

EGIS TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

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

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Independent Auditors' Review Report

To the Board of Directors of Egis Technology Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Egis Technology Inc. and its subsidiaries as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Egis Technology Inc. and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)
May 6, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		<u>For the three months ended March 31</u>			
		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Revenue (note 6(t))	\$ 1,658,359	100	1,393,119	100
5000	Costs of revenue (notes 6(e)(j) and 12)	<u>(890,939)</u>	<u>(54)</u>	<u>(817,873)</u>	<u>(59)</u>
	Gross profit	<u>767,420</u>	<u>46</u>	<u>575,246</u>	<u>41</u>
	Operating expenses (notes 6(d)(j)(k)(l)(n)(o)(r)(u), 7 and 12):				
6100	Selling expenses	(71,445)	(4)	(53,707)	(4)
6200	Administrative expenses	(101,334)	(6)	(66,252)	(5)
6300	Research and development expenses	<u>(323,110)</u>	<u>(20)</u>	<u>(300,644)</u>	<u>(21)</u>
	Total operating expenses	<u>(495,889)</u>	<u>(30)</u>	<u>(420,603)</u>	<u>(30)</u>
	Operating income	<u>271,531</u>	<u>16</u>	<u>154,643</u>	<u>11</u>
	Non-operating income and loss:				
7010	Other income (notes 6(v) and 7)	16,993	1	18,113	1
7020	Other gains and losses, net (note 6(v))	22,253	1	12,978	1
7050	Finance costs (notes 6(n)(v))	(6,184)	-	(4,178)	-
7060	Share of profits of associates and joint ventures accounted for using the equity method (notes 6(g) and 13)	<u>(3,815)</u>	<u>-</u>	<u>(14,088)</u>	<u>(1)</u>
	Total non-operating income and loss	<u>29,247</u>	<u>2</u>	<u>12,825</u>	<u>1</u>
	Net income before tax	300,778	18	167,468	12
7950	Less: Income tax expenses (note 6(p))	<u>(67,041)</u>	<u>(4)</u>	<u>(40,791)</u>	<u>(3)</u>
	Net income	<u>233,737</u>	<u>14</u>	<u>126,677</u>	<u>9</u>
	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(q)(w))	(24,611)	(1)	(777)	-
8349	Income tax related to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(24,611)</u>	<u>(1)</u>	<u>(777)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations (note 6(q))	(1,011)	-	(332)	-
8370	Accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (note 6(g))	(71)	-	11	-
8399	Income tax related to items that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(1,082)</u>	<u>-</u>	<u>(321)</u>	<u>-</u>
	Other comprehensive income (loss), net	<u>(25,693)</u>	<u>(1)</u>	<u>(1,098)</u>	<u>-</u>
	Comprehensive income	<u>\$ 208,044</u>	<u>13</u>	<u>125,579</u>	<u>9</u>
	Net income attributable to:				
8610	Shareholders of the Company	\$ 234,539	14	133,668	9
8620	Non-controlling interests	<u>(802)</u>	<u>-</u>	<u>(6,991)</u>	<u>-</u>
		<u>\$ 233,737</u>	<u>14</u>	<u>126,677</u>	<u>9</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	\$ 208,846	13	132,570	9
8720	Non-controlling interests	<u>(802)</u>	<u>-</u>	<u>(6,991)</u>	<u>-</u>
		<u>\$ 208,044</u>	<u>13</u>	<u>125,579</u>	<u>9</u>
	Earnings per share (in New Taiwan Dollars) (note 6(s)) :				
9750	Basic earnings per share	<u>\$ 3.39</u>		<u>1.96</u>	
9850	Diluted earnings per share	<u>\$ 3.38</u>		<u>1.94</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company											Total equity
	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	Non-controlling interests	
Balance at January 1, 2019	\$ 709,743	930	963,159	70,722	-	1,005,824	3,935	(52,802)	(30,647)	(278,740)	-	2,392,124
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	18,609	18,609
Issuance of common stock from exercise of employee stock options	930	(770)	1,875	-	-	-	-	-	-	-	-	2,035
Compensation cost arising from restricted shares of stock issued to employees	-	-	37	-	-	-	-	-	6,828	-	-	6,865
Retirement of restricted shares of stock issued to employees	(30)	-	-	-	-	-	-	-	-	-	-	-
Net income in 2019	-	-	-	-	-	133,668	-	-	-	-	-	133,668
Other comprehensive income in 2019	-	-	-	-	-	(321)	(321)	(777)	-	-	(6,991)	(126,677)
Total comprehensive income in 2019	-	-	-	-	-	133,668	(321)	(777)	-	-	(6,991)	(1,098)
Balance at March 31, 2019	\$ 710,643	160	965,101	70,722	-	1,139,492	3,614	(53,579)	(23,819)	(278,740)	11,618	2,545,212
Balance at January 1, 2020	\$ 712,653	1,225	1,040,153	137,801	48,867	1,197,715	2,361	(83,824)	(5,145)	(248,761)	8,631	2,811,676
Treasury stock transferred to employees	-	-	(60)	-	-	-	-	-	-	19,986	-	19,926
Issuance of common stock from exercise of employee stock options	1,225	(1,225)	19,414	-	-	-	-	-	-	-	-	19,414
Compensation cost of employee stock options	-	-	(412)	-	-	-	-	-	1,461	-	-	1,049
Compensation cost arising from restricted shares of stock issued to employees	(60)	-	60	-	-	234,539	-	-	-	-	-	234,539
Retirement of restricted shares of stock issued to employees	-	-	-	-	-	-	(1,082)	(24,611)	-	-	(802)	(23,737)
Net income in 2020	-	-	-	-	-	234,539	(1,082)	(24,611)	-	-	-	(25,693)
Other comprehensive income in 2020	-	-	-	-	-	1,432,254	1,279	(108,435)	(3,684)	(228,775)	7,829	3,060,109
Total comprehensive income in 2020	\$ 713,818	-	1,050,155	137,801	48,867	1,432,254	1,279	(108,435)	(3,684)	(228,775)	7,829	3,060,109
Balance at March 31, 2020	\$ 713,818	-	1,050,155	137,801	48,867	1,432,254	1,279	(108,435)	(3,684)	(228,775)	7,829	3,060,109

See accompanying notes to consolidated financial statements.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from operating activities:		
Income before income taxes	\$ 300,778	167,468
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	17,559	13,638
Amortization	10,012	10,234
Expected credit gain	(330)	-
Net loss (gain) on financial assets at fair value through profit or loss	7,940	(229)
Interest expense	6,184	4,178
Interest income	(15,185)	(17,802)
Share-based payments	20,463	6,865
Share of loss of associates and joint ventures accounted for using the equity method	3,815	14,088
Total adjustments to reconcile profit	<u>50,458</u>	<u>30,972</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(528,726)	(202,128)
Other receivables from related parties	(6,051)	-
Inventories	10,420	169,478
Prepayments and other current assets	1,322	7,043
Total changes in operating assets	<u>(523,035)</u>	<u>(25,607)</u>
Changes in operating liabilities:		
Notes and accounts payable	(190,526)	118,154
Accrued expenses and other current liabilities	(195,244)	8,597
Total changes in operating liabilities	<u>(385,770)</u>	<u>126,751</u>
Total changes in operating assets and liabilities	<u>(908,805)</u>	<u>101,144</u>
Cash provided by (used in) operations	(557,569)	299,584
Interest received	14,408	13,813
Interest paid	(6,381)	(4,051)
Income taxes paid	(3,841)	(4,745)
Net cash provided by (used in) operating activities	<u>(553,383)</u>	<u>304,601</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(78,780)	(46,254)
Proceeds from disposal of financial assets at fair value through profit or loss	130,590	-
Acquisition of investments accounted for using the equity method	-	(43,232)
Increase in prepayments for investments	(60,620)	-
Net cash flows from acquisition of subsidiaries	-	34,034
Acquisition of property, plant and equipment	(11,359)	(5,061)
Acquisition of intangible assets	(1,679)	(3,966)
Increase in other financial assets	(499,066)	(98,942)
Decrease (increase) in refundable deposits	61	(481)
Increase in prepayments for equipment	-	(680)
Net cash used in investing activities	(520,853)	(164,582)
Cash flows from financing activities:		
Proceeds from short-term borrowings	2,752,203	868,896
Repayments of short-term borrowings	(2,971,916)	(911,315)
Payment of lease liabilities	(9,394)	(8,223)
Proceeds from exercise of employee stock options	-	2,035
Treasury stock transferred to employees	19,926	-
Net cash used in financing activities	(209,181)	(48,607)
Effects of foreign exchange rate changes	(925)	(317)
Net increase (decrease) in cash and cash equivalents	(1,284,342)	91,095
Cash and cash equivalents at beginning of the period	3,162,230	2,473,863
Cash and cash equivalents at end of the period	\$ 1,877,888	2,564,958

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(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 May 6, 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, 2020.

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.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 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

(Continued)

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

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

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2022	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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

4. Summary of significant accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2019. Please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019 for the related information.

(Continued)

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

(b) Basis of consolidation

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

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding		
			March 31, 2020	December 31, 2019	March 31, 2019
The Company	Egis Inc.(Cayman Islands)	Investment and holding activity	100.00 %	100.00 %	100.00 %
The Company	Egis Technology (Japan) Inc.	Sale of data security software and biometric authentication software and hardware	100.00 %	100.00 %	100.00 %
The Company	Egis Tec USA Inc.	Technology development	100.00 %	100.00 %	100.00 %
The Company	Egis Technology Korea Inc.	Customer service, business promotion and technical support	100.00 %	100.00 %	100.00 %
The Company	Igistec Co., Ltd.	Technology development	74.69 % (Note 1)	74.69 %	74.69 %

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

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

(c) Income taxes

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

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

5. Critical accounting judgments and key sources of estimation uncertainty

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions, are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

(Continued)

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

6. Significant account disclosures

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to note 6 of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 860	869	771
Bank deposits	151,181	762,961	338,983
Time deposits	1,725,847	2,398,400	2,132,744
Repurchase agreements – bond	-	-	92,460
	<u>\$ 1,877,888</u>	<u>3,162,230</u>	<u>2,564,958</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Current:			
Open-end mutual fund	\$ -	62,541	31,068
Convertible bonds	-	-	15,415
Non-current:			
Privately offered fund	8,100	5,309	-
	<u>\$ 8,100</u>	<u>67,850</u>	<u>46,483</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Equity instruments at fair value through other comprehensive income:			
Unlisted common shares	\$ <u>170,605</u>	<u>195,216</u>	<u>163,321</u>

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

No strategic investments were disposed in the three months ended March 31, 2020 and 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

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

(d) Accounts receivable

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable	\$ 872,411	343,682	816,791
Less: Allowance for impairment	<u>-</u>	<u>(327)</u>	<u>(336)</u>
	<u><u>\$ 872,411</u></u>	<u><u>343,355</u></u>	<u><u>816,455</u></u>

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:

	<u>March 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	<u>\$ 872,411</u>	0.0001%	<u>-</u>
	<u>December 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 343,355	0.0001%	-
More than 180 days past due	<u>327</u>	100%	<u>327</u>
	<u><u>\$ 343,682</u></u>		<u><u>327</u></u>
	<u>March 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 816,455	0.0001%	-
More than 180 days past due	<u>336</u>	100%	<u>336</u>
	<u><u>\$ 816,791</u></u>		<u><u>336</u></u>

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

	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 327	2,197
Impairment loss reversed	(330)	-
Write-off	-	(1,917)
Foreign exchange losses (gain)	<u>3</u>	<u>56</u>
Balance at March 31	<u><u>\$ -</u></u>	<u><u>336</u></u>

(Continued)

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

(e) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 319,764	404,900	44,281
Work in process	427,817	346,282	339,460
Finished goods	4,906	11,725	2,700
	<u>\$ 752,487</u>	<u>762,907</u>	<u>386,441</u>

For the three months ended March 31, 2020 and 2019, the cost of inventories sold, which were included in costs of revenue, amounted to \$843,781 and \$744,581, respectively, of which the write-downs of inventories to net realizable value amounted to \$118,536 and \$32,196, respectively.

(f) Other financial assets – current

	March 31, 2020	December 31, 2019	March 31, 2019
Time deposit (with original maturities of between three months and one year)	\$ 755,625	239,840	101,706
Restricted bank deposits	50,189	65,093	10,000
Other receivables	12,003	13,041	18,316
	<u>\$ 817,817</u>	<u>317,974</u>	<u>130,022</u>

(g) Investments accounted for using the equity method

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

	March 31, 2020	December 31, 2019	March 31, 2019
Associates	\$ 37,173	41,058	58,498
Joint ventures	-	-	15,148
	<u>\$ 37,173</u>	<u>41,058</u>	<u>73,646</u>

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

	For the three months ended March 31	
	2020	2019
Attributable to the Group:		
Net income (loss)	\$ (3,815)	(14,088)
Other comprehensive income (loss)	(71)	11
Total comprehensive income (loss)	<u>\$ (3,886)</u>	<u>(14,077)</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(h) Prepayments for investments

As of March 31, 2020, the Group invested the amounts of \$60,620 to acquire the common shares of its investees for the development techniques of its optical sensing and fingerprint identification.

(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		<u>\$ 4,576</u>

(iii) Intangible assets—technology

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

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(iv) Pro forma information

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

(j) Property, plant and equipment

	<u>Tooling</u>	<u>Research and development equipment</u>	<u>Leasehold improvement</u>	<u>Other equipment</u>	<u>Total</u>
Carrying amounts:					
Balance at March 31, 2020	\$ <u>514</u>	<u>21,013</u>	<u>11,063</u>	<u>33,646</u>	<u>66,236</u>
Balance at January 1, 2020	\$ <u>693</u>	<u>19,989</u>	<u>9,138</u>	<u>32,769</u>	<u>62,589</u>
Balance at March 31, 2019	\$ <u>1,066</u>	<u>11,071</u>	<u>3,490</u>	<u>24,751</u>	<u>40,378</u>

There were no significant additions, disposals, or recognition and reversal of impairment losses of property, plant and equipment for the three months ended March 31, 2020 and 2019. Information on depreciation for the period is discussed in note 12. Please refer to note 6(j) of the 2019 annual consolidated financial statement for other related information.

(k) Right-of-use assets

	<u>Buildings</u>
Cost:	
Balance at January 1, 2020	\$ 140,285
Additions	8,211
Disposals	<u>(3,715)</u>
Balance at March 31, 2020	\$ <u>144,781</u>
Balance at January 1, 2019	\$ -
Effects of retrospective application of IFRS 16	<u>114,259</u>
Balance at January 1, 2019 after adjustments	114,259
Additions	17,006
Disposals	<u>(40)</u>
Balance at March 31, 2019	\$ <u>131,225</u>
Accumulated depreciation:	
Balance at January 1, 2020	\$ 35,346
Depreciation	9,916
Disposals	<u>(3,609)</u>
Balance at March 31, 2020	\$ <u>41,653</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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	<u>Buildings</u>
Balance at January 1, 2019	\$ -
Depreciation	9,047
Disposals	<u>(3)</u>
Balance at March 31, 2019	<u>\$ 9,044</u>
Carrying amount:	
Balance at March 31, 2020	<u>\$ 103,128</u>
Balance at January 1, 2020	<u>\$ 104,939</u>
Balance at March 31, 2019	<u>\$ 122,181</u>

(l) Intangible assets

	<u>Goodwill</u>	<u>Patent</u>	<u>Technology</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance at January 1, 2020	\$ 111,403	25,714	112,078	73,062	322,257
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,679</u>	<u>1,679</u>
Balance at March 31, 2020	<u>\$ 111,403</u>	<u>25,714</u>	<u>112,078</u>	<u>74,741</u>	<u>323,936</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,966</u>	<u>3,966</u>
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Balance at March 31, 2019	<u>\$ 111,403</u>	<u>25,714</u>	<u>112,078</u>	<u>57,790</u>	<u>306,985</u>
Accumulated amortization and impairment loss:					
Balance at January 1, 2020	\$ -	23,348	37,697	37,720	98,765
Amortization	<u>-</u>	<u>89</u>	<u>3,503</u>	<u>6,420</u>	<u>10,012</u>
Balance at March 31, 2020	<u>\$ -</u>	<u>23,437</u>	<u>41,200</u>	<u>44,140</u>	<u>108,777</u>
Balance at January 1, 2019	\$ -	16,325	23,830	15,933	56,088
Acquisition through business combination	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>13</u>
Amortization	<u>-</u>	<u>1,756</u>	<u>3,360</u>	<u>5,118</u>	<u>10,234</u>
Balance at March 31, 2019	<u>\$ -</u>	<u>18,081</u>	<u>27,190</u>	<u>21,064</u>	<u>66,335</u>
Carrying amount:					
Balance at March 31, 2020	<u>\$ 111,403</u>	<u>2,277</u>	<u>70,878</u>	<u>30,601</u>	<u>215,159</u>
Balance at January 1, 2020	<u>\$ 111,403</u>	<u>2,366</u>	<u>74,381</u>	<u>35,342</u>	<u>223,492</u>
Balance at March 31, 2019	<u>\$ 111,403</u>	<u>7,633</u>	<u>84,888</u>	<u>36,726</u>	<u>240,650</u>

(Continued)

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

(m) Short-term borrowings

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Secured bank loans	\$ <u>973,773</u>	<u>1,193,486</u>	<u>918,896</u>
Unused credit facilities	\$ <u>2,477,702</u>	<u>2,095,594</u>	<u>1,562,264</u>
Interest rate	<u>1.00%~1.29%</u>	<u>1.06%~1.30%</u>	<u>1.15%~1.30%</u>

For the collateral for short-term borrowings, please refer to note 9.

(n) Lease liabilities

The Group's lease liabilities were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current	\$ <u>39,377</u>	<u>37,053</u>	<u>38,318</u>
Non-current	\$ <u>66,589</u>	<u>70,204</u>	<u>84,684</u>

For the maturity analysis, please refer to note 6(w).

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	<u>2020</u>	<u>2019</u>
Interest expenses on lease liabilities	\$ <u>534</u>	<u>633</u>
Expenses relating to short-term leases	\$ <u>829</u>	<u>1,592</u>

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

	For the three months ended March 31	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>10,757</u>	<u>10,448</u>

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

(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. Foreign subsidiaries make contributions in compliance with the respective local regulations.

For the three months ended March 31, 2020 and 2019, the Group recognized the pension expenses of \$7,375 and \$5,690, respectively, in relation to the defined contribution plans.

(p) Income taxes

(i) Income tax expense

	For the three months ended	
	March 31	
	<u>2020</u>	<u>2019</u>
Current income tax expense		
Current period	\$ 66,704	40,219
Withholding tax in foreign jurisdiction	<u>337</u>	<u>572</u>
Income tax expense	<u><u>\$ 67,041</u></u>	<u><u>40,791</u></u>

(ii) For the three months ended March 31, 2020 and 2019, there was no income tax expense recognized in other comprehensive income.

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

(q) Capital and other equity

Except for the following disclosures, there was no significant change in capital and other equity for the three months ended March 31, 2020 and 2019. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2019.

(i) Common stock

As of March 31, 2020, December 31 and March 31, 2019, 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 71,382 thousand shares, 71,265 thousand shares and 71,064 thousand shares, respectively, were issued and outstanding.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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The movements in outstanding shares of common stock (excluding unvested restricted stock issued to employees) were as follows (in thousands of shares):

	<u>Ordinary shares</u>	
	<u>For the three months</u>	
	<u>ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	68,886	68,111
Exercise of employee stock options	123	93
Vested restricted stock issued to employees	3	2
Treasury stock transferred to employees	<u>200</u>	<u>-</u>
Balance at March 31	<u>69,212</u>	<u>68,206</u>

(ii) Capital surplus

	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
Paid-in capital in excess of par value	\$ 981,682	980,974	884,574
Compensation cost of employee stock options	1,012	1,012	22,882
Restricted stock issued to employees	16,126	17,186	57,645
Treasury share transactions	<u>60,335</u>	<u>40,981</u>	<u>-</u>
	<u>\$ 1,059,155</u>	<u>1,040,153</u>	<u>965,101</u>

(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.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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3) Earnings distribution

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

Earnings are distributed in consideration of long-term interest of its shareholders, operating and the overall economic 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 earnings was resolved by the shareholder's meeting held on June 18, 2019; and the distribution to shareholders was as follows:

	2018	
	Dividends per share (NT\$)	Amount
Dividends distributed to ordinary shareholders :		
Cash	\$ 8.09	554,844

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.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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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 movements in treasury shares were as follows (in thousands of shares):

	<u>2020</u>	<u>2019</u>
Balance at January 1	2,300	2,600
Transfer	<u>(200)</u>	<u>-</u>
Balance at March 31	<u><u>2,100</u></u>	<u><u>2,600</u></u>

- (v) Other equity

	<u>Exchange differences on translation of foreign operations</u>	<u>Deferred compensation cost arising from issuance of restricted stock</u>	<u>Unrealized gains (losses) from financial assets at fair value through other comprehensive income</u>
Balance at January 1, 2020	\$ 2,361	(5,145)	(83,824)
Foreign exchange difference arising from translation of foreign operations:			
The Group	(1,011)	-	-
Joint ventures and associates	(71)	-	-
Deferred compensation cost	-	1,461	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>(24,611)</u>
Balance at March 31, 2020	<u><u>\$ 1,279</u></u>	<u><u>(3,684)</u></u>	<u><u>(108,435)</u></u>
Balance at January 1, 2019	\$ 3,935	(30,647)	(52,802)
Foreign exchange difference arising from translation of foreign operations:			
The Group	(332)	-	-
Joint ventures	11	-	-
Deferred compensation cost	-	6,828	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>(77)</u>
Balance at March 31, 2019	<u><u>\$ 3,614</u></u>	<u><u>(23,819)</u></u>	<u><u>(53,579)</u></u>

(Continued)

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

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

	For the three months ended March 31	
	2020	2019
Balance at January 1	\$ -	-
Acquisition of subsidiary	8,631	18,609
Equity attributable to non-controlling interest:		
Net loss	(802)	(6,991)
Balance at March 31	\$ 7,829	11,618

(r) Share-based payment

(i) Employee stock options

There were no significant changes for share-based payment for the three months ended March 31, 2020 and 2019. Please refer to note 6(s) of the 2019 annual consolidated financial statement for the information on stock option plans and the assumptions adopted in the valuation model.

Information in employee stock option plans was as follows (Amounts in New Taiwan Dollars):

	For the three months ended March 31			
	2020		2019	
	Weighted- average exercise price	Number of shares	Weighted- average exercise price	Number of shares
Outstanding, beginning of year	\$ 127.18	18,500	110.60	498,000
Exercised	-	-	127.18	(16,000)
Forfeited	-	-	-	-
Outstanding, at March 31	127.18	18,500	110.04	482,000
Exercisable, at March 31	127.18	18,500	110.04	482,000

March 31, 2020				
Year of grant	Number of shares outstanding	Weighted-average remaining contractual years	Weighted-average exercise price	Number of shares exercisable
2015	18,500	0.59	\$ 127.18	18,500

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)

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

(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) were as follows:

	For the three months ended March 31	
	2020	2019
Balance at January 1	557	563
Forfeited	(3)	-
Balance at March 31	554	563
Accumulated vested shares	(487)	(304)
Unvested shares	67	259

(Continued)

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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

On February 3, 2020, the Company transferred 200 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\$197 per share.

(iv) Expenses resulted from share-based payments

	For the three months ended March 31	
	2020	2019
Treasury stock transferred to employees	\$ 19,414	-
Restricted stock	1,049	6,865
	\$ 20,463	6,865

(s) Earnings per share ("EPS")

(i) Basic earnings per share

	For the three months ended March 31	
	2020	2019
Net income attributable to the shareholders of the Company	\$ 234,539	133,668
Weighted-average number of ordinary shares outstanding (in thousands)	69,134	68,216
Basic earnings per share (in New Taiwan Dollars)	\$ 3.39	1.96

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(ii) Diluted earnings per share

	For the three months ended March 31	
	2020	2019
Net income attributable to the shareholders of the Company	\$ <u>234,539</u>	<u>133,668</u>
Weighted-average number of ordinary shares outstanding (in thousands)	69,134	68,216
Effect of diluted potential ordinary shares:		
Stock options	7	189
Employees compensation	224	255
Restricted stock	<u>52</u>	<u>127</u>
Weighted-average shares of ordinary shares outstanding (in thousands) (including effect of dilutive potential ordinary shares)	<u>69,417</u>	<u>68,787</u>
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 3.38</u>	<u>1.94</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31	
	2020	2019
Primary geographical markets:		
Taiwan	\$ 1,826	1,535
Asia	<u>1,656,533</u>	<u>1,391,584</u>
	<u>\$ 1,658,359</u>	<u>1,393,119</u>
Major products/ services line:		
Biometric authentication IC sensor and its application	\$ 1,656,559	1,391,524
Data security protection and its application	1,800	1,535
Non-recurring engineering service revenue	<u>-</u>	<u>60</u>
	<u>\$ 1,658,359</u>	<u>1,393,119</u>

(ii) Contract balances

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	\$ 872,411	<u>343,682</u>	<u>816,791</u>
Less: Allowance for impairment	<u>-</u>	<u>(327)</u>	<u>(336)</u>
Total	<u>\$ 872,411</u>	<u>343,355</u>	<u>816,455</u>

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

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(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 three months ended March 31, 2020 and 2019, the Company accrued its remuneration to employees amounting to \$16,058 and \$19,565, respectively, and its remuneration to directors amounting to \$3,212 and \$1,957, respectively, which were calculated by using the net profits before tax in the current period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's Article of Incorporation, and recognized them as operating expenses. The differences between the distributed and estimated amounts, if any, shall be accounted for as a change in accounting estimate and recognized as profit or loss in the distribution year.

For the years ended December 31, 2018 and 2017, 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. 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.

(v) Non-operating income and loss

(i) Other income

	For the three months ended March 31	
	2020	2019
Interest income from bank deposits	\$ 15,179	17,802
Interest income from other receivables	6	-
Others	<u>1,808</u>	<u>311</u>
	<u>\$ 16,993</u>	<u>18,113</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(ii) Other gains and losses

	For the three months ended March 31	
	2020	2019
Foreign exchange gains (losses), net	30,260	12,902
Net gain (loss) on financial assets at fair value through profit or loss	(7,940)	228
Others	(67)	(152)
	\$ 22,253	12,978

(iii) Finance costs

	For the three months ended March 31	
	2020	2019
Interest expense on bank loans	\$ (5,650)	(3,545)
Lease liabilities	(534)	(633)
	\$ (6,184)	(4,178)

(w) Financial instruments

Except for the following disclosures, there was no significant change in the fair value of the Group's financial instruments and in the degree of exposure to credit risk and market risk arising from financial instruments. Please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2019 for the related information.

(i) Categories of financial instruments

1) Financial assets

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets at fair value through profit or loss – current and non-current	\$ 8,100	67,850	46,483
Financial assets at fair value through other comprehensive income	170,605	195,216	163,321
Financial assets at amortized cost:			
Cash and cash equivalents	1,877,888	3,162,230	2,564,958
Accounts receivable, net	872,411	343,355	816,455
Other receivables from related parties	6,051	-	-
Other financial assets – current and non-current	818,242	318,419	130,487
Refundable deposits	10,490	10,551	10,633
Subtotal	3,585,082	3,834,555	3,522,533
Total	\$ 3,763,787	4,097,621	3,732,337

(Continued)

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

2) Financial liabilities

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Financial liabilities at amortized cost:			
Short-term borrowings	\$ 973,773	1,193,486	918,896
Notes and accounts payable	371,212	561,738	514,628
Accrued expenses	431,776	352,301	295,427
Lease liabilities – current and non-current	<u>105,966</u>	<u>107,257</u>	<u>123,002</u>
	<u>\$ 1,882,727</u>	<u>2,214,782</u>	<u>1,851,953</u>

(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 March 31, 2020, December 31 and March 31, 2019 the Group had unused credit facilities of \$2,477,702, \$2,095,594 and \$1,562,264, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>
March 31, 2020			
Short-term borrowings carrying floating interest rates \$	974,292	974,292	-
Notes and accounts payable	371,212	371,212	-
Accrued expenses	431,776	431,776	-
Lease liabilities	<u>109,039</u>	<u>39,742</u>	<u>69,297</u>
	<u>\$ 1,886,319</u>	<u>1,817,022</u>	<u>69,297</u>
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	<u>110,617</u>	<u>37,395</u>	<u>73,222</u>
	<u>\$ 2,218,859</u>	<u>2,145,637</u>	<u>73,222</u>
March 31, 2019			
Short-term borrowings carrying floating interest rates \$	919,662	919,662	-
Notes and accounts payable	514,628	514,628	-
Accrued expenses	295,427	295,427	-
Lease liabilities	<u>127,415</u>	<u>38,694</u>	<u>88,721</u>
	<u>\$ 1,857,132</u>	<u>1,768,411</u>	<u>88,721</u>

(Continued)

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The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Foreign currency risk

1) Exposure to foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the 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.

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, were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

March 31, 2020					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 112,286	30.225	3,393,844	1 %	33,938
<u>Non-Monetary items</u>					
USD	5,709	30.225	172,555	1 %	1,726
<u>Financial liabilities</u>					
USD	19,230	30.225	581,227	1 %	5,812
December 31, 2019					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 121,436	29.98	3,640,651	1 %	36,407
<u>Non-Monetary items</u>					
USD	8,263	29.98	247,725	1 %	2,477
<u>Financial liabilities</u>					
USD	28,429	29.98	852,301	1 %	8,523

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March 31, 2019						
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 107,095	30.82	3,300,668	1 %	33,007	
<u>Non-Monetary items</u>						
USD	5,500	30.82	169,510	1 %	1,695	
<u>Financial liabilities</u>						
USD	23,640	30.82	728,585	1 %	7,286	

2) Gains or losses on monetary items

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

	For the three months ended March 31			
	2020		2019	
	Foreign exchange gains (losses)	Average exchange rate	Foreign exchange gains (losses)	Average exchange rate
<u>Financial assets</u>				
USD:TWD	\$ 47,656	30.113	9,297	30.83
<u>Financial liabilities</u>				
USD:TWD	(17,210)	30.113	3,687	30.83

(iv) 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.

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

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.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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4) Quantitative information of significant unobservable inputs

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Equity investments measured at fair value through other comprehensive income	Comparable company valuation	Discount for lack of marketability (30%) Price-Book ratio (2.13~5.12, 3.87~5.80 and 2.28~5.47 on March 31, 2020, December 31 and March 31, 2019, respectively)	The estimated fair value would decrease if the discount for lack of marketability was higher 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:

	<u>Input</u>	<u>Change in assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
March 31, 2020				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	1,169	(1,169)
December 31, 2019				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	1,522	(1,522)
March 31, 2019				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	2,468	(2,468)

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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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.

(v) Transfer between fair value levels

There are no transfers between fair value levels for the three months ended March 31, 2020 and 2019.

(vi) Movements in financial assets included Level 3 fair values hierarchy were as follows:

	For the three months ended March 31			
	2020		2019	
	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	\$ 5,309	195,216	-	41,033
Total gains or losses:				
Recognized in profit and loss	190	-	-	-
Recognized in other comprehensive income	-	(24,611)	-	(777)
Additions	<u>2,601</u>	<u>-</u>	<u>-</u>	<u>123,065</u>
Ending Balance	<u>\$ 8,100</u>	<u>170,605</u>	<u>-</u>	<u>163,321</u>

(x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(y) of the consolidated financial statements for the year ended December 31, 2019.

(y) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to note 6(z) of the consolidated financial statements for the year ended December 31, 2019 for further details.

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

(z) 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:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes Additions to lease liabilities</u>	<u>March 31, 2020</u>
Short-term borrowings	\$ 1,193,486	(219,713)	-	973,773
Lease liabilities	<u>107,257</u>	<u>(9,394)</u>	<u>8,103</u>	<u>105,966</u>
Total amount of liabilities from financing activities	<u>\$ 1,300,743</u>	<u>(229,107)</u>	<u>8,103</u>	<u>1,079,739</u>

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

7. Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related party during the reporting period.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Sirius Wireless Pte. Ltd.	Associates

(Continued)

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

(b) Significant transactions with related parties

(i) Other receivables — related parties (loans)

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other receivables — loan	Associates	\$ 6,045	-	-
Other receivables — interest	Associates	6	-	-
		-	-	-
		<u>\$ 6,051</u>	<u>-</u>	<u>-</u>

The Group loaned to the associate — Sirius Wireless Pte. Ltd. with the interest rate of 2.537%. As of March 31, 2020, there is no expected credit loss after the management's assessment. For the three months ended March 31, 2020 and 2019, the interest income amounted to \$6 and \$0, respectively.

(c) Compensation for key management personnel

	<u>For the three months ended March 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 28,889	13,437
Post-employment benefits	260	216
Share-based payments	<u>19,640</u>	<u>3,845</u>
	<u>\$ 48,789</u>	<u>17,498</u>

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

8. Pledged assets

<u>Assets</u>	<u>Pledged to secure</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other financial assets—current (time deposits)	Deposit for purchase fulfillment	\$ 10,000	10,000	10,000
Other financial assets—current (bank deposits)	Performance guarantee	40,189	55,093	-
Other financial assets—non-current (time deposits)	Performance guarantee	425	445	465
		<u>\$ 50,614</u>	<u>65,538</u>	<u>10,465</u>

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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9. Significant commitments and contingencies

- (a) As of March 31, 2020, December 31 and March 31, 2019, the Group had issued promissory notes amounting to \$3,804,956, \$3,642,255 and \$2,566,080, 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. In March 2020, Beijing Intellectual Property Court issued a notice of dismissal, which the claim from Goodix was dismissed. As of May 6, 2020, the Company has yet to receive the notice of appeal against the judgement from Goodix.

10. Significant loss from casualty: None.

11. Significant subsequent Events: None.

12. Other

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

By item	By function	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:							
Salaries		-	239,805	239,805	-	182,501	182,501
Labor and health insurances		-	11,874	11,874	-	8,592	8,592
Pension		-	7,375	7,375	-	5,690	5,690
Other employees' benefits		-	7,351	7,351	-	7,128	7,128
Depreciation		693	16,866	17,559	693	12,945	13,638
Amortization		-	10,012	10,012	-	10,234	10,234

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

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13. Additional disclosures

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2020:

(i) Financing provided to other parties:

(In Thousands of New Taiwan Dollars)

No	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the period	Ending Balance	Actually drawdown Amounts	Interest rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
0	The Company	Sirius Wireless Pte. Ltd. (note 2)	Other receivables from related parties	Yes	6,045	6,045	6,045	2.537%	2	-	Operating Requirements	-		-	107,073	214,146

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

1. “0” represents the Company.
2. Subsidiaries are numbered from “1”.

Note 2: Sirius Wireless Pte. Ltd. is an associate of the Group.

Note 3: The aggregate financing amount shall not exceed 30% of the paid-in capital of the Company, within which the financing amount for the entities the Company has business transaction with shall not exceed 75% of the abovementioned aggregate financing amount, and the short-term financing amount shall not exceed 50% of the abovementioned aggregate financing amount. The individual financing amount shall not exceed 15% of the paid-in capital of the Company, within which the financing amount for the entities the Company has business transaction with shall not exceed the transaction amount, and the short-term financing amount shall not exceed 15% of the net worth of the Company.

Note 4: Nature of Financing

- 1 for entities the Company has business transactions with
- 2 for entities with short-term financing needs

(ii) Guarantees and endorsements provided to other parties:

(In Thousands of New Taiwan Dollars and US Dollars)

No.	Endorsement/ Guarantee Provide	Guaranteed party		Limitation on Endorsement/ Guarantee Amount Provided to Each Guarantee Party (note 2)	Maximum Balance for the period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (note 1)										
0	The Company	CoreSystem Technology Limited	1	834,823	121,000 (USD 4,000)	120,900	-	-	- %	1,526,140 (Note 2)	N	N	Y

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

- 1 for entities which the Company has business transactions with

Note 2: Both endorsement/guarantee amount provided in aggregate and provided to individual guarantee party shall not exceed 50% of the most recent audited or reviewed net worth of the Company, within which the endorsement/guarantee amount provided to individual guarantee party that has business transaction with the Company shall not exceed the transaction amount between both parties from the most recent audited or reviewed financial statements.

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

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income	859	3,988	3.18 %	3,988	
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	43,552	3.25 %	43,552	
The Company	Vertex Growth (SG) LP	-	Financial assets at fair value through profit or loss non-current	-	7,682	-	7,682	
The Company	Vertex Ventures (SG) SEA IV LP	-	Financial assets at fair value through profit or loss non-current	-	418	-	418	

- (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 three-month ended March 31, 2020 (excluding investee companies in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2020			Net Income (Losses) of the Investee	Share of Profit / (Losses) of Investee	Note
				March 31, 2020	December 31, 2019	Shares (in thousands)	Percentage of Ownership	Carrying Value			
The Company	Egis Inc	Cayman Islands	Investment and holding activity	669,233	669,233	25,546	100.00 %	-	-	-	Parent/subsidiary
The Company	Egis Technology (Japan) Inc	Japan	Sale of data security software and biometric authentication software and hardware	109,279	109,279	7,680	100.00 %	7,820	(6,043)	(6,043)	Parent/subsidiary
The Company	Egis Tec USA Inc	USA	Technology development	31,260	31,260	1,000	100.00 %	4,533	200	200	Parent/subsidiary
The Company	Egis Technology Korea Inc	Korea	Customer service, business promotion and technical support	18,233	18,233	20	100.00 %	26,310	3,069	3,069	Parent/subsidiary
The Company	Tyrafos Technologies Co., Limited	Hong Kong	Technology development	19,517	19,517	5,265	65.00 %	-	4,448	-	Joint venture
The Company	Igistec Co., Ltd.	Taiwan	Technology development	59,497	59,497	16,527	74.69 %	27,681	(2,319)	(2,372)	Parent/subsidiary
The Company	Sinius Wireless Pte. Ltd.	Singapore	Technology development	61,760	61,760	40,080	50.05 %	37,173	(7,017)	(3,815)	Associates

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

- (c) Information on investment in mainland China: None.
- (d) Information on major shareholders:

The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, none of the shareholders hold over 5% of stocks.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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14. Segment information

The Group is mainly engaged in the research and development, design and sale of data security software and biometric identification software and hardware. The overall operating results are regularly reviewed by the Group's chief operating decision maker to assess its performance. Therefore, the Group has only one reportable segment. For the three months ended March 31, 2020 and 2019, there were no material inconsistency between the reportable segment profit or loss and the consolidated financial statements.