
Balance at December 31, 2018	$ 1,230	8,504	3,193	24,604	37,531

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(j) Right-of-use assets

		Buildings
Cost:		
Balance at January 1, 2019	$	-
Effects of retrospective application of IFRS 16		105,158
Balance at January 1, 2019 after adjustments		105,158
Additions		15,416
Balance at December 31, 2019	$	120,574
Accumulated depreciation:		
Balance at January 1, 2019	$	-
Depreciation		30,401
Balance at December 31, 2019	$	30,401
Carrying amount:		
Balance at December 31, 2019	$	90,173

The Company leases office, employee dormitories and other office equipment under operating leases for the years ended December 31, 2018, please refer to note 6(n).

(k) Intangible assets

		Goodwill	Patent	Technology	Computer software	Total
Costs:						
Balance at January 1, 2019	$	106,827	25,714	84,726	52,686	269,953
Additions		-	-	-	19,980	19,980
Balance at December 31, 2019	$	106,827	25,714	84,726	72,666	289,933
Balance at January 1, 2018	$	106,827	25,714	84,726	14,873	232,140
Additions		-	-	-	37,813	37,813
Balance at December 31, 2018	$	106,827	25,714	84,726	52,686	269,953
Accumulated amortization and impairment loss:						
Balance at January 1, 2019	$	-	16,325	23,830	15,892	56,047
Amortization		-	7,023	10,591	21,642	39,256
Balance at December 31, 2019	$	-	23,348	34,421	37,534	95,303
Balance at January 1, 2018	$	-	9,302	13,239	8,958	31,499
Amortization		-	7,023	10,591	6,934	24,548
Balance at December 31, 2018	$	-	16,325	23,830	15,892	56,047
Carrying amount:						
Balance at December 31, 2019	$	106,827	2,366	50,305	35,132	194,630
Balance at December 31, 2018	$	106,827	9,389	60,896	36,794	213,906

(i) Amortization

The amortization of intangible assets is included in the following line items of the statement of comprehensive income:

	2019	2018
Operating expenses	$ 39,256	24,548

(ii) Impairment test on goodwill

The carrying amounts of goodwill and the respective cash-generating units ("CGUs") to which the goodwill was allocated for impairment test purpose were as follows:

	December 31, 2019	December 31, 2018
Biometric authentication IC sensor and its application	$ 106,827	106,827

At the end of each reporting period, the goodwill is tested annually for impairment. The recoverable amount of a CGU was determined based on the value in use. As of December 31, 2019 and 2018, no impairment loss was recognized for the biometric authentication IC sensor and its application based on the test result.

The key assumptions in assessing the value in use were as follows:

	December 31, 2019	December 31, 2018
Discount rates (before tax)	12.87 %	13.05 %
Revenue growth rates	5%～21%	10%～52%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the Taiwan government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific CGU.

The cash flow projections approved by management were based on future financial budgets, covering a period of 5 years. Cash flows beyond that 5-year period have been extrapolated using the revenue growth rate of 0%.

(l) Short-term borrowings

	December 31, 2019	December 31, 2018
Secured bank loans	$ 1,193,486	961,315
Unused credit facilities	$ 2,095,594	1,244,425
Interest rate	1.06%~1.30%	1.15%~3.04%

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(m) Lease liabilities

The Company's lease liabilities were as follows:

	December 31, 2019
Current	$ 30,164
Non-current	$ 61,912

For the maturity analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

	2019
Interest expenses on lease liabilities	$ 1,842
Expenses relating to short-term leases	$ 4,508

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

	2019
Total cash outflow for leases	$ 34,848

(i) Buildings leases

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

(ii) Other leases

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

(n) Operating lease

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018
Less than one year	$ 30,992
Between one year and five years	79,701
	$ 110,693

The Company leases several office spaces, staff dormitory and equipment under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the leases upon maturity. Lease payments are paid based on the terms of the lease contracts.

For the years ended December 31, 2018, rental expenses recognized in profit or loss in respect of operating leases was $29,911.

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(o) 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.

For the years ended December 31, 2019 and 2018, the Company recognized the pension expenses of \$22,231 and \$16,405, respectively, in relation to the defined contribution plans.

(p) Income taxes

(i) Income tax expense

		2019	2018
Current income tax expense			
Current period	$	234,065	165,191
Adjustments for prior years		227	(5,394)
		234,292	159,797
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		(35,142)	20,312
Adjustment in tax rate		-	(8,945)
		(35,142)	11,367
Income tax expense	$	199,150	171,164

In 2019 and 2018, there were no income tax expense recognized in other comprehensive income.

Reconciliation between the expected income tax expense calculated based on the Company's statutory tax rate and the actual income tax expense reported in the statements of comprehensive income for 2019 and 2018 were as follows:

		2019	2018
Income before income tax	$	1,061,831	841,955
Income tax using the Company's statutory tax rate	$	212,366	168,391
Adjustment in tax rate		-	(8,945)
Adjustments for prior years		227	(5,394)
Income tax credit		(21,513)	(14,476)
Change in unrecognized temporary differences		(1,237)	(1,026)
Undistributed earnings additional tax at 10%		-	23,241
Others		9,307	9,373
	$	199,150	171,164

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(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

As of December 31, 2019 and 2018, the temporary differences associated with investments in subsidiaries, joint ventures and associates were not recognized as deferred income tax assets as these temporary differences are not expected to reverse in the foreseeable future by the Company. The related amounts were as follows:

Unrecognized deferred income tax assets

	December 31, 2019	December 31, 2018
Losses in subsidiaries, joint ventures and associates	$ 153,291	154,528

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Inventory provisions	Unrealized foreign currency exchange loss	Others	Total
Balance at January 1 , 2019	$ 34,527	-	5,834	40,361
Recognized in profit or loss	21,001	12,336	842	34,179
Balance at December 31, 2019	$ 55,528	12,336	6,676	74,540
Balance at January 1 , 2018	$ 31,806	-	18,884	50,690
Recognized in profit or loss	2,721	-	(13,050)	(10,329)
Balance at December 31, 2018	$ 34,527	-	5,834	40,361

Deferred income tax liabilities:

	Unrealized foreign currency exchange gain	Others	Total
Balance at January 1 , 2019	$ 1,038	-	1,038
Recognized in profit or loss	(1,038)	75	(963)
Balance at December 31, 2019	$ -	75	75
Balance at January 1 , 2018	$ -	-	-
Recognized in profit or loss	1,038	-	1,038
Balance at December 31, 2018	$ 1,038	-	1,038

(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.

(q) Capital and other equity

(i) Common stock

As of December 31, 2019 and 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 71,265 thousand shares and 70,974 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	
	2019	**2018**
Balance at January 1	68,111	70,036
Exercise of employee stock options	294	490
Vested restricted stock issued to employees	181	185
Purchase of treasury stock	-	(2,600)
Treasury stock transferred to employees	300	-
Balance at December 31	68,886	68,111

As of December 31, 2019 and 2018, the related registration process had been completed except for 123 thousand shares and 93 thousand shares for issuance of new shares for employee stock options, which were classified as common stock subscribed, respectively.

(ii) Capital surplus

	December 31, 2019	December 31, 2018
Paid-in capital in excess of par value	$ 980,974	881,352
Compensation cost of employee stock options	1,012	23,757
Restricted stock issued to employees	17,186	58,050
Treasury share transactions	40,981	-
	$ 1,040,153	963,159

Pursuant to the Company Act, any realized capital surplus is initially used to cover any accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends, based on the original shareholding ratio or distributed by cash, according to a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

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(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.

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 environment 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.

The appropriation of 2018 and 2017 earnings was resolved by the shareholder's meeting held on June 18, 2019, and May 30, 2018, respectively; and the distribution to shareholders were as follows:

	2018		2017	
	Dividends per share (NT$)	**Amount**	**Dividends per share (NT$)**	**Amount**
Dividends distributed to ordinary shareholders：				
Cash	$ 8.09	554,844	4.25	301,462

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On March 17, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Dividends per share (NT$)	Amount
Dividends distributed to ordinary shareholders：		
Cash	$ 9.00	623,536

(iv) Treasury shares

1) The Company's Board of Directors meeting resolved on March 5 and September 18, 2018, respectively, to buy back the Company's ordinary shares. The number of shares repurchased should not exceed 5 percent of all shares issued for the purpose of transferring them to its employees within three years. The Company purchased 2,600 thousand of its own ordinary shares for an aggregate amount of $278,740.

   In accordance with Article 28-2 of the Securities and Exchange Act, the number of shares repurchased should not exceed 10 percent of all shares issued and 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.

2) The movement in treasury shares were as follows (in thousands of shares):

	2019	2018
Balance at January 1	2,600	-
Additions	-	2,600
Transfer	(300)	-
Balance at December 31	2,300	2,600

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(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:				
Subsidiaries		(1,618)	-	-
Joint Ventures and associates		44	-	-
Deferred compensation cost		-	25,502	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income		-	-	(31,022)
Balance at December 31, 2019	$	2,361	(5,145)	(83,824)
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:				
Subsidiaries		1,105	-	-
Joint Ventures and associates		(408)	-	-
Deferred compensation cost		-	67,087	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income		-	-	(53,977)
Balance at December 31, 2018	$	3,935	(30,647)	(52,802)

(Continued)

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(r) Share-based payment

(i) Employee stock options

A summary of the Company'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.

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

	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	115.09	(323,500)	119.99	(141,000)
Forfeited	99.32	(156,000)	127.18	(4,000)
Outstanding, end of year	127.18	18,500	110.60	498,000
Exercisable, end of year	127.18	18,500	110.60	498,000

December 31, 2019

Year of grant	Number of shares outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Number of shares exercisable
2015	18,500	0.84	$ 127.18	18,500

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

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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:

	2019	2018
Balance at January 1	563	572
Forfeited	(6)	(9)
Balance at December 31	557	563
Accumulated vested shares	(484)	(302)
Unvested shares	73	261

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.

(iii) Treasury stock transferred to employees

In 2019, the Company transferred 300 thousand shares to its employees at exercise price of NT$99.93 per share. The compensation cost was measured at fair value using the difference between the exercise price and the market price of the share at the grant date, which was NT$235~240.5 per share.

(Continued)

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(iv) Expenses resulted from share-based payments

	2019	2018
Treasury stock transferred to employees	$ 41,071	-
Restricted stock	27,490	69,830
Employee stock options	-	2,810
	$ 68,561	72,640

(s) Earnings per share ("EPS")

(i) Basic earnings per share

	2019	2018
Net income attributable to the shareholders of the Company	$ 862,681	670,791
Weighted-average number of ordinary shares outstanding (in thousands)	68,443	69,710
Basic earnings per share (in New Taiwan dollars)	$ 12.60	9.62

(ii) Diluted earnings per share

	2019	2018
Net income attributable to the shareholders of the Company	$ 862,681	670,791
Weighted-average number of ordinary shares outstanding (in thousands)	68,443	69,710
Effect of dilutive potential ordinary shares:		
Stock options	201	91
Employees compensation	395	271
Restricted stock	219	218
Weighted-average shares of ordinary shares outstanding (in thousands) (including effect of dilutive potential ordinary shares)	69,258	70,290
Diluted earnings per share (in New Taiwan dollars)	$ 12.46	9.54

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

		2019	2018
Primary geographical markets:			
Taiwan	$	6,250	9,551
Asia		7,352,191	5,899,782
	$	7,358,441	5,909,333
Major products/ services line:			
Biometric authentication IC sensor and its application	$	7,354,659	5,903,424
Data security protection and its application		3,722	4,723
Non-recurring engineering service revenue		60	1,186
	$	7,358,441	5,909,333

(ii) Contract balances

		December 31, 2019	December 31, 2018	January 1, 2018
Accounts recivable	$	343,682	616,524	753,849
Less: Allowance for impairment		(327)	(2,197)	(24,560)
Total	$	343,355	614,327	729,289

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

(u) 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 years ended December 31, 2019 and 2018, the Company accrued its remuneration to employees amounting to $83,367 and $46,308, respectively, and its remuneration to directors amounting to $11,568 and $8,972, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as operating expenses. The aforementioned accrued remunerations to employees and directors were same as the amounts approved by the Board of Directors. The related information would be available at the Market Observation Post System website.

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(v) Non-operating income and loss

(i) Other income

	2019	2018
Interest income	$ 79,765	41,583
Others	10,064	2,720
	$ 89,829	44,303

(ii) Other gains and losses

	2019	2018
Foreign exchange gains (losses), net	(72,062)	84,643
Net loss on financial assets measured at fair value through profit or loss	(415)	(755)
Others	(438)	(3,300)
	$ (72,915)	80,588

(iii) Finance costs

	2019	2018
Interest expense on bank loans	$ (16,974)	(9,917)
Lease liabilities	(1,842)	-
	$ (18,816)	(9,917)

(w) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or losss —current and non-current	$ 67,850	-
Financial assets at fair value through other comprehensive income	195,216	41,033
Financial assets at amortized cost:		
Cash and cash equivalents	3,099,110	2,443,774
Accounts receivable, net	343,355	614,327
Other receivable from related parties	-	109
Other financial assets—current	317,974	19,432
Refundable deposits	8,265	7,898
Subtotal	3,768,704	3,085,540
Total	$ 4,031,770	3,126,573

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

2) Financial liabilities

		December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:			
Short-term borrowings	$	1,193,486	961,315
Notes and accounts payable		561,738	396,474
Other payables to related parties		5,015	5,998
Accrued expenses		350,664	251,485
Lease liabilities—current and non-current		92,076	-
	$	2,202,979	1,615,272

(ii) Information on fair value

1) Financial instruments not measured at fair value

The Company 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).

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

	December 31, 2019				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss—current:					
Open-end mutual fund	$ 62,541	62,541	-	-	62,541
Financial assets at fair value through profit or loss—non-current:					
Privately offered fund	5,309	-	-	5,309	5,309
Financial assets at fair value through other comprehensive income—non-current:					
Unlisted common shares	195,216	-	-	195,216	195,216
	$ 263,066	62,541	-	200,525	263,066

	December 31, 2018				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Unlisted common shares	$ 41,033	-	-	41,033	41,033

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.

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.

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

4) Quantified information of significant unobservable inputs

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity investments measured at fair value through other comprehensive income	Comparable company valuation	Discount for lack of marketability (10%~30%)	The estimated fair value would decrease if the discount for lack of marketability was higher
		Price-Book ratio (3.87~5.80 and 1.87~3.21 on December 31, 2019 and 2018, respectively)	The estimated fair value would increase if the Price-Book ratio was higher

5) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is reasonable, but it may change if different valuation models or inputs are used. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income:

	Input	Change in assumptions	Other comprehensive income Favorable	Other comprehensive income Unfavorable
December 31, 2019				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	1,522	(1,522)
December 31, 2018				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	405	(405)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. If the fair value of a financial instrument is subject to more than one inputs, the analysis above reflects only the effects of changes in a single input and does not include the interrelationships with another input.

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(iii) Transfer between fair value levels

There are no transfers between fair value levels for the years ended December 31, 2019 and 2018.

(iv) Movement in financial assets included Level 3 fair values hierarchy were as follows:

	2019		2018	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Opening balance	$ -	41,033	-	95,010
Total gains or losses:				
Recognized in profit and loss	(975)	-	-	-
Recognized in other comprehensive income	-	(31,022)	-	(53,977)
Additions	6.284	185.205	-	-
Ending Balance	$ 5,309	195,216	-	41,033

(x) Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Company has disclosed the information on exposure to the aforementioned risks and the Company's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's operations.

The Company's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, accounts receivable, and other financial assets. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

The Company has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. As of December 31, 2019 and 2018, 78% and 81%, respectively, of accounts receivable were concentrated on three customers, thus, credit risk is significantly centralized.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Company manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of loan agreements. As of December 31, 2019 and 2018, the Company had unused credit facilities of $2,095,594 and $1,244,425, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Contractual cash flows	Within 1 year	1-5 years
December 31, 2019			
Short-term borrowings carrying floating interest rates	$ 1,194,203	1,194,203	-
Notes and accounts payable	561,738	561,738	-
Other payables to related parties	5,015	5,015	-
Accrued expenses	350,664	350,664	-
Lease liabilities—current and non-current	95,078	30,435	64,643
	$ 2,206,698	2,142,055	64,643
December 31, 2018			
Short-term borrowings carrying floating interest rates	$ 961,972	961,972	-
Notes and accounts payable	396,474	396,474	-
Other payables to related parties	5,998	5,998	-
Accrued expenses	251,485	251,485	-
	$ 1,615,929	1,615,929	-

(Continued)

The Company does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

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

a) Exposure to foreign currency risk

The carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency, other than the functional currency, was as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)
Financial assets						
Monetary items						
USD	$ 121,288	29.980	3,636,214	96,508	30.715	2,964,257
Non-Monetary items						
USD	8,263	29.980	247,725	1,000	30.715	30,715
Financial liabilities						
USD	28,429	29.980	852,301	18,284	30.715	561,578

b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of cash and cash equivalents, accounts receivables, notes and accounts payable and bank loans that are denominated in a currency other than the respective functional currencies of Company entities. As of December 31, 2019 and 2018, a 1% depreciation of the TWD against the USD would have increased the Company's income before tax for the years ended December 31, 2019 and 2018, by $27,839, and $24,027, respectively. This analysis assumes that all other variables remain constant and is performed on the same basis for the current and prior periods.

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

c) Gains or losses on monetary items

Information related to gains and losses (included unrealized and realized) is as follows:

	2019		2018	
	Foreign exchange gains (losses)	Average exchange rate	Foreign exchange gains (losses)	Average exchange rate
Financial assets				
USD:TWD	$ (103,925)	30.911	91,340	30.175
Financial liabilities				
USD:TWD	30,751	30.911	(8,612)	30.175

2) Interest rate risk

The Company' s short-term borrowings carried floating interest rates. To manage the interest rate risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Company also strengthens the management of working capital to adjust the composition of working capital as well as the risk arising from fluctuation of interest rates.

If interest rates had been 100 basis points (1%) higher/lower, with all other variables held constant, the pre-tax income/loss for the years ended December 31, 2019 and 2018, would have been $11,935 and 9,613, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Company holds open-ended fund, where most of its tagets are currency and bonds. The Company anticipates that there is no significant market risk related to its investments.

The Company has strategic investments in unlisted common shares, which the Company does not actively participate in trading. Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2019 and 2018 would have increased or decreased by $9,761 and $2,052, respectively.

(y) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

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

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

(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	December 31, 2019
Short-term borrowings	$	961,315	-	232,171	-	1,193,486
Lease liabilities		-	105,158	(28,498)	15,416	92,076
Total amount of liabilities from financing activities	$	961,315	105,158	203,673	15,416	1,285,562

		January 1,2018	Cash flows	Non-cash changes	December 31, 2018
Short-term borrowings	$	280,519	680,796	-	961,315

7. Related-party transactions

(a) Names and relationship with related parities

The following are entities that have had transactions with related party and subsidiary during the reporting period.

Name of related party	Relationship with the Company
Egis Inc.	The Company's subsidiary
Egis Technology (Japan) Inc.	The Company's subsidiary
Egis Tec USA Inc.	The Company's subsidiary
Egis Technology Korea Inc.	The Company's subsidiary
Igistec Co., Ltd.	The Company's subsidiary
Tyrafos Technologies Co., Limited, Taiwan Branch	Branch of the joint venture
Yinscorp Ltd.	Subsidiary of the joint venture

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Research and development expenses

The Company has authorized its related parties to assist and develop its optical fingerprint sensor technology. The operating of expenses related to the R&D services were as follows:

		2019	2018
Subsidiaries:			
Egis Tec USA Inc.	$	39,459	47,031
Egis Technology Korea Inc.		47,467	16,474
Igistec Co., Ltd.		67,500	-
Joint ventures:			
Tyrafos Technologies Co., Limited, Taiwan Branch		-	58,493
Yinscorp Ltd.		-	24,952
	$	154,426	146,950

(ii) Receivables

Account	Related-party categories		December 31, 2019	December 31, 2018
Other receivables	Subsidiaries	$	-	109

(iii) Payables

Account	Related party categories		December 31, 2019	December 31, 2018
Other payables	Subsidiaries	$	5,015	5,998

(iv) Property transactions

In 2019, the subsidiaries sold research and development equipments and other equipments to the Company. The total disposal price was $3,495 and the related payables were paid.

In 2018, the Company sold leasehold improvements and other equipments to its subsidiary. The total disposal price was $1,066 and the related receivable were collected.

(c) Compensation for key management personnel

		2019	2018
Short-term employee benefits	$	137,641	86,025
Post-employment benefits		986	765
Share-based payments		41,187	43,101
	$	179,814	129,891

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

8. Pledged assets

Assets	Pledged to secure	December 31, 2019	December 31, 2018
Other financial assets-current (time deposits)	Deposit for purchase fulfillment	$ 10,000	10,000
Other financial assets-current (time deposits)	Performance guarantee	55,093	-
		$ 65,093	10,000

9. Significant commitments and contingencies

(a) As of December 31, 2019 and 2018, the Company had issued promissory notes amounting to $3,642,255 and $2,205,740, respectively, as collaterals for the Company to obtain credit facilities from financial institutions and the subsidy R&D program from government.

(b) Shenzhen Goodix Technology Co., Ltd. (Goodix) has filed a patent infringement complaint with the Beijing Intellectual Property Court against the Company in July 2019, wherein it requested the Company to pay the compensation amounting to CNY 50,500 thousand (approximately NT$228,000 thousand) for the damage. The Company received the complaint in August 2019, and submitted a request of patents invalidity to the China National Intellectual Property Administration (CNIPA). In February 2020, the Company received patent invalidation decision from CNIPA, which the patent asserted in patent infringement litigation against the Company was declared invalid by CNIPA. Therefore, the patent infringement lawsuit thus become baseless lawsuit. The Company has engaged attorney to take further action. The final result remains unknown and the management predicts no immediate material negative effect on the Company's operating and finance activities.

10. Significant loss from casualty: None.

11. Significant subsequent events: None.

12. Others

Employee benefits, depreciation and amortization of the Company were categorized by function as below:

By function / By item	2019 Cost of sales	2019 Operating expenses	2019 Total	2018 Cost of sales	2018 Operating expenses	2018 Total
Employee benefits:						
Salaries	-	715,402	715,402	-	489,491	489,491
Labor and health insurance	-	27,258	27,258	-	18,556	18,556
Pension	-	22,231	22,231	-	16,405	16,405
Remuneration to directors	-	11,768	11,768	-	9,360	9,360
Other employees' benefits	-	29,568	29,568	-	22,318	22,318
Depreciation	2,773	47,186	49,959	1,983	12,907	14,890
Amortization	-	39,256	39,256	-	24,548	24,548

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

Additional information related to the number of employees and employee benefits of 2019 and 2018, were as follows:

	2019	2018
The number of employees	352	252
The number of non-employee directors	4	5
Average employee benefits	$ 2,283	2,214
Average employee salaries	$ 2,056	1,982
Average employee salaries increased by	3.73 %	

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 Company for the years ended December 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 Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Note
The Company	Nomura Global Financial Bond Fund	-	Financial assets at fair value through profit or loss—current	98	32,237	-	32,237	
The Company	Nomura NN (L) Asian Debt (Hard Currency)	-	Financial assets at fair value through profit or loss—current	1	30,304	-	30,304	
The Company	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income	859	10,011	3.18 %	10,011	
The Company	THEIA LIMITED	-	Financial assets at fair value through other comprehensive income	100,000	-	11.20 %	-	
The Company	Integrated Digital Technologies, Inc.	-	Financial assets at fair value through other comprehensive income	4,000	-	13.96 %	-	
The Company	AIStorm, Inc.	-	Financial assets at fair value through other comprehensive income	4,000	123,065	17.22 %	123,065	
The Company	MEMS DRIVE INC.	-	Financial assets at fair value through other comprehensive income	188	62,140	3.25 %	62,140	
The Company	Vertex Growth (SG) LP	-	Financial assets at fair value through profit or loss—non-current	-	5,309	-	5,309	

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

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(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.

(ix) Information about derivative instrument transactions: None.

(b) Information on investees:

Names, locations, and related information of investees over which the Company exercises significant influence for the year ended December 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 December 31, 2019			Net Income (Losses) of the Investee	Share of Profit / (Losses) of Investee	Note
				December 31, 2019	December 31, 2018	Shares (in thousands)	Percentage of Ownership	Carrying Value			
The Company	Egis Inc.	Cayman Islands	Investment and holding activity	669,233	678,340	25,546	100.00 %	-	(198)	(198)	Parent/ subsidiary
The Company	Egis Technology (Japan) Inc.	Japan	Sale of data security software and biometric authentication software and hardware	109,279	83,213	7,680	100.00 %	13,768	(12,490)	(12,490)	Parent/ subsidiary
The Company	Egis Tec USA Inc.	USA	Technology development	31,260	31,260	1,000	100.00 %	4,298	(9,916)	(9,916)	Parent/ subsidiary
The Company	Egis Technology Korea Inc.	Korea	Customer service, business promotion and technical support	18,233	18,233	20	100.00 %	24,382	6,964	6,964	Parent/ subsidiary
The Company	Tyrafos Technologies Co., Limited	Hong Kong	Technology development	19,517	19,517	5,265	65.00 %	-	(48,002)	(26,309)	Joint venture
The Company	Igistec Co., Ltd.	Taiwan	Technology development	59,497	-	16,527	74.69 %	30,053	(36,261)	(29,444)	Parent/subsidiary
The Company	Sirius Wireless Pte. Ltd.	Singapore	Technology development	61,760	-	40,080	50.05 %	41,058	(40,932)	(20,400)	Associates

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

14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2019 for disclosure of segment information.

Egis Technology Inc.

Statement of Cash and Cash Equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Cash on hand	including New Taiwan Dollars and Chinese Yuan, etc.	$ 828
Bank deposits	including US$21,761 thousands, CNY$1,279 thousands and NT$41,975 thousands	699,882
Time deposits	including US$80,000 thousands	2,398,400
		$ 3,099,110

Note：Foreign currency deposits were translated at the spot exchange rate on December 31, 2019 as follows:

Foreign Currency	Exchange rate
USD	29.980
CNY	4.305

(Continued)

Egis Technology Inc.

Statement of Accounts Receivable

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Client Name	Amount
Client A	$ 134,005
Client B	85,545
Client C	48,856
Client D	20,635
Client E	19,369
Others (the amount of individual client does not exceed 5% of the account balance.)	35,272
	343,682
Less：Allowance for impairment	(327)
	$ 343,355

Statement of Inventories

Item	Description	Amount: Carrying Value (Note)	Amount: Net realizable value
Raw materials	Wafer and optical lens	$ 404,900	404,900
Work in process	Wafer testing and IC packaging	346,282	727,619
Finished goods	Fingerprint authentication IC	11,725	11,899
Total		$ 762,907	1,144,418

Note：Provision of inventory obsolescence has been deducted.

(Continued)

Egis Technology Inc.

Statement of prepayments and Other Current Assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Input VAT		$ 45,379	
Prepaid expenses		45,875	
Prepayment for purchase		66,059	
Others		3,335	
		$ 160,648	

Statement of Other Financial Assets-Current

Item	Description	Amount	Note
Restricted bank deposits		$ 65,093	
Time deposits		239,840	
Other receivables		13,041	
		$ 317,974	

(Continued)

Egis Technology Inc.

Statement of Changes in Investments Accounted for Using Equity Method

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

	Beginning balance		Addition		Decrease		Investment income	Translation	Ending balance			Net equity value		
Name of investees	Shares	Amount	Shares	Amount	Shares	Amount	(loss)	adjustment	Shares	%	Amount	Unit price (in Dollars)	Total amount	Collateral
Egis Technology (Japan) Inc.	5,840,000	$ 531	1,840,000	26,066	-	-	(12,490)	(339)	7,680,000	100.00 %	13,768	-	13,768	Nil
Egis Inc.	25,848,000	9,487	-	-	(302,258)	(9,107)	(198)	(182)	25,545,742	100.00 %	-	-	-	Nil
Egis Tec USA Inc.	1,000,000	14,184	-	-	-	-	(9,916)	30	1,000,000	100.00 %	4,298	-	4,298	Nil
Egis Technology Korea Inc.	20,000	18,545	-	-	-	-	6,964	(1,127)	20,000	100.00 %	24,382	-	24,382	Nil
Igistec Co., Ltd.	-	-	16,527,000	59,497	-	-	(29,444)	-	16,527,000	74.69 %	30,053	-	30,053	Nil
Tyrafos Technologies Co., Limited	5,265,000	25,963	-	-	-	-	(26,309)	346	5,265,000	65.00 %	-	-	-	Nil
Sirius Wireless Pte. Ltd.	-	-	40,080,160	61,760	-	-	(20,400)	(302)	40,080,160	50.05 %	41,058	-	41,058	Nil
		$ 68,710		147,323		(9,107)	(91,793)	(1,574)			113,559		113,559	

(Continued)

Egis Technology Inc.

Statement of Short-Term Borrowings

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Type	Creditor	Ending balance	Term	Interest rate	Credit facilities	Collateral (promissory notes)
Working Capital loan	Mega Bank	$ 100,000	2019.07.26~2020.01.22		$ 350,000	$ 350,000
Working Capital loan	Mega Bank	50,000	2019.12.30~2020.06.27		350,000	As above
Working Capital loan	DBS Bank	281,466	2019.12.02~2020.03.01		450,000	600,000
Working Capital loan	DBS Bank	64,201	2019.12.02~2020.03.01		450,000	As above
Working Capital loan	DBS Bank	37,975	2019.12.02~2020.03.01		450,000	As above
Working Capital loan	DBS Bank	50,376	2019.12.02~2020.03.01		450,000	As above
Working Capital loan	Bank SinoPac	200,000	2019.11.22~2020.01.21		359,760	359,760
Working Capital loan	HSBC Bank	100,000	2019.10.23~2020.01.21		149,900	149,900
Working Capital loan	HSBC Bank	45,425	2019.10.31~2020.01.31		149,900	As above
Working Capital loan	Chang Hwa Bank	68,349	2019.10.31~2020.01.29		100,000	100,000
Working Capital loan	E. SUN Bank	35,694	2019.10.31~2020.01.31		200,000	200,000
Working Capital loan	E. SUN Bank	50,000	2019.11.06~2020.02.06		200,000	As above
Working Capital loan	E. SUN Bank	50,000	2019.11.26~2020.02.26		200,000	As above
Working Capital loan	E. SUN Bank	60,000	2019.12.05~2020.03.05		200,000	As above
		$ 1,193,486		1.06%~1.3%		

Statement of Notes and Accounts Payable

Vendor name	Amount
Vendor A	$ 272,695
Vendor B	87,926
Vendor C	81,718
Vendor D	43,242
Vendor E	37,934
Others (the amount of individual vendor does not exceed 5% of the account balance)	38,223
	$ 561,738

Egis Technology Inc.

Statement of Accrued Expenses and Other Current Liabilities

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Accrued salaries and bonus	$ 238,923
Accrued software royalties	113,775
Accrued research and testing expenses	94,343
Accrued sales allowances	60,588
Unearned subsidy income from government	45,013
Others (the amount of each item does not exceed 5% of the account balance)	111,881
	$ 664,523

Statement of Revenue

For the year ended December 31, 2019

Item	Amount
Products：	
Biometric authentication IC sensor and its application	$ 7,354,659
Data security and its application	3,722
Non-recurring engineering service revenue	60
	$ 7,358,441

(Continued)

Egis Technology Inc.

Statement of Cost of Revenue

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Raw materials, beginning of year	$ 20,523
Add: Purchase of raw materials	3,489,936
Less: Transferred to R&D expenses	2,367
Cost of sales on raw materials	1,290,356
Raw materials, end of year	493,583
Loss on scrap of raw materials	9,510
Raw materials used	1,714,643
Manufacturing overhead and outsourced cost	400,547
Manufacturing cost	2,115,190
Add: Work in process, beginning of year	643,593
Less: Transferred to R&D expenses	7,792
Cost of sales on work in process	1,386,862
Loss on scrap of work in process	15,901
Work in process, end of year	517,087
Cost of goods manufactured	831,141
Add: Finished goods, beginning of year	64,437
Less: Transferred to R&D expenses	1,492
Loss on scrap of finished goods	18,040
Finished goods, end of year	29,877
Cost of sales	846,169
Cost of sales on raw materials and work in process	2,677,218
Software royalties	505,894
Write-down of inventories	105,005
Loss on scrap of inventories	43,451
Others	43,397
Cost of revenue	$ 4,221,134

(Continued)

Egis Technology Inc.

Statement of Operating Expenses

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Wages and salaries	$ 104,455	170,127	452,588
Pension	1,402	1,930	18,899
Depreciation	2,605	14,583	29,998
Amortization	-	1,066	38,190
Entertainment expenses	18,513	3,441	7,431
Travelling expenses	20,363	5,737	127,631
Professional service fee	447	23,011	25,547
Commission expense	124,827	-	-
Technical service fee	-	-	220,581
Research and experimental cost	-	-	368,415
Others (the amount of each item does not exceed 5% of the account balance)	30,925	33,568	135,501
	$ 303,537	253,463	1,424,781

For details on statement of changes in property, plant and equipment, please refer to note 6(i).
For details on statement of changes in right-of-use assets, please refer to note 6(j).
For details on statement of changes in intangible assets, please refer to note 6(k).
For details on statement of deferred income tax assets, please refer to note 6(p).
For details on statement of other income, please refer to note 6(v).
For details on statement of other gains and losses, please refer to note 6(v).
For details on statement of finance costs, please refer to note 6(v).