

EGIS TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Three Months Ended March 31, 2021 and 2020**

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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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安侯建業聯合會計師事務所

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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, 2021 and 2020, 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, 2021 and 2020, 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' review report are Wei-Ming Shih and Huei-Chen Chang.

KPMG

Taipei, Taiwan (Republic of China)
May 7, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2021 and 2020

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31 and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

		<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>				<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets								Liabilities and Equity							
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (notes 6(a) and 8)	\$ 1,384,762	14	1,533,311	23	1,877,888	36	2100	Short-term borrowings (notes 6(m)(aa))	\$ -	-	-	-	973,773	19
1110	Financial assets at fair value through profit or loss—current (notes 6(b) and 13)	42,602	1	-	-	-	-	2170	Notes and accounts payable	235,281	3	254,432	4	371,212	7
1170	Accounts receivable, net (notes 6(d)(u))	400,748	4	303,743	5	872,411	17	2230	Current tax liabilities	50,665	1	37,274	-	231,982	4
1210	Other receivables from related parties (note 7)	-	-	-	-	6,051	-	2280	Current lease liabilities (notes 6(o)(aa))	43,916	-	44,707	1	39,377	1
130X	Inventories (note 6(c))	348,025	4	383,526	6	752,487	14	2365	Refund liabilities—current	43,591	-	99,066	1	53,098	1
1410	Prepaid expenses and other current assets	130,897	1	140,585	2	161,044	3	2399	Accrued expenses and other current liabilities (note 6(v))	347,109	4	435,241	7	437,959	8
1476	Other financial assets—current (notes 6(f) and 8)	159,169	2	144,509	2	817,817	16		Total current liabilities	<u>720,562</u>	<u>8</u>	<u>870,720</u>	<u>13</u>	<u>2,107,401</u>	<u>40</u>
	Total current assets	<u>2,466,203</u>	<u>26</u>	<u>2,505,674</u>	<u>38</u>	<u>4,487,698</u>	<u>86</u>		Non-current liabilities:						
	Non-current assets:							2540	Long-term debt (notes 6(n)(aa))	990,000	10	990,000	15	-	-
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and 13)	14,517	-	13,045	-	8,100	-	2570	Deferred income tax liabilities (note 6(q))	-	-	-	-	75	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c) and 13)	6,555,126	69	3,561,233	53	170,605	3	2580	Non-current lease liabilities (notes 6(o)(aa))	100,506	1	110,880	2	66,589	2
1550	Investments accounted for using equity method (notes 6(g) and 13)	1,164	-	46,034	1	37,173	1		Total non-current liabilities	<u>1,090,506</u>	<u>11</u>	<u>1,100,880</u>	<u>17</u>	<u>66,664</u>	<u>2</u>
1600	Property, plant and equipment (note 6(j))	105,110	1	104,000	2	66,236	1		Total liabilities	<u>1,811,068</u>	<u>19</u>	<u>1,971,600</u>	<u>30</u>	<u>2,174,065</u>	<u>42</u>
1755	Right-of-use assets (note 6(k))	136,828	1	148,087	2	103,128	2		Equity (notes 6(r)(s)):						
1780	Intangible assets (notes 6(i)(l))	186,012	2	193,154	3	215,159	4	3110	Common stock	713,758	7	713,758	11	713,818	14
1840	Deferred income tax assets	94,218	1	94,218	1	74,540	2	3200	Capital surplus	1,058,034	11	1,057,960	16	1,059,155	20
1960	Prepayments for investments (note 6(h))	-	-	-	-	60,620	1		Retained earnings:						
1920	Refundable deposits	12,603	-	12,951	-	10,490	-	3310	Legal reserve	224,069	2	224,069	3	137,801	2
1980	Other financial assets—non-current (note 8)	432	-	449	-	425	-	3320	Special reserve	81,463	1	81,463	1	48,867	1
1995	Other non-current assets	934	-	-	-	-	-	3350	Unappropriated earnings	1,120,069	12	1,057,629	16	1,432,254	27
	Total non-current assets	<u>7,106,944</u>	<u>74</u>	<u>4,173,171</u>	<u>62</u>	<u>746,476</u>	<u>14</u>		Other equity interest:						
								3411	Exchange differences on translation of foreign financial statements	1,755	-	2,112	-	1,279	-
								3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	4,769,001	50	1,775,108	26	(108,435)	(2)
								3491	Deferred compensation cost arising from issuance of restricted stock	-	-	-	-	(3,684)	-
								3500	Treasury stock	(228,775)	(2)	(228,775)	(3)	(228,775)	(4)
									Equity attributable to shareholders of the Company	<u>7,739,374</u>	<u>81</u>	<u>4,683,324</u>	<u>70</u>	<u>3,052,280</u>	<u>58</u>
								36XX	Non-controlling interests	22,705	-	23,921	-	7,829	-
									Total equity	<u>7,762,079</u>	<u>81</u>	<u>4,707,245</u>	<u>70</u>	<u>3,060,109</u>	<u>58</u>
	Total assets	<u>\$ 9,573,147</u>	<u>100</u>	<u>6,678,845</u>	<u>100</u>	<u>5,234,174</u>	<u>100</u>		Total liabilities and equity	<u>\$ 9,573,147</u>	<u>100</u>	<u>6,678,845</u>	<u>100</u>	<u>5,234,174</u>	<u>100</u>

(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, 2021 and 2020

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

		For the three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
4000	Revenue (note 6(u))	1,083,616	100	1,658,359	100
5000	Costs of revenue (notes 6(e)(i) and 12)	<u>(656,438)</u>	<u>(61)</u>	<u>(890,939)</u>	<u>(54)</u>
	Gross profit	<u>427,178</u>	<u>39</u>	<u>767,420</u>	<u>46</u>
	Operating expenses (notes 6(d)(j)(k)(l)(o)(p)(s)(v), 7 and 12):				
6100	Selling expenses	(32,270)	(3)	(71,445)	(4)
6200	Administrative expenses	(61,158)	(5)	(101,334)	(6)
6300	Research and development expenses	<u>(346,444)</u>	<u>(32)</u>	<u>(323,110)</u>	<u>(20)</u>
	Total operating expenses	<u>(439,872)</u>	<u>(40)</u>	<u>(495,889)</u>	<u>(30)</u>
	Operating income	<u>(12,694)</u>	<u>(1)</u>	<u>271,531</u>	<u>16</u>
	Non-operating income and loss:				
7100	Interest income (notes 6(w) and 7)	868	-	15,185	1
7010	Other income (note 6(w))	1,823	-	1,808	-
7020	Other gains and losses, net (note 6(w))	93,717	8	22,253	1
7050	Finance costs (notes 6(o)(w))	(4,394)	-	(6,184)	-
7060	Share of profits of associates and joint ventures accounted for using equity method (notes 6(g) and 13)	<u>(2,561)</u>	<u>-</u>	<u>(3,815)</u>	<u>-</u>
	Total non-operating income and loss	<u>89,453</u>	<u>8</u>	<u>29,247</u>	<u>2</u>
	Net income before tax	<u>76,759</u>	<u>7</u>	<u>300,778</u>	<u>18</u>
7950	Less: Income tax expenses (note 6(q))	<u>(15,535)</u>	<u>(1)</u>	<u>(67,041)</u>	<u>(4)</u>
	Net income	<u>61,224</u>	<u>6</u>	<u>233,737</u>	<u>14</u>
	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes 6(r)(x))	2,993,893	276	(24,611)	(1)
8349	Income tax related to items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>2,993,893</u>	<u>276</u>	<u>(24,611)</u>	<u>(1)</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations (note 6(r))	(1,110)	-	(1,011)	-
8370	Accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (note 6(g)(r))	(9)	-	(71)	-
8399	Income tax related to items that may be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(1,119)</u>	<u>-</u>	<u>(1,082)</u>	<u>-</u>
	Other comprehensive income (loss), net	<u>2,992,774</u>	<u>276</u>	<u>(25,693)</u>	<u>(1)</u>
	Comprehensive income	<u>\$ 3,053,998</u>	<u>282</u>	<u>208,044</u>	<u>13</u>
	Net income attributable to:				
8610	Shareholders of the Company	\$ 65,088	6	234,539	14
8620	Non-controlling interests	<u>(3,864)</u>	<u>-</u>	<u>(802)</u>	<u>-</u>
		<u>\$ 61,224</u>	<u>6</u>	<u>233,737</u>	<u>14</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	\$ 3,057,862	282	208,846	13
8720	Non-controlling interests	<u>(3,864)</u>	<u>-</u>	<u>(802)</u>	<u>-</u>
		<u>\$ 3,053,998</u>	<u>282</u>	<u>208,044</u>	<u>13</u>
	Earnings per share (in New Taiwan Dollars) (note 6(t)) :				
9750	Basic earnings per share	<u>\$ 0.94</u>		<u>3.39</u>	
9850	Diluted earnings per share	<u>\$ 0.94</u>		<u>3.38</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, 2021 and 2020
(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, 2020	\$ 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
Treasury stock transferred to employees	-	-	(60)	-	-	-	-	-	-	19,986	19,926	-	19,926
Issuance of common stock from exercise of employee stock options	1,225	(1,225)	-	-	-	-	-	-	-	-	-	-	-
Compensation cost of employee stock options	-	-	19,414	-	-	-	-	-	-	-	19,414	-	19,414
Compensation cost arising from restricted shares of stock issued to employees	-	-	(412)	-	-	-	-	-	1,461	-	1,049	-	1,049
Retirement of restricted shares of stock issued to employees	(60)	-	60	-	-	-	-	-	-	-	-	-	-
Net income in 2020	-	-	-	-	-	234,539	-	-	-	-	234,539	(802)	233,737
Other comprehensive income in 2020	-	-	-	-	-	-	(1,082)	(24,611)	-	-	(25,693)	-	(25,693)
Total comprehensive income in 2020	-	-	-	-	-	234,539	(1,082)	(24,611)	-	-	208,846	(802)	208,044
Balance at March 31, 2020	<u>\$ 713,818</u>	<u>-</u>	<u>1,059,155</u>	<u>137,801</u>	<u>48,867</u>	<u>1,432,254</u>	<u>1,279</u>	<u>(108,435)</u>	<u>(3,684)</u>	<u>(228,775)</u>	<u>3,052,280</u>	<u>7,829</u>	<u>3,060,109</u>
Balance at January 1, 2021	\$ 713,758	-	1,057,960	224,069	81,463	1,057,629	2,112	1,775,108	-	(228,775)	4,683,324	23,921	4,707,245
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	762	-	-	-	762	-	762
Changes in ownership interests in subsidiaries	-	-	-	-	-	(2,648)	-	-	-	-	(2,648)	2,648	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	74	-	-	-	-	-	-	-	74	-	74
Net income in 2021	-	-	-	-	-	65,088	-	-	-	-	65,088	(3,864)	61,224
Other comprehensive income in 2021	-	-	-	-	-	-	(1,119)	2,993,893	-	-	2,992,774	-	2,992,774
Total comprehensive income in 2021	-	-	-	-	-	65,088	(1,119)	2,993,893	-	-	3,057,862	(3,864)	3,053,998
Balance at March 31, 2021	<u>\$ 713,758</u>	<u>-</u>	<u>1,058,034</u>	<u>224,069</u>	<u>81,463</u>	<u>1,120,069</u>	<u>1,755</u>	<u>4,769,001</u>	<u>-</u>	<u>(228,775)</u>	<u>7,739,374</u>	<u>22,705</u>	<u>7,762,079</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2021	2020
Cash flows from operating activities:		
Income before income taxes	\$ 76,759	300,778
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	23,643	17,559
Amortization	7,142	10,012
Reversal of expected credit loss	-	(330)
Net loss (gain) on financial assets at fair value through profit or loss	(1,472)	7,940
Interest expense	4,394	6,184
Interest income	(868)	(15,185)
Share-based payments	74	20,463
Share of loss of associates and joint ventures accounted for using the equity method	2,561	3,815
Gain on disposal of investments	(97,365)	-
Total adjustments to reconcile profit	(61,891)	50,458
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(97,005)	(528,726)
Other receivables from related parties	-	(6,051)
Inventories	35,501	10,420
Prepayments and other current assets	9,772	1,322
Total changes in operating assets	(51,732)	(523,035)
Changes in operating liabilities:		
Notes and accounts payable	(19,151)	(190,526)
Refund liabilities	(55,475)	(7,490)
Accrued expenses and other current liabilities	(88,132)	(187,754)
Total changes in operating liabilities	(162,758)	(385,770)
Total changes in operating assets and liabilities	(214,490)	(908,805)
Cash provided by operations	(199,622)	(557,569)
Interest received	904	14,408
Interest paid	(4,394)	(6,381)
Income taxes paid	(2,228)	(3,841)
Net cash used in operating activities	(205,340)	(553,383)

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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2021	2020
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	-	(78,780)
Proceeds from disposal of financial assets at fair value through profit or loss	-	130,590
Proceeds from disposal of investments accounted for using the equity method	97,825	-
Increase in prepayments for investments	-	(60,620)
Acquisition of property, plant and equipment	(13,676)	(11,359)
Acquisition of intangible assets	-	(1,679)
Increase in other financial assets	(14,696)	(499,066)
Decrease in refundable deposits	348	61
Increase in other non-current assets	(934)	-
Net cash provided by (used in) investing activities	<u>68,867</u>	<u>(520,853)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	-	2,752,203
Repayments of short-term borrowings	-	(2,971,916)
Payment of lease liabilities	(11,017)	(9,394)
Treasury stock transferred to employees	-	19,926
Net cash used in financing activities	<u>(11,017)</u>	<u>(209,181)</u>
Effects of foreign exchange rate changes	<u>(1,059)</u>	<u>(925)</u>
Net decrease in cash and cash equivalents	(148,549)	(1,284,342)
Cash and cash equivalents at beginning of the period	<u>1,533,311</u>	<u>3,162,230</u>
Cash and cash equivalents at end of the period	<u><u>\$ 1,384,762</u></u>	<u><u>1,877,888</u></u>

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, 2021 and 2020

(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.

2. Authorization of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on May 7, 2021.

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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(Continued)

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

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
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.	January 1, 2023

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.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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4. Summary of significant accounting policies

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, 2020. Please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020 for the related information.

(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.

(b) Basis of consolidation

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

Names of Investors	Names of Subsidiaries	Principal Activities	Shareholdings		
			March 31, 2021	December 31, 2020	March 31, 2020
The Company	Egis Inc.(Cayman Islands) (note 1)	Investment and holding activity	-	-	100.00 %
The Company	Egis Technology (Japan) Inc.	Sale of data security software, biometric authentication software, and hardware, and technical support	100.00 %	100.00 %	100.00 %
The Company	Egis Tec USA Inc.(note 2)	Technology development	-	-	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 %	74.69 %	74.69 %
The Company	Sense Investment and Consulting Inc. (note 3)	Investment and holding activity	100 %	100 %	-
The Company	Luxsentek Microelectronics Corp. (note 4)	Technology development	81.86 %	68.13 %	-

Note 1: Egis Inc. (Cayman Islands) was liquidated in June 2020.

Note 2: Egis Tec USA Inc. was liquidated in November 2020.

Note 3: The Group acquired and took control over Sense Investment and Consulting Inc. (formerly known as Sense Media Company Ltd.) on June 3, 2020. Therefore, Sense Investment and Consulting Inc. has been included in Group's consolidated financial statements from the date the control commenced.

Note 4: The Group acquired and took control over Luxsentek Microelectronics Corp. on December 18, 2020. Therefore, Luxsentek Microelectronics Corp. has been included in 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.

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

(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.

Except for the following disclosures, 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, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(a) Judgment of whether the Group has control over its investees

The Group originally held 50.05% outstanding shares of Sirius Wireless Pte. Ltd. (Sirius Wireless). The remaining 49.95% shares of Sirius Wireless were concentrated within specific shareholders, with each share's voting right having twice as much as compared to that of the Group. Therefore, it was determined that the Group has only significant influence on Sirius Wireless but not control over it. In January 2021, the Group's shareholding ratio decreased to 15.02% due to a disposal of part of Sirius Wireless shares, with the resignation of the director's position on Sirius Wireless. Therefore, it was determined that the Group lose significant influence on Sirius Wireless.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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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, 2020. Please refer to note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 900	1,016	860
Bank deposits	1,003,342	909,272	151,181
Time deposits	172,214	480,623	1,725,847
Repurchase agreements – bond	208,306	142,400	-
	<u>\$ 1,384,762</u>	<u>1,533,311</u>	<u>1,877,888</u>

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

	March 31, 2021	December 31, 2020	March 31, 2020
Current:			
Foreign unlisted common shares	\$ 42,602	-	-
Non-current:			
Privately offered fund	14,517	13,045	8,100
	<u>\$ 57,119</u>	<u>13,045</u>	<u>8,100</u>

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

	March 31, 2021	December 31, 2020	March 31, 2020
Equity instruments at fair value through other comprehensive income:			
Domestic listed common shares	\$ 6,154,287	3,179,148	-
Unlisted common shares	400,839	382,085	170,605
	<u>\$ 6,555,126</u>	<u>3,561,233</u>	<u>170,605</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 financial purposes.

No strategic investments were disposed in the three months ended March 31, 2021 and 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

(d) Accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Accounts receivable	<u>\$ 400,748</u>	<u>303,743</u>	<u>872,411</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:

	March 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	<u>\$ 400,748</u>	0.0001%	<u>-</u>
	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	<u>\$ 303,743</u>	0.0001%	<u>-</u>
	March 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	<u>\$ 872,411</u>	0.0001%	<u>-</u>

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

	For the three months ended March 31, 2020
Balance at January 1	\$ 327
Impairment loss reversed	(330)
Foreign exchange losses	<u>3</u>
Balance at March 31	<u>\$ -</u>

(e) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 62,795	90,214	319,764
Work in process	285,230	283,907	427,817
Finished goods	-	9,405	4,906
	<u>\$ 348,025</u>	<u>383,526</u>	<u>752,487</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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For the three months ended March 31, 2021 and 2020, the cost of inventories sold, which were included in costs of revenue, amounted to \$605,310 and \$843,781, respectively, of which the write-downs of inventories to net realizable value amounted to \$7,913 and \$118,536, respectively.

(f) Other financial assets—current

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposit (with original maturities of between three months and one year)	\$ 143,175	142,900	755,625
Restricted bank deposits	596	596	50,189
Other receivables	15,398	1,013	12,003
	<u>\$ 159,169</u>	<u>144,509</u>	<u>817,817</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, 2021	December 31, 2020	March 31, 2020
Associates	\$ -	43,948	37,173
Joint ventures	1,164	2,086	-
	<u>\$ 1,164</u>	<u>46,034</u>	<u>37,173</u>

The Group disposed part of its investments in Sirius Wireless in January 2021 for \$97,825, and therefore, its shareholding ratio decreased to 15.02%, resulting in the Group to lose significant influence over Sirius Wireless. The Group discontinued the use of the equity method from the disposal date and measured the retained interest at fair value recognized as financial assets at fair value through profit and losses. The difference between the carrying amount of the investment at the date the equity method was discontinued, and the fair value of retained interest and proceeds from disposing of a part interest in Sirius Wireless, amounted to \$97,365, which recognized as gain on disposal of investments. Please refer to note 6(W)(iii).

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	
	<u>2021</u>	<u>2020</u>
Attributable to the Group:		
Net loss	\$ (2,561)	(3,815)
Other comprehensive income (loss)	(9)	(71)
Total comprehensive income (loss)	<u>\$ (2,570)</u>	<u>(3,886)</u>

(Continued)

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

(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. The common shares of the aforementioned prepayments for investments were acquired in the second quarter of FY 2020, and recognized as financial assets at fair value through other comprehensive income.

(i) Acquisition of subsidiaries

(i) Acquisition of subsidiary – Luxsentek Microelectronics Corp.

1) The cost of acquisition

On December 18, 2020 (the acquisition date), the Group acquired 68.13% ownership of Luxsentek Microelectronics Crop. (Luxsentek) for a cash consideration of \$45,000, and obtained control over it since then.

Luxsentek Microelectronics Corp. (Luxsentek) is primarily engaged in the design and sales of innovative optical sensor products. The acquisition of Luxsentek enables the Group to expand the development of its market share and production line of sensor chip products by integrating Luxsentek’s production experience and technology.

2) 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	\$ 45,000
Add: Non-controlling interests in the acquiree (proportionate share of the fair value of the identifiable net assets)	19,858
Less: Fair value of identifiable assets acquired and liabilities assumed	
Cash	58,292
Prepaid expenses and other current assets	701
Property, plant and equipment	1,477
Other non-current assets, net	4,388
	64,858
Goodwill	\$ -

(Continued)

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

(ii) Acquisition of subsidiary—Sense Investment and Consulting Inc. (Sense Investment)

1) The cost of acquisition

The Group acquired 100% ownership of Sense Investment for a cash consideration of \$1,880 on June 3, 2020 (the acquisition date) in order to increase the common shares of FocalTech Systems Co., Ltd., where Sense Investment holds a certain portion of its shares. Also, the Group assumed that Sense Investment will be its holding and investing company for developing its venture capital business.

2) Identifiable net assets acquired in a business combination

The fair value information of assets acquired and liabilities assumed from the acquisition on the acquisition date are as follows:

Account	Amount
Cash	\$ 342
Non-current financial assets at fair value through other comprehensive income	1,610
Other liabilities, net	(72)
	\$ 1,880

(j) Property, plant and equipment

	Computer and communication equipment	Research and development equipment	Leasehold improvement	Other equipment	Total
Carrying amounts:					
Balance at March 31, 2021	\$ <u>39,066</u>	<u>31,036</u>	<u>14,633</u>	<u>20,375</u>	<u>105,110</u>
Balance at January 1, 2021	\$ <u>35,258</u>	<u>31,869</u>	<u>14,535</u>	<u>22,338</u>	<u>104,000</u>
Balance at March 31, 2020	\$ <u>16,087</u>	<u>21,013</u>	<u>11,063</u>	<u>18,073</u>	<u>66,236</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, 2021 and 2020. Information on depreciation for the period is discussed in note 12. Please refer to note 6(i) of the 2020 annual consolidated financial statement for other related information.

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

(k) Right-of-use assets

	<u>Buildings</u>
Cost:	
Balance at January 1, 2021	\$ 195,450
Disposals	<u>(334)</u>
Balance at March 31, 2021	<u>\$ 195,116</u>
Balance at January 1, 2020	\$ 140,285
Additions	8,211
Disposals	<u>(3,715)</u>
Balance at March 31, 2020	<u>\$ 144,781</u>
Accumulated depreciation:	
Balance at January 1, 2021	\$ 47,363
Depreciation	11,115
Disposals	<u>(190)</u>
Balance at March 31, 2021	<u>\$ 58,288</u>
Balance at January 1, 2020	\$ 35,346
Depreciation	9,916
Disposals	<u>(3,609)</u>
Balance at March 31, 2020	<u>\$ 41,653</u>
Carrying amount:	
Balance at March 31, 2021	<u>\$ 136,828</u>
Balance at January 1, 2021	<u>\$ 148,087</u>
Balance at March 31, 2020	<u>\$ 103,128</u>

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

(l) Intangible assets

	<u>Goodwill</u>	<u>Patent</u>	<u>Technology</u>	<u>Computer software</u>	<u>Total</u>
Carrying amount:					
Balance at March 31, 2021	\$ <u>111,403</u>	<u>1,921</u>	<u>56,869</u>	<u>15,819</u>	<u>186,012</u>
Balance at January 1, 2021	\$ <u>111,403</u>	<u>2,010</u>	<u>60,371</u>	<u>19,370</u>	<u>193,154</u>
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>

There were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2021 and 2020. Information on amortization for the period is discussed in note 12. Please refer to note 6(l) of the 2020 annual consolidated financial statement for other related information.

(m) Short-term borrowings

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Secured bank loans	\$ <u>-</u>	<u>-</u>	<u>973,773</u>
Unused credit facilities	\$ <u>2,715,285</u>	<u>3,774,480</u>	<u>2,477,702</u>
Interest rate	<u>-</u>	<u>0.86%~1.29%</u>	<u>1.00%~1.29%</u>

(n) Long-term debt

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank loans	\$ <u>990,000</u>	<u>990,000</u>
Unused credit facilities	\$ <u>1,420,700</u>	<u>400,000</u>
Maturity year	<u>2022~2024</u>	<u>2022~2024</u>
Interest rate	<u>1.49%~1.53%</u>	<u>1.49%~1.53%</u>

(i) Covenants for bank borrowings

The Company committed to the banks that the common shares of FocalTech Systems Co. Ltd. (FocalTech) held by the Company, which are recognized in non-current financial assets at fair value through other comprehensive income, shall not be disposed, collateralized or transferred to third parties without any notice to the banks.

(ii) Compliance with loan agreements

According to the loan agreements, the Company is required to maintain certain financial ratios calculated based on the annual and semi-annual audited/reviewed consolidated financial statements. Moreover, in accordance with the loan agreement with Mega Bank, if the Company fails to meet any of the financial ratios, the bank shall charge the Company a commitment fee, which is 0.1% of the used credit facilities.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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For the year 2020, the Company's financial ratio was in compliance with the loan agreements.

On April 15, 2021, the Group early repaid all its long-term debt, and disposed all its investment in FocalTech. Please refer to note 11 for other information.

(o) Lease liabilities

The Group's lease liabilities were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	<u>\$ 43,916</u>	<u>44,707</u>	<u>39,377</u>
Non-current	<u>\$ 100,506</u>	<u>110,880</u>	<u>66,589</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	
	2021	2020
Interest expenses on lease liabilities	<u>\$ 614</u>	<u>534</u>
Expenses relating to short-term leases	<u>\$ 954</u>	<u>829</u>

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

	For the three months ended March 31	
	2021	2020
Total cash outflow for leases	<u>\$ 12,585</u>	<u>10,757</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.

(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.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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For the three months ended March 31, 2021 and 2020, the Group recognized the pension expenses of \$8,530 and \$7,375, respectively, in relation to the defined contribution plans.

(q) Income taxes

Income tax expense

	For the three months ended March 31	
	2021	2020
Current income tax expense		
Current period	15,061	66,704
Withholding tax in foreign jurisdiction	474	337
Income tax expense	15,535	67,041

(i) For the three months ended March 31, 2021 and 2020, there was no income tax expense recognized in other comprehensive income.

(ii) The Company's income tax returns for all fiscal years through 2018 were examined and approved by the R.O.C. income tax authorities.

(r) Capital and other equity

Except for the following disclosures, there was no significant change in capital and other equity for the three months ended March 31, 2021 and 2020. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2020.

(i) Common stock

As of March 31, 2021, December 31 and March 31, 2020, 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 71,376 thousand shares, 71,376 thousand shares and 71,382 thousand shares, respectively, were issued and outstanding.

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

	Ordinary shares	
	For the three months ended March 31	
	2021	2020
Balance at January 1	69,269	68,886
Exercise of employee stock options	-	123
Vested restricted stock issued to employees	3	3
Treasury stock transferred to employees	-	200
Balance at March 31	69,272	69,212

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

(ii) Capital surplus

	March 31, 2021	December 31, 2020	March 31, 2020
Paid-in capital in excess of par value	\$ 996,853	996,145	981,682
Compensation cost of employee stock options	-	-	1,012
Restricted stock issued to employees	846	1,480	16,126
Treasury share transactions	60,335	60,335	60,335
	<u>\$ 1,058,034</u>	<u>1,057,960</u>	<u>1,059,155</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.

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.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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The appropriation of 2019 earnings were resolved by the shareholder's meeting held on June 18, 2020; and the distribution to shareholders were as follows:

	2019	
	Dividends per share (NT\$)	Amount
Dividends distributed to ordinary shareholders :		
Cash	\$ 9.00	623,536

On March 16, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings amounting to \$623,482, at a price of \$9 for each shares. On May 7, 2021, the Company's Board of directors resolved to amend the appropriation of 2020 earnings; and the revised distribution to shareholders were as follows:

	2020	
	Dividends per share (NT\$)	Amount
Cash	\$ 15.00	1,039,136

(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 movements in treasury shares were as follows (in thousands of shares):

	2021	2020
Balance at January 1	2,100	2,300
Transfer	-	(200)
Balance at March 31	2,100	2,100

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

(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, 2021	\$ 2,112	-	1,775,108
Foreign exchange difference arising from translation of foreign operations:			
The Group	(1,110)	-	-
Joint ventures and associates	(9)	-	-
Disposal gain (loss) of investment accounted for using the equity method reclassified to net income	762	-	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	-	-	2,993,893
Balance at March 31, 2021	<u>\$ 1,755</u>	<u>-</u>	<u>4,769,001</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	-	-	(24,611)
Balance at March 31, 2020	<u>\$ 1,279</u>	<u>(3,684)</u>	<u>(108,435)</u>

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(vi) Non-controlling interests (net after tax)

	For the three months ended March 31	
	2021	2020
Balance at January 1	\$ 23,921	8,631
Equity attributable to non-controlling interest:		
Net loss	(3,864)	(802)
Changes in ownership interests in subsidiaries	2,648	-
Balance at March 31	\$ 22,705	7,829

(s) Share-based payment

(i) Employee stock options

There were no significant changes for employee stock options for the three months ended March 31, 2021 and 2020. Please refer to note 6(r) of the 2020 annual consolidated financial statement for the information on stock option plans and the assumptions adopted in the valuation model.

	For the three months ended March 31	
	2020	
	Weighted- average exercise price (NT\$)	Number of shares
Outstanding, beginning of year	127.18	18,500
Forfeited	-	-
Outstanding, end of year	127.18	18,500
Exercisable, end of year	127.18	18,500

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(ii) Restricted stock

There were no significant changes for restricted stock options for the three months ended March 31, 2021 and 2020. Please refer to note 6(r) of the 2020 annual consolidated financial statement for the information on restricted stock.

	For the three months ended March 31	
	2021	2020
Balance at January 1 (in thousands)	551	557
Forfeited	-	(3)
Balance at March 31	551	554
Accumulated vested shares	(547)	(487)
Unvested shares	<u>4</u>	<u>67</u>

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, and recognized as operating expenses during vesting period.

(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 costs were 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	
	2021	2020
Treasury stock transferred to employees	-	19,414
Restricted stock	74	1,049
	<u>74</u>	<u>20,463</u>

(t) Earnings per share ("EPS")

(i) Basic earnings per share

	For the three months ended March 31	
	2021	2020
Net income attributable to the shareholders of the Company	\$ 65,088	234,539
Weighted-average number of ordinary shares outstanding (in thousands)	69,269	69,134
Basic earnings per share (in New Taiwan Dollars)	<u>\$ 0.94</u>	<u>3.39</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(ii) Diluted earnings per share

	For the three months ended March 31	
	2021	2020
Net income attributable to the shareholders of the Company	\$ 65,088	234,539
Weighted-average number of ordinary shares outstanding (in thousands)	69,269	69,134
Effect of diluted potential ordinary shares:		
Stock options	-	7
Employees compensation	230	224
Restricted stock	3	52
Weighted-average shares of ordinary shares outstanding (in thousands) (including effect of dilutive potential ordinary shares)	<u>69,502</u>	<u>69,417</u>
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ 0.94</u>	<u>3.38</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31	
	2021	2020
Primary geographical markets:		
Taiwan	\$ 790	1,826
Asia	1,078,906	1,656,533
United States	3,920	-
	<u>\$ 1,083,616</u>	<u>1,658,359</u>
Major products/ services line:		
Biometric authentication IC sensor and its application	\$ 1,078,906	1,656,559
Data security protection and its application	112	1,800
Non-recurring engineering service revenue	4,598	-
	<u>\$ 1,083,616</u>	<u>1,658,359</u>

(ii) Contract balances

	March 31, 2021	December 31, 2020	March 31, 2020
Accounts receivable	<u>\$ 400,748</u>	<u>303,743</u>	<u>872,411</u>

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(v) Remuneration to employees and directors

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

For the three months ended March 31, 2021 and 2020, the Company accrued its remuneration to employees amounting to \$4,277 and \$16,058, respectively, and its remuneration to directors amounting to \$855 and \$3,212, 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, 2020 and 2019, the Company accrued its remuneration to employees amounting to \$40,140 and \$83,367, respectively, and its remuneration to directors amounting to \$8,028 and \$11,568, 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.

(w) Non-operating income and loss

(i) Interest income

	For the three months ended March 31	
	2021	2020
Interest income from bank deposits	\$ 868	15,179
Interest income from other receivables	-	6
	<u>\$ 868</u>	<u>15,185</u>

(ii) Other income

	For the three months ended March 31	
	2021	2020
Rent income	\$ 279	210
Others	1,544	1,598
	<u>\$ 1,823</u>	<u>1,808</u>

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

	For the three months ended March 31	
	2021	2020
Gain on disposal of investments (note 6(g))	97,365	-
Foreign exchange (losses) gains, net	(5,120)	30,260
Net gain (loss) on financial assets at fair value through profit or loss	1,472	(7,940)
Others	-	(67)
	<u><u>\$ 93,717</u></u>	<u><u>22,253</u></u>

(iv) Finance costs

	For the three months ended March 31	
	2021	2020
Interest expense on bank loans	\$ (3,780)	(5,650)
Lease liabilities	(614)	(534)
	<u><u>\$ (4,394)</u></u>	<u><u>(6,184)</u></u>

(x) Financial instruments

Except for the following disclosures, there was no significant change in the fair value of the Group's financial instruments and in the degree of exposure to credit risk and market risk arising from financial instruments. Please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2020 for the related information.

(i) Categories of financial instruments

1) Financial assets

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets at fair value through profit or loss – current and non-current	\$ 57,119	13,045	8,100
Financial assets at fair value through other comprehensive income	6,555,126	3,561,233	170,605
Financial assets at amortized cost:			
Cash and cash equivalents	1,384,762	1,533,311	1,877,888
Accounts receivable, net	400,748	303,743	872,411
Other receivables from related parties	-	-	6,051
Other financial assets – current and non-current	159,601	144,958	818,242
Refundable deposits	12,603	12,951	10,490
Subtotal	<u>1,957,714</u>	<u>1,994,963</u>	<u>3,585,082</u>
Total	<u><u>\$ 8,569,959</u></u>	<u><u>5,569,241</u></u>	<u><u>3,763,787</u></u>

(Continued)

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

2) Financial liabilities

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Financial liabilities at amortized cost:			
Short-term borrowings	\$ -	-	973,773
Notes and accounts payable	235,281	254,432	371,212
Accrued expenses	332,268	427,882	431,776
Lease liabilities – current and non-current	144,422	155,587	105,966
Long-term debt	990,000	990,000	-
	<u>\$ 1,701,971</u>	<u>1,827,901</u>	<u>1,882,727</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, 2021, December 31 and March 31, 2020 the Group had unused credit facilities of \$2,715,285, \$3,774,480 and \$2,477,702, 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, 2021			
Notes and accounts payable	235,281	235,281	-
Accrued expenses	332,268	332,268	-
Lease liabilities	149,147	44,257	104,890
Long-term debt	1,039,746	15,247	1,024,499
	<u>\$ 1,756,442</u>	<u>627,053</u>	<u>1,129,389</u>
December 31, 2020			
Short-term borrowings	\$ 234	234	-
Notes and accounts payable	254,432	254,432	-
Accrued expenses	427,882	427,882	-
Lease liabilities	160,928	45,059	115,869
Long-term debt	1,043,403	15,247	1,028,156
	<u>\$ 1,886,879</u>	<u>742,854</u>	<u>1,144,025</u>
March 31, 2020			
Short-term borrowings	\$ 974,292	974,292	-
Notes and accounts payable	371,212	371,212	-
Accrued expenses	378,678	378,678	-
Lease liabilities	109,039	39,742	69,297
	<u>\$ 1,833,221</u>	<u>1,763,924</u>	<u>69,297</u>

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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, 2021					
	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	\$ 50,380	28.535	1,437,593	1 %	14,376
<u>Non-Monetary items</u>					
USD	13,669	28.535	390,045	1 %	3,900
<u>Financial liabilities</u>					
USD	14,643	28.535	417,838	1 %	4,178
December 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	\$ 59,468	28.480	1,693,649	1 %	16,936
<u>Non-Monetary items</u>					
USD	8,934	28.480	254,440	1 %	2,544
<u>Financial liabilities</u>					
USD	16,544	28.480	471,173	1 %	4,712

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	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

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			
	2021		2020	
	Foreign exchange gains (losses)	Average exchange rate	Foreign exchange gains (losses)	Average exchange rate
<u>Financial assets</u>				
USD:TWD	\$ 4,406	28.369	47,656	30.113
<u>Financial liabilities</u>				
USD:TWD	(8,910)	28.369	(17,210)	30.113

(iv) Other market price risk

The investment target of the open-end mutual funds held by the Group are mostly bond or monetary funds. The Group anticipates that there is no significant market risk related to the funds.

The Group has strategic investments in listed and unlisted common shares, which the Group does not actively participate in trading.

Assuming there was an increase or decrease of 5% in equity prices at each reporting date, the other comprehensive income for the three months ended March 31, 2021 and 2020 would have increased or decreased by \$327,756 and \$8,530, respectively.

(v) 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.

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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).

	March 31, 2021				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss :					
Unlisted common shares	\$ 42,602	-	-	42,602	42,602
Financial assets at fair value through profit or loss—non-current :					
Privately offered fund	14,517	-	-	14,517	14,517
Financial assets at fair value through other comprehensive income—non-current:					
Listed common shares	\$ 6,154,287	6,154,287	-	-	6,154,287
Unlisted common shares	400,839	-	-	400,839	400,839
Subtotal	<u>6,555,126</u>	<u>6,154,287</u>	<u>-</u>	<u>400,839</u>	<u>6,555,126</u>
	<u>\$ 6,612,245</u>	<u>6,154,287</u>	<u>-</u>	<u>457,958</u>	<u>6,612,245</u>

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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 (4.34, 4.19 and 5.12 on March 31, 2021, December 31 and March 31, 2020, 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, 2021				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	3,628	(3,628)
December 31, 2020				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	3,386	(3,386)
March 31, 2020				
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	1,169	(1,169)

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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.

(vi) Transfer between fair value levels

There are no transfers between fair value levels for the three months ended March 31, 2021 and 2020.

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

	For the three months ended March 31			
	2021		2020	
	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	\$ 13,045	382,085	5,309	195,216
Total gains or losses:				
Recognized in profit or loss	1,472	-	190	-
Recognized in other comprehensive income	-	18,754	-	(24,611)
Additions	42,602	-	2,601	-
Ending Balance	<u>\$ 57,119</u>	<u>400,839</u>	<u>8,100</u>	<u>170,605</u>

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(x) of the consolidated financial statements for the year ended December 31, 2020.

(z) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2020 for further details.

(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).

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

	January 1, 2021	Cash flows	Non-cash changes Additions to lease liabilities	March 31, 2021
Long-term debt	\$ 990,000	-	-	990,000
Lease liabilities	155,587	(11,017)	(148)	144,422
Total amount of liabilities from financing activities	<u>\$ 1,145,587</u>	<u>(11,017)</u>	<u>(148)</u>	<u>1,134,422</u>

	January 1, 2020	Cash flows	Non-cash changes Additions to lease liabilities	March 31, 2020
Short-term borrowings	\$ 1,193,486	(219,713)	-	973,773
Lease liabilities	107,257	(9,394)	8,103	105,966
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>

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 (The Group lost significant influence over the investee on January 31, 2021)

(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>
Other receivables – loan	Associates	\$ 6,045
Other receivables – interest	Associates	6
		<u>\$ 6,051</u>

The Group loaned to the associate – Sirius Wireless Pte. Ltd. with the interest rate of 2.537% in the first quarter of year 2020. As of March 31, 2020, there was no expected credit loss after the management's assessment. For the three months ended March 31, 2020, the interest income amounted to \$6. The loan receivables were fully collected in the fourth quarter of year 2020.

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(c) Compensation for key management personnel

	For the three months ended March 31	
	2021	2020
Short-term employee benefits	\$ 21,229	28,889
Post-employment benefits	270	260
Share-based payments	-	19,640
	<u>\$ 21,499</u>	<u>48,789</u>

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

8. Pledged assets

<u>Assets</u>	<u>Pledged to secure</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Other financial assets—current (time deposits)	Deposit for purchase fulfillment	\$ -	-	10,000
Other financial assets—current (bank deposits)	Performance guarantee	596	596	40,189
Other financial assets—non- current (time deposits)	Performance guarantee	<u>432</u>	<u>449</u>	<u>425</u>
		<u>\$ 1,028</u>	<u>1,045</u>	<u>50,614</u>

9. Significant commitments and contingencies

- (a) 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 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.
- (b) Shenzhen Goodix Technology Co., Ltd. (Goodix) has filed a patent infringement complaint with the Beijing Intellectual Property Court against the Company in July 2020, wherein it requested the Company to pay the compensation amounting to CNY 50,500 thousand for the damage. The Company received the complaint in July 21, 2020 and 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.

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- (c) Shenzhen Goodix Technology Co., Ltd. (Goodix) has filed a patent infringement complaint with the Nanjing Intermediate People's Court against the Company in December 2020, wherein it requested the Company to pay the compensation amounting to CNY 50,500 thousand for the damage. The Company received the complaint in December 4, 2020 and 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

On April 16, 2021, the Company's Board of directors resolved to dispose all its investments in FocalTech Systems Co., Ltd. The disposal transaction was completed on April 19, 2021, resulting in the estimated disposal gain to increase by \$ 5,331,682 (excluding the related income tax), which was recognized in other comprehensive income. Thereafter, the gain (net of tax) was reclassified from other comprehensive income in equity to retained earnings.

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, 2021			For the three months ended March 31, 2020		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:							
	Salaries	-	199,412	199,412	-	239,805	239,805
	Labor and health insurances	-	12,621	12,621	-	11,874	11,874
	Pension	-	8,530	8,530	-	7,375	7,375
	Other employees' benefits	-	7,408	7,408	-	7,351	7,351
	Depreciation	552	23,091	23,643	693	16,866	17,559
	Amortization	-	7,142	7,142	-	10,012	10,012

- (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, 2021:

(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	Igistec Co.Ltd	Other receivables from related parties	Yes	20,000	20,000	-	1%	2	-	Operating Requirements	-		-	107,064	214,127

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: 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 3: 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 Guaranteed 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	895,283	121,000 (USD 4,000)	114,140	41,879	-	1.47 %	3,869,687 (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.

(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	314	3,988	1.86 %	3,988	
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	5,053	330,651	19.39 %	330,651	
The Company	MEMS DRIVE INC.	-	Financial assets at fair value through other comprehensive income	188	44,182	3.25 %	44,182	

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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	FocalTech Systems Co., Ltd	-	Financial assets at fair value through other comprehensive income	33,967	6,147,950	16.14 %	6,147,950	
The Company	ION ELECTRONIC MATERIALS CO.,LTD	-	Financial assets at fair value through other comprehensive income	1,000	22,018	8.33 %	22,018	
Sense Investment and Consulting Inc.	FocalTech Systems Co., Ltd	-	Financial assets at fair value through other comprehensive income	35	6,337	0.02 %	6,337	
The Company	Vertex Growth (SG) LP	-	Financial assets at fair value through profit or loss – non-current	-	12,918	-	12,918	
The Company	Vertex Venture (SG) SEA IV LP	-	Financial assets at fair value through profit or loss – non-current	-	1,599	-	1,599	
The Company	Sirius Wireless Pte.Ltd	-	Financial assets at fair value through profit or loss – current	12,024	42,602	15.02 %	42,602	

- (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, 2021 (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, 2021			Net Income (Losses) of the Investee	Share of Profit / (Losses) of Investee	Note
				March 31, 2021	December 31, 2019	Shares (in thousands)	Percentage of Ownership	Carrying Value			
The Company	Egis Technology (Japan) Inc.	Japan	Sale of data security software, biometric authentication software and hardware, and technical support	109,279	109,279	7,680	100.00 %	937	1,203	1,203	Parent/subsidiary
The Company	Egis Technology Korea Inc.	Korea	Customer service, business promotion and technical support	18,233	18,233	20	100.00 %	31,143	4,600	4,600	Parent/subsidiary
The Company	Igistec Co., Ltd.	Taiwan	Technology development	59,497	59,497	16,527	74.69 %	19,778	(2,821)	(2,107)	Parent/subsidiary
The Company	Sirius Wireless Pte. Ltd.	Singapore	Technology development	-	61,760	-	-	-	(3,073)	(1,640)	Associates
The Company	Sense Investment and Consulting Inc.	Taiwan	Investment and holding activity	1,880	1,880	167	100.00 %	6,486	-	-	Parent/subsidiary
The Company	Vitrio Technology Corporation	Taiwan	Technology development	4,970	4,970	142	50.00 %	1,164	(1,842)	(921)	Joint venture
The Company	Luxsentek Microelectronics Corp.	Taiwan	Technology development	95,000	45,000	9,500	81.86 %	79,217	(9,884)	(6,734)	Parent/subsidiary

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
Notes to the Consolidated Financial Statements

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, 2021 and 2020, there were no material inconsistency between the reportable segment profit or loss and the consolidated financial statements.