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Egis Technology Inc

2021 Annual Report

Prepared by Egis Technology Inc.

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

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E-mail : ir@egistec.com

2. Acting Spokesperson

Name: GEORGE CHANG

Position: Chief Financial Officer

Telephone: (02) 2658-9768

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

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Addresses and Contact Numbers of Branch Companies: Nil

Addresses and Contact Numbers of Factories: Nil

4. Stock Transfer Agency

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

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

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

Telephone: (02) 2586-5859

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

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

Name of Accounting Firm: KPMG Taiwan

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

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

Telephone: (02) 8101-6666

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

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

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to Item 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Last Fiscal Year and the Current Fiscal Year Up to the Date of Publication of the Annual Report: Nil 229

I. Report to Shareholders

Dear shareholders,

The 2021 Business Achievements and Business Plan are provided as follows:

1. 2021 Annual Business Achievements

(1) 2021 Business Plan Implementation Outcomes

The consolidated operating revenue of the Company for 2021 amounted to NTD 3,442,807,000, representing a decrease of NTD 2,781,620,000 from 2020, and a growth rate of -45%; the net loss before tax is NTD 310,348,000 and the net loss after tax is NTD 215,605,000, and the consolidated net profit for the current period is NTD 2,684,984,000.

Unit: NTD '000

Item	2020	2021
Operating revenue	6,224,427	3,442,807
Gross operating profit	2,690,953	1,369,894
Net operating profit (loss)	850,627	(300,418)
Non-operating revenue and expenditure	(99,145)	(9,930)
Net profit (loss) before tax	751,482	(310,348)
Net profit (loss) after tax	632,559	(215,605)
Total comprehensive income for the	2,460,935	2,684,984
Basic earnings per share (NTD)	9.14	(3.11)

(2) Status of Budget Implementation

The financial forecast for 2021 was not disclosed by the Company.

(3) Analysis of Financial Revenue and Expenditure and Profitability

Item		2020	2021
Financial structure	Liabilities to assets ratio (%)	29.52	28.68
	Permanent capital to property, plant and equipment ratio (%)	5,584.74	7,635.64
Solvency	Current ratio(%)	287.77	316.26
	Quick ratio(%)	227.58	270.68
Profitability	Return on assets(%)	10.66	(2.62)
	Return on equity(%)	16.83	(3.91)
	Pure rate of return (%)	10.16	(6.26)

Item		2020	2021
	Earnings per share (NTD)	9.14	(3.11)

(4) Status of Research and Development

Item	Research and Development Plan	Description of Plan
Software	Enhanced AI Fingerprint Algorithm	It can extract a large number of feature points on a smaller-area optical and capacitive fingerprint image to optimize recognition efficiency and reliability performance, with the 2.5D anti-counterfeit capability.
Hardware	HD Capacitive Fingerprint Sensor Chip	It can improve resolution and enhance sensing sensitivity to capture clearer fingerprint information in a smaller sensing area, improve recognition and 2.5D anti-counterfeit capability and can be hidden within the keys of a mobile phone.
	Optical Fingerprint Sensor Chip	It can be used under the protective glass and screen with a thickness up to about 1,400 um. It provides a new generation of the under-screen fingerprint recognition solution with low transmittance in response to the latest trend in full-screen mobile phones.
	Fingerprint Independent Computing Chip	The independent fingerprint recognition module, along with our small-area fingerprint chip, provides independent, secure and rapid fingerprint recognition without host
	Time-of-flight Sensor Chip	It provides a 3D Depth Map on the surface of an object. It is suitable for the multi-lens handset fast focus, and can be used in Notebook human body detection for privacy protection and power saving.
	Ambient Brightness and Proximity Sensor Chip	It provides the display brightness adjustment for the ambient brightness of mobile phones, TVs, Notebooks, and monitors, with the phone proximity detection.

2. Overview of 2022 Annual Business Plan

(1) Operational Strategy

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

(2) Expected Sales Volume and its Basis

The Company will produce fingerprint chips for major mobile phone and Notebook brand customers in 2022 to expand our global market share of fingerprint recognition chip products and optimize product portfolio. At the same time, we are expanding into non-fingerprint products, diversifying our product risks and strengthening our operations.

(3) Significant Production and Sales Policies

In response to the continuous increase in demands by customers from different markets, strengthening the management and control of costs and the management of inventory are important for production and sales management for the year of 2022. Therefore, we will continue to maintain close cooperation with our suppliers. More efforts will be put into estimating, securing and confirming the production and marketing schedule of our wafer fabs. The groundwork for our third and fourth foundries is underway, and our wafer sources will be expanded in 2022. In addition, with regard to the management and control of the overall supply chain, the certification and introduction of second-party manufacturers and new suppliers will also continue uninterruptedly to ensure continuous improvement in the quality of products supplied, ensure stable and flawless supply sources, while optimizing the cost structure and strengthening market competitiveness.

3. Future Development Strategy of the Company

(1) Short-Term

1. In the area of hardware development:

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

In order to maintain the confidentiality (hijacking prevention), integrity (tamper prevention) and security (piracy prevention) of the user's biometric device, the biometric device has been used in a trusted execution environment (TEE) to perform key operations, including secure storage of fingerprint verification, PIN code input, confidential private keys for mobile payment, and isolates improper fingerprint collection, storage, verification processes in TEE; therefore even if the phone is jailbroken or rooted, the attacker still cannot obtain the user's fingerprint information.

Due to this phenomenon, the TEE program software requires on-site labor force for testing support, and time for integration and debugging. Therefore, we have developed a high-performance fingerprint independent computing chip, and promoted integration of the existing micro capacitive fingerprint chip into the fingerprint application of the next generation of Notebooks to enhance security,

and actively tapped into the fingerprint independent recognition market.

Meanwhile, the time-of-flight sensor chip also has been developed and applied to the fast focus function of mobile phones, as well as to the trend of energy saving and carbon reduction, which can be introduced into Notebooks, TVs, and monitors under unattended conditions to adjust the display for energy saving.

Ambient brightness and proximity sensor chips are also available and will be introduced into the original mobile phone market to increase the breadth of the Company's product mix.

2. In the area of process improvement:

We continue to work closely with the fab to find out the key to process parameter optimization through the use of big data analysis, machine learning, artificial intelligence and other technologies, to achieve goals such as reducing defects, improving process, error detection, reducing cost and shortening development cycle. We have also shifted our main products from 8 inch to 12 inch to improve production efficiency.

3. In the area of software development:

We use AI technology to strengthen anti-spoofing functions, provide more accurate and faster fingerprint recognition with miniaturization, and introduce a cyclic verification test environment to establish a more solid and safer foundation and achieve more diverse applications.

(2) Long-Term

1. Strengthen the core competitiveness of product design and better understand and more rapidly grasp market trends, expand new product lines based on core competencies to enlarge market niches.
2. For investment in other new products and new technologies, we will accelerate the timeline for product introduction through market acquisitions or the introduction of new teams.
3. For various innovative products solutions, we seek to develop them together with strategic partners to grasp business opportunities while reducing R&D risks.

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

Environment

Some of the later models of iPhone X with 3D Face Recognition Technology (Face ID) (except iPhone SE 2) are unable to properly detect the face of the user wearing a mask, partly because the infrared laser from infrared transmitters on the TrueDepth Camera of Face ID cannot penetrate the mask fabric and Face ID is the only biometric device in the new iPhone series. Users must remove the mask or enter the unlock code or image to unlock the phone. Therefore, while many models choose to incorporate both 3D sensing technology and fingerprint recognition, or even return to using fingerprint recognition technology, capacitive fingerprint recognition technology has gradually shifted to side-mounted fingerprints, which is getting narrower, highly testing the R&D capability of fingerprint algorithms.

In addition to smartphones, fingerprint recognition is a huge opportunity for multiple applications in mobile devices, mobile payments, automotive electronics and financial smart cards and so on. We have been engaged in fingerprint recognition for many years. Our fingerprint recognition chip has been designed and equipped with independently developed algorithms to provide better-than-market recognition accuracy and speed, and we have over hundreds of patents in the field of fingerprint recognition, which is conducive to expanding to other applications.

In response to the mainstream development of full-screen display, under-screen fingerprint recognition solutions can increase the screen proportion, and companies compete to invest in R&D. Thanks to our long-standing fingerprint recognition capabilities, we have recruited new R&D teams and technology partners to develop optical fingerprint recognition chips and have made remarkable progress. We also collaborated with customers to introduce under-screen fingerprint recognition solution to their products in the first phase.

Our R&D in 3D Depth Map sensor technology for ToF (Time of Flight) has completed, and we endeavor to develop a chip solution with more cost efficiency and diversity than the existing technology in the market, which helps customers introduce into the product application, and meets the trend of energy saving and carbon reduction. We can provide the personnel detection function of Notebook, TV and monitors for privacy protection and power saving. In the future, the hardware design will make more in-depth efforts towards the environmental protection appeal of energy saving and carbon reduction, and combine upstream and downstream manufacturers to develop products that

meet this goal, while fulfilling corporate social responsibility.

A large amount of data, high wireless transmission and a huge number of connections developed by AIoT smart Internet of Things applications will impose higher requirements on AI algorithms and interactions between the end and the cloud. Our AI algorithm capabilities and IC design technologies will enable high-performance AI applications, ensure data confidentiality, integrity and security, and make existing Internet of Things products more valuable and generate new applications. We will enhance our competitive strengths, improve our operations and profitability, and optimize our product mix through manifold strategic alliances and diversified platforms in related fields such as smart cars, smart displays, and smart audio/video, in a bid to fuel our secular growth momentum and thus enhance our shareholders' interests for the long-term sustainable development of the Company.

Chairman: LO, SEN CHOU

[seal:] LO, SEN CHOU

General Manager: RO, SHIH-HAO

[seal:] RO, SHIH-HAO

II. Company Profile

1. Date of Establishment: December 26, 2007

2. Company History

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

	<p>sales of biometric hardware.</p> <p>The Company issued new shares of NTD 123,799,000 for capital injection upon the merger and the paid-in capital after the capital injection was NTD 496,299,000.</p>
August 2009	A subsidiary company, Egis Technology (Japan) Inc., was established in Japan.
July 2010	Employees exercised stock warrants of NTD 384,000 and the paid-in capital after the capital injection was NTD 496,683,000.
December 2013	Employees exercised stock warrants of NTD 25,810,000 and the paid-in capital after the capital injection was NTD 522,493,000.
February 2014	The Company conducted a capital injection of NTD 88,000,000 in cash and its paid-in capital after the capital injection was NTD 610,493,000.
April 2014	Employees exercised stock warrants of NTD 9,950,000 and the paid-in capital after the capital injection was NTD 620,443,000.
May 2014	The Company declared the public offering of shares and employee stock warrants.
June 2014	The Taipei Exchange approved the listing on the emerging stock market.
August 2014	Employees exercised stock warrants of NTD 200,000 and the paid-in capital after the capital injection was NTD 620,643,000.
December 2014	Employees exercised stock warrants of NTD 850,000 and the paid-in capital after the capital injection was NTD 621,493,000.
March 2015	Employees exercised stock warrants of NTD 50,000 and the paid-in capital after the capital injection was NTD 621,543,000.
April 2015	The “Opinions Regarding the Successful Development and Marketability of Products or Technologies Under Application by Technology Enterprises” was issued by the Industrial Development Bureau, Ministry of Economic Affairs and the letter issued by the Taipei Exchange was obtained.
September 2015	Employees exercised stock warrants of NTD 240,000 and the paid-in capital after the capital injection was NTD 621,783,000.
January 2016	The Company conducted a capital injection of NTD 62,910,000 in cash and its paid-in capital after the capital injection was NTD 684,693,000.

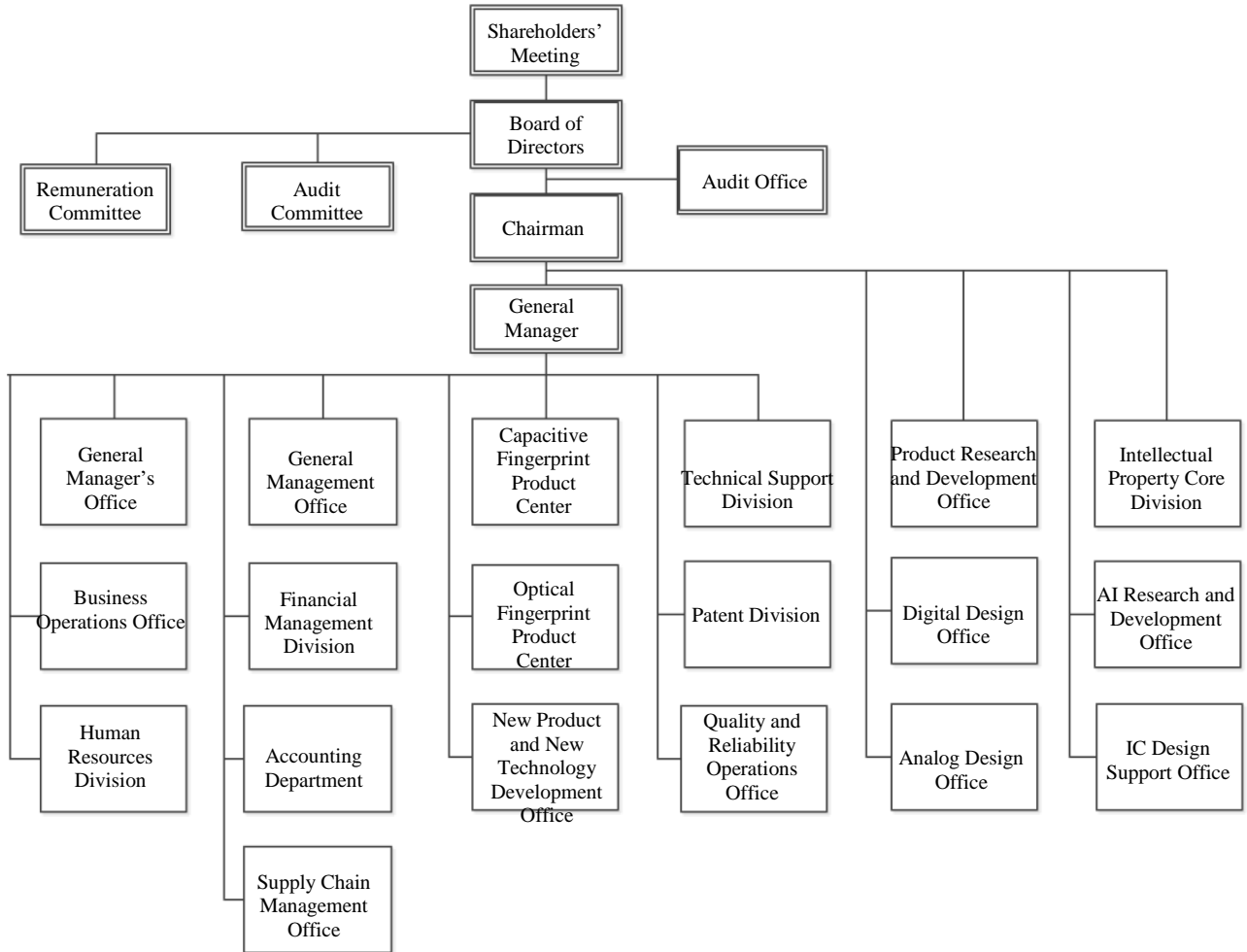
April 2016	Employees exercised stock warrants of NTD 2,950,000 and the paid-in capital after the capital injection was NTD 687,643,000.
August 2016	Employees exercised stock warrants of NTD 750,000 and the paid-in capital after the capital injection was NTD 688,393,000.
March 2017	Employees exercised stock warrants of NTD 8,385,000 and the paid-in capital after the capital injection was NTD 696,778,000.
August 2017	Employees exercised stock warrants of NTD 1,700,000 and the paid-in capital after the capital injection was NTD 698,478,000.
December 2017	Employees exercised stock warrants of NTD 710,000. The Company issued new restricted employee shares of NTD 5,720,000 and the paid-in capital after the capital injection was NTD 704,908,000.
March 2018	Employees exercised stock warrants of NTD 4,895,000 and the paid-in capital after the capital injection was NTD 709,803,000.
September 2018	The Company collected new restricted employee shares of NTD 60,000 and its paid-in capital after the capital reduction was NTD 709,743,000.
March 2019	Employees exercised stock warrants of NTD 930,000. The Company collected the new restricted employee shares of NTD 30,000 and the paid-in capital was NTD 710,643,000.
May 2019	Employees exercised stock warrants of NTD 965,000 and the paid-in capital after the capital injection was NTD 711,608,000.
December 2019	Employees exercised stock warrants of NTD 1,045,000, and the paid-in capital after the capital injection was NTD 712,653,000.
March 2020	Employees exercised stock warrants of NTD 1,225,000. The Company collected the new restricted employee shares of NTD 60,000 and the paid-in capital after the capital injection was NTD 713,818,000.
June 2020	The Company collected new restricted employee shares of NTD 30,000 and its paid-in capital after the capital reduction was NTD 713,788,000.
December 2020	The Company collected new restricted employee shares of NTD 30,000 and its paid-in capital after the capital reduction was NTD 713,758,000.

June 2021	The Company cancelled treasury stock of NTD 6,000,000 and its paid-in capital after the capital reduction was NTD 707,758,000.
November 2021	The Company collected new restricted employee shares of NTD 40,000 and its paid-in capital after the capital reduction was NTD 707,718,000.
December 2021	The Company cancelled treasury stock of NTD 15,000,000 and its paid-in capital after the capital reduction was NTD 692,718,000.

III. Corporate Governance Report

1. Organization System

(1) Organizational Structure of Company



(2) Business Operations of Major Departments

Department	Job Description
Audit Office	Audit, assess, study and formulate the internal controls of the Company and provide areas for improvement and suggestions to enhance business efficiency and the effective implementation of internal controls.
General Manager's Office	Be responsible for the overall operation planning and execution of the Company. Develop and implement the medium and long-term business strategy of the Company. Establish, supervise, and manage organizational operations and systems of various departments. Be directly responsible to the Board of Directors.
General Management Office	Integrate financial, information, legal, and general affairs resources within the organization and provide professional services related to the organization.
Financial Management Division	Responsible for the Company's investor relations management.
Accounting Department	Responsible for the Company's relevant accounting management.
Human Resources Division	Formulate rules and regulations related to selection, education, use, retention, and implement them according to the Company's human resources policy.
Supply Chain Management Office	Arrangement of mass production capacity, management of delivery schedule, production-marketing coordination, material planning, and production cost control. Outsourcing production management and warehouse control.
Business Operations Office	Market development, formulation of strategies, customer relationship management, and development of new products.
Technical Support Division	Support products and integrate technical services, follow-up on issues reflected by customers, and improve customer satisfaction.

Department	Job Description
New Product and New Technology Development Office	Carry out internal planning/management/integration/schedule control, deal with customers, and meet customers' needs.
Quality and Reliability Operations Office	Verification and guarantee of product quality. Assist in product development related reliability experiments and failure analysis. Evaluation, quality supervision and exception handling of outsourcing manufacturers. Handle customer complaints and provide customer problem analysis reports. Document control. Maintain and promote the quality system/activities.
Capacitive Fingerprint Product Center	Responsible for the design and performance optimization of the Company's capacitive fingerprint products.
Optical Fingerprint Product Center	Responsible for the design and performance optimization of the Company's optical fingerprint products.
Patent Division	Responsible for the Company's R&D patent applications, patent evaluations and handling of disputes and litigations.
Product Research and Development Office	R&D of IC integration engineering, improve engineering capabilities and solve product-related technical problems.
Digital Design Office	Responsible for the R&D of digital circuit design for the Company's products.
Analog Design Office	Responsible for the R&D of analog circuit design for the Company's products.
Intellectual Property Core Division	Responsible for the Company's R&D of intellectual property core.
AI Research and Development Office	Responsible for the design and performance optimization R&D of the Company's AI products.
IC Design Support Office	Responsible for the R&D work related to the Company's circuit design layout, wafer process engineering and wafer test engineering.

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

(1) Information about Directors

1. Name, Work (Educational) Experience, Shareholding and Nature of Director

April 30, 2022; Unit: Shares; %

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Chairman	Republic of China	LO, SEN CHOU	Male/64	08/05/2008	06/18/2020	3	3,546,262	4.97	7,546,262	10.89	-	-	1,360,426	1.96	Founder and CEO of Intervideo Inc. in the United States Bachelor of Computer Science, Soochow University California State University Chico MSCS, USA National University MBA, San Jose, USA	Chairman of IvyRock Asset Management Consulting Co., Ltd. Director of HEADWAY CAPITAL LIMITED Director of ORIENTAL GOLD HOLDINGS LIMITED	Director	RO, SHIH-HAO	Father and son	Description

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
																Director of Kiwi Technology Inc. Independent Director of Acer Cyber Security Inc. Juristic Person Director of iCatch Technology, Inc. Juristic Person Director of Igistec Co., Ltd.				as per (Note 1)
Vice Chairman	Republic of China	YU, MING-TO	Male/59	10/17/2014	06/18/2020	3	100,000	0.14	100,000	0.14	-	-	-	-	Master of Public Administration, National Chengchi University Master of Business Administration, Wharton School of the University of	Independent Director of eMemory Technology Inc. Independent Director of Acer Cyber Security Inc.	-	-	-	

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
														Pennsylvania Financial Manager of Taiwan Semiconductor Manufacturing Company, Limited Chief Financial Officer and Spokesperson of MediaTek Inc. Chief Financial Officer of Beijing Xiaomi Technology Co., Ltd.	Juristic Person Director of ULSEE INC. Director of Vitro Technology Corporation					
Director	Republic of China	SHIH, CHEN-JUNG	Male/77	10/17/2014	06/18/2020	3	-	-	-	-	-	-	-	Honorary Doctor of International Law, Thunderbird International Management Institute Honorary Fellowship of the University of Wales Honorary Doctor of Science	Director of Acer Inc., Limited Director of Nan Shan Life Insurance Co., Ltd. Juristic Person Director of Hung Jung Investment Co., Ltd.	-	-	-		

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
														and Technology, Hong Kong Polytechnic University Honorary Doctor of Engineering, National Chiao Tung University Master of Electronic Engineering, National Chiao Tung University Founder and Honorary Chairman of Acer Group	Director of Taiwan Public Television Service Foundation Director of Chinese Television System Corporation President of Cloud Gate Culture and Arts Foundation Chairman of CT Ambi Investment and Consulting Inc. Chairman of Stans Foundation Chairman of Chew's Culture Foundation Director of the NSFG					

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
															Foundation	Director of Jung Hsin Management Consulting Corporation				
Director	British Virgin Islands	HEADWAY CAPITAL LIMITED	Not applicable.	10/17/2014	06/18/2020	3	2,700,000	3.78	1,360,000	1.96	-	-	-	-	-	-	-	-	-	
	Republic of China	Representative LIN, GONG-YI	Male/59	10/17/2014	06/18/2020	3	-	-	-	-	-	-	-	-	Master's Degree from the Institute of Electronics, National Chiao Tung University Director of Chip Design Consultant Group of Synopsys for Asia Region	Chief Operating Officer and Chief Technology Officer of the Company Juristic Person Director of Evershine BPO Service Corporation AISTORM,	-	-	-	

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
																INC. Director Juristic Person Director of Luxsentek Microelectronics Corp.				

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
	Republic of China	Representative LIU, DING-JEN	Male/64	06/18/2020	06/18/2020	3	-	-	-	-	-	-	-	-	Master's Degree from the Institute of Electronics, National Chiao Tung University Ph.D. Student at the Institute of Electrical Engineering, The State University of New York, not-graduated (Ph.D. Candidate) Executive Deputy General Manager of MediaTek Inc. Director of MediaTek Inc.	Independent Director of Leadtrend Technology Corporation Consultant at H&J Management Corp.	-	-	-	
Director	United States	RO, SHIH-HAO	Male/36	06/22/2017	06/18/2020	3	132,000	0.18	132,000	0.19	-	-	-	-	University of California, Riverside Business Manager and Vice General Manager of Egis Technology Inc.	General Manager of the Company	Chairman	LO, SEN-CHOU	Father and son	Description as per (Note

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
															SBI & Capital 22 Mizuho Securities Asia Ltd					1)

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Independent director	Republic of China	WENG, MING-JENG	Male/62	10/17/2014	06/18/2020	3	23,000	0.03	23,000	0.03	-	-	-	-	Master of Business Administration, University of Southern California in the United States Vice President of Citibank General Manager of Smith Barney Shearson, Inc., Taipei Branch Chairman of Lehman Brothers Holdings Inc. Managing Director of Nomura Holdings, Inc. Person-in-charge of Nomura Taiwan	Sr. Partner of Millerful Capital Partners Inc. Director of Lion Travel Service Co., Ltd. Independent director of TPK Holding Co., Ltd. Independent director	-	-	-	
Independent	Republic of China	HUANG, TA-	Male/57	06/22/2017	06/18/2020	3	-	-	-	-	-	-	-	-	Master's Degree from University of Michigan -- Ann Arbor	Director of Parade Technologies, Ltd.	-	-	-	

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
director		LUN													Partner of AsiaVest Partners, TCW/YFY Ltd.	Director of Amulaire Thermal Technology, Inc. Independent Director of Mikobeauté, Inc. Independent Director of ALi Corporation Chairman of GCS Holdings, Inc. Director of InnoCare Optoelectronics Corp. Director of TCERA CO., LTD.				
Independent director	Republic of China	CH'EN, LAI-CHU	Male/58	06/18/2020	06/18/2020	3	-	-	-	-	-	-	-	-	Thunderbird School of Global Management, Arizona State University, EMBA	Chung Hua University, Lecturer National Chiao Tung	-	-	-	

Position	Nationality or Place of Registration	Name	Gender/ Age	Date of First Appointment	Date of Appointment	Term of Office	Owned Shares Upon Appointment		Number of Shares Currently Held		Number of Shares Currently Held by Spouse and Underage Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Assumed in the Company and Other Companies	Other Managers, Directors or Supervisors with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
																University, Adjunct Professor				
																Independent Director of Wah Hong Industrial Corp.				
																Independent Director of Ardentec Technology Inc.				
																Independent Director of Unimicron Technology Corp.				

Note 1: In consideration of the Company's business development and operation management needs, the Chairman of the Board of Directors of the Company, Mr. LO, SEN CHOU, will not continue to concurrently hold the post of General Manager. On December 1, 2018, he was replaced by Mr. RO, SHIH-HAO as the General Manager. Because the Chairman and the General Manager are father and son,

for corporate governance reasons, the Company expects to add one independent director before December 31, 2023, and more than half of the directors are not concurrently employees or managers.

2.Principal Shareholder of the Juristic Person Shareholder

April 30, 2022

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

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

3. Disclosure of professional qualifications of directors and independence information of independent directors

Name	Criteria	Professional qualifications and experience	Compliance with Independence	Number of Other Public Companies in which He/She is Concurrently an Independent Director
LO, SEN CHOU		Mr. LO, SEN CHOU, Chairman of the Board, has extensive industry experience and leadership skills and is responsible for the strategic planning, structuring, promotion and long-term development of the Company.	(1) Not in violation of any of the matters listed in Article 30 of the Company Act. (2) Has not been elected in the capacity of the government, juristic person or its representative in accordance with Article 27 of the Company Act.	1
YU, MING-TO		Mr. YU, MING-TO, Vice Chairman, was the Finance Manager of Taiwan Semiconductor Manufacturing Company, Limited and the Chief Financial Officer of MediaTek Inc., and has extensive financial and investment experience and outstanding management skills.	(1) Not a spouse or relative within the second degree of kinship of other directors. (2) Not in violation of any of the matters listed in Article 30 of the Company Act. (3) Has not been elected in the capacity of the government, juristic person or its representative in accordance with Article 27 of the Company Act.	2

Name	Criteria	Professional qualifications and experience	Compliance with Independence	Number of Other Public Companies in which He/She is Concurrently an Independent Director
SHIH, CHEN-JUNG	Director SHIH, CHEN-JUNG is the founder of Acer Group. He is familiar with the development trends and industry conditions of the semiconductor industry, and has extensive leadership and decision-making skills.	<p>(1) Not a spouse or relative within the second degree of kinship of other directors.</p> <p>(2) Not in violation of any of the matters listed in Article 30 of the Company Act.</p> <p>(3) Has not been elected in the capacity of the government, juristic person or its representative in accordance with Article 27 of the Company Act.</p>	0	
Juristic person of HEADWAY CAPITAL LIMITED – LIN, GONG-YI	Director LIN, GONG-YI is currently the Chief Operating Officer and Chief Technology Officer of the Company and is familiar with the development trends and industry conditions of the semiconductor industry.	<p>(1) Not a spouse or relative within the second degree of kinship of other directors.</p> <p>(2) Not in violation of any of the matters listed in Article 30 of the Company Act.</p>	0	
Juristic person of HEADWAY CAPITAL LIMITED – LIU, DING-JEN	Director LIU, DING-JEN was the director of MediaTek Ltd. and has accumulated extensive experience and connections in the semiconductor industry.	<p>(1) Not a spouse or relative within the second degree of kinship of other directors.</p> <p>(2) Not in violation of any of the matters listed in Article 30 of the Company Act.</p>	1	

Name	Criteria	Professional qualifications and experience	Compliance with Independence	Number of Other Public Companies in which He/She is Concurrently an Independent Director
RO, SHIH-HAO		Director RO, SHIH-HAO is also the general manager of the Company and is committed to promoting the diversified applications and technological development of fingerprint chips.	<p>(1) Not in violation of any of the matters listed in Article 30 of the Company Act.</p> <p>(2) Has not been elected in the capacity of the government, juristic person or its representative in accordance with Article 27 of the Company Act.</p>	0
WENG, MING-JENG		Independent Director WENG, MING-JENG was formerly the vice president of Citibank and the person-in-charge of Nomura Taiwan. He has extensive financial and investment experience and has a professional background in accounting or finance. He specializes in corporate mergers and acquisitions, multinational investments and joint ventures, and is familiar with the financial markets and industry conditions.	<p>The independent directors of the Company have met the following independence criteria for the two years preceding their appointment and during their term of office:</p> <p>(1) Not an employee of the Company or its affiliated enterprise.</p> <p>(2) Not a director, supervisor (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).</p> <p>(3) A natural person shareholder who does not hold shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total shares issued by the Company, or</p>	1

Name	Criteria	Professional qualifications and experience	Compliance with Independence	Number of Other Public Companies in which He/She is Concurrently an Independent Director
HUANG, TA-LUN	Independent Director HUANG, TA-LUN has extensive financial and investment experience and is currently a director of Parade Technologies, Ltd. He is familiar with the development trends and industry conditions of the semiconductor industry, and has extensive leadership and decision-making skills.	<p>does not rank among the top ten in terms of shares held.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the managers listed in (1) or the personnel listed in (2) and (3).</p> <p>(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, is within the top five shareholders, or appointed a representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (except</p>	2	

<p>CH'EN, LAI-CHU</p>	<p>Independent director CH'EN, LAI-CHU was formerly the general manager and CEO of AU Optronics. He is familiar with the development trends and industry conditions of the electronics industry, has extensive leadership and decision-making skills, and has accumulated extensive experience and strong connections in the industry.</p>	<p>for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).</p> <p>(6) Not a director, supervisor, or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).</p> <p>(7) Not a director, supervisor, or employee of another company or institution with the same person or spouse as the Chairman, General Manager or equivalent of the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company).</p> <p>(8) Not a director (Director), supervisor (Supervisor), manager, or shareholder holding five percent or more of the shares of a specific company or institution with financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent company and, if the specific company or institution holds more than 20% of the total issued shares of the Company, the threshold amount is raised to 50%).</p> <p>(9) Not a professional who provides auditing related services to the Company or its affiliates and did not provide commercial, legal, financial, or accounting related services to the Company or its affiliates with cumulative amount of remuneration obtained in the last two years exceeding NTD 500,000; and is not an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the Remuneration Committee, the Public Takeover Review Committee or the Special Merger and Acquisition Committee who perform their functions and powers in</p>	<p>3</p>
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Name	Criteria	Professional qualifications and experience	Compliance with Independence	Number of Other Public Companies in which He/She is Concurrently an Independent Director
		<p>accordance with the relevant laws and regulations of the Securities and Exchange Act or the Business Mergers And Acquisitions Act.</p> <p>(10) Not a spouse or relative within the second degree of kinship of other directors.</p> <p>(11) Not in violation of any of the matters listed in Article 30 of the Company Act.</p> <p>(12) Has not been elected in the capacity of the government, juristic person or its representative in accordance with Article 27 of the Company Act.</p>		

4. Diversity and independence of the Board of Directors:

1. The Board of Directors' diversity policy, objectives and achievement:

(1) Diversity policy:

The Company's Board diversity policy is set out in Article 20 of the "Corporate Governance Best Practice Principles". The policy content is as follows:

The composition of the Board of Directors shall be determined by taking diversity into consideration, and an appropriate diversity policy shall be formulated based on the operations, business type and development needs of the Company.

The members of the Board should generally possess the knowledge, skills and qualities necessary to carry out their duties. To achieve the desired

objectives of corporate governance, the Board as a whole should have the following competencies:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to execute business management.
4. Ability to execute crisis management.
5. Industry knowledge.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

(2) The specific management objectives and achievement of the diversity policy are as follows:

The Company has nine directors, of which 44% are directors who are also employees and 33% are independent directors; one independent director has served less than three years and two independent directors have served more than three years. All directors of the Company have extensive management, leadership and industry knowledge. Among them, independent directors Mr. WENG, MING-JENG and Mr. HUANG, TA-LUN have professional background in accounting and financial analysis and can give professional advice to the Company from different aspects.

Diversified Core Projects	Gender	Also an Employee of the Company	Age			Years of Service as Independent Director		Ability To Make Operational Judgments	Ability To Perform Accounting and Financial Analysis	Ability To Execute Business Management	Ability To Execute Crisis Management	Industry Knowledge	An International Market Perspective	Ability To Lead	Ability To Make Policy Decisions
			Under 60	61 - 70	Over 71	Less Than 3 Years	More Than 3 Years								
Name of Director															
LO, SEN CHOU	Male	v		v				v		v	v	v	v	v	v
SHIH, CHEN- JUNG	Male				v			v		v	v	v	v	v	v
YU, MING- TO	Male	v	v					v	v	v	v	v	v	v	v
LIN, GONG- YI	Male	v	v					v		v	v	v	v	v	v
LIU, DING- JEN	Male			v				v		v	v	v	v	v	v
RO, SHIH- HAO	Male	v	v					v		v	v	v	v	v	v
WENG, MING- JENG	Male			v				v	v	v	v	v	v	v	v
HUANG, TA-LUN	Male		v					v	v	v	v	v	v	v	v
CH'EN, LAI- CHU	Male		v					v		v	v	v	v	v	v

3.Independence of the Directors:

The Company re-elected its directors (including independent directors) in 2020. Currently, there are nine directors on the Board of Directors, three of whom are independent. The circumstances stipulated in Article 26-3, Items 3 and 4 of the Securities and Exchange Act do not apply to any of the directors.

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

April 30, 2022; Unit: Shares; %

Position	Nationality	Name	Gender	Date of Appointment	Shares Held		Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
General Manager	United States	RO, SHIH-HAO	Male	12/01/2018	132,000	0.19	-	-	-	-	University of California, Riverside Business Manager and Vice General Manager of Egis Technology Inc. SBI & Capital 22 Mizuho Securities Asia Ltd	Nil	-	-	-	Description as per (Note 1)

Position	Nationality	Name	Gender	Date of Appointment	Shares Held		Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Chief Operating Officer and Chief Technology Officer	Republic of China	LIN, GONG-YI	Male	03/14/2014	0	0.00	-	-	-	-	Master's Degree from the Institute of Electronics, National Chiao Tung University Director of Chip Design Consultant Group of Synopsys for Asia Region	Juristic Person Director of Evershine BPO Service Corporation AISTORM, INC. Director Juristic Person Director of Luxsentek Microelectronics Corp.	-	-	-	

Position	Nationality	Name	Gender	Date of Appointment	Shares Held		Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Sr. Deputy General Manager	Republic of China	LEE, YI-PIN	Male	09/01/2016	167,700	0.24	-	-	-	-	<p>Central Missouri State University MBA</p> <p>Department of Economics, Chung Hsing University</p> <p>Chief Financial Officer of Primax Electronics Ltd.</p> <p>Chief Financial Officer of DaStrong Corporation</p> <p>Chief Financial Officer of Central Corporation</p> <p>Chief Financial Officer of TSTC</p> <p>Manager of Acer Inc.</p>	<p>Supervisor of Igistec Co., Ltd.</p> <p>Chairman of Luxsentek Microelectronics Corp.</p> <p>Chairman of Sense Investment and Consulting Inc.</p> <p>Chairman of VASUBI Technology Inc.</p>	-	-	-	

Position	Nationality	Name	Gender	Date of Appointment	Shares Held		Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Chief Financial Officer	Republic of China	GEORGE CHANG	Male	04/09/2019	106,000	0.15	-	-	-	-	University of Southern California, Marshall School of Business Los Angeles, CA Sr. Deputy General Manager of Yuanta Securities Investment Consulting Co., Ltd.	Supervisor of Vitrio Technology Corporation	-	-	-	
Deputy General Manager	Republic of China	Sky Su	Male	02/01/2008	69,000	0.10	-	-	-	-	Institute of Management of Technology, National Chiao Tung University Deputy General Manager of the Business Department of Ching Hu Technology Corporation	Person-in-charge of Shentao Intelligent Technology (Shanghai) Co., Ltd. Person-in-charge of Shentao Intelligent Technology (Shanghai) Co., Ltd., Shenzhen Branch	-	-	-	

Position	Nationality	Name	Gender	Date of Appointment	Shares Held		Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Deputy General Manager	Republic of China	Karen Chang	Female	11/13/2017	-	-	-	-	-	-	<p>Institute of Science and Technology Management, National Taiwan University of Science and Technology</p> <p>Deputy Director, S&T Foresight Division, Board of Science and Technology, Executive Yuan</p> <p>Group Leader of Cybersecurity Technology Institute, Institute for Information Industry</p> <p>Office Director of Transnational Information Plan, Ministry of Science and Technology (iCAST)</p>	Nil	-	-	-	

Position	Nationality	Name	Gender	Date of Appointment	Shares Held		Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Deputy General Manager	Republic of China	Jimmy Hsu	Male	03/05/2018	10,000	0.01	-	-	-	-	Department of Mechanical Engineering, National Sun Yat-sen University Sr. Project Manager of Egis Technology Inc. Associate & Sr. Software Manager of Corel Software Manager & Software Engineer of Intervideo	Egis Technology(Korea) Inc. Director	-	-	-	
Deputy General Manager	Republic of China	Tony Lo	Male	05/10/2021	-	-	-	-	-	-	Graduate Institute of Electrical Engineering, National Taiwan University 18th Class of Department of Business Administration, National Chengchi University General Manager/Chairman of Incomm Technologies	Supervisor of Shentao Intelligent Technology (Shanghai) Co., Ltd. Chairman of Incomm Technologies Co., Ltd.	-	-	-	

Position	Nationality	Name	Gender	Date of Appointment	Shares Held		Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Sr. Deputy General Manager	Republic of China	Chung, Chia-Hua	Female	03/18/2020	-	-	-	-	-	-	Florida State International University Miami, Florida, USA B.A., Business Administration and Management Puya Semiconductor (Shanghai) Co., Ltd. Overseas Sales Consultant	Nil	-	-	-	

Position	Nationality	Name	Gender	Date of Appointment	Shares Held		Shareholding of Spouse and Minor Children		Shares Held in Others' Names		Main Work (Educational) Experience	Concurrent Positions Currently Held in Other Companies	Manager with Whom a Spousal Relationship or Relationship within the Second Degree of Kinship Exists			Remarks (Note 1)
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Accounting Director	Republic of China	Kathy Huang	Female	11/14/2013	10,000	0.01	-	-	-	-	Department of Public Finance, National Chung Hsing University Manager of Accounting Department of Biodenta Corporation	Supervisor of Egis Technology (Japan) Inc. Supervisor of Luxsentek Microelectronics Corp. Supervisor of Sense Investment and Consulting Inc. Chairman of Igistec Co., Ltd. Supervisor of VASUBI Technology Inc.	-	-	-	
Deputy Audit Manager	Republic of China	Iris Lee	Female	07/02/2013	-	-	-	-	-	-	Department of Accounting, Shih Chien University Financial Manager of Dynamic Digital Holdings Limited	Nil	-	-	-	

Note 1: In consideration of the Company's business development and operation management needs, the Chairman of the Board of Directors of the Company, Mr. LO, SEN CHOU, will not continue to concurrently hold the post of General Manager. On December 1, 2018, he was replaced by Mr. RO, SHIH-HAO as the General Manager. Because the Chairman

and the General Manager are father and son,

for corporate governance reasons, the Company expects to add one independent director before December 31, 2023, and more than half of the directors are not concurrently employees or managers.

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

(1) Directors' (Including Independent Directors) Remunerations

December 31, 2021; Unit: NTD'000; %

Title	Name	Directors' Remunerations								Percentage of Aggregate of Four Items A, B, C and D and Net Profit After Tax (Note 10)		Relevant Remunerations Received by Directors who are also Employed				Percentage of Aggregate of Seven Items A, B, C, D, E, F and G and Net Profit After Tax (Note 10)		Remunerations Received from Invested Businesses other than Subsidiaries of the Company or the Parent Company (Note 11)				
		Remunerations (A) (Note 2)		Severance and Pension (B)		Directors' Remunerations (C) (Note 3)		Business Execution Fee (D) (Note 4)				Salaries, Bonuses and Special Disbursements (E) (Note 5)		Retirement Pension (F)					Employee Remuneration (G) (Note 6)			
		The Company	All Companies in the Financial Reports (Note 7)	The Company	All Companies in the Financial Reports (Note 7)	The Company	All Companies in the Financial Reports (Note 7)	The Company	All Companies in the Financial Reports (Note 7)	The Company	All Companies in the Financial Reports (Note 7)	The Company	All Companies in the Financial Reports (Note 7)	The Company	All Companies in the Financial Reports (Note 7)	Amount in Cash	Amount in Shares		Amount in Cash	Amount in Shares	The Company	All Companies in the Financial Reports
Chairman	LO, SEN-CHOU	2,836	2,836	-	-	-	-	-	-	-1.32%	-1.32%	26,743	26,743	-	-	-	-	-	-	-13.72%	-13.72%	Nil
Director	RO, SHIH-HAO	2,836	2,836	-	-	-	-	-	-	-1.32%	-1.32%	24,628	24,628	-	-	-	-	-	-	-12.74%	-12.74%	Nil
Vice Chairman	YU, MING-TO	2,836	2,836	-	-	-	-	-	-	-1.32%	-1.32%	12,577	12,577	108	108	-	-	-	-	-7.20%	-7.20%	Nil

Director	SHIH, CHEN- JUNG	2,836	2,836	-	-	-	-	30	30	-1.33%	-1.33%	-	-	-	-	-	-	-	-	-1.33%	-1.33%	Nil
Director (Juristic Person)	LIN, GONG -YI	2,836	2,836	-	-	-	-	-	-	-1.32%	-1.32%	11,475	11,475	108	108	-	-	-	-	-6.69%	-6.69%	Nil
Director (Juristic Person)	LIU, DING- JEN	2,836	2,836	-	-	-	-	50	50	-1.34%	-1.34%	-	-	-	-	-	-	-	-	-1.34%	-1.34%	Nil
Indepe nt director	WENG , MING- JENG	3,120	3,120	-	-	-	-	60	60	-1.47%	-1.47%	-	-	-	-	-	-	-	-	-1.47%	-1.47%	Nil
Indepe nt director	HUAN G, TA- LUN	3,120	3,120	-	-	-	-	50	50	-1.47%	-1.47%	-	-	-	-	-	-	-	-	-1.47%	-1.47%	Nil
Indepe nt director	CH'EN , LAI- CHU	3,120	3,120	-	-	-	-	20	20	-1.46%	-1.46%	-	-	-	-	-	-	-	-	-1.46%	-1.46%	Nil
<p>1. Please state the policy, system, standard, and structure of independent directors' bonus payment and the relationship between the bonus amount and factors such as responsibilities, risks and contributed time: The remuneration of the independent directors of the Company shall be handled in accordance with the Articles of Association. The Remuneration Committee will deliberate on the extent of their participation in the Company's operation and the value of their contributions. The reasonable and fairness of the performance risk shall correspond with the remuneration received. After considering the Company's operating performance and the usual level of payment of the same industry, the Remuneration Committee shall make suggestions and submit them to the Board of Directors for resolution.</p> <p>2. In addition to the disclosure above, the remuneration received by the directors of the Company for providing services (such as serving as an external consultant of the parent company/all companies in the financial reports/investees) to all companies listed in the financial report during the last fiscal year: Nil.</p>																						

(2) Supervisors' Remunerations

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

(3) Remunerations paid to the general managers, deputy general managers and the top five highest paid management personnel

December 31, 2021; Unit: NTD'000; Thousand Shares; %

Position	Name	Salaries (A)		Severance and Pension (B)		Bonuses and Special Disbursements, etc. (C)		Amount of Employee Remuneration (D)				Percentage of Aggregate of Four Items A, B, C and D in Net Profit After Tax (%)		Remunerations Received from Invested Businesses other than Subsidiaries of the Company or the Parent Company	Top five highest paid management personnel from all companies in the consolidated report
		The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company	All Companies in the Financial Reports	The Company		All Companies in the Financial Reports		The Company	All Companies in the Financial Reports		
								Amount in Cash	Amount in Shares	Amount in Cash	Amount in Shares				
General Manager	RO, SHIH-HAO	2,790	2,790	-	-	21,838	21,838	-	-	-	-	-11.42%	-11.42%	Nil	V
Deputy General Manager	GEORGE CHANG	6,013	6,013	108	108	10,521	10,521	-	-	-	-	-7.72%	-7.72%	Nil	V
Sr. Deputy General Manager	LEE, YI-PIN	3,633	3,633	108	108	12,742	12,742	-	-	-	-	-7.65%	-7.65%	Nil	V
Deputy General Manager	LIN, GONG-YI	3,613	3,613	108	108	7,862	7,862	-	-	-	-	-5.37%	-5.37%	Nil	V
Sr. Deputy General Manager	Chung, Chia-Hua	4,629	4,629	108	108	1,361	1,361					-2.83%	-2.83%	Nil	V
Deputy General Manager	Sky Su														
Deputy General Manager	Tony Lo (Note 1)														
Deputy General Manager	Karen Chang	9,906	9,906	477	477	4,291	4,291	-	-	-	-	-6.8%	-6.8%	Nil	
Deputy General Manager	Jimmy Hsu														
Deputy General Manager	Kos Lin (Note 2)														

Note 1: Appointed as the Deputy General Manager on May 10, 2021.

Note 2: Resigned on September 30, 2021.

Classification of Remunerations

Classification of Remunerations Paid to Various General Managers and Deputy General Managers in the Company	Name of General Manager and Deputy General Manager	
	The Company	All Companies in the Financial Reports
Less than NTD 1,000,000		
NTD 1,000,000 (Inclusive) – NTD 2,000,000 (Exclusive)		
NTD 2,000,000 (Inclusive) – NTD 3,500,000 (Exclusive)	Sky Su; Karen Chang; Jimmy Hsu; Kos Lin	Sky Su; Karen Chang; Jimmy Hsu; Kos Lin
NTD 3,500,000 (Inclusive) – NTD 5,000,000 (Exclusive)	Tony Lo	Tony Lo
NTD 5,000,000 (Inclusive) – NTD 10,000,000 (Exclusive)	Chung, Chia-Hua	Chung, Chia-Hua
NTD 10,000,000 (Inclusive) – NTD 15,000,000 (Exclusive)	LIN, GONG-YI	LIN, GONG-YI
NTD 15,000,000 (Inclusive) – NTD 30,000,000 (Exclusive)	LEE, YI-PIN; RO, SHIH-HAO; GEORGE CHANG	LEE, YI-PIN; RO, SHIH-HAO; GEORGE CHANG
NTD 30,000,000 (Inclusive) – NTD 50,000,000 (Exclusive)		
NTD 50,000,000 (Inclusive) – NTD 100,000,000 (Exclusive)		
More than NTD 100,000,000		
Total	Ten persons in total	Ten persons in total

(4) Names of Managers Distributing Employee Remunerations and Status of Distribution:

December 31, 2021; Unit: NTD'000; %

	Position	Name	Amount in Shares	Amount in Cash	Total	Total Remuneration to the Net Profit After Tax Ratio (%)
Manager	Deputy General Manager	Sky Su	0	0	0	0
	Deputy General Manager	Tony Lo				
	Deputy General Manager	LIN, GONG-YI				
	Deputy General Manager	LEE, YI-PIN				
	General Manager	RO, SHIH-HAO				
	Deputy General Manager	Karen Chang				
	Deputy General Manager	Jimmy Hsu				
	Chief Financial Officer	GEORGE CHANG				
	Sr. Deputy General Manager	Chung, Chia-Hua				
	Accounting Director	Kathy Huang				
	Deputy Audit Manager	Iris Lee				

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

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

Unit: %

Position	Item	2020		2021	
		Total Remunerations as a Percentage of Net Profit After Tax(%)		Total Remunerations as a Percentage of Net Profit After Tax(%)	
		The Company	The Company	The Company	All Companies in the Financial Report
Directors		13.77	13.77	-47.41	-47.41
Supervisors		-	-	-	-
General Managers and Deputy General Managers		12.75	12.75	-41.79	-41.79

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

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

The remunerations of the General Managers and Deputy General Managers of the Company include their salaries, bonuses, employee remunerations, employee stock warrants and new restricted employee shares. The salary standard is determined based on their positions in the Company, their responsibilities, and their contributions to the Company, and with reference to the standards in the same industry. The employee remuneration distribution standards are in

compliance with the Articles of Association of the Company and the relevant resolution is passed by the Board of Directors and reported at the shareholders meeting.

4. Corporate Governance Practices

(1) Practices of the Board of Directors

As of the publication date of this annual report, the Board of Directors has held eleven (A) meetings (eight in 2021 and three in 2022) in total. The attendance of directors is as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Rate of Attendance in Person (%) (B/A)	Remarks
Chairman	LO, SEN CHOU	11	0	100.00%	
Vice Chairman	YU, MING-TO	11	0	100.00%	
Director	SHIH, CHEN-JUNG	9	2	81.82%	
Director	Representative of HEADWAY CAPITAL LIMITED LIN, GONG-YI	11	0	100.00%	
Director	Representative of HEADWAY CAPITAL LIMITED RO, SHIH-HAO	11	0	100.00%	
Director	Representative of HEADWAY CAPITAL LIMITED LIU, DING-JEN	11	0	100.00%	
Independent director	WENG, MING-JENG	10	1	90.91%	
Independent director	HUANG, TA-LUN	10	1	90.91%	
Independent director	CH'EN, LAI-CHU	11	0	100.00%	
Other Matters to be Recorded:					
1. If any one of the following circumstances occur in the operation of the Board of Directors, the date, period of the board of directors, the content of the proposal, the opinions of all independent directors and the Company's handling of the opinions of independent directors should be clarified:					

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

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

Board of Directors	Contents of the Proposals and Subsequent Handling	Items listed in Securities and Exchange Act 14-3	Independent directors hold objections or reservations
The 6th meeting of the 7th Board of Directors 03/16/2021	1.The 2020 Annual Business Report and Financial Statements of the Company.	V	No such situation.
	2.The 2020 Earnings Distribution Plan of the Company.	V	No such situation.
	3.Appointment and remunerations of the certified public accountants for 2021.	V	No such situation.
	4.Issuance of the 2020 “Statement on Internal Control System” of the Company.	V	No such situation.
	5.Amendment of the Company’s written “Accounting System”.	V	No such situation.
	6.Amendment to some clauses in “Operating Procedures for Acquisition or Disposal of Assets” of the Company.	V	No such situation.
	7.The Company’s disposal of Sirius Wireless Pte. Ltd.equity.	V	No such situation.
	Opinions of the independent directors: Nil.		
	The Company’s handling of the opinions of the independent directors: Nil.		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 7th meeting of the 7th Board of Directors 04/16/2021	1.Proposal for the Company to dispose of FOCALTECH SYSTEMS CO LTD equity.	V	No such situation.
	Opinions of the independent directors: Nil.		
	The Company’s handling of the opinions of the independent directors: Nil.		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 8th meeting of the 7th	1.Proposal to adjust the 2020 Earnings Distribution Plan of the Company.	V	No such situation.
	2.The Company’s consolidated financial report for the first quarter of 2021.	V	No such situation.

	Board of Directors	3.Cancellation of treasury stock and setting of the record date for capital reduction.	V	No such situation.
	05/07/2021	Opinions of the independent directors: Nil.		
		The Company's handling of the opinions of the independent directors: Nil.		
		Outcome of the Resolutions: All directors in attendance passed the resolutions.		
	The 10th meeting of the 7th Board of Directors	1.The Company's consolidated financial report for the second quarter of 2021.	V	No such situation.
	08/11/2021	Opinions of the independent directors: Nil.		
		The Company's handling of the opinions of the independent directors: Nil.		
		Outcome of the Resolutions: All directors in attendance passed the resolutions.		
	The 11th meeting of the 7th Board of Directors	1.The Company proposed to invest in Alcor Micro, Corp.'s private placement of common shares for capital injection.	V	No such situation.
	10/07/2021	2.The Company proposed to invest in the convertible corporate bonds of SCT Holdings Ltd.	V	No such situation.
		3.The Company proposed to invest in the convertible corporate bonds of NetLink Communication Inc.	V	No such situation.
		Opinions of the independent directors: Nil.		
		The Company's handling of the opinions of the independent directors: Nil.		
Outcome of the Resolutions: All directors in attendance passed the resolutions.				
The 12th meeting of the 7th Board of Directors	1.The Company's consolidated financial report for the third quarter of 2021.	V	No such situation.	
11/10/2021	2.The Company's audit plan for 2022.	V	No such situation.	
	3.Cancellation of treasury stock and setting of the record date for capital reduction.	V	No such situation.	
	Opinions of the independent directors: Nil.			
	The Company's handling of the opinions of the independent directors: Nil.			
	Outcome of the Resolutions: All directors in attendance passed the resolutions.			
The 13th meeting of the 7th Board of Directors	1.The Company proposed to participate in iCatch Technology, Inc.'s private placement for capital injection in cash through issuance of common shares.	V	No such situation.	
	2.The Company proposed to make a public tender offer for the common shares of iCatch Technology, Inc.	V	No such situation.	

12/20/2021	Opinions of the independent directors: Nil.		
	The Company's handling of the opinions of the independent directors: Nil.		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 14th meeting of the 7th Board of Directors 03/16/2022	1.The Company proposed to acquire the common shares of Airoha Technology Corp.	V	No such situation.
	The Company's handling of the opinions of the independent directors: Nil.		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 15th meeting of the 7th Board of Directors 03/22/2022	1.The 2021 Annual Business Report and Financial Statements of the Company.	V	No such situation.
	2.The 2021 Earnings Distribution Plan of the Company.	V	No such situation.
	3.Appointment and remunerations of the certified public accountants by the Company for 2022.	V	No such situation.
	4.Issuance of the 2021 Assessment of Effectiveness of the Internal Control System and "Statement on Internal Control System" of the Company.	V	No such situation.
	5.The Company proposed to issue common shares by private placement for cash capital injection.	V	No such situation.
	6.Amendment of some clauses in the "Articles of Association" of the Company.	V	No such situation.
	7.The Company proposed to jointly establish the Egis Innovation Fund with Industrial Technology Investment Corporation.	V	No such situation.
	Opinions of the independent directors: Nil.		
	The Company's handling of the opinions of the independent directors: Nil.		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		
The 16th meeting of the 7th Board of Directors 04/08/2022	1.The Company proposed to make a public tender offer for the common shares of Silicon Optronics, Inc.	V	No such situation.
	The Company's handling of the opinions of the independent directors: Nil.		
	Outcome of the Resolutions: All directors in attendance passed the resolutions.		

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

Board of Directors Date	Cause(s)	Name of Director	Reason(s) for Recusal	Result of Voting
The 6th meeting of the 7th Board of Directors 03/16/2021	Allocation of year-end bonus and performance bonus and employee remunerations for 2020 to managers.	LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO and LIN, GONG-YI	LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO and LIN, GONG-YI are the recipients of this proposal.	Directors LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO, and LIN, GONG-YI recused themselves on this proposal. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors in attendance by the Chairman.
	The Company's issuance of performance bonus for the second half of 2020.	LO, SEN CHOU, RO, SHIH-HAO	RO, SHIH-HAO is the recipient of this proposal. Director RO, SHIH-HAO and Director LO, SEN CHOU have a relationship within the second degree of kinship	Director LO, SEN CHOU and Director RO, SHIH-HAO recused themselves on this proposal. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
The 7th meeting of the 7th Board of Directors 04/16/2021	Proposal for the Company to dispose of FOCALTECH SYSTEMS CO LTD equity.	SHIH, CHEN-JUNG	Director SHIH, CHEN-JUNG has a personal interest in this proposal	Except for Director SHIH, CHEN-JUNG, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.

<p>The 10th meeting of the 7th Board of Directors</p> <p>08/11/2021</p>	<p>The Company's issuance of performance bonus for the first half of 2021.</p>	<p>LO, SEN CHOU, RO, SHIH-HAO</p>	<p>RO, SHIH-HAO is the recipient of this proposal. Director RO, SHIH-HAO and Director LO, SEN CHOU have a relationship within the second degree of kinship</p>	<p>Director LO, SEN CHOU and Director RO, SHIH-HAO recused themselves on this proposal. The proposal was presided over by the Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.</p>
	<p>The Company's 2021 annual employee incentive bonus payment.</p>	<p>LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO and LIN, GONG-YI</p>	<p>LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO and LIN, GONG-YI are the recipients of this proposal.</p>	<p>Director LO, SEN CHOU, Director YU, MING-TO, Director RO, SHIH-HAO and Director LIN, GONG-YI recused themselves on this proposal. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.</p>
<p>The 11th meeting of the 7th Board of Directors</p> <p>10/07/2021</p>	<p>The Company proposed to invest in the convertible corporate bonds of SCT Holdings Ltd.</p>	<p>HUANG, TA-LUN</p>	<p>The company in which HUANG, TA-LUN is a director intends to participate in the investment in SCT, so he recused himself on this proposal due to a conflict of interest.</p>	<p>Except for Director HUANG, TA-LUN, who recused himself, the proposal was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.</p>
<p>The 15th meeting of the 7th Board of Directors</p> <p>03/22/2022</p>	<p>Allocation of year-end bonus and performance bonus to managers of the Company in 2021.</p>	<p>LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO and LIN, GONG-YI</p>	<p>LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO and LIN, GONG-YI are the recipients of this proposal.</p>	<p>Director LO, SEN CHOU, Director YU, MING-TO, Director RO, SHIH-HAO and Director LIN, GONG-YI recused themselves on this proposal. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.</p>

	The Company's issuance of performance bonus for 2021.	LO, SEN CHOU, RO, SHIH-HAO	RO, SHIH-HAO is the recipient of this proposal. Director RO, SHIH-HAO and Director LO, SEN CHOU have a relationship within the second degree of kinship	Director LO, SEN CHOU and Director RO, SHIH-HAO recused themselves on this proposal. The proposal was presided over by the Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.
	The Company's annual salary adjustment plan for managers in 2022.	LO, SEN CHOU	Deputy General Manager Tony Lo is the recipient of this proposal; Director LO, SEN CHOU is the relative of the recipient	Director LO, SEN CHOU recused himself on this proposal. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.

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

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

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

1. The Company has formulated the "Rules of Procedures for Board of Directors" according to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" through the resolution of the Board of Directors; the Board of Directors has been operated in accordance with the "Rules of Procedures for Board of Directors".
2. The Company has established independent directors, audit committee, and remuneration committee to strengthen the corporate governance functions of the Board of Directors.
3. The Company will regularly arrange for directors to participate in professional enrichment courses to ensure that directors maintain their core values as well as their professional strengths and abilities.

(2) Assessment of Implementation Status

1. The Company has established the Remuneration Committee and Audit Committee on June 12, 2014

and October 17, 2014 respectively to assist the Board of Directors in performing its duties.

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

Evaluation of Implementation by the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation contents
Carry out once a year	Evaluate the performance from January 1, 2021 to December 31, 2021.	Performance evaluation of the Board of Directors and individual directors.	The internal self-assessment of the Board of Directors and the self-assessment of the directors.	(1) Board of Directors performance evaluation: Degree of participation in the Company's operations, the quality of the Board of Directors' decision-making, the composition and structure of the Board of Directors, the election and continuing education of the directors, and internal control, etc. (2) Performance evaluation of individual directors: Mastery of the Company's objectives and tasks, to recognize the responsibilities of directors, to participate in the Company's operation, to manage and communicate internal relations, to continue professional and continuing education of directors, to control internal control, etc.

(2) Practices of the Audit Committee

As of the publication date of this annual report, the Audit Committee has held ten (A) meetings (seven in 2021 and three in 2022) in total. The attendance of the independent directors is as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Rate of Attendance in Person (%) (B/A)	Remarks
Independent director	WENG, MING-JENG	9	1	90.00%	The Convener and the Chairman
Independent	HUANG, TA-	9	1	90.00%	
Independent	CH'EN, LAI-	10	0	100.00%	

Other Matters to be Recorded:

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

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

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

save the aforesaid matters:

Board of Directors	Contents of the Proposals and Subsequent Handling	Matters listed in Securities and Exchange Act 14-5	Resolutions passed by two-thirds or more of all directors but not approved by the Audit Committee
The 6th meeting of the 7th Board of Directors	1.The 2020 Annual Business Report and Financial Statements of the Company.	V	No such situation.
	2.The 2020 Earnings Distribution Plan of the Company.	V	No such situation.
	3.Appointment and remunerations of the certified public accountants for 2021.	V	No such situation.

03/16/2021	4.Issuance of the 2020 “Statement on Internal Control System” of the Company.	V	No such situation.
	5.Amendment of the Company’s written “Accounting System”.	V	No such situation.
	6.Amendment to some clauses in “Operating Procedures for Acquisition or Disposal of Assets” of the Company.	V	No such situation.
	7.The Company’s disposal of Sirius Wireless Pte. Ltd.equity.	V	No such situation.
	Resolutions of the Audit Committee (03/16/2021): All members of the Audit Committee approved the resolutions.		
	The Company’s handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.		
The 7th meeting of the 7th Board of Directors	1.Proposal for the Company to dispose of FOCALTECH SYSTEMS CO LTD equity.	V	No such situation.
	Resolutions of the Audit Committee (04/16/2021): All members of the Audit Committee approved the resolutions.		
04/16/2021	The Company’s handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.		
The 8th meeting of the 7th Board of Directors	1.Proposal to adjust the 2020 Earnings Distribution Plan of the Company.	V	No such situation.
	2.The Company’s consolidated financial report for the first quarter of 2021.	V	No such situation.
05/07/2021	3.Cancellation of treasury stock and setting of the record date for capital reduction.	V	No such situation.
	Resolutions of the Audit Committee: All members of the Audit Committee approved the resolutions.		
	The Company’s handling of the opinions of the Audit Committee (05/07/2021): All directors in attendance passed the resolutions.		
The 10th meeting of the 7th Board of Directors	1.The Company’s consolidated financial report for the second quarter of 2021.	V	No such situation.
	Resolutions of the Audit Committee (08/11/2021): All members of the Audit Committee approved the resolutions.		
08/11/2021	The Company’s handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.		
The 11th meeting of	1.The Company proposed to invest in Alcor Micro, Corp.’s private placement of common shares for capital injection.	V	No such situation.

the 7th Board of Directors 10/07/2021	2.The Company proposed to invest in the convertible corporate bonds of SCT Holdings Ltd.	V	No such situation.
	3.The Company proposed to invest in the convertible corporate bonds of NetLink Communication Inc.	V	No such situation.
	Resolutions of the Audit Committee (10/07/2021): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.		
The 12th meeting of the 7th Board of Directors 11/10/2021	1.The Company's consolidated financial report for the third quarter of 2021.	V	No such situation.
	2.The Company's audit plan for 2022.	V	No such situation.
	3.Cancellation of treasury stock and setting of the record date for capital reduction.	V	No such situation.
	Resolutions of the Audit Committee (11/10/2021): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.		
The 13th meeting of the 7th Board of Directors 12/20/2021	1.The Company proposed to participate in iCatch Technology, Inc.'s private placement for capital injection in cash through issuance of common shares.	V	No such situation.
	2.The Company proposed to make a public tender offer for the common shares of iCatch Technology, Inc.	V	No such situation.
	Resolutions of the Audit Committee (12/20/2021): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.		
The 14th meeting of the 7th Board of Directors 03/16/2022	1.The Company proposed to acquire the common shares of Airoha Technology Corp.	V	No such situation.
	Resolutions of the Audit Committee (03/16/2022): All members of the Audit Committee approved the resolutions.		
	The Company's handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.		
The 15th meeting of the 7th	1.The 2021 Annual Business Report and Financial Statements of the Company.	V	No such situation.
	2.The 2021 Earnings Distribution Plan of the Company.	V	No such situation.

Board of Directors 03/22/2022	3.Appointment and remunerations of the certified public accountants by the Company for 2022.	V	No such situation.
	4.Issuance of the 2021 Assessment of Effectiveness of the Internal Control System and “Statement on Internal Control System” of the Company.	V	No such situation.
	5.The Company proposed to issue common shares by private placement for cash capital injection.	V	No such situation.
	6.Amendment of some clauses in the “Articles of Association” of the Company.	V	No such situation.
	7.The Company proposed to jointly establish the Egis Innovation Fund with Industrial Technology Investment Corporation.	V	No such situation.
	Opinions of the independent directors: Nil.		
	Resolutions of the Audit Committee (03/22/2022): All members of the Audit Committee approved the resolutions.		
The Company’s handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.			
The 16th meeting of the 7th Board of Directors 04/08/2022	1.The Company proposed to make a public tender offer for the common shares of Silicon Optronics, Inc.	V	No such situation.
	Resolutions of the Audit Committee (04/08/2022): All members of the Audit Committee approved the resolutions.		
The Company’s handling of the opinions of the Audit Committee: All directors in attendance passed the resolutions.			
<p>2. In the event that any independent director has to abstain from voting on any proposal due to a conflict of interest, the name of the independent director, the content of the proposal, reason(s) for recusal, and the result of the voting should be specified: No such situation.</p> <p>3. Communications between the independent directors and internal audit supervisors, as well as accountants (such as matters related to the financial or business situation of the Company that were communicated, the mode and outcome of such communications, etc.):</p> <p>Notes:</p> <p>(1) After the audit report and follow-up report are submitted, the audit director shall deliver the audit report and follow-up report to each independent director, and timely respond to matters raised by the independent directors.</p> <p>(2) The audit director and accountant shall communicate with the independent directors on financial and business conditions during the quarterly Board of Directors meeting.</p>			

- (3) The audit director shall attend the audit committee meetings in a non-voting capacity and prepare the audit report. The independent directors of the Company shall communicate with the internal audit director.
- (4) The accountant conducts meetings with the independent directors on the Company's financial and business conditions, or the independent director communicates by telephone or email with the Deputy General Manager of the Finance Department at any time.

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

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
1. Did the Company formulate and disclose its Corporate Governance Best Practice Principles according to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated “Corporate Governance Best Practice Principles of Egis Technology Inc.” which is available on the Company’s website for stakeholders to download.	No major discrepancy
2. Shareholding Structure of the Company and Shareholders’ Equity				
(1) Did the Company establish internal operating procedures to deal with the proposals, doubts, disputes and litigation matters of shareholders, and implement these in accordance with the procedures?	✓		(1) The Company has a spokesperson. The spokesperson, acting as spokesperson, shareholder services unit, investor relations unit, as well as the relevant departments of the legal unit serve as channels for proposals and communication with shareholders to ensure that these matters can be properly handled.	No major discrepancy
(2) Does the Company have a list of the principal	✓		(2) The shareholder services unit is responsible for controlling information related to the Company and maintaining close contact	No major

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
shareholders who are in actual control of the Company and the ultimate controllers of the principal shareholders?			with the principal shareholders.	discrepancy
(3) Did the Company establish and implement risk control and firewall mechanisms between itself and its related enterprises?	✓		(3) The Company has established relevant controls in the Company's internal control system and "Regulations for Financial- and Business-Related Operations with Related Enterprises" according to the law.	No major discrepancy
(4) Did the Company establish internal standards to prohibit insiders from trading in securities using information that is undisclosed to the market?	✓		(4) The Company has formulated Article 6 of the "Operating Procedures for the Management of Significant Internal Information" to prohibit directors, supervisors, managers, and employees with knowledge of significant internal information of the Company from disclosing said information to others. In addition, the "Management Procedures for the Prevention of Insider Trading" prohibit the disclosure of any information to the public or the adoption of any prohibited actions before the release of significant information as to ensure the correctness and	No major discrepancy

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			popularity of the information.	
3. Composition and the Duties of the Board of Directors				
(1) Did the Board of Directors formulate a diversity policy, specific management objectives and implement them with regard to its membership composition?	✓		(1) The Company has specified the Board diversity policy in the “Corporate Governance Best Practice Principles”. Please refer to the chapter on “Diversity and Independence of the Board of Directors” for specific management objectives and implementation.	No major discrepancy
(2) Apart from establishing the Remuneration Committee and Audit Committee in accordance with the law, did the Company establish other functional committees at its own will?	✓		(2) In addition to the Remuneration Committee and the Audit Committee, the Company established a “Special Merger and Acquisition Committee” on November 11, 2019 and adopted the “Organizational Rules of the Special Committee on Mergers and Acquisitions”.	No major discrepancy
(3) Does the Company have measures to evaluate the performance of the Board of Directors and	✓		(3) The Company has formulated the “Methods for Performance Appraisal of the Board of Directors” and conducts director self-	No major

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
its evaluation method, conduct performance evaluation annually and regularly, report the results of performance evaluation to the Board of Directors, and refer to them in relation to salary and remuneration of individual directors and their nomination for renewal?			appraisal and implementation of the Board of Directors' record for various appraisal indicators of the previous year made at the start of each year in accordance with provisions of the Method, and the results of the appraisal are submitted to the Board of Directors. It can be used as a reference for salary and remuneration of individual directors and nomination for renewal.	discrepancy
(4) Does the Company evaluate the independence of the certified public accountants on a regular basis?	✓		(4) The Finance Department of the Company evaluates the independence of the certified public accountants once a year and reports the results to the Audit Committee and the Board of Directors for consideration and approval. Upon approval, if all are in line with the Company's independence standards, then they are able to serve as the Company's certified public accountants. The evaluation criteria for certified public accountant's independence are detailed in Note1.	No major discrepancy
4. Is the Listed or OTC Company equipped with competent and appropriate number of corporate	✓		The Company's Corporate Governance Unit is an investor relations unit responsible for corporate governance related matters and was	No major

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
governance personnel and has it designated a corporate governance director to be responsible for corporate governance related matters (including but not limited to providing data required by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, managing meeting related matters of the Board of Directors and shareholders' meeting in accordance with laws, making minutes of the Board of Directors and shareholders' meeting, etc.)?			<p>approved by the Board of Directors on November 10, 2021, with the Chief Financial Officer Mr. GEORGE CHANG appointed as the corporate governance director.</p> <p>The foregoing corporate governance related matters shall at least include the following:</p> <ol style="list-style-type: none"> (1) Handling matters related to Board meetings and Shareholders' meeting in accordance with the law. (2) Making minutes of the Board of Directors and Shareholders' meetings. (3) Assisting in the appointment and continuing education of directors. (4) Providing data required by directors to carry out their business. (5) Assisting directors in complying with laws and regulations. (6) Other matters stipulated in the Articles of Association or contracts 	discrepancy

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			<p>of the Company.</p> <p>The business performance of the Company's Corporate Governance Unit in 2021 is as follows:</p> <ol style="list-style-type: none"> 1. Preparation of the agenda for meetings of the Board of Directors, Audit Committee and Remuneration Committee, and the materials for discussion; reminding the relevant stakeholders to recuse themselves if the proposal content is related to them. In 2021, eight Board of Directors meetings, seven Audit Committee meetings and three Remuneration Committee meetings were held. 2. Registering the date of the shareholders' meeting within the prescribed deadline (the original date of the shareholders' meeting was June 17, but it was postponed to July 12 due to the pandemic), and assisting in convening the Shareholders' meeting. 3. Responsible for the announcement of important resolutions of the Board of Directors and Shareholders' meeting, and the release of 	

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			<p>important information in accordance with law.</p> <p>4. Organizing a 6-hour course for all directors, general managers, corporate governance director and chief financial officer. The topics of the course include “Common Case Studies of Disgorgement in Insider and Short-Term Trading” and “How To Create Pinnacle and Achieve Sustainable Operation in a Global Competitive Market”.</p> <p>5. Arranging for the independent directors to communicate with the internal audit director and certified public accountants at the Audit Committee meeting, a summary of which is available on the Company’s website.</p> <p>7. Conducting the 2021 Board of Directors’ performance evaluation and reporting the results of the performance evaluation to the Board of Directors on March 16, 2022.</p> <p>8. The training for the Corporate Governance Director in 2021 is shown</p>	

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			in Note 3.	
5. Did the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a stakeholder area on the Company's website, and respond to important corporate social responsibility issues that are of concern to stakeholders in an appropriate way?	✓		In order to maintain a smooth communication channel with stakeholders, the Company has set up a section for stakeholders on the Company's website (http://www.egistec.com). In the event that a stakeholder suffers an infringement of his/her rights, discovers an employee of the Company to be involved in behavior that is illegal or in violation of the Company's corporate governance, or has any doubts or suggestions related to the Company, the stakeholder can contact the Company through this channel. There will be specially assigned personnel who will reply and handle the matter.	No major discrepancy
6. Has the Company appointed a professional shareholder services agency to handle the affairs related to the Board of Shareholders?	✓		The Company has appointed the Stock Service Department of Yuanta Securities Co., Ltd. as the shareholder services agency of the Company and it shall handle affairs related to the Board of Shareholders.	No major discrepancy

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
7. Information Disclosure				
(1) Has the Company established a website for the disclosure of its financial, business and corporate governance information?	✓		(1) The Company has disclosed information related to its business, financial, and corporate governance status on the Company's website. (http://www.egistec.com)	No major discrepancy
(2) Has the Company adopted other measures for the disclosure of information (such as setting up an English website, appointing personnel to be responsible for the collection and disclosure of information related to the Company, implementing a spokesperson system, and posting investor conferences on the Company's website, etc.)?	✓		(2) The Company has an appointed spokesperson and an acting spokesperson. It has also designated a personnel to be responsible for the collection and disclosure of information to be released to the public (including the English website and the legal representative explanation meeting) to provide the spokesperson, acting spokesperson, and the relevant business departments with the resources to answer inquiries from stakeholders and the competent authorities.	No major discrepancy
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second and third quarters and the operation of		✓	(3) The Company announced and reported the financial report of the year 2021 in March 2022, the financial report of the first, second and third quarters of the year 2021, and the operation of each month in advance before the specified time limit.	No major discrepancy

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
each month in advance before the specified time limit?				
8. Has the Company disclosed other important information (including but not limited to employee rights, employee welfare, investor relations, supplier relations, the rights of stakeholders, training records of the directors and supervisors, implementation status of risk management policies and risk assessment criteria, implementation status of customer relations policies, and whether the Company has purchased liability insurance for its directors and supervisors) to facilitate a better understanding of its corporate governance practices?	✓		<p>(1) Implementation status of employee rights and employee welfare: The Company has open communication channels and is able to handle, answer and address the expectations, suggestions, doubts, and grievances of employees in a reasonable and appropriate manner. Attention is paid to the rights and interests of employees and concern is shown towards the employees; a work environment with gender equality and prevention and elimination of sexual harassment among staff was established; the Employee Welfare Committee organizes various travel activities for staff every year; and staff with outstanding work performance are commended as excellent employees at the end of each year.</p> <p>(2) Investor relations: The Company upholds the principles of fairness and openness in its treatment of all shareholders, and convenes the shareholders' meeting every year in accordance with the Company Act, as well as the relevant laws and regulations. It also notifies all</p>	No major discrepancy

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			<p>shareholders to attend the shareholders' meeting in accordance with the relevant regulations, encourages shareholders to actively participate in motions such as those regarding the election of the directors and supervisors or revisions to the Articles of Association, and reports important financial and business decisions such as the acquisition and disposal of assets, as well as endorsements and guarantees, etc. in the shareholders' meeting. The Company also provides ample opportunities for shareholders to raise inquiries or proposals in order to have effective checks and balances. It has formulated the rules of procedure for shareholders' meetings in accordance with the law and has properly kept the minutes of shareholders' meetings, as well as made full disclosure of the relevant information on the Market Observation Post System. In addition, in order to ensure that shareholders are fully aware of the major issues of the Company, enjoy full participation and decision-making rights, the Company has established the positions of spokesperson and acting spokesperson, as well as designated personnel to handle the suggestions, doubts, and</p>	

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			<p>disputes of shareholders. Since the Company's public offering, it has designated personnel to be responsible for the collection and disclosure of information related to the Company, handling of the announcements and declarations of the relevant information, as well as the timely provision of information that may affect the decision-making of investors according to the principles of information disclosure。</p> <p>(3) Supplier relations: The Company carries out the audit and management of suppliers on the basis of good faith to ensure that suppliers are able to meet the various environmental regulations and fulfill its social responsibility and continue to provide price-competitive products that meet the standards of the Company. The Company shall continue to uphold the spirit of mutual trust and mutual benefit with its suppliers in the hope that the suppliers can grow and achieve a win-win situation together with the Company.</p> <p>(4) Rights of stakeholders: Depending on the circumstances, the Company may instruct the investor relations, shareholder services,</p>	

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			<p>and legal affairs departments, etc. to communicate with stakeholders, and it has listed the contact information of the spokesperson as well as the various relevant business departments on the Company's website. A section dedicated to stakeholders has been set up on the Company's website (http://www.egistec.com)). Stakeholders may communicate with the Company and raise suggestions at any time to safeguard their rights and interests.</p> <p>(5) Implementation status of risk management policies and risk assessment criteria: With regard to the risk management policies and risk assessment criteria of the Company, the Office of the General Manager, the Business Department, Finance Department, and other units are jointly responsible for the implementation of the risk management policies and performance of risk assessment. Please refer to Section VII, (6) Explanation on Risk Management Assessment of the current year's annual report for details.</p> <p>(6) Implementation status of customer relations policies: The Company has always maintained strict confidentiality of the secrets of its</p>	

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			<p>customers. Where a competitive relationship exists between customers, the internal department will set up different teams to service the customers, and firewalls will be established to protect the information of the customers. To protect its customers, discussions on the secrets of customers are generally prohibited in the Company as well as in public places. At the same time, a customer complaint handling mechanism has been established for the appropriate identification of problems in customer complaints and for the attribution of responsibility to protect the rights and interests of customers. In addition, customer satisfaction surveys are carried out to ensure that customers are most satisfied with the services provided.</p> <p>(7) Purchase of liability insurance for the directors and supervisors by the Company: The Company has purchased liability insurances from Fubon Insurance for directors and managers as described in Note 2.</p> <p>(8) 2021 training records of directors and managers are as described in</p>	

Assessment Item	Implementation Status		Summary Description	Discrepancy with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No		
			Note 3.	
<p>9. Please explain the improvements that have been made with regard to the Corporate Governance Evaluation results released in the last fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, as well as suggest priority enhancement matters and measures to be taken for matters that have not been improved.</p> <p>1.The Company has strengthened and improved the annual report disclosure for the corporate governance evaluation in 2021: disclosing of the Company’s Board diversity policy, and the specific management objectives and implementation of the diversity policy on the Company’s website and annual report (Indicator 2.2).</p> <p>2.On November 10, 2021, the Company’s Board of Directors approved the appointment of Chief Financial Officer Mr. GEORGE CHANG as Corporate Governance Director (Indicator 2.21).</p> <p>3.Future priority enhancement matters: It is expected that there will be a re-election of directors and an addition of independent directors at the 2023 Annual General Meeting of Shareholders (Indicator 2.7).</p>				

Note 1:Assessment Criteria for Independence of Accountant

Assessment Item	Assessment Results	Independent or Not
1.The accountant is employed by the Company as a regular employee and receives fixed salary or serves as a	No	Yes
2.The accountant once served as a director, supervisor, manager or an employee who has had a significant influence on the certification work of the Company, and was dismissed less than 2 years ago.	No	Yes
3.The accounting firm and the Company are related parties to each other	No	Yes
4.The accountant has a spousal relationship or a relationship within the second degree of kinship with the person in charge or manager of the Company	No	Yes
5.The accountant or his/her spouse or minor child has an investment or shared profits in the Company	No	Yes
6.The accountant or his/her spouse or minor child has funds borrowed from or lent to the Company.	No	Yes
7.The accountant has been appointed the certification for seven consecutive years	No	Yes
8.The accountant has not provided an independence statement every year	No	Yes
9.The Company has been sued for financial reports or corrected by the competent authority during the year of assessment	No	Yes
10.The quality of service such as auditing and taxation has not met the requirements	No	Yes
11.The size and reputation of the accounting firm have been seriously damaged during the year of assessment	No	Yes
12.Poor interaction between the accountant, management, and internal audit supervisor	No	Yes

Note 2:Purchase of Liability Insurance for Directors and Managers

Insured	Insurer	Insurance Premiums (USD)	Duration of Insurance
All the directors and managers	Fubon Insurance Co., Ltd.	12,900	From October 1, 2021 to October 1, 2022
	Cathay Century Insurance Co., Ltd.	7,475	
	Hotai Insurance Co., Ltd.	2,875	
	Chung Kuo Insurance Co., Ltd.	1,150	
Total		24,400	

Note 3: 2021 Training Records of Directors and Managers

Position	Name	Training Date	Topics	Unit	Number of Training Hours	Number of Training Hours in 2021
Chairman	LO, SEN- CHOU	1100811	Common Case Studies of Disgorgement in Insider	Taiwan Corporate Governance	3.0	6
		1101110	How To Create Pinnacle and Achieve Sustainable	Taiwan Corporate Governance	3.0	
Director	SHIH, CHEN- JUNG	1100317	Analysis of Economic and Industrial Situation in	Taiwan Corporate Governance	1.5	13
		1100505	Ransomware and Enterprise Business Risk	Taiwan Corporate Governance	1.5	
		1100729	Securities Regulation and Corporate Governance	Taiwan Corporate Governance	3.0	
		1100804	Recent Securities Regulation Updates and Global	Taiwan Corporate Governance	1.5	
		1100810	Changes in Surplus Patterns and Performance	Taiwan Corporate Governance	1.5	
		1100928	The Influence of IFRS17 on Strategic Planning of	Taiwan Corporate Governance	1.5	
		1101103	Current Domestic and Foreign Economic Situation	Taiwan Corporate Governance	1.5	
1101109	Education and Training on Anti-Money Laundering	Institute of Financial Law and Crime	1.0			
Director	YU, MING-	1100811	Common Case Studies of Disgorgement in Insider	Taiwan Corporate Governance	3.0	6
		1101110	How To Create Pinnacle and Achieve Sustainable	Taiwan Corporate Governance	3.0	
Director	LIN, GONG-	1100811	Common Case Studies of Disgorgement in Insider	Taiwan Corporate Governance	3.0	6
		1101110	How To Create Pinnacle and Achieve Sustainable	Taiwan Corporate Governance	3.0	
Director	RO, SHIH-	1100811	Common Case Studies of Disgorgement in Insider	Taiwan Corporate Governance	3.0	6
		1101110	How To Create Pinnacle and Achieve Sustainable	Taiwan Corporate Governance	3.0	
Director	LIU, DING- JEN	1100803	Corporate Sustainability Governance from a Risk	Taiwan Corporate Governance	3.0	9
		1100811	Common Case Studies of Disgorgement in Insider	Taiwan Corporate Governance	3.0	
		1101109	Corporate Mergers and Acquisitions and the	Taiwan Corporate Governance	3.0	
Independent director	WENG, MING- JENG	1100811	Common Case Studies of Disgorgement in Insider	Taiwan Corporate Governance	3.0	12
		1101109	The International Economic Situation and China's	Taiwan Corporate Governance	3.0	
		1101109	Corporate Sustainability Governance from a Risk	Taiwan Corporate Governance	3.0	
		1101110	How To Create Pinnacle and Achieve Sustainable	Taiwan Corporate Governance	3.0	
Independent director	HUANG, TA-LUN	1100811	Common Case Studies of Disgorgement in Insider	Taiwan Corporate Governance	3.0	9
		1101104	Practices for Creating Sustainable Peaks in Business	Taiwan Development & Research	3.0	
		1101104	Sustainable Business Practices in the Face of Global	Taiwan Development & Research	3.0	
Independent director	CH'EN, LAI-	1100811	Common Case Studies of Disgorgement in Insider	Taiwan Corporate Governance	3.0	6
		1101110	How To Create Pinnacle and Achieve Sustainable	Taiwan Corporate Governance	3.0	

2021 Training Records of the Managers:

Position	Name	Training Date	Name of Course	Organizer	Number of Training Hours	Number of Training Hours in 2021
Chief Financial Officer and Corporate Governance Director	GEORGE CHANG	1100811	Common Case Studies of Disgorgement in Insider and Short-Term Trading	Taiwan Corporate Governance Association	3	6
		1101110	How To Create Pinnacle and Achieve Sustainable Operation in a Global Competitive Market	Taiwan Corporate Governance Association	3	
Accountant officer	Kathy Huang	1101018 to 1101019	Continuing Education Course for Issuer Securities Dealer Accounting Supervisor	Accounting Research and Development Foundation	12	12
Audit supervisor	Iris Lee	1101102	Compliance Audit Practice for Corporate Investment and Mergers and Acquisitions	Accounting Research and Development Foundation	6	12
		1101202	Risk-based Internal Audit Approach and Practice	The Institute of Internal Auditors – Chinese Taiwan	6	

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

1. Particulars of the Members of the Remuneration Committee

April 30, 2022

Position Name		Criteria	Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which He/She Is Concurrently a Member of the Remuneration Committee
Independent Director (Convener)	HUANG, TA-LUN		See Page 27 for information about our directors.	See Page 27 for information about our directors.	2
Independent director	WENG, MING-JENG				1
Independent director	CH'EN, LAI-CHU				2

2. Duties and Powers of the Remuneration Committee

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

- (1) Periodically review the regulation and propose recommendations for amendments.
- (2) Establish and periodically review the annual and long-term performance goals, as well as the policies, systems, standards, and structure for remuneration of the directors and managers of the Company.
- (3) Periodically assess the degree to which performance goals for the directors and managers of the Company have been achieved, and establish the contents and amounts of their individual remunerations.

3. Information on the Operational Situation of the Remuneration Committee

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

(2) As of the publication date of this annual report, the Remuneration Committee has held four (A) meetings (three in 2021 and one in 2022) in total. The attendance of the committee members is as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Rate of Attendance in Person (%) (B/A)	Remarks
Independent director	HUANG, TA-LUN	4	0	100.00%	The Convener and the Chairman
Independent director	WENG, MING-JENG	4	0	100.00%	
Independent director	CH'EN, LAI-CHU	4	0	100.00%	

Other Matters to be Recorded:

1.If the Board of Directors does not adopt or amend the recommendation of the Remuneration Committee, it shall state the date, period, contents of the proposal, resolution results of the Board of Directors and the Company's handling of the opinions of the Remuneration Committee (if the salary and remuneration adopted by the Board of Directors is more than the proposal of the Remuneration Committee, the difference and reason shall be stated):No such matter.

2.If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the date and session of the Remuneration Committee meeting, content of the proposal, as well as the opinions of all committee members and the handling of their opinions shall be specified: No such matter.

3.Discussion subject and voting results of Remuneration Committee:

Date and Session Number	Content of Proposal	Outcome of the Resolution
The 3rd meeting of the 4th	1.The 2020 Employee remuneration and director remuneration distribution plans of the Company.	Remuneration Committee:

Remuneration Committee 03/16/2021	2. Director's remuneration distribution of the Company for 2020.	Relevant proposals have been unanimously approved by members present and submitted to the Board of Directors of the Company for resolution. Board of Directors: All directors in attendance passed the resolutions.	
	3. Allocation of year-end bonus and performance bonus and employee remunerations for 2020 to managers.		
	4. The Company's issuance of performance bonus for the second half of 2020.		
The 4th meeting of the 4th Remuneration Committee 05/07/2021	1. Appointment of the Deputy General Manager of the Company.		
	The 5th meeting of the 4th Remuneration Committee 08/11/2021		1. The Company's issuance of performance bonus for the first half of 2021.
			2. The Company's 2021 annual employee incentive bonus payment.
3. Proposal for issuance of incentive bonus to Directors of the Company for 2021.			
The 6th meeting of the 4th Remuneration Committee 03/22/2022	1. Allocation of year-end bonus and performance bonus to managers of the Company in 2021.		
	2. The Company's issuance of performance bonus for 2021.		
	3. The Company's annual salary adjustment plan for managers in 2022.		

(5) The Implementation Status of Promoting the Sustainable Development and Discrepancies with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancies

Assessment Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
1. Has the Company established a governance structure to promote sustainable development and set up a dedicated (or ad-hoc) unit for the promotion of sustainable development that is managed by senior management as authorized by the Board of Directors and supervised by the Board of Directors?	✓		The Company has designated the General Manager's Office as the full-time sustainable development promotion unit. It is responsible for the proposal and implementation of relevant policies, systems, or management policies and plans, as well as the ethical management of the enterprise and the management of employee ethics, and reporting the operation and implementation results to the Board of Directors when necessary.	No major discrepancy
2. Does the Company conduct risk assessment on environmental, social, and corporate governance topics related to the Company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		The Company formulated and implemented relevant risk management policies and regularly conducted risk assessment on topics related to the Company's operation.	No major discrepancy

Assessment Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
3. Environmental Topics				
(1) Has the Company established an appropriate environmental management system according to its industrial characteristics?	✓		(1) The Company is a software and hardware design company that does not have factory-manufactured products, and therefore has no physical product to cause an impact on the environment. The Company is committed to improving efficiency in the utilization of each resource, to achieve energy conservation, waste reduction, and reduce impact on environment to safeguard earth's resources and protect environmental health.	No major discrepancy
(2) Is the Company committed to improving efficiency in the utilization of each resource? Does it use renewable materials that have a low impact on the environment?	✓		(2) In order to make good use of all resources, the Company carries out activities such as sorting, recycling, and reduction of resources and wastes. The Company implements the use of recycled paper and improves the utilization efficiency of all resources, thereby thoroughly implementing the recycling and reuse of resources.	No major discrepancy
(3) Does the Company assess the potential risks and	✓		(3) The Company's air conditioners are configured to turn off at certain times. Additionally, the	No major discrepancy

Assessment Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
<p>opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate related topics?</p> <p>(4) Does the Company gather statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?</p>	✓		<p>Company promotes the concept of energy saving and carbon reduction to employees of all departments of the company, and promote various energy saving measures to achieve energy saving and greenhouse gas reduction policies, reduce the impact on the environment, and fulfill the responsibility of corporate environmental protection.</p> <p>(4) The Company is a software and hardware design company and does not engage in manufacturing. So there is no particular pollution source. The Company aligns itself with and responds to the government's energy conservation measures and has prepared "energy conservation" measures. The Company implemented, on a long-term basis, energy conservation and carbon reduction measures related to the management of internal electricity, water, lighting equipment, resource recovery, etc.</p>	No major discrepancy

Assessment Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
4. Social Topics				
(1) Does the Company formulate relevant management policies and procedures in accordance with relevant laws, regulations, and international human rights conventions?	✓		(1) The Company is in compliance with the relevant laws and regulations such as the Labor Standards Act and Act of Gender Equality in Employment and observes the internationally recognized Fundamental Principles of Labor Rights. It has formulated the “Personnel Regulations and Work Management Rules”, which specifies the policies for employment, incentives, and disciplinary actions to safeguard the legitimate rights and interests of employees.	No major discrepancy.
(2) Does the Company create and implement reasonable employee benefit measures (including compensation, vacation, and other benefits), and properly reflect the operating performance or results in its employee’s compensation?	✓		(2) The Board of Directors is the reporting line of the Remuneration Committee, which is responsible for formulating salary and remuneration policies, systems, standards and structures, and issuing various bonuses and periodic salary adjustments in combination with the Company’s business performance, annual net profit and employee assessment.	No major discrepancy.

Assessment Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
(3) Does the Company provide a safe and healthy working environment for its employees and train them regularly on safety and health education?	✓		(3) The Company has appointed safety and health management staff and conducted safety and health educational training courses, as well as overhauls of fire-fighting equipment on a regular basis, so as to provide employees with a safe and healthy work environment.	No major discrepancy.
(4) Has the Company established effective career development training plans for employees?	✓		(4) The Company encourages employees of all departments to cooperate in the work content and actively participate in external refresher courses to improve the professional abilities of employees.	No major discrepancy.
(5) Does the Company follow relevant laws, regulations, and international standards in relation to customers' health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies, and complaint procedures to protect the rights of consumers?	✓		(5) The Company attaches great importance to customer feedback, and the service procedures for customer feedback are handled by the unit-in-charge, so as to ensure the customer receives the ideal service effect and also protect the customer's rights.	No major discrepancy.

Assessment Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
(6) Does the Company have a supplier management policy that requires suppliers to follow relevant specifications in relation to environmental protection, occupational safety and health, labor rights, and other issues? What is the status of its implementation?	✓		(6) The Company assesses its suppliers and evaluates their operations regularly, and it will include the corporate social responsibility of both parties, as well as the relevant contract termination clauses when signing contracts with suppliers in the future.	No major discrepancy.
<p>5. Does the Company prepare sustainability reports and other reports that disclose the Company's non-financial information by reference to internationally accepted reporting standards or guidelines? Is the above-mentioned disclosure report confirmed or guaranteed by a third party verification unit?</p> <p>The Company is committed to promoting sustainable development of the enterprise, and is planning to prepare corporate sustainability reports.</p>				
<p>6. If the Company has formulated its own sustainable development principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please specify any discrepancies between the formulated principles and its implementation:</p> <p>The Company has formulated the "Sustainable Development Best Practice Principles" and has actively implemented its obligations in the spirit of the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>				
<p>7. Other important information to facilitate better understanding of the implementation of sustainable development:</p> <p>The Company is a software and hardware design company that does not have factory-manufactured products. In order to respond to</p>				

Assessment Item	Implementation Status			Discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for the Discrepancy
	Yes	No	Summary Description	
<p>environmental protection and energy conservation, employees are required to start from everyday life and the office environment.</p> <p>(1) The Company manages its employee according to the Labor Standards Act and other relevant regulations and has designated a dedicated staff to handle all work-related benefits of employees in order to protect the rights of employees.</p> <p>(2) The Company's industry does not implicate major environmental pollution problems, and the Company's offices have been equipped with energy-saving devices, air conditioners configured to turn off at certain times, electronic forms, commercial waste reduction and recycling, and a greenhouse gas inventory program has been planned to achieve environmental protection and carbon reduction.</p>				

Risk assessment of the Company's promotion of sustainable development:

Materiality Issue	Risk Assessment Item	Risk Management Policy and Measures
Environmental	Environmental protection	The Company is a software and hardware design company and is not engaged in production and manufacturing, and therefore does not generate manufacturing-related waste.
	Climate change	The Company is committed to energy conservation and carbon reduction, and plans to conduct regular greenhouse gas inventories with the goal of reducing carbon dioxide emissions year on year.
Social	Occupational safety Staff recruitment and training	The Company complies with laws and regulations related to safety and health, and regularly conducts safety and health education and "fire safety training" courses. Dedicated nursing room space, gender/disability-friendly toilets and annual employee health subsidies are set up.
		Increasing overall remuneration to attract, develop and retain talent.
		Encouraging employees to continue learning.
Corporate Governance	Socioeconomic and legal compliance	The Company ensures that all employees and operations comply with the relevant laws and regulations through the establishment of governance mechanisms and the implementation of internal control mechanisms.

(6) Ethical Management Practices and Measures Adopted by the Company

Status of ethical management and discrepancy with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons for such discrepancy

Assessment Item	Implementation Status		Summary Description	Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for the Discrepancies
	Yes	No		
<p>1. Formulation of Ethical Management Policy and Programs</p> <p>(1) Did the Company formulate an ethical management policy that has been approved by the Board of Directors and expressly specifies the ethical management policy and measures as well as the commitment on active implementation of the management policy by the Board of Directors and the senior management in its regulations and public documents?</p>	✓		<p>(1) The Company has formulated the “Ethical Corporate Management Best Practice Principles”, “Code of Ethical Conduct”, “Operating Procedures and Behavioral Guidelines for Ethical Management”, as well as the “Corporate Governance Best Practice Principles”, etc. and published them on the Company’s website. Integrity is a core value of our Company and it is also fundamental to enterprise management. These principles apply to the directors, managers, employees, and related personnel of the Company.</p>	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
(2) Did the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct and, according to the above, draw up a plan for preventing unethical conduct, which at least covers the preventive measures for the conduct specified in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		(2) The Company has formulated the “Ethical Corporate Management Best Practice Principles”, the “Code of Ethical Conduct”, and “Operating Procedures and Behavioral Guidelines for Ethical Management”, strictly requiring that all decisions and actions of the Company be made in conformity with the laws and regulations. The Company also promotes and strengthens the concept of ethical management through education.	No major discrepancy
(3) Did the Company, in its programs against unethical conduct, expressly state the operating procedures, behavioral guidelines, disciplinary actions, and grievance system for violations of regulations in the various programs, as well as implement these programs and periodically consider amending them?	✓		(3) Apart from conducting education and training programs, as well as publishing relevant implementation manuals for the promotion/regulation of ethical conduct, the Company also conducts internal audits or regular rotation of jobs to lower the risks with regard to units/personnel (such as procurement, capital) with potentially higher risk.	No major discrepancy

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
2. Implementation of Ethical Management				
(1) Does the Company assess the ethical records of its trading partners, and does it specify clauses on ethical conduct in contracts signed with its trading partners?	✓		(1) The Company has formulated the “Ethical Corporate Management Best Practice Principles”, and the “Operating Procedures and Behavioral Guidelines for Ethical Management”. The Company takes into consideration the legitimacy of its trading partners, as well as whether they have any record of unethical conduct in its various business dealings to ensure that all business activities are in compliance with the Principle of Ethical Conduct. It has also specified in its contracts with trading partners that the contracts may be unconditionally terminated or rescinded at any time in the event of any involvement of unethical conduct by the trading partners which damages the interests of the Company.	No major discrepancy
(2) Has the Company set up a dedicated unit under the Board of Directors to promote the ethical management of the			(2) The Company has formulated the “Ethical Corporate Management Best Practice	

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
enterprise, regularly (at least once a year) report to the Board of Directors its ethical management policies and plans to prevent unethical behavior and supervise the status of its implementation?	✓		Principles”. The Human Resources Division has been designated as the dedicated unit to assist the Board of Directors and management in checking and assessing the effectiveness of the preventive measures established for the implementation of ethical management and shall report to the Board of Directors whenever necessary.	No major discrepancy
(3) Has the Company formulated policies to prevent conflicts of interest, provided adequate channels for reporting such situations, and implemented these measures?	✓		(3) Policies on conflicts of interest and situations/standards of contravention are specified in the Ethical Management Policy and Code of Ethical Conduct, under which the relevant personnel are required to avoid such situations, and take the initiative to report to their immediate supervisor, head of the human resources unit or Board of Directors in the event that they are aware of or are facing a similar situation.	No major discrepancy
(4) Has the Company established an effective accounting system and internal control system for the	✓		(4) An evaluation and self-assessment of the design	No major

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
<p>implementation of ethical management? Has the internal audit unit of the Company, based on the results of assessment of the risk of involvement in unethical conduct, devised relevant audit plans and checked compliance with the plan to prevent unethical conduct, or engage a certified public accountant to carry out the audit?</p> <p>(5) Does the Company organize regular internal or external education and training programs for ethical management?</p>	✓		<p>and effectiveness of implementation of the internal control system, including the accounting system, will be carried out annually based on the principle of ethical management, and amendments will be made where necessary. Internal auditors will conduct regular audits on compliance with the system, and accountants will also be commissioned to carry out internal control audits.</p> <p>(5) At present, the Company has not organized regular internal or external education and training programs for ethical management, but it advocates this to employees during its education and training of new staff.</p>	<p>discrepancy</p> <p>No major discrepancy</p>
<p>3. Implementation of the Whistleblowing System of the Company</p> <p>(1) Has the Company developed a specific whistleblowing and reward system and established convenient</p>	✓		<p>(1) The Company has formulated the “Ethical Corporate Management Best Practice Principles” and the “Operating Procedures and</p>	<p>No major discrepancy</p>

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

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
(3) Has the Company adopted any measures to protect the whistleblowers from being improperly treated after reporting offenses?	✓		<p>offenses are treated by the Company as confidential.</p> <p>(3) The Company should provide protection to the relevant personnel who reported the offense or of whom the offense is reported against, in the course of their participation in the investigation process to ensure that they are not subject to unfair reprisals or treatment. In Section 23 of the “Ethical Corporate Management Best Practice Principles”, the Company prescribes measures to protect the confidentiality of the identity of the informant and the content of the whistleblowing and to protect the informant from being improperly treated due to the whistleblowing.</p>	No major discrepancy
4. Enhancing Information Disclosure Did the Company disclose its Ethical Corporate Management Best Practice Principles and effectiveness of its	✓		The Company has disclosed its Ethical Corporate Management Best Practice Principles on the	No major

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
implementation on the Company's website and the Market Observation Post System?			Company's website (http://www.egistec.com) and shall disclose the relevant information on the effectiveness of its implementation on the website or in the annual report.	discrepancy
<p>5. If the Company has established its Ethical Corporate Management Best Practice Principles based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please specify any discrepancies between the Principles and their implementation:</p> <p>The Company has formulated "Ethical Corporate Management Best Practice Principles" and appointed the Human Resources Division as the dedicated unit to handle the revision, implementation, interpretation, and advisory services related to these operating procedures and behavioral guidelines, register and file the content of notifications, and carry out other related operations, as well as oversee such implementation. In addition, the said unit submits reports to the Board of Directors as and when necessary, and there is no major discrepancy between its operations and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>				
<p>6. Other important information to facilitate better understanding of the ethical management practices of the Company: (such as review and amendment of the Ethical Corporate Management Best Practice Principles formulated by the Company, etc.)</p> <p>(1) The Company's implementation of ethical management is based on its compliance with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, regulations relevant to TWSE/GTSM listed companies, and other laws related to commercial practice.</p> <p>(2) The "Rules of Procedures for Board of Directors" has set out a system of recusal for directors in case of conflict of interest. Directors shall comment on and answer to proposals listed in board meetings that affect their personal interests or the interests of the juristic persons they</p>				

Assessment Item	Implementation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons for the Discrepancies
	Yes	No	Summary Description	
<p>are representing, which may harm the interests of the Company, but they shall exercise recusal and not partake in the discussions and voting and may not act on behalf of other directors in the exercise of their voting rights.</p> <p>(3) The Company has formulated the “Management Practices for the Prevention of Insider Trading” and “Operating Procedures for the Management of Significant Internal Information”, under which directors, managers, and employees shall not disclose significant internal information that they have knowledge of to others and shall not make inquiries with persons who possess significant internal information of the Company, or collect significant internal information unrelated to their personal duties that has yet been disclosed by the Company. They may also not disclose significant internal information obtained outside of their performance of business activities that has yet been disclosed by the Company to others.</p> <p>(4) The Company has always upheld the principle of integrity in its operations and practices good management in adherence to the relevant laws and regulations, as well as the internal control system. It strictly forbids behavior that is unethical or in violation of the law, and it has a legal affairs unit that serves as a basis for consultation and validation whenever necessary.</p> <p>(5) The Company has directors and managers’ liability insurance (D&O) for its directors, managers, and important employees, which can sufficiently reduce the risks to the Company arising from the performance of duties by the relevant personnel and safeguard the rights and interests of investors.</p>				

Fulfillment of Ethical Management and Adopting of Measures

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

2. The Rules of Procedures for Board of Directors has set out a system of recusal for directors in case of conflict of interest. For events of the board meeting that have interests with itself or the legal person representing it, directors shall not participate in the discussions and voting, and they may not act on behalf of other directors in the exercise of their voting rights.
3. The Company's internal control system clearly specifies that the person who has knowledge of the information should not announce any information to the public before releasing the material information to ensure the correctness and popularity of the information. The contents of the material information should detail the authenticity of the matter and whether or not it has any effect on the Company's financial affairs.
4. The Company clearly stipulates the ethical code of conduct, requiring each and every employee of the Company and its subsidiaries to be responsible for complying with the code of conduct and safeguarding the Company's cultural core values and reputation.

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

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

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

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

1. Statement on Internal Control: Please refer to Page 230 for further details.
2. If the Company has commissioned certified public accountants to perform examination of its internal control system, it should disclose the examination reports of the certified public accountants: Nil.

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

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

1. Important Resolutions of the Shareholders' Meeting in 2021

Important Resolutions of the Shareholders' Meeting		
Resolutions of the Shareholders' Meeting Date	Cause(s)	Implementation Status of Resolution
07/12/2021 Shareholders' meeting	Approval of the 2020 Annual Business Report and Financial Statements	Approved the original proposal of the Board of Directors through voting. Status of Implementation: The material information was released on July 12, 2021 and disclosed on the Company's website.
	Approval of the 2020 Earnings Distribution Plan	Approved the original proposal of the Board of Directors through voting. Status of Implementation: Set the dividend record date as August 7, 2021, the distribution date as August 25, 2021, and the distribution of cash dividends of NTD 15 per share (shareholder cash dividend to be distributed: NTD 1,039,136,310).
	Amendment of some clauses in the "Articles of Association" of the Company	Approved the original proposal of the Board of Directors through voting. Status of Implementation: The material information was released on July 12, 2021, and disclosed on the Company's website in accordance with the amended Articles of Association.
	Amendment to some clauses in "Operating Procedures for Acquisition or Disposal of Assets" of the Company.	Approved the original proposal of the Board of Directors through voting. Status of Implementation: The material information was released on July 12, 2021, and disclosed on the Company's website in accordance with the amended Articles of Association.

Important Resolutions of the Shareholders' Meeting		
Resolutions of the Shareholders' Meeting Date	Cause(s)	Implementation Status of Resolution
	Amendment to some clauses in "Procedures for Selecting Directors and Independent Directors" of the Company.	Approved the original proposal of the Board of Directors through voting. Status of Implementation: The material information was released on July 12, 2021, and disclosed on the Company's website in accordance with the amended Articles of Association.

2. Important Resolutions of the Board of Directors

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Date	Cause(s)	Outcome of the Resolution
The 6th meeting of the 7th Board of Directors 03/16/2021	1.The 2021 Operations Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2.The 2020 Employee remuneration and director remuneration distribution plans of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3.The 2020 Annual Business Report and Financial Statements of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4.The 2020 Earnings Distribution Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	5.Appointment and remunerations of the certified public accountants for 2021.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	6.Issuance of the 2020 “Statement on Internal Control System” of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	7.The relocation of the head office of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	8.Amendment of some clauses in the “Articles of Association” of the Company	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	9.Amendment to some clauses in “Operating Procedures for Acquisition or Disposal of Assets” of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Date	Cause(s)	Outcome of the Resolution
	10. Amendment to some clauses in “Procedures for Selecting Directors and Independent Directors” of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	11. Date and venue of the 2021 Annual General Meeting, subject matter of the meeting and time frames, and venue for submission of proposals by shareholders who possess 1% or more shares.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	12. The Company’s disposal of Sirius Wireless Pte. Ltd. equity.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	13. Allocation of year-end bonus and performance bonus and employee remunerations for 2020 to managers.	Directors LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO, and LIN, GONG-YI recused themselves on this proposal. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors in attendance by the Chairman.
	14. The Company’s issuance of performance bonus for the second half of 2020.	Director LO, SEN CHOU and Director RO, SHIH-HAO recused themselves on this proposal. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
The 7th meeting of the 7th Board of Directors 04/16/2021	1. Proposal for the Company to dispose of FOCALTECH SYSTEMS CO LTD equity.	Except for Director SHIH, CHEN-JUNG, who recused himself, the proposal was unanimously passed without objection upon consultation with all other directors in attendance by the Chairman.
The 8th Meeting of the 7th Board of Directors	1. Proposal to adjust the 2020 Earnings Distribution Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Date	Cause(s)	Outcome of the Resolution
05/07/2021	2.The Company's consolidated financial report for the first quarter of 2021.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3.Cancellation of treasury stock and setting of the record date for capital reduction.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4.Appointment of the Deputy General Manager of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 9th Meeting of the 7th Board of Directors 06/15/2021	1.Proposal to change the date of the 2021 Annual General Meeting of Shareholders of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 10th Meeting of the 7th Board of Directors 08/11/2021	1.The Company's consolidated financial report for the second quarter of 2021.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2.The Company's issuance of performance bonus for the first half of 2021.	Director LO, SEN CHOU and Director RO, SHIH-HAO recused themselves on this proposal. The proposal was presided over by the Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Date	Cause(s)	Outcome of the Resolution
	3.The Company's 2021 annual employee incentive bonus payment.	Director LO, SEN CHOU, Director YU, MING-TO, Director RO, SHIH-HAO and Director LIN, GONG-YI recused themselves on this proposal. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.
The 11th meeting of the 7th Board of Directors 10/07/2021	1.The Company proposed to invest in Alcor Micro, Corp.'s private placement of common shares for capital injection.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	2.The Company proposed to invest in the convertible corporate bonds of SCT Holdings Ltd.	Except for Director HUANG, TA-LUN, who recused himself, the proposal was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.
	3.The Company proposed to invest in the convertible corporate bonds of NetLink Communication Inc.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4.Cancellation of the collected new restricted employee shares in 2017 and determination of the capital reduction record date.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 12th meeting of the 7th Board of Directors	1.The Company's consolidated financial report for the third quarter of 2021.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Date	Cause(s)	Outcome of the Resolution
11/10/2021	2.The Company's audit plan for 2022.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3.Cancellation of treasury stock and setting of the record date for capital reduction.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4.Appointment of the Corporate Governance Director.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 13th Meeting of the 7th Board of Directors	1.The Company proposed to participate in iCatch Technology, Inc.'s private placement for capital injection in cash through issuance of common shares.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
12/20/2021	2.The Company proposed to make a public tender offer for the common shares of iCatch Technology, Inc.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 14th meeting of the 7th Board of Directors 03/16/2022	1.The Company proposed to acquire the common shares of Airoha Technology Corp.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
The 15th meeting of the 7th Board of Directors	1.The 2022 Operations Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Date	Cause(s)	Outcome of the Resolution
03/22/2022	2.The 2021 Annual Business Report and Financial Statements of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	3.The 2021 Earnings Distribution Plan of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	4.Appointment and remunerations of the certified public accountants by the Company for 2022.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	5.Issuance of the 2021 Assessment of Effectiveness of the Internal Control System and “Statement on Internal Control System” of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	6.The Company proposed to issue common shares by private placement.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	7.Amendment of some clauses in the “Articles of Association” of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	8.Amendment to some clauses in “Rules of Procedures for Shareholders’ Meeting” of the Company.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	9.Date and venue of the 2022 Annual General Meeting, subject matter of the meeting and time frames, and venue for submission of proposals by shareholders who possess 1% or more shares.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.
	10.The Company proposed to jointly establish the Egis Innovation Fund with Industrial Technology Investment Corporation.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

Important Resolutions of the Board of Directors		
Resolution of the Board of Directors Date	Cause(s)	Outcome of the Resolution
	11.Allocation of year-end bonus and performance bonus to managers of the Company in 2021.	Directors LO, SEN CHOU, YU, MING-TO, RO, SHIH-HAO, and LIN, GONG-YI were recipients of this proposal and had recused themselves. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.
	12.The Company's issuance of performance bonus for 2021.	Director LO, SEN CHOU and Director RO, SHIH-HAO recused themselves on this proposal. The proposal was presided over by the Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.
	13.The Company's annual salary adjustment plan for managers in 2022.	Director LO, SEN CHOU is the relative of the recipient of this proposal and had recused himself. The proposal was presided over by the Independent Director WENG, MING-JENG and was unanimously passed without objection upon consultation with all directors available for voting by the Chairman.
The 16th meeting of the 7th Board of Directors 04/08/2022	1.The Company proposed to make a public tender offer for the common shares of Silicon Optronics, Inc.	The proposal was unanimously passed without objections upon consultation with all directors in attendance by the Chairman.

- (12) Main content of any important board resolution passed during the last fiscal year and the current fiscal year up to the date of publication of the annual report that is on record or stated in a written statement for which any director or supervisor has a dissenting opinion: No such situation.
- (13) Summary of any resignation or dismissal of the Chairman, General Manager, Chief Accountant, Chief Financial Officer, Internal Audit Supervisor, Corporate Governance Director and Research and Development Director of the Company in the last fiscal year and the current fiscal year up to the date of publication of the annual report:

April 30, 2022

Position	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Deputy General Manager	Kos Lin	12/01/2018	09/30/2021	Career planning

5. Information on Fees to Certified Public Accountants

- (1) The amount of audit fees and non-audit fees paid to the certified public accountants, the accounting firm of the certified public accountants and its affiliated enterprises, and the content of non-audit services

Unit: NTD '000

Name of Accounting Firm	Name of Certified Public Accountant	Period of Audit	Audit Fees	Non-Audit Fees					Remarks
				System Design	Industrial and Commercial Registration	Human Resources	Tax Service Fees	Sub-Total	
KPMG Taiwan	Steven Shih	2021	4,000	-	-	-	564	564	Non-audit fees are mainly for tax consulting services
	Sonia Chang								

- (2) If the accounting firm was changed and if the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the reduction in the amount of audit fees, the percentage of reduction, and the reasons for reduction should be disclosed: No such situation.
- (3) If the audit fees paid are lower than those for the previous year by 15% or more, the reduction in the amount of audit fees, the percentage of reduction, and the reasons for reduction should be disclosed: No such situation.

6. Information about Change of Certified Public Accountants: No such situation.

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

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

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

(2) Position	Name	2021		2022 as of April 30	
		Increase (Decrease) In the Number of Shares Held	Increase (Decrease) In the Number of Pledged Shares	Increase (Decrease) In the Number of Shares Held	Increase (Decrease) In the Number of Pledged Shares
Chairman	LO, SEN CHOU	-	220,000	4,000,000	-
Vice Chairman	YU, MING-TO	-	-	-	-
Director	SHIH, CHEN-JUNG	-	-	-	-
Director/Chief Operating Officer and Chief Technology Officer	HEADWAY CAPITAL LIMITED	-	-	(1,340,000)	-
	Representative: LIN, GONG-YI	-	-	-	-
Director/General Manager	RO, SHIH-HAO	-	-	-	-
Director	HEADWAY CAPITAL LIMITED	-	-	(1,340,000)	-
	Representative: LIU, DING-JEN (Note 1)	-	-	-	-
Independent director	WENG, MING-JENG	-	-	-	-
Independent director	HUANG, TA-LUN	-	-	-	-
Independent director	CH'EN LAI-CHU (Note 2)	-	-	-	-
Sr. Deputy General Manager	LEE, YI-PIN	(89,000)	-	-	-
Sr. Deputy General Manager	CHUNG, CHIA-HUA (Note 3)	-	-	-	-

(2) Position	Name	2021		2022 as of April 30	
		Increase (Decrease) In the Number of Shares Held	Increase (Decrease) In the Number of Pledged Shares	Increase (Decrease) In the Number of Shares Held	Increase (Decrease) In the Number of Pledged Shares
Deputy General Manager	Sky Su	(55,000)	-	(1,000)	-
Deputy General Manager	Karen Chang	-	-	-	-
Deputy General Manager	Jimmy Hsu	(15,000)	-	-	-
Deputy General Manager	Kos Lin (Note 4)	-	-	-	-
Deputy General Manager	Tony Lo (Note 5)	-	-	-	-
Chief Financial Officer	GEORGE CHANG	(15,000)	-	(7,000)	-
Deputy Audit Manager	Iris Lee	-	-	-	-
Accounting Director	Kathy Huang	(6,000)	-	-	-

Note 1: Dismissed as independent director and appointed as director on June 18, 2020.

Note 2: Assumed the position of independent director on June 18, 2020.

Note 3: Appointed on March 18, 2020.

Note 4: Appointed on September 30, 2021.

Note 5: Appointed on May 10, 2021.

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

(1) Information on transfer of equity interests

Name	Reason(s) for transfer of equity	Transaction Date	Transaction Counterpart	Relationship between transaction counterpart and the Company, directors, supervisors, managers and shareholders holding more than 10% equity stake:	Number of Shares	Transaction Price
LO, SEN CHOU	Acquisition	01/03/2022	HEADWAY CAPITAL LIMITED	LO, SEN CHOU is the director of HEADWAY CAPITAL LIMITED and ORIENTAL GOLD HOLDINGS LIMITED	1,340,000	110.2
LO, SEN CHOU	Acquisition	01/04/2022	ORIENTAL GOLD HOLDINGS LIMITED	LO, SEN CHOU is the director of HEADWAY CAPITAL LIMITED and ORIENTAL GOLD HOLDINGS LIMITED	1,330,000	110.6
LO, SEN CHOU	Acquisition	01/05/2022	ORIENTAL GOLD HOLDINGS LIMITED	LO, SEN CHOU is the director of HEADWAY CAPITAL LIMITED and ORIENTAL GOLD HOLDINGS LIMITED	1,330,000	111.1

(2) Information on pledge of equity: Nil.

9. Relationship Information, if, among the top 10 shareholders, any one is a related party, or is the spouse or a relative within the second degree of kinship of another

April 24, 2022; Unit: Shares; %

Name	Shares Owned by Individual		Shareholding of Spouse and Minor Children		Shares Held in the Name of Others		Title, Name and Relationship of Any Related Party Among the Top 10 Shareholders, or the Spouse and Relatives Within the Second Degree of Kinship of Another		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
LO, SEN CHOU	7,546,262	10.89	-	-	1,360,426	1.96	HEADWAY CAPITAL LIMITED	Director of HEADWAY CAPITAL LIMITED	-
HEADWAY CAPITAL LIMITED	1,360,000	1.96	-	-	-	-	LO, SEN CHOU	Director of HEADWAY CAPITAL LIMITED	-
Representative: LO, SEN	7,546,262	10.89	-	-	1,360,426	1.96			-

Name	Shares Owned by Individual		Shareholding of Spouse and Minor Children		Shares Held in the Name of Others		Title, Name and Relationship of Any Related Party Among the Top 10 Shareholders, or the Spouse and Relatives Within the Second Degree of Kinship of Another		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
CHOU									
EAGLE FRAME LIMITED	1,150,000	1.66	-	-	-	-	-	-	-
Representative: HO, YEN-FU	232,348	0.34	-	-	-	-	-	-	-
Taipei Branch of JP Morgan Chase Bank acting as custodian for the special investment account of Vanguard Emerging Markets Equity Index Fund of Vanguard Group	934,100	1.35	-	-	-	-	-	-	-
Citi acting as custodian for the SBL/PB Investment Account of Berkeley Capital	905,000	1.31	-	-	-	-	-	-	-
The Taipei Branch of JP Morgan Chase Bank acting as custodian for the special investment account of PGIA General Global Equity Index Fund of PGIA Corporation	822,582	1.19	-	-	-	-	-	-	-
Weng, Ching-Po	757,000	1.09	-	-	-	-	-	-	-
Lin, Chia-Hsien	388,000	0.56	-	-	-	-	-	-	-
JP Morgan Chase Bank acting as custodian for the special investment account of JP Morgan Securities Co., Ltd.	368,000	0.53	-	-	-	-	-	-	-
The Taipei Branch of JP Morgan Chase Bank acting as custodian for Total Global Equity Index Trust II of the Juristic Person of PGIA Trust Company	287,000	0.41	-	-	-	-	-	-	-

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

December 31, 2021 Unit: Thousand Shares; %

Name of Invested Enterprise	Investment by The Company		Investment by Directors, Supervisors, Managers, or Directly and Indirectly Controlled Companies		Total Investment	
	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio %
Egis Technology (Japan) Inc.	7,680	100.00	-	-	7,680	100.00
Egis Technology (Korea) Inc.	20	100.00	-	-	20	100.00
Igistec Co., Ltd.	16,527	74.69	-	-	16,527	74.69
Sense Investment and Consulting Inc.	167	100.00	-	-	167	100.00
Vitrio Technology Corporation	142	50.00	-	-	142	50.00
Luxsentek Microelectronics Corp.	14,000	86.93	-	-	14,000	86.93
Alcor Micro, Corp.	20,000	22.21	-	-	20,000	22.21
iCatch Technology, Inc.	10,000	11.83	-	-	10,000	11.83
Shentao Intelligent Technology (Shanghai) Co., Ltd.	-	100.00	-	-	-	100.00

IV. Financing Situation

1. Capital and Shares

(I) Source of Share Capital

1. Source of Share Capital

April 30, 2022; Unit: NTD; Shares

Month Year	Issuance Price	Authorized Share Capital		Paid-in Share Capital		Remarks		
		Number of Shares (Shares)	Amount (NTD)	Number of Shares (Shares)	Amount (NTD)	Source of Share Capital	Property Other Than Cash to Offset Share Payment	Others
December 2007	10	100,000	1,000,000	100,000	1,000,000	Share capital of 1,000,000 acquired from founding assembly	-	Note 1
January 2008	10	12,900,000	129,000,000	12,900,000	129,000,000	Capital injection of 128,000,000 in cash	-	Note 2
April 2008	10	18,000,000	180,000,000	18,000,000	180,000,000	Capital injection of 51,000,000 through consolidation	-	Note 3
May 2008	43.27	60,000,000	600,000,000	36,050,000	360,500,000	Capital injection of 180,500,000 in cash	-	Note 4
May 2008	10	60,000,000	600,000,000	19,650,000	196,500,000	Capital reduction of 164,000,000 in cash	-	Note 5
May 2008	10	60,000,000	600,000,000	36,050,000	360,500,000	Capital increase of 164,000,000 through transfer from capital reserves	-	Note 6
July 2008	75.98	60,000,000	600,000,000	37,250,000	372,500,000	Capital injection of 12,000,000 in cash	-	Note 7
July 2008	23.46	60,000,000	600,000,000	49,629,856	496,298,560	Capital injection of 123,798,560 through consolidation	-	Note 8
July 2010	-	60,000,000	600,000,000	49,668,254	496,682,540	Employees exercised stock warrants of 383,980	-	Note 9
December	-	60,000,000	600,000,000	52,249,254	522,492,540	Employees	-	Note

Month Year	Issuance Price	Authorized Share Capital		Paid-in Share Capital		Remarks		
		Number of Shares (Shares)	Amount (NTD)	Number of Shares (Shares)	Amount (NTD)	Source of Share Capital	Property Other Than Cash to Offset Share Payment	Others
er 2013						exercised stock warrants of 25,810,000		10
February 2014	75	100,000,000	100,000,000	61,049,254	610,492,540	Capital injection of 88,000,000 in cash	-	Note 11
April 2014	-	100,000,000	100,000,000	62,044,254	620,442,540	Employees exercised stock warrants of 9,950,000	-	Note 12
August 2014	-	100,000,000	100,000,000	62,064,254	620,642,540	Employees exercised stock warrants of 200,000	-	Note 13
December 2014	-	100,000,000	100,000,000	62,149,254	621,492,540	Employees exercised stock warrants of 850,000	-	Note 14
February 2015	-	100,000,000	100,000,000	62,154,254	621,542,540	Employees exercised stock warrants of 50,000	-	Note 15
August 2015	-	100,000,000	100,000,000	62,178,254	621,782,540	Employees exercised stock warrants of NTD 240,000	-	Note 16
December 2015	-	100,000,000	100,000,000	68,469,254	684,692,540	Capital injection of 62,910,000 in cash	-	Note 17
March 2016	-	100,000,000	100,000,000	68,764,254	687,642,540	Employees exercised stock warrants of 2,950,000	-	Note 18
April 2016	-	100,000,000	100,000,000	68,839,254	688,392,540	Employees exercised stock warrants of 750,000	-	Note 19
March 2017	-	100,000,000	100,000,000	69,677,754	696,777,540	Employees exercised stock warrants of 838,500	-	Note 20
August 2017	-	100,000,000	100,000,000	69,847,754	698,477,540	Employees exercised stock warrants of 1,700,000	-	Note 21

Month Year	Issuance Price	Authorized Share Capital		Paid-in Share Capital		Remarks		
		Number of Shares (Shares)	Amount (NTD)	Number of Shares (Shares)	Amount (NTD)	Source of Share Capital	Property Other Than Cash to Offset Share Payment	Others
December 2017	-	100,000,000	100,000,000	70,490,540	704,907,540	Employees exercised stock warrants of 710,000 The Company issued new restricted employee shares of 5,720,000	-	Note 22
March 2018	-	100,000,000	100,000,000	70,980,254	709,802,540	Employees exercised stock warrants of 4,895,000	-	Note 23
September 2018	-	100,000,000	100,000,000	70,974,254	709,742,540	Cancellation of 60,000 new restricted employee shares	-	Note 24
March 2019	-	100,000,000	100,000,000	71,064,254	710,642,540	Employees exercised stock warrants of 930,000 The Company issued new restricted employee shares of 30,000	-	Note 25
May 2019	-	100,000,000	100,000,000	71,160,754	711,607,540	Employees exercised stock warrants of 96,500	-	Note 26
December 2019	-	100,000,000	100,000,000	71,265,254	712,652,540	Employees exercised stock warrants of 104,500	-	Note 27
March 2020	-	100,000,000	100,000,000	71,381,754	713,817,540	Employees exercised stock warrants of 122,500 The Company issued new restricted employee shares of 6,000	-	Note 28
June 2020	-	100,000,000	100,000,000	71,378,754	713,787,540	Cancellation of 30,000 new restricted employee shares	-	Note 29
December 2020	-	100,000,000	100,000,000	71,375,754	713,757,540	Cancellation of 30,000 new restricted employee shares	-	Note 30

Month Year	Issuance Price	Authorized Share Capital		Paid-in Share Capital		Remarks		
		Number of Shares (Shares)	Amount (NTD)	Number of Shares (Shares)	Amount (NTD)	Source of Share Capital	Property Other Than Cash to Offset Share Payment	Others
June 2021	-	100,000,000	100,000,000	70,775,754	707,757,540	Cancellation of NTD 6,000,000 of treasury stock	-	Note 31
November 2021	-	100,000,000	100,000,000	70,771,754	707,717,540	The Company collected new restricted employee shares of NTD 40,000	-	Note 32
December 2021	-	100,000,000	100,000,000	69,271,754	692,717,540	Cancellation of NTD 15,000,000 of treasury stock	-	Note 33

Note 1: Taipei City Government 12/26/2007 Fu Chan Yeh Shang Tzu No. 09693753210. Note2: Taipei City Government 02/21/2008 Fu Chan Yeh Shang Tzu No. 0978140110.

Note3: Taipei City Government 04/29/2008 Fu Chan Yeh Shang Tzu No. 09783518310. Note4: Taipei City Government 06/03/2008 Fu Chan Yeh Shang Tzu No. 09784640010.

Note5: Taipei City Government 06/18/2008 Fu Chan Yeh Shang Tzu No. 09785509410. Note6: Taipei City Government 06/27/2008 Fu Chan Yeh Shang Tzu No. 09786113210.

Note7: Taipei City Government 07/22/2008 Fu Chan Yeh Shang Tzu No. 09787050510. Note8: Taipei City Government 08/26/2008 Fu Chan Yeh Shang Tzu No. 09787564510.

Note9: Taipei City Government 10/29/2010 Fu Chan Yeh Shang Tzu No. 09986101620. Note10: Ministry of Economic Affairs 01/02/2014 Ching Shou Shang Tzu No. 10201267500.

Note11: Ministry of Economic Affairs 03/10/2014 Ching Shou Shang Tzu No. 10301036470. Note12: Ministry of Economic Affairs 04/10/2014 Ching Shou Shang Tzu No. 10301060840.

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

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

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

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

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

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

Note 25: Ministry of Economic Affairs 03/07/2019 Ching Shou Shang Tzu No. 10801017040. Note 26: Ministry of Economic Affairs 05/29/2019 Ching Shou Shang Tzu No. 10801061630.

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

Note 29: Ministry of Economic Affairs 06/09/2020 Ching Shou Shang Tzu No. 10901089260. Note 30: Ministry of Economic Affairs 12/09/2020 Ching Shou Shang Tzu No. 10901232690.

Note 31: Ministry of Economic Affairs 06/09/2021 Ching Shou Shang Tzu No. 11001099810. Note 32: Ministry of

Economic Affairs 11/02/2021 Ching Shou Shang Tzu No. 11001198540.

Note 33: Ministry of Economic Affairs 12/10/2021 Ching Shou Shang Tzu No. 11001217680.

2. Type of Shares

April 24, 2022; Unit: Shares

Type of Shares	Authorized Share Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	Over-the-counter stock
Common stock	69,271,754	30,728,246	100,000,000	

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

(II) Shareholder Structure

April 24, 2022; Unit: Person; Shares; %

Shareholder Structure	Government Agencies	Financial Institutions	Other Juristic Persons	Individuals	Foreign Organizations and Foreigners	Total
Number of persons	0	0	169	26,075	82	26,326
Number of shares held	0	0	488,621	61,402,158	7,380,975	69,271,754
Shareholding ratio	0.00	0.00	0.70	88.65	10.65	100.00

(III) Distribution of Shareholders' Equity

April 24, 2022; Unit: Person; Shares; %

Shareholding Level	Number of Shareholders	Number of shares held	Shareholding Ratio
1 to 999	11,440	300,036	0.43
1,000 to 5,000	12,999	23,398,554	33.77
5,001 to 10,000	1,113	8,678,787	12.53
10,001 to 15,000	267	3,452,470	4.98
15,001 to 20,000	169	3,135,141	4.53
20,001 to 30,000	142	3,628,664	5.24
30,001 to 40,000	56	2,014,078	2.91
40,001 to 50,000	43	2,003,668	2.89
50,001 to 100,000	65	4,569,364	6.60
100,001 to 200,000	17	2,394,700	3.46
200,001 to 400,000	8	2,221,348	3.21
400,001 to 600,000	0	0	0
600,001 to 800,000	1	757,000	1.09
800,001 to 1,000,000	3	2,661,682	3.84
1,000,001 shares and more	3	10,056,262	14.52
Total	26,326	69,271,754	100.00

(IV) List of Principal Shareholders

Name, Number of Shares Held and Shareholding Ratio of Shareholders with Equity Stake of Five Percent (5%) or More or Top Ten Shareholders in Terms of Equity Stake

April 24, 2022; Unit: Shares; %

Name of Principal Shareholder	Shares	Number of shares held	Shareholding Ratio
LO, SEN CHOU		7,546,262	10.89%
HEADWAY CAPITAL LIMITED		1,360,000	1.96%
EAGLE FRAME LIMITED		1,150,000	1.66%
Taipei Branch of JP Morgan Chase Bank acting as custodian for the Citi acting as custodian for the SBL/PB Investment Account of		934,100	1.35%
The Taipei Branch of JP Morgan Chase Bank acting as custodian for the special investment account of PGIA General Global Equity Index Fund of PGIA Corporation		905,000	1.31%
Weng, Ching-Po		822,582	1.19%
Lin, Chia-Hsien		757,000	1.09%
JP Morgan Chase Bank acting as custodian for the special investment account of JP Morgan Securities Co., Ltd.		388,000	0.56%
The Taipei Branch of JP Morgan Chase Bank acting as custodian for Total Global Equity Index Trust II of the Juristic Person of PGIA Trust Company		368,000	0.53%
		287,000	0.41%

(V) Market Price, Net Value, Earnings and Dividends Per Share and Relevant Information for the Last Two Fiscal Years

Unit: NTD; Thousand Shares

Item		Fiscal Year		Current fiscal year as of April 30 (Note 4)
		2020	2021	
Market price per share	Maximum	247.00	188.50	119.00
	Minimum	117.00	107.00	93.50
	Average	184.77	154.77	109.53
Net value per share	Before distribution	65.95	91.42	
	After distribution	50.95	81.42	
Earnings per share	Weighted average number of shares	69,197	69,271	
	Earnings per share	9.14	(3.11)	
Dividends per share	Cash dividends		15	10
	Stock grants	Stock dividends from retained earnings	-	-
		Stock dividends from capital reserves	-	-
	Accumulated unpaid dividends		-	-
Analysis of return on investment	Price-earnings ratio (Note 1)	20.22	(49.77)	
	Dividend yield (Note 2)	12.32	15.48	
	Cash dividend yield (Note 3)	8.12%	6.46%	

Note 1: Price-earnings ratio = average closing price per share for the current year/retained earnings per share.

Note 2: Dividend yield = average closing price per share for the current year/cash dividends per share.

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

Note 4: The net value per share and retained earnings per share shall be indicated as audited (reviewed) by the CPAs in the most recent quarter of the publication date of the annual report;. As of the date of publication of the annual report, the financial information for the first quarter of 2022 reviewed by the accountants had not been issued.

(VI) Dividend Policy of the Company and Implementation Status

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

After the closing of accounts for the fiscal year, if there are earnings for the current period, the Company shall first pay the taxes, make up for accumulated losses, and then set aside 10% of the said profits as legal reserve; where such legal reserve amounts to the total paid-in capital of the Company, this provision shall not apply. The Company shall also set aside or reverse another sum as special reserve in accordance with the law or regulations of competent authorities. The Board of Directors shall draft an earnings distribution proposal for the remaining earnings, including the undistributed earnings at the beginning of the period. If the distribution is made by issuing new shares, the proposal shall be submitted to the shareholders' meeting for resolution; if the distribution is made by cash, the Board of Directors shall be authorized to make the distribution by resolution with the presence of at least two-thirds of the directors and the approval of a majority of the directors present, in accordance with Article 240, Paragraph 5 of the Company Act, and shall report it to the shareholders' meeting..

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

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

The Earnings Distribution Plan of the Company in 2021 was formulated as shown in the following table by the Board of Directors on March 22, 2022. The ex-dividend date will be determined by the Board of Directors.

2021 Earnings Distribution Table

Unit: NTD

Item	Amount in Cash
Undistributed earnings at the beginning of period	39,724,955
Changes in other undistributed earnings	
Gain on disposal of financial assets measured at fair value through	4,748,962,487
Gain on disposal of financial assets measured at fair value through	4,976,939

Cancellation of treasury stock	-118,359,969
Changes in related enterprise accounted for using equity method	-5,211,432
Changes in ownership interest in subsidiaries	-4,382,650
Net loss after tax for current period	-215,604,279
Less: Appropriation to legal reserve	441,038,110
Appropriation to special reserve	75,367,625
Earnings available for distribution in current period	4,056,677,428
- Stock dividends (NTD - per share)	0
- Cash dividends (NTD 10.0 per share)	692,717,540
Undistributed earnings at the end of period	3,363,959,888

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

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

(VII) Effect of Stock Grants Proposed in this Shareholders' Meeting on the Business Performance and Earnings Per Share of the Company

The Board of Directors of the Company passed the resolution on non-distribution of dividends from the earnings of 2021 on March 22, 2022, and it has not announced the financial forecast information for 2021. Therefore, this is not applicable.

(VIII) Employee and Directors' Remunerations

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

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

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

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

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

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

3. Remuneration distribution approved by the Board of Directors:

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

The Company did not allocate employee remunerations and director remunerations due to its net loss for the current period of 2021.

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

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

Fiscal Year	2020	
	Resolution amount of the Board of Directors	Actual amount issued
Employee Remunerations	40,140,115	40,140,115
Directors' Remuneration	8,028,023	8,028,023

There is no difference between the actual distribution of employee and director remunerations in 2020 and the resolution amount of the Board of Directors.

(IX) The Company's share repurchase situation

Item	Number of Times	
	First Time	Second Time
Date of Board Resolution	03/05/2018	09/18/2018
Purpose of Repurchase	Transfer of shares to	Transfer of shares to
Period of Repurchase	From April 12, 2018 to May 4, 2018	From September 20, 2018 to November 18, 2018
Average Repurchase Price Per Share	NTD 131.46	NTD 99.93
Quantity and Categories of Repurchased Shares	600,000 common shares	2,000,000 common shares
Total Amount of Repurchased Shares	NTD 78,875,372	NTD 199,864,513
Ratio (%) of the number of repurchased shares to the number of shares reserved for repurchase	42.55%	100%
Quantity of Shares Canceled and Transferred	Cancelled 600,000 shares	Cancelled 1,500,000 shares Transferred 500,000 shares
Cumulative Shares of the Company Held	0	0
Proportion of Cumulative Shares of the Company Held to Total Quantity of Shares Issued	0%	0%

2. The Company's Debt Repayment Situation: No such situation.
3. Special Shares Administration Situation: No such situation.
4. Overseas Depository Receipt Administration Situation: No such situation.
5. Employee Stock Warrants Administration Situation: No such situation.
6. New Restricted Employee Shares Administration Situation: No such situation.
7. Situation of Mergers and Acquisitions (Including Mergers, Acquisitions and

Demergers): No such situation.

8. Status of Implementation of the Funds Utilization Plan

- (I) Status of implementation of each public issuance or private placement of securities that has yet been completed or completed within the last three fiscal years but have not yet fully yielded the planned benefits as of the quarter preceding the date of publication of the annual report: Nil.
- (II) The plans for funds utilization from each of the public issuance of securities have been completed as of the quarter preceding the date of publication of the annual report.

V. Overview of Business Operations

1. Content of Business

(I) Scope of Business

1. Principal Business Activities

- (1) I301010 Information Software Services
- (2) I301020 Data Processing Services
- (3) I301030 Electronic Information Supply Services
- (4) I501010 Product Design
- (5) F401010 International Trade
- (6) ZZ99999 All Businesses that are Not Prohibited or Restricted by Law, Except those that are Subject to Special Approval

2. The Proportion of Primary Business Products (Services)

- (1) Biometric Recognition Sensing IC: We offer a wide range of ICs and modules for customers, which can significantly reduce the number of components used, are small in size, and are mainly used in notebook computers, smartphones, and tablet PCs. In addition, we also provide fingerprint recognition application softwares.
- (2) Data Security and Protection: The Company provides various data encryption software. The Company integrates safety and management functions into a single user interface, which improves convenience, and strengthens E-commerce security. Products include software applications for data protection, encryption, defragmentation of data, etc.
- (3) Technical Services: We provide software testing and sensing IC development services according to customer needs.

Unit: NTD '000

Product Item \ Fiscal Year	2020		2021	
	Net Operating Revenue	Percentage (%)	Net Operating Revenue	Percentage (%)
Biometric Recognition Sensing IC and Its Applications	6,208,621	100%	3,431,561	100%
Data Security and Protection and Its Applications	4,852	0%	113	0%
Revenue from Technical Services	10,954	0%	8,788	0%

Others			2,345	0%
Total	6,224,427	100%	3,442,807	100%

3. Current Products (Services) Item

The Company is dedicated to the design, development, manufacture, and sale of the biometric recognition sensor chips. Besides the passive capacitive fingerprint and optical fingerprint recognition chips being the key products of the Company, the Company plans to proactively introduce fingerprint independent computing chip, Time of Flight (ToF), vehicle fingerprint recognition chip, and ambient brightness and proximity sensor chip this year. Currently, the main products of the Company include:

(1) The sensing solution of passive capacitive fingerprint recognition

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

The new generation of capacitive fingerprint further improves resolution and enhances sensing sensitivity to capture clearer fingerprint information in a smaller sensing area, improves recognition and 2.5D anti-counterfeit capability and can be hidden within the keys of a mobile phone.

(2) Under-screen fingerprint recognition sensing solution

Under-screen fingerprint solutions can effectively improve the screen-to-body ratio of mobile phones, as well as improved cost and performance now with optical imaging. In the past few years, the Company has introduced a series of optical fingerprint recognition chips which can be used for fingerprint sensing on soft and hard organic light emitting diode (OLED) screens without using fingerprint sensing buttons, increasing screen-to-body ratio and optimizing user experience.

(3) Fingerprint Independent Computing Chip

The independent fingerprint recognition module, along with our small-area fingerprint chip, provides independent, secure and rapid fingerprint recognition without host.

(4) Time-of-flight Sensor Chip

It provides a 3D Depth Map on the surface of an object. It is suitable for the multi-lens handset fast focus, and can be used in Notebook human body detection for privacy protection and power saving.

(5) Ambient Brightness and Proximity Sensor Chip

It provides the display brightness adjustment for the ambient brightness of mobile phones, TVs, Notebooks, and monitors, with the phone proximity detection.

4. Plans for the Development of New Products (Services)

In the future development of new products, the Company will focus on the deepening and optimization of existing product functions. As to the optical fingerprints, the Company will mainly solve the problem of screen transmittance, while as to the capacitive fingerprints, the Company will mainly strive to achieve narrower packaging. In terms of time of flight, the Company will put more effort into expanding a complete product line and more application functions, and also will launch more sensors supporting AI functions under the accumulation of technologies in the fields of sensors and AI, in order to produce more new applications.

(II) Industry Highlights

1. Current State of the Industry and Future Developments

Biometric recognition is a technology for identification mainly through human biometrics. The biological traits of humans are usually unique and can be measured or automatically identified and verified, hereditary or lifelong. Therefore, biometric authentication technology has greater advantages than traditional authentication technology. As the cost of microprocessors and various electronic components continues to decrease and the accuracy gradually improves, biometric recognition systems are gradually applied to commercial authorization control. Due to the irreproducible uniqueness of human features, human biometric keys cannot be copied, stolen or forgotten, and they can be securely, reliably and accurately identified.

This technology is originally used for the public security applications such as resident identification and crime investigation led by the governmental departments. It gradually finds its way to the daily life of consumers, such as fingerprint machine, fingerprint disc, fingerprint mouse, fingerprint keyboard, fingerprint lock, fingerprint time-recorder, and fingerprint access control system, and later NB becomes its dominant market. In the early years following the advent of fingerprint recognition, the market of fingerprint recognition is small without any sign of popularization. However, fingerprint recognition soon

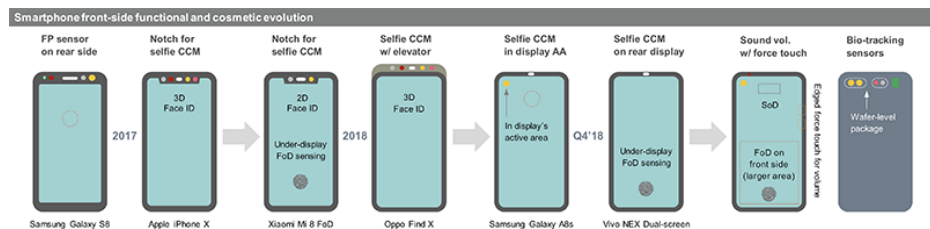
became a much-discussed topic in the market after Apple adopted it on iPhone 5S. Mobile phones with fingerprint recognition failed to become prevalent in the past possibly for the following reasons. Firstly, practicability. On the one hand, for general users, power-on password setting protects privacy to some extent, and the demand for fingerprint recognition for a better security is limited. On the other hand, power-on password is more convenient for users when the recognition speed is slow and accuracy is not high. Secondly, accountability. Who will be responsible for pseudo transaction if all of our transactions are verified through fingerprint? Finally, cost. Before the fingerprint recognition is verified to be applicable, the cost that arises out of the fingerprint recognition sensor will cause an extra burden for users. Therefore, given the budget is the same, users will preferentially choose the mobile phones with a higher resolution, or those carrying a much useful camera module for better photograph. However, as mobile phones are becoming more similar to personal laptops in functions and usage scenarios and behaviors have changed, the environment for mobile phones with fingerprint recognition has gradually taken shape.

With the development of the smartphones and the popularization of the fingerprint recognition in the future, the application of fingerprint recognition and smartphone will be more tightly integrated. Currently, the Company is gearing towards smartphones as our main business activity while closely monitoring the trend changes in the future and integrating past experience to grasp the market opportunities. Furthermore, as the only Taiwanese vendor on the Board of Directors of the Fast IDentity Online (FIDO) Alliance International Standards Association, the Company is also actively involved in various meetings conducted by the Authentication Standards Setting Association.¹ The Company also hopes that by joining the FIDO Alliance, the chips manufactured by the Company will be able to enter into various new fields of application. Therefore, from the perspective of the development trend, the Company positions itself as more than a fingerprint recognition chip provider; rather, by being actively involved in FIDO and other international mobile payment alliances, it can participate in the making of the game rules and contribute its technologies and experience.

Besides the robust development of the multiple applications in the fingerprint recognition, other biometric technologies have emerged in recent years, such as Apple's 3D facial recognition unlocking and payment function

¹FIDO board members include Alibaba, Amazon, Apple, S.H.I.E.L.D., Facebook, Google, Infineon, Intel, Mastercard, Microsoft, NTT Docomo, Qualcomm, Samsung, Visa, etc.

(iPhone X) in 2017, iris recognition (Samsung S8/S9 and Note 8/Note 9) in 2018 and vein recognition (LG G8 ThinQ), but fingerprint recognition still retains an edge in terms of intuition and convenience. In 2019, Samsung S10 series adopted Qualcomm’s ultrasonic technology, which officially introduces under-screen fingerprint and replaces the iris recognition technology. China’s top four mobile phone manufacturers (Huawei, OPPO, Vivo, and Xiaomi) have also identified under-screen fingerprint as an important feature perceived by users in the future. Under-screen fingerprint does not affect the appearance of the panel and does not require a notch; the visual integrity of the screen will be greatly enhanced when phone manufacturers adopt hole-punch or pop-up front cameras. In contrast, Apple’s 3D facial recognition has too many components, and if the narrow bezel is to be maintained, there would bound to be a notch on the screen, resulting in poorer visual integrity of the screen. Although Apple has also proposed a number of patents for under-screen fingerprint technology, there is not yet a clear timeline for its application. IHS Markit believes that it is more desirable to adopt under-screen fingerprint on the front of smartphones. The original 3D sensing technology, be it structured light or time of flight, should be placed on the back for further integration with the rear camera lens module to provide fast focusing capabilities and further expand the capabilities of future AR applications.



(Information source: IHS Markit)

In terms of fingerprint applications, the trend of full-screen display in 2017 broke the penetration rate of the original capacitive fingerprint by more than 60% to 70%, as the original fingerprint space on the front of the phone was excluded on the full-screen display, such that the fingerprint module had to be moved to the back of the phone thereby making it less convenient. Therefore, since 2018, under-screen fingerprint solutions have been introduced, and users can finally perform fingerprint recognition directly on the screen again. Furthermore, the fingerprint detection area is hidden on the screen, so there is no need for extra space on the front of the phone for the sensor. Simply put, under-screen fingerprint can be regarded as an upgrade from capacitive fingerprint to ride the trend of full-screen displays.

In fact, the fingerprint recognition function is not only used to unlock the

screen. For example, Samsung has developed corresponding functions such as privacy mode, which only allows users themselves to access private folders, so that users can keep their files private and avoid problems such as leakage of private files or data when the phone is used by a third party. It is akin to having a lock on a door, except that it is easier to unlock. In addition, with the popularization of fingerprint recognition in the future, looking ahead, for the application scenario such as finance and others which set a high bar for the security, it is possible that two alternatives out of facial recognition, fingerprint recognition, and password will exist at the same time. Based on the technology and market position for fingerprint recognition, the Company will solicit more partners and continue to involve in all kinds of advanced biometric recognition fields to lead the technology and consolidate our market competitiveness.

The optical fingerprint mainly uses CIS sensor placed under hard or soft active matrix organic light-emitting diode (AMOLED) touch panel to sense the light reflected from the fingerprint. Qualcomm's ultrasonic sensing module is also placed under the panel, but only on soft AMOLED panels; this is because the transmission of ultrasonic signals is deeply affected by the medium. Nitrogen is added to the hard AMOLED panel to prevent water and oxygen from damaging the OLED material, which affects the performance of ultrasonic technology. Both of them adopted the plug-in mode of placing the module under the panel, because this design has the least impact on the AMOLED panel, the adjustment and treatment required at the panel end does not affect the yield of the panel, and the assembly is easy, which enables the under-screen fingerprint technology and applications to be available as soon as possible. However, sensors are designed too far away from the source (fingerprint), resulting in a poor signal-noise ratio. In addition, the thickness of the module also hinders the internal mechanism design of the phone, especially the capacity and placement of the battery.

To sum up, since the advent of fingerprint recognition solutions, the supply chain of under-screen fingerprint solutions has become relatively mature. Technically, it is set to be optical and ultrasonic, the components (lens), manufacturing process and modules are more complete, and the sensing performance has also been recognized by major mobile phone manufacturers. However, mobile phone manufacturers are not fully satisfied with the current under-screen fingerprint technology, so reducing the module space or expanding the sensing area are directions that can be continuously improved in the future. In particular, if the sensing area is to be expanded, blind unlocking and multi-finger authentication can be added to improve security and convenience.

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

In Taiwan's IC industry, the relationship between the upstream, midstream, and downstream sectors can be categorized into IC design companies in the upstream, IC wafer plants in the midstream, and IC packing and testing factories in the downstream. Many international companies manage their businesses through an upstream-downstream vertical integration model, controlling the designing, manufacturing, packaging, testing and even system products. However, with the rapidly changing environment of the industry and the gradually expanding capital equipment investment, the horizontal specialization management model will be more suitable for the demand trends of the industry.

The main business activity of upstream IC design companies comprises designing and selling their own products, or accepting design assignments from customers. They belong to the upstream sector in industrial value chain. Before completing the end product, they have to go through the major processes like photo mask, wafer fabrication, chip encapsulation, and testing of the product.

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

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

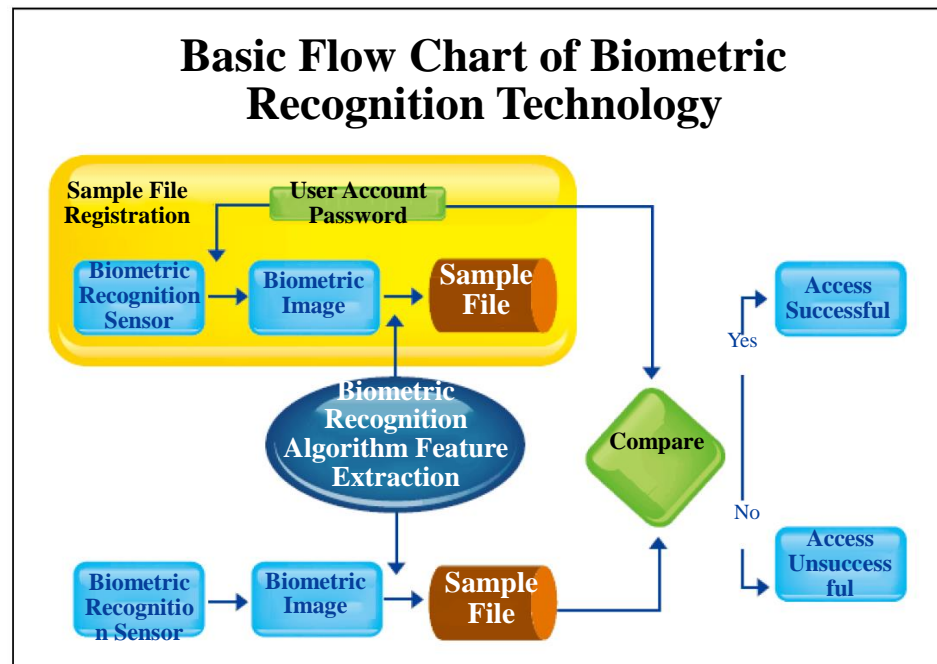
In the semiconductor industry chain, the IC design companies belong to the knowledge-intensive industry. The high returns on investment, as well as the relatively well-established support structure of the semiconductor industry in Taiwan and the abundance of IC design talents, have encouraged many companies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

3. Various Development Trends of the Product

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

Biometric recognition technology is to calculate, measure, and verify the identity of a man through physiological characteristics of the human body or behavioral traits. Biometric recognition is not a new concept and it has been under development for years. As mentioned above, the fingerprint technology of biometric recognition had been widely applied on citizen recognition, crime investigation, customs entry/exit control, and access to various digital devices and so on. But besides application in the crime prevention and crime search, due to the robust growth of the Internet of

things and demand of mobile payment, the biometric recognition technology has recently found its way in other consumer electronics and Internet of Things and has marched on to the public security. So various related products of biometric recognition emerged and the production value begins to boost greatly, and related technologies also are diversified and thriving. They have become popularized in the daily life of the general public.



(Information source: Run!PC Issue 188)

Biometric recognition technology differs from conventional authentication technology based on the fact that it is less easy to be recorded, embezzled, cracked, or counterfeited, so users do not need to change the password frequently for security purpose, thus decreasing the usage inconvenience. For the growing problem of information security, biometric recognition is the only hope for a successful solution.

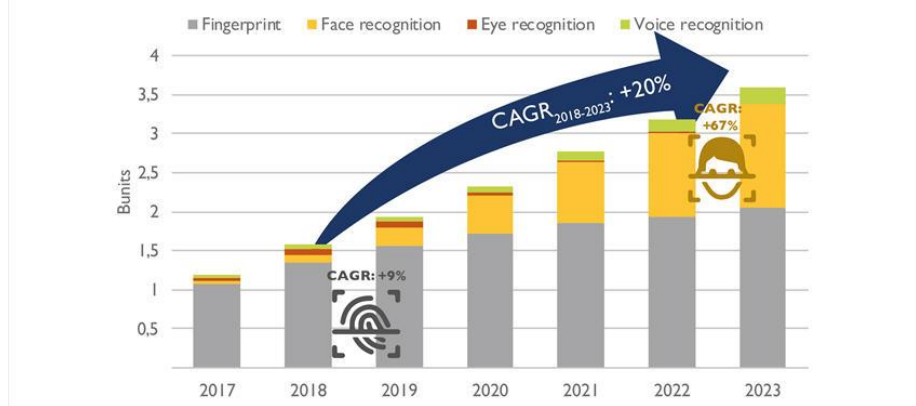
Biometric recognition uses the innate and unique physiological and behavioral characteristics of the human: such as human fingerprint, face, voice, iris, retina, and signature and it connects the system through various corresponding input and output screens, and then analyzes and judges all the photoelectric information and creature characteristics to identify the different users through various algorithms. Compared with the conventional recognition technology, such as user's password, name, and IC card, which will not identify the users again once the password is forgotten or the card is stolen, and thus bring inconvenience to the users, on the contrary, the

characteristic of the biometric recognition lies in that users do not need to remember or carry it, so in this way, users do not have to worry that it could be stolen. This, coupled with the unique characteristics that humans are born with, will improve the security and credibility of identification.

There were nearly 2 billion biometric recognition sensing devices in 2019, which is expected to grow to 2.3 billion in 2021, and it is estimated that by 2023, 3.6 billion devices will be using biometric sensors, of which the proportion of fingerprint recognition sensor is the largest, accounting for more than half.

Consumer biometrics: Sensor market forecasts per technology

(Source: Consumer Biometrics: Market and Technologies Trends 2018 report, Yole Développement, November 2018)



(Information source: Yole Development)

A. Capacitive Fingerprint Recognition

With the popularization of fingerprint recognition on smartphones, capacitive fingerprint recognition has had the most development to date and is used by the largest amount of people for biometric recognition. It uses a special chip to detect and sense capacitance changes from the crest and trough when the chip makes contact with the fingertip. An advanced algorithm is then applied to detect particular characteristics and identify different users. The capacitive fingerprint recognition has advantages of small-sized components, low power consumption, and being applicable to different environments, so it is widely used in different levels.

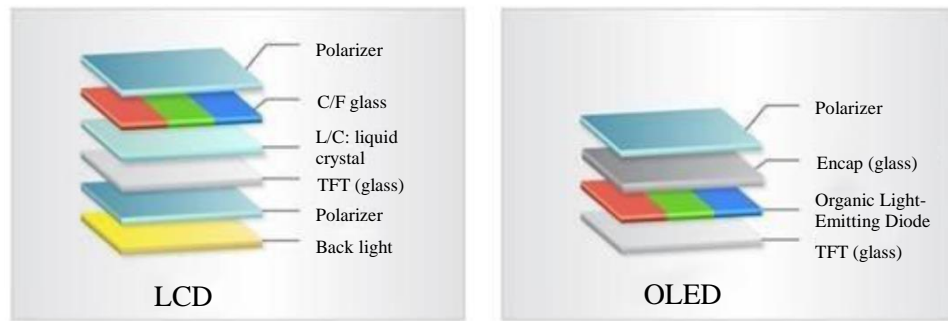
Capacitive fingerprint recognition is widely applied on notebooks, smartphones, and tablets currently. The most representative of which is the touch sensor used by Apple in iPhone 5s, and after that, big Android mobile phone manufacturers including Samsung and Huawei rapidly joined in to make it the prevailing standard configuration for all smartphones.

B. Optical Fingerprint Recognition

The development of optical fingerprint sensors is much earlier than the capacitive ones. Its recognition technology uses OLED as the light source, the optical lens for focusing the reflected light from the fingerprint, and then relying on the CMOS and the lens to sense the fingerprint image and record the fingerprint characteristics. Since this technology has the advantages of being a low cost, mature technology with a complete supply chain, in addition to the feature of not having to split the module and letting the supplier take full control of the hardware and software, it is used in a large number of scenarios such as airport clearance and corporate attendance access control. However, full-screen mobile phones have become a leading trend, and under-screen optical fingerprint

sensor can be applied under the mobile phone screen, so the enthusiasm for development is soaring.

The optical fingerprint solution is similar to a camera in that the image is captured through a CMOS image sensor, and as each person's fingerprints are different, the brightness of the image varies from person to person, resulting in different fingerprint pictures. In response to the trend of full-screen mobile phones, in 2021, the industry has widely adopted under-screen optical fingerprint recognition in high-end models, such as Samsung, Huawei, Honor, Motorola, OnePlus, OPPO, Realme, Vivo, Xiaomi (including Redmi), etc.



(Information source: KKNews)

Despite concerns about the future of fingerprint recognition due to the launch of Face ID, it is still unable to properly detect faces wearing surgical masks, in light of the pandemic in 2021. Many models choose to have fingerprint and facial recognition functions at the same time, and even use fingerprint sensing back again. It features high cost performance with fingerprint recognition functions taking account of user habits. Therefore, fingerprint recognition will become a standard accessory for identity authentication on mobile phones.

C. Ultrasonic Fingerprint Recognition

Ultrasonic under-screen fingerprint can penetrate the epidermis and detect fingerprint images in the dermis, thus allowing the identification of living objects with high theoretical safety and less susceptibility to stains or bright light. Because there is no need to consider circuit design, the module can be relatively thin. However, the disadvantage is that the directionality is poor because the emitted waves are scattered and the difference between the crest and the trough of the fingerprint must be calculated by the fixed sound speed and then received by the acoustic wave sensor. Although ultrasonics are highly penetrable, they cannot pass through vacuum and hardly at all through glass that is too thick, resulting in low recognition rate. Therefore, it must be tightly attached to the screen, and only supports flexible OLED panels encapsulated in thin films, which also has high requirements for mobile phone film. At the same time, the cost of the sensor layer made of piezoelectric material is also higher than the optical fingerprint CMOS sensor, so the overall cost is significantly higher than that of optical under-screen fingerprint, which is only used in Samsung Galaxy S or the previous flagship models of Note series. This solution is currently led by Qualcomm and requires the application processor (AP) to work successfully.

D. Face Recognition

In contrast to other biometric recognition technologies, facial recognition uses a camera lens to capture a fine image of the face and uses the algorithm of

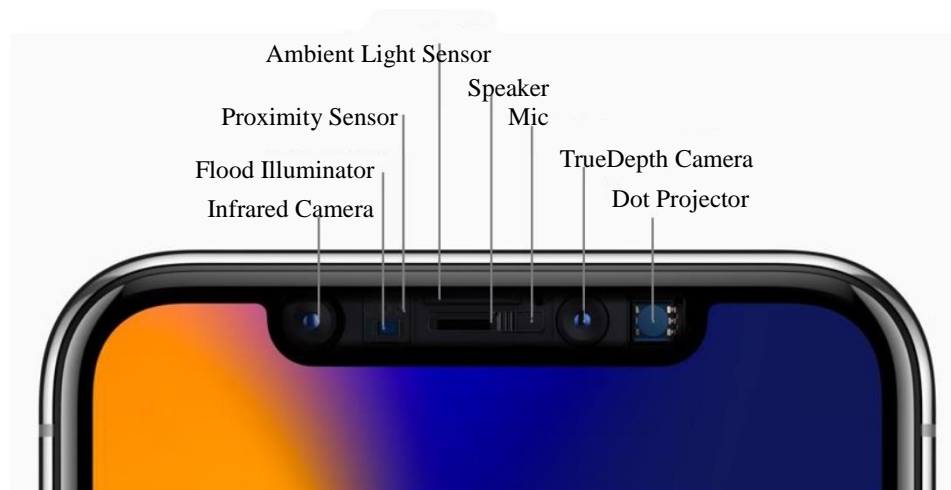
the recognition software system to determine whether it is the right user. The advantage lies in non-contact and non-invasive recognition, as long as the camera can capture an image of the face. The facial recognition technology in the past is mostly based on 2D recognition of images, which has long been seen in many application scenarios such as corporate attendance, access control, public security and community websites, etc.

With the launch of Apple's iPhone X, its built-in facial recognition feature that uses 3D depth-of-field ranging technology has sparked heated discussions. The principle is that when a face or an object approaches, the proximity sensor is activated first, and then the proximity sensor will emit infrared light to verify the face, after which a large number of laser spots are projected onto the face and the distance (depth) of the face at different locations is calculated using the offset of these laser spots. Finally, information on these depths is transmitted to the processor, where it is calculated and matched with the facial features to identify the user.

According to Wikipedia, a pair of twins occur in every 90 natural births, which is a 1.1% chance, and the chance of identical twins is 20%. In other words, Face ID has a 110,000 chance of being cracked, which is much higher than 1 in 50,000 of Touch ID.

While facial recognition is more convenient, its security is relatively weak. The recognition accuracy is affected by various factors such as ambient light and recognition distance; in addition, the accuracy of facial recognition is also affected when the user makes some changes to the face through make-up or plastic surgery.

Finally, although the power of infrared light emitted by vertical-cavity surface-emitting laser (VCSEL) used by dot projector is not high, whether long-term exposure to the eye will cause damage is another issue worth medical research. Therefore, whether 3D facial recognition can be further widely used in emerging applications such as smartphones, financial security, mobile payment and so on will depend on the improvement of recognition accuracy and the security of online transactions in the future.

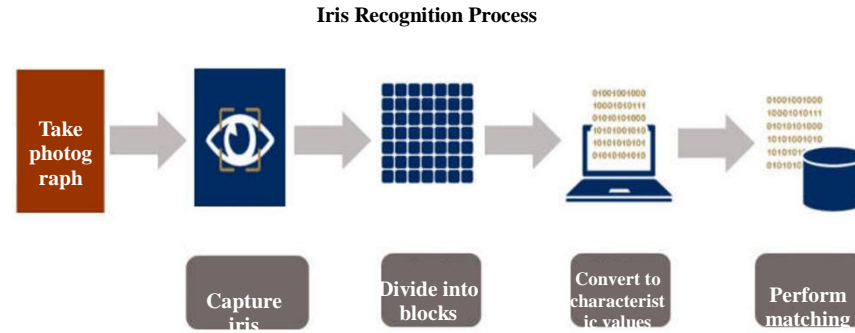


(Information source: Apple)

E. Iris Recognition

The structure of the human eye is composed of the sclera, iris, pupil lens and retina, etc. The iris is formed during the fetal developmental stage and does not change with age. These characteristics determine the uniqueness of iris features and identification. Iris recognition technology has been developed for quite a few years, but this recognition technology has become a hot topic due to its incorporation into Samsung Galaxy Note 7 phones.

Iris recognition errors are one in a million, compared with 1 in 50,000 for Apple's Touch ID, making iris recognition 20 times more accurate than current fingerprint solutions, in addition to being a non-contact recognition solution. In addition to high recognition rate, iris recognition also features stability, non-reproducibility, and in vivo detection, which gives it an absolute advantage in comprehensive security performance and the highest security level at present. However, it is not easily developed into a product that can cater to the masses considering the price and safety of having to scan the iris using infrared light. Similarly, the market share of such products cannot be expanded rapidly. Iris recognition technology was first introduced in the Samsung Galaxy Note 7 until the Galaxy Note 10/S10/S10+ phones removed the iris recognition unlock function and introduced the new acoustic under-screen fingerprint recognition technology, but retained its facial recognition unlock and graphic unlock functions. At present, iris recognition has been widely used in finance, medical, safety checking, security, special industry attendance and access control, industrial control and other fields.



F. Finger Vein Recognition

The principle of Finger Vein Recognition technology is to use the distribution of veins in the palm or fingers of the human body as samples and extract the characteristic values according to a special comparison algorithm, and then obtain the images of veins on the fingers, palm and back of the hand after infrared irradiation. The advantages of vein recognition include ease of use, high degree of security, high accuracy and speed of recognition, and more importantly, the features of finger vein recognition have been internationally recognized as unique and comparable to the retina. However, this technology is not widely used in the market due to the following factors:

- It may change with age and physiology, and its permanence has not been proven;
- There is still the possibility of not being able to register successfully;
- As the acquisition method is limited by its own features, it is difficult to miniaturize the product;
- The acquisition equipment has special requirements, the design is relatively complex and the manufacturing cost is high.

In recent years, the financial holdings sector in Taiwan has also started using finger vein recognition for the ATMs to enhance the security and recognition rate of cash withdrawals. In the future, the financial industry will have the opportunity to become the industry where vein recognition technology will be most widely used. There have been small household safes with finger vein recognition technology, available on the market. Due to the limitation of cost and component size, there are still great restrictions on finger vein recognition based applications moving to the portable market.



(Information source: Liberty Times)

G. ECG Recognition

An additional wearable device is required to record the regularity of the heartbeat via an electrocardiogram. Although the recognition result is very accurate, it is less convenient to use and less popular, so it may not be suitable for mass adoption.

H. DNA Recognition

Blood is drawn for identification to verify kinship or for forensic and other medical testing purposes. Although each person's genes and chromosomes are unique, it is less popular, the identification process is complicated, and it is still subject to the general consumers' habits and acceptance, so the growth is slow.

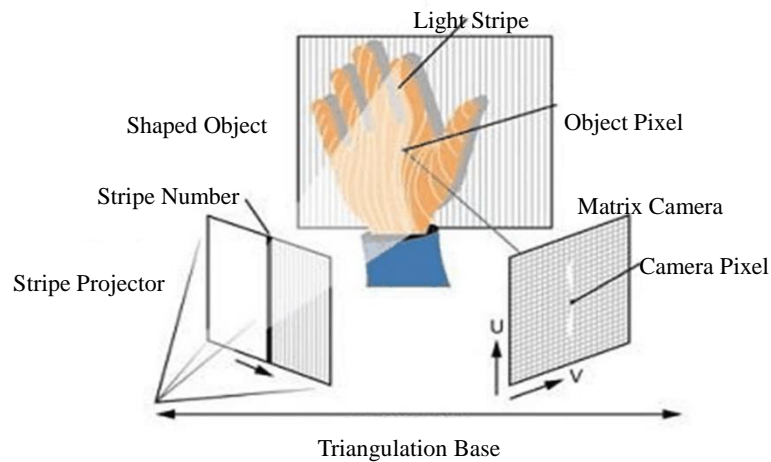
I. Signature Recognition

Handwriting is unique to every individual and will not change easily when one grows up, making it a viable biometric identification approach. Considering protection of privacy in biometrics, handwriting recognition has been given great emphasis due to its inexorable advantages such as low cost and the widespread use of signature recognition in the financial industry.

J. Structured Light Recognition

Structured light is an active depth sensing technology, and its basic components include infrared emitter, infrared camera module, RGB camera module, etc. The principle is to project a known image onto the surface of the object by light projection through a projector, the image will change with the shape of the surface of the object, and then the image on the surface of the object will be received by the camera lens for encoding and comparing the difference with the original projected light image, and the depth of field of the object will be measured using the triangulation principle. The advantage of structured light is the high accuracy of depth, but the disadvantage is that it is susceptible to natural light, so it is more suitable for short distance measurement. At present, it has been applied to facial recognition, motion sensing games, industrial detection and other fields. At the end of 2013, Apple acquired the Israeli

company PrimeSense for USD 360 million to obtain the structured light technology. The iPhone X and iPhone 11 series models both adopted the improved structured light solution, but this technology affects the user's visual experience due to the notched appearance of the screen.



(Information source: Laser Focus World)

(2) The Research and Development of New Biometric Technology

A. Voiceprint Recognition

Voiceprint Recognition (VPR) is a technique to identify a speaker by their voice. The so-called voiceprint is the spectrum of sound waves with speech information displayed by electroacoustic instruments. The vocal organs used by a person in speech are different according to the size and shape of the person, so any two people will have different voiceprints. This also makes voice recognition a form of identity verification. The advantages of voiceprint recognition over other biometrics include:

- Voiceprint extraction is convenient and can be done unknowingly, so user acceptance is high;
- Voice acquisition is inexpensive and easy to perform, using just a single microphone, and no additional recording equipment is required when using communication devices;
- Suitable for remote identification, only a microphone, phone or mobile phone is needed to achieve remote login through the network (communication network or Internet);
- The algorithm complexity of voiceprint recognition and verification is low.
- Together with other measures, such as content identification through speech recognition, the accuracy rate can be improved.

The application of voiceprint recognition is increasingly favored by system developers and users due to these advantages. With the development and application of fingerprint authentication, facial recognition and other technologies, voiceprint, as an important biometric recognition technology, has attracted more and more attention.

B. Full-screen Optical Fingerprint Recognition

Although the ultra-thin model has the advantages of saving battery space and simple layout, it adopts single point fingerprint recognition, similar to existing fingerprint recognition, so some non-Apple mobile phone manufacturers hope to adopt large-area fingerprint recognition solutions. In response to manufacturers' desire to introduce larger phones with higher resolution to satisfy consumers' visual experience, mobile phone screen sizes with TFT-integrated photodiode to sense reflected light for fingerprint image detection are rumored to have emerged. TFT sensors for large screen applications will be more cost effective and can provide a more competitive edge than photoreceptor lenses. TFT sensor can sense a large area simultaneously, which is suitable for large screen applications and is thinner than the optical lens type.

C. Time of Flight 3D Sensing Technology

Time of flight (ToF) is also an active depth sensing technology. Its principle lies in that the near-infrared light passing through the sensor will be reflected upon encountering an object, and the sensor will calculate the time difference or phase difference between light emission and reflection and convert it into the distance of the object to generate depth information. In addition, combined with camera photography, the three-dimensional outline of the object will be presented as a topographical map with different colors representing different distances.

ToF depth sensors, which are becoming increasingly popular on mobile phones, are used to obtain accurate 3D images through 3D sensors, including details of faces and hands, or objects that need to ensure that the relevant measured image matches the original image. This technology has also been applied to payment transactions on mobile phones or devices, where payment can be made via facial recognition alone, without the need for bank account information, financial cards or bankers. This feature requires very reliable and secure images and returns high-resolution 3D image data.

The same technology is used in 3D image unlocking devices. Many people compare time-of-flight technology and structured light technology. In terms of overall system cost comparison, structured light is much more expensive than ToF, but its accuracy and precision are only better by a few percentage points. However, ToF can emit light farther than structured light, which means higher output power. On the contrary, structured light cannot be transmitted farther by means of higher power, because the laser spot of structured light is so thin that it would take more time for the calculation if some reference points are not captured in time. Therefore, ToF technology will have a wider range of applications than structured light technology in the future. Many mobile phone brands on the market are now incorporating ToF technology. For example, Samsung, LG, Vivo, OPPO and Honor are mobile phone brands that place great emphasis on ToF technology.

3D Sensing Technology	Light Coding	Structured Light	Time of Flight	Stereo Vision
Detection range	20 cm – 5 m	10 cm – 2 m	30 cm – 50 m	1 – 10 m (adjusted according to baseline)
Resolution	High	High	High	Medium
Measurement precision	Medium	Extremely high	High	Moderate-to-low
Algorithm complexity	Low	Medium	Low	High
Real-time	High	Low	High	Medium
Low-light performance	Good	Good	Good	Poor
Outdoor performance	Poor	Poor	Poor – Good	Good
Material cost	Medium	High	Medium	Low

Information source: With reference to EE Times Taiwan, organized by ITRI Microsystems Technology Center

(Information source: EE Times Taiwan, ITRI)

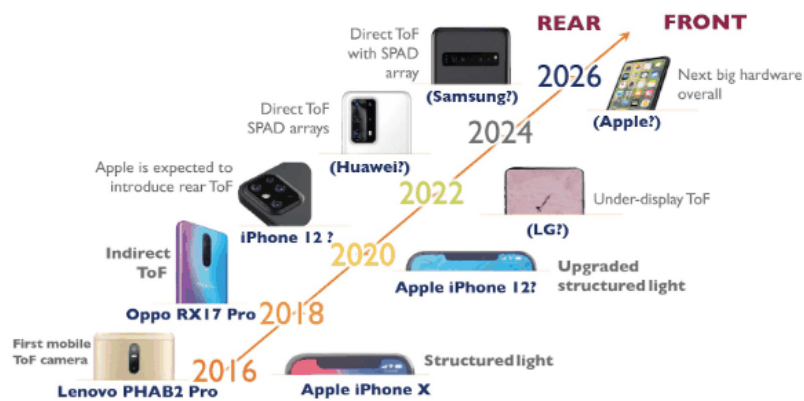
However, the growth of the smartphone 3D sensing market is mainly driven by Apple's iPhone. Although Samsung and other brand manufacturers have launched mobile phones equipped with 3D sensing modules in 2020, they are only limited to some flagship models, and the annual market penetration rate is about 20%, which does not drive market growth as much as under-screen fingerprint recognition does.

Observing the trends of Apple, which is dominating the development of the smartphone 3D sensing market, although it is actively engaged in the development of 3D sensing, and most new models adopt 3D sensing technology, in light of the COVID-19 pandemic, where surgical masks have become an essential part of life, there are still questions as to whether the wearing of surgical masks would affect the recognition performance of 3D sensing technology. Most manufacturers are considering reverting back to under-screen fingerprint or using both, suggesting that these two sensing methods are not complete substitutes of each other.

Initially used for photography and nighttime focusing, 3D post-sensing technology on mobile devices will now be extended to augmented reality and gaming. In addition to smartphones, ToF camera modules have a wide application market, including smart driving, robotics, smart home, smart TV, smart monitoring and VR/AR. At present, the application of ToF sensor technology in these fields is still in its infancy. The importance of the 3D sensing market means that a shift from imaging to sensing is taking place. Devices and robots powered by artificial intelligence (AI) are beginning to understand their surroundings better and are developing deeper human-computer interactions. Stereoscopic cameras for Advanced Driver Assistance Systems (ADAS) are one of the most anticipated applications of 3D imaging and sensing.

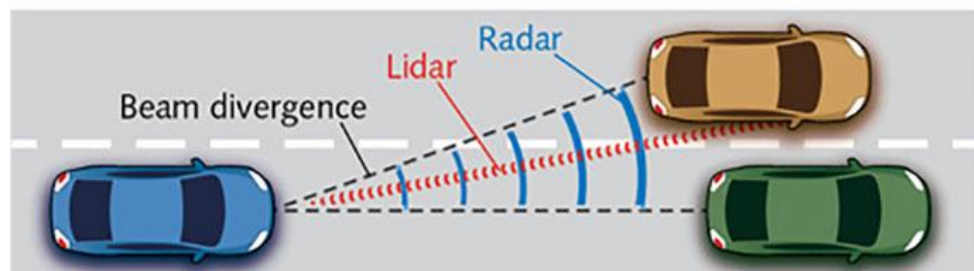
Evolution of front and rear 3D sensing camera modules in smartphones - Technology roadmap

(Source: 3D Imaging & Sensing 2020 report, Yole Développement, 2020)



(Information source: Yole Development)

The advantages of ToF include long detection distance, fast scanning speed and good resistance to optical interference. It has been applied in the fields of medical inspection and industrial machine vision. In terms of consumer electronics, it is supported by major manufacturers such as Google, Microsoft, STM, Texas Instruments and Infineon, and applied to the Lidar technology of game consoles, AR/VR and smart cars.



(Information source: Optics Balzers)

The Company has been engaging in the R&D of ToF technology since the end of 2019 and expects to accurately apply the technology in handheld devices, Lidar for self-driving cars, and distance measurement. Many of the ToF modules released by handheld device manufacturers in the market today have a margin of error of less than 1%, and even the ToF modules used in high-end mobile phones rarely have better accuracy.

With the increasing demand for, and awareness of, energy conservation, carbon reduction and low carbon emission, the detection demand of Notebooks, TVs and monitors for whether the audiences are in front of the screen has greatly increased. There has been an increasingly urgent demand for power saving when the audiences are not in front of the screen. Compared with other detection methods, ToF is featured with low cost, low power consumption and non-invasion of privacy.

In addition, in terms of Lidar technology for self-driving cars in the field of automotive applications, the Company has invested considerable resources to achieve a 1% ToF margin of error in distance, with the length of two vehicles, including the distance between them (10 meters), not exceeding 10 centimeters of error.



(Information source: Communication Components Magazine)

(3) Future Growth

In order to expand the market territory, the Company will continue to deepen its efforts in both South Korea and Mainland China, and will further strengthen the mainland market layout. In view of the purchasing strategies of manufacturers in the Mainland China, the Company hopes to maintain more than two suppliers in principle. We will use the foundation we have laid down to meet the cost, patent and algorithmic advantages of our products, deepen our supply chain into the mainland mobile phone factory, and actively strive for customers of brand mobile

phone manufacturers. At the same time, we will cooperate with module manufacturers with technical and customer channels, so as to expand the Company's business penetration level.

In the aspect of product application, besides the continuous efforts to expand the application of fingerprints and various biometric recognition technologies in smartphones, mobile devices and wearable electronic products etc., the Company will also strive to expand such application in the following areas:

A. Financial Payments

With the rise of biometric recognition technology in recent years, fingerprints, faces and irises have become the security authentication methods for modern smartphones, and now biometric recognition technology will be further applied to payment services. Biometric recognition payment is a type of contactless payment that enhances security and does not compromise the smoothness of the payment process. Both banks and consumers believe that contactless payment is the first choice. 88% of banks agree that contactless payment will be the trend in the next few years, but there is still a big difference between banks and consumers in that consumers are still concerned about the security. 38% of consumers do not use contactless payments because of security concerns, and 51% are worried about fraud. However, biometric recognition payments could remove security concerns and create a win-win situation for banks and consumers.

The FIDO (Fast IDentity Online Alliance), founded in 2012, is an international identity authentication standard organization. Primarily, it is found for passwordless, that is, to replace the passwords that are easily hacked, stolen or difficult to remember themselves with biometrics, and to formulate technical agreements and authentication specifications in this way, so that modern people can achieve identity authentication in a faster and more secure way on online services. Up to now, FIDO has about 300 members including enterprises, organizations and government agencies, and nearly 900 verification products. Its members range from such fields as finance, Internet, consumer products and hardware manufacturing. Its governmental members include NIST of the United States, the German Federal Office for Information Security, the Cabinet Office of the United Kingdom and the Ministry of the Interior of Taiwan. Its only Board Member in Taiwan is Egis. The members of its Board also include global business giants, such as Microsoft, Google, Samsung, Qualcomm, Amazon, Facebook, Master Card, and Visa etc. Last year (2021), Apple also joined

the Alliance. So far, the major operating systems (OS) in the world have been effectively integrated into the technical agreement of FIDO, which is also a cross-platform and cross-device general standard recognized by the international standards organization.

In recent years, a wealth of financial-related and e-governmental applications have emerged in response to this. They are all aimed at making it more convenient and safer for users (consumers) to use online applications in their daily life, such as the “Taiwan FIDO” of the Ministry of the Interior of Taiwan and the “Financial FIDO” of the Financial Supervisory Commission of Taiwan, and other government supported applications. Last year (2021), Egis successfully established “FIDO Taiwan Branch” in Taiwan as a Board member of the Alliance, and served as the president thereof, which was warmly responded and joined by all walks of life in Taiwan. FIDO Taiwan Branch’s group activities and exchanges have been dynamic among FIDO members since its establishment. In addition to FIDO members, FSC, the Ministry of the Interior of Taiwan, FISC, JCIC and other financial institutions also have participated in technology and application discussions. In addition to the FIDO Taiwan Branch, Egis also holds important positions such as the chairman of the GDWG (government deployment working group) of FIDO Alliance and the member of the Public Policy Committee, which means that, both at home and abroad, Egis plays a more critical role in the field of international identity authentication applications led by Egis and global business giants.

B. AI Chip

At the end of 2019, in response to the initiative of AITA (AI on Chip Taiwan Alliance) of the Executive Yuan, the Company developed the world’s first under-screen large-area optical fingerprint recognition chip based on reconfigurable analog AI computing technology by applying the proposal of AI on Chip professional program of Taiwan’s Ministry of Economic Affairs. The chip will be used for continuously developing advanced technologies and products, with the efficiency of five megabit floating-point operations per watt per second (5 TOPS / W), the international first-class standard, as its goal. By leveraging the design and self-learning of the analog AI circuits through the AI massive quantity fingerprint library, the program can effectively identify features even if the fingerprint image quality is poor. This increases fingerprint recognition rates and creates a low cost, low power, high performance and counterfeit-resistant product. This analog AI technology is expected to be widely used in mobile device

recognition systems, vehicle DMS and automatic driving, safety monitoring, security system, IoT (Internet of Things) and other fields, to add more cost-effective new AI applications, which is expected to deliver an output value of more than NTD10 billion.

This world's first analog AI chip can be used to the application of under-screen large-area optical fingerprint recognition system, which can effectively solve the bottleneck of current fingerprint unlocking technology and improve security. The under-screen fingerprint recognition will be widely used in mobile phones, vehicles and information security. This program, implemented by Egis, was the first AI on chip project of the Executive Yuan, which was successfully concluded by the end of 2021, bringing about a win-win case for the semiconductor and IC design industry for the Executive Yuan and Taiwan's Ministry of Economic Affairs.

C. Smart Car Application Field

In 2019, the Company partnered with South Korean car manufacturer Hyundai to apply fingerprint recognition technology to the world's first fingerprint-based 2019 Santa Fe SUV and Genesis Essentia electric concept car. Drivers can now open the doors and start the engine of the Santa Fe SUV without using a key; by touching any biometric recognition sensor in the car, the in-car system automatically adjusts the seat position, rearview mirror and so on to the preset position based on the owner's settings.

Essentia features lift-up "butterfly doors" unlocked by fingerprint and face recognition. The doors are unlocked and opened using fingerprint and face recognition via a sensor camera mounted in the B-pillar. The interior combines carbon fiber and leather design to blend innovation with the classic.

Hyundai also emphasizes that fingerprint recognition actually improves security and that it can accurately identify forged fingerprints, making it much safer and more than five times more efficient than traditional chip keys, with a 1 in 50,000 chance of misidentification. This application will also attract other international car manufacturers to start joint cooperation with us in the future.

In 2021, Genesis continued to release the new electric SUV GV60, in which, the fingerprint and face recognition unlocking application was continuously applied to provide users with better security and user experience.

4. Competitive Situation

Shenzhen Goodix and our Company are still the main suppliers of fingerprint recognition sensors, together with other suppliers from Taiwan, China and Sweden. Although the entry of some new competitors was delayed in 2021 due to semiconductor capacity constraints, in the medium term, as the semiconductor industry gradually returns to normal, new entrants may intensify the competition of the whole industry. However, different fingerprint recognition solutions and market backgrounds define different entry thresholds. The production capacity is no longer limited, which also means that suppliers can invest more resources in the development of new fingerprint products. Compared with new competitors, the development experience and customer channels accumulated by major suppliers over the years are more conducive to the success of new products in the future, so the future competitive landscape remains to be observed.

In terms of supply, heading into 2021, the market gradually accepted the operation model under the background of the pandemic, and adjusted its own supply chain and production layout. Plus, the application of 5G boosted a rapid recovery of demands, leading to a state of short supply in the semiconductor market. Hence, ensuring stable production capacity has become the top priority of all chip manufacturers. Although the capacity constraint is expected to continue until 2022, the Company maintains long-term relationships with its foundries and is making preparations to reduce the impact of capacity constraints.

With the expansion of product lines and market entry, the future will witness increasingly complex market competition and cooperation. Based on the system integration and algorithm experience accumulated in fingerprint recognition, the Company will provide better use functions and experience to customers in new competitive fields.

In terms of patents, in July 2019, Goodix Technology, Inc. (Goodix Technology) filed a patent infringement lawsuit against the Company to the Beijing Intellectual Property Court, requiring the Company to compensate it for a total related loss of RMB 50.5 million. The Company officially received a written complaint in August 2019, and had requested Goodix Technology to assert the invalidity of the Company's infringement of the relevant patent rights through the State Intellectual Property Office of China. In February 2020, the Company received the written decision of the State Intellectual Property Office of China, which declared all the patent rights of the patent invalid; as a result, Goodix Technology lost its cause of action pertaining to its patent infringement claim against the Company. In March 2020, Beijing Intellectual Property Court issued a written ruling dismissing the lawsuit brought by Goodix Technology against the Company.

In July 2020, Goodix Technology filed another patent infringement complaint against the Company to the Beijing Intellectual Property Court, requiring the Company to compensate it for a total related loss of RMB 50.5 million. The Company officially received a written complaint on July 21, 2020, and has appointed a lawyer to deal with it and take appropriate countermeasures. The final result has not been confirmed, and it is estimated that no immediate and significant negative impact come about on the operation and finance of the Consolidated Company.

In December 2020, Goodix Technology filed another patent infringement complaint against the Company to the Nanjing Intermediate People's Court, requiring the Company to compensate it for a total related loss of RMB 50.5 million. The Company officially received a written complaint on December 4, 2020, and has appointed a lawyer to deal with it and take appropriate countermeasures. The final result has not been confirmed, and it is estimated that no immediate and significant negative impact come about on the operation and finance of the Company.

In March 2021, Goodix Technology filed another patent infringement complaint against the Company to the Fuzhou Intermediate People's Court, requiring the Company to compensate it for a total related loss of RMB 50.5 million. The Company officially received a written complaint on June 10, 2021, and has appointed a lawyer to deal with it and take appropriate countermeasures. The final result has not been confirmed, and it is estimated that no immediate and significant negative impact come about on the operation and finance of the Company.

(III) Technology and Research and Development Highlights

1. R&D expenses invested in the latest fiscal year and as of 1Q22

Unit: NTD '000

Fiscal Year	2021	March 31, 2022
Cost of Research and Development	1,195,104	329,232
Net Acquisition Revenue	3,442,807	917,120
As a Percentage of Net Acquisition Revenue (%)	35%	36%

2. Technologies or products successfully developed in the latest fiscal year and as of the date of publication

Year	R&D achievements
2021	<ul style="list-style-type: none"> (1) Under-screen fingerprint was revised to support low penetration screen (2) Side capacitive fingerprint was revised to support 2.4mm packaging (3) Optical fingerprint AI matching algorithm was revised (4) Optical 2D counterfeit-resistant algorithm was developed (5) Capacitive fingerprint AI matching algorithm was revised to support 2.4mm packaging
2022	<ul style="list-style-type: none"> (1) Side capacitive fingerprint was revised to support 2.1mm packaging (2) Under-screen large-area TFT fingerprint sensor solution (3) Optical fingerprint AI matching algorithm was revised to improve performance and support more use scenarios (4) Optical 2.5D counterfeit-resistant algorithm was developed (5) Capacitive fingerprint AI matching algorithm was revised to support 2.1mm packaging (6) Capacitor 2.5D counterfeit-resistant algorithm was developed (7) Time of flight sensor chip 1x1 and 4x4 editions were developed (8) Ambient brightness and proximity sensor chip was developed

The Company is committed to the self-development of fingerprint recognition related application technologies, has fully grasped the key technologies and actively applies for patent protection. As of March 31, 2022, there have been 365 patents under application around the world, and 488 patent approvals obtained from various countries.

(IV) Long-Term and Short Term Business Development Plan

1. Short-term

(1) In the area of hardware development:

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

recognition. In order to maintain the confidentiality (hijacking prevention), integrity (tamper prevention) and security (piracy prevention) of the user's biometric device, the biometric device has been used in a trusted execution environment (TEE) to perform key operations, including secure storage of fingerprint verification, PIN code input, confidential private keys for mobile payment, and isolates improper fingerprint collection, storage, verification processes in TEE; therefore even if the phone is jailbroken or rooted, the attacker still cannot obtain the user's fingerprint information. Due to this phenomenon, the TEE program software requires on-site labor force for testing support, and time for integration and debugging. Therefore, the Company will develop high-performance AI chips to strengthen existing hardware and software computing capabilities.

(2) In the area of process improvement:

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

(3) In the area of software development:

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

2. Long-term

(1) Strengthen the core competitiveness of product design and better understand and more rapidly grasp market trends.

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

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

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

2. Market and Production and Sales Overview

(I) Market Analysis

1. Sales (provided) Regions of the Company's Major Commodities (services)

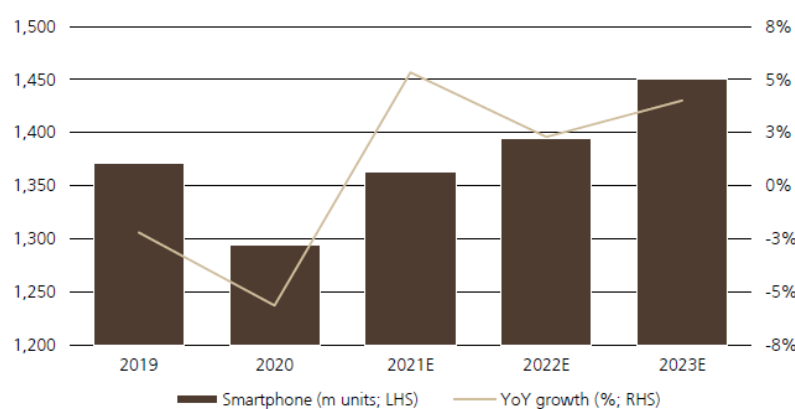
Unit: NTD '000; %

Fiscal Year Sales Region		2020		2021	
		Amount in Cash	Percentage (%)	Amount in Cash	Percentage (%)
Domestic Sales		10,191	0.16%	3,990	0.12%
International Sales	Asia	6,208,294	99.74%	3,433,906	99.74%
	Europe	-	-	-	-
	America	5,942	0.10%	4,911	0.14%
	Subtotal	6,214,236	99.84%	3,438,817	99.88%
Total		6,224,427	100%	3,442,807	100%

2. Market Share

Due to the receding of the pandemic and the continuous increase of 5G penetration rate, the market showed a rapid reversal in 2021. The global mobile phone markets recorded a sales volume of approximately 1.36 billion phones, an increase of approximately 5% over 2020. In terms of mobile phone brands, Samsung has maintained its top market share in medium- and high-end mobile phone markets in the past two years (2020 to 2022), nearly 10% higher than the Chinese brands in the second place (Oppo, Vivo and Xiaomi). Huawei's market share shrunk rapidly due to the impact of the US export ban.

Figure 7: Global smartphone unit demand



Source : Company data, UBS estimates

(Information source: UBS Global I/O Semiconductors, January, 2022)

Share in mid-range smartphones								
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21E	1Q22F
Samsung	22.9%	24.8%	26.3%	24.8%	26.4%	24.6%	28.2%	24.6%
Huawei	19.4%	16.6%	12.8%	6.1%	2.5%	1.8%	2.3%	1.6%
Oppo	10.8%	10.9%	13.0%	17.7%	16.6%	16.4%	14.4%	16.2%
Vivo	12.4%	10.4%	11.5%	14.8%	13.9%	13.9%	11.8%	14.3%
Xiaomi	6.3%	7.6%	8.9%	11.6%	13.8%	15.6%	16.5%	15.3%
Honor	7.2%	6.4%	4.6%	2.8%	3.2%	6.8%	7.1%	7.9%
Motorola	5.5%	7.1%	8.5%	8.1%	9.0%	7.9%	8.0%	7.2%
Others	15.5%	16.3%	14.3%	14.1%	14.6%	12.9%	11.7%	12.9%

(Information source: GfK Global Handset update, November, 2021)

In terms of mobile phone models, Omdia pointed out in one of its 2022 reports that, in 2021, Samsung Galaxy A12 beat Apple iPhone12 and 13 series to become the world's best-selling smartphone model, with a shipment of 51.8 million. In addition, Samsung also made some headway in the development of foldable mobile phones, with a shipment of 9 million in 2021 (a significant increase of 309% compared with 2020), 88% of which were Galaxy Z Flip 3 and Galaxy Z Fold 3 launched by Samsung.

Most shipped smartphone in 2021

Rank	Model Name	Company	Million Units	ASP (\$)
1	Galaxy A12	Samsung	51.8	160
2	iPhone 12	Apple	41.7	851
3	iPhone 13	Apple	34.9	962
4	iPhone 11	Apple	33.6	604
5	Redmi 9A	Xiaomi	26.8	78
6	iPhone 12 Pro Max	Apple	26.1	1,231
7	iPhone 13 Pro Max	Apple	24.1	1,324
8	iPhone 12 Pro	Apple	21.2	1,131
9	iPhone 13 Pro	Apple	19.4	1,224
10	Galaxy A02	Samsung	18.3	138

Source: Omdia Smartphone Model Market Tracker 4Q21

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Omdia

(Information source: Omdia Smartphone Model Market Tracker, 2021)

For the fingerprint recognition, the global market is expected to grow from USD 3 billion in 2020 to USD 6 billion in 2025. Among them, the consumer product applications have become its largest market, because it has become the basic accessory of most mobile phones, with a penetration rate of more than 80%.

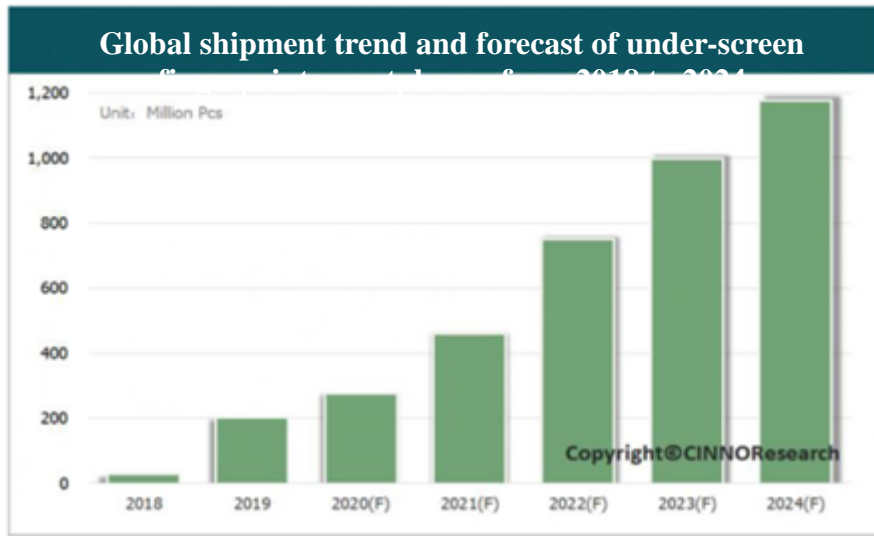
Fingerprint solutions are mainly divided into capacitive fingerprint and optical (under-screen) fingerprint. Capacitive fingerprint is favored by customers because of its product stability, leading to a stable overall demand, and can be designed in most popular models. Optical (under-screen) fingerprint benefited from the introduction of mobile phone OLED panel, driving the growth of under-screen fingerprint penetration rate. Generally speaking, the mobile phone market has gradually recovered since the pandemic outbreak in 2020. Despite factors such as limited production capacity and surplus and shortage of parts in 2021, Samsung remains the market leader in Galaxy series and foldable mobile phones. The overall fingerprint recognition market is huge, with an increasing penetration rate.

3. Future Supply and Demand and Growth of the Market

The biometric recognition market is broad in scale, covering fingerprint recognition, face recognition, acoustic recognition, etc. Among them, the fingerprint recognition market is the largest, accounting for more than half of the scale. Fingerprint recognition solutions include optical (under-screen) fingerprint and capacitive fingerprint:

In terms of under-screen fingerprint, after the second generation of optical solution in 2019 used lens to improve image quality, which greatly raised the production efficiency, the optical solution, featuring low cost, continued to be preferred by mobile phone manufacturers in 2020. Thanks to the low cost, the rapid growth of the whole OLED's under-screen fingerprint penetration has been

promoted with the optical fingerprint of lens solution in recent years. Major manufacturers including Samsung, Huawei, Oppo, Vivo, Xiaomi and other brands extended the under-screen fingerprint recognition technology from flagship models down to medium- and high-end mobile phones. It is estimated that by 2023, the penetration rate of the overall under-screen fingerprint recognition will be close to 30%, and even the under-screen fingerprint recognition solution is expected to be on a par with the traditional capacitive solution in terms of penetration rate.



(Information source: CINNO Research, March 2020)

In terms of capacitive fingerprint, with the gradual growth of emerging markets such as Indian market and European market, driving the growth of mobile phone demands and specifications, it is expected that the mobile phone shipment in emerging Asian markets will grow by 10% annually in 2022, significantly higher than other regions. Furthermore, the Company continues to optimize the performance of capacitive sensor products, and expects to collect clearer fingerprint information in a smaller sensing area, improve recognition and 2.5D anti-counterfeit capability, and can be hidden within the keys of a mobile phone, in order to meet the current trend of mobile phone parts, i.e. fine but small in volume.

In addition to the application in mobile phones, fingerprint recognition has huge growth potential in the Notebook and vehicle market:

In the current market, more and more Notebooks are equipped with fingerprint recognition functions to unlock computers and increase security. Its market penetration rate increased from 30% in 2020 to nearly 40% in 2021. Meanwhile, longer verification time is needed for Notebooks than that for mobile phones. The manufacturers of specifications and brands need to go

through many tests and verifications, before supply is allowed. Therefore, compared with mobile phones, it has a higher entry threshold and better profitability. Moreover, the Match on Chip scheme has better specifications than the traditional scheme, and can achieve the recognition effect without turning on the computer. It will become the growth momentum of the medium- and high-end Notebook market.

It has growth potential in the vehicle market in the medium- and long-term. According to the report “Anchor of global semiconductor: Asia Pacific Takes Off” released by Deloitte Touche Tohmatsu Limited in 2021, due to the rise of electric vehicles and self-driving cars, the demand for sensors increased, and the average annual growth of automotive semiconductors from 2020 to 2025 would be 14%. Although fingerprint applications still have growth space, the high verification specifications and the complexity of the supply chain indicate that once it has passed the verification, customers do not change suppliers arbitrarily, resulting in high business adhesion and excellent profitability.

In addition to basic functions of IC circuit design for fingerprint recognition chips, it is widely believed in the industry that the difficulty lies in the relationship between patents, funds and suppliers.

In terms of patents, the Company has deeply researched the fingerprint recognition industry for many years; it adopted passive capacitive-sensing and optical principle in the design of fingerprint recognition chips and it has autonomous algorithms and more than hundreds of patents in the fingerprint recognition industry, and continuously invested in the research and development of advanced technologies and patents, and strengthened the advantages in technical attack and defense.

At the supplier level, fingerprint recognition is a product line that consumes a lot of silicon wafers due to the size of the wafers and the large volume of wafers that need to be produced, so maintaining relationships with suppliers is particularly important. The 8-inch capacity crunch has been a topic of discussion in the industry since the second half of 2020. In response to this issue, in addition to changing the mainstream products from 8 inches to 12 inches, the Company is also actively looking for third and fourth suppliers, and is expected to start contributing new production capacity in the second half of 2022.

In terms of capital, as an asset-light IC design house, the Company is able to observe market changes and adjust flexibly. Profitability, liquidity and solvency are maintained at industry standards. In addition, a strong cash level in the account will strengthen the Company's R&D capabilities and optimize its product portfolio, which will help reduce external systemic risks.

The fingerprint recognition industry involves the combination of hardware and software, and needs to capture clear images in an extremely short period of time, and overcome all kinds of situations that may occur in users' fingers, such as wet fingers and sensor noise etc. After capturing the image, the image has to be reconstructed. Then go through a series of analyses and calculations of fingerprints, and analyze and compare the characteristic values by using an algorithm. Therefore, the security and convenience of application must be taken into consideration. Therefore, cross-domain knowledge and skills are needed, and it is a high technical barrier and requires years of cumulative experience in the IC design industry. Since the inception of the Company, we have been committed to developing proprietary technologies. At the same time, we have accumulated over 500 patents to protect our intellectual property rights. As we have developed the technology over a long time and refined our algorithms, we are able to adjust application end products that best suit customer needs in terms of security and convenience.

4. Competitive Niche

In response to the mainstream development of full-screen display, under-screen fingerprint recognition solutions can increase the screen proportion, and companies compete to invest in R&D. Thanks to the Company's long-standing fingerprint recognition capabilities, we have recruited new R&D teams and technology partners to develop optical fingerprint recognition chips and have made remarkable progress. We also collaborated with customers to introduce under-screen fingerprint recognition solution to their products in the first phase.

The product line of the biometric recognition chip of the Company will continue to follow process evolution and move towards high-resolution, high-recognition rate and multi-specification. It will develop new applications and forms, and expand the field of applications in meeting customer demands, thus maintaining the long-term industrial competitiveness of the Company.

On the other hand, the Company has also launched the R&D of sensing technology based on time of flight, while at the same time developing a more cost-effective wafer solution than the existing technology in the market, which will be more helpful for channel customers to introduce product applications and accelerate the time to market.

(1) Unique Passive Capacitive Sensing Technology

In the most important wafer design technology, the Company's design framework is unique, using passive capacitive sensing principles to design fingerprint recognition chip. Our competitors typically employ the active sensing principle, which requires such manufacturing processes as an external metallic ring, precise sequence control, and an internal protective shield. As a result, for the products of our competitors, the cost is higher, and the noise is stronger and the power consumption is greater compared with the products of our Company. As for the Company's unique passive capacitive sensing technology, the chip designed with this technology does not require the aforementioned manufacturing processes and thus has a simpler structure. There is no need for any special manufacturing processes, and the module structure is simple. The chip can achieve the goal of accurate fingerprint recognition, and this is matched with its smaller size, lower power consumption with lowered costs.

(2) Autonomous Algorithm Technology

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

The Company's algorithm is flexible and customizable according to different environments, and has the features of low memory consumption and savings on operating resources. Besides fulfilling the requirement of secure operations on mobile devices and in embedded equipment, it has the

potential of porting over to smartcards and secure chips. Due to the fact that we have a fingerprint recognition algorithm for small surface areas, the Company does not have to give a percentage cut to algorithm providers. Thus, in terms of price competitiveness, there is room for price flexibility and negotiation.

(3) Over a hundred patents in fingerprint recognition for upstream and downstream

The Company has been committed to the research and development of technologies related to capacitive fingerprint recognition sensor chips since its establishment in 2007 and has accumulated over 500 patents worldwide. These patents include the design and packaging technology of chips, image extraction, algorithm for image reconstruction and comparison, firmware, tools for hardware and software development, identification comparison functions, software applications, mobile payments, compatible software for electronic commerce, security control, data encryption etc.

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

(4) Experience in Application Development and System Integration

The Company has not only provided chips and algorithms in the past, but also provided companies with application development services like: file encryption and decryption, system logins, fingerprint capturing, Website logins etc. The Company's application development has been highly recognized by customers, and even the Company's competitors have used our software applications in the past. In the earlier days, competitors like AuthenTec (acquired by Apple), UPEK (acquired by AuthenTec) and Validity (acquired by Synaptics) outsourced for the fingerprint application software that the Company designed and developed. The Company

previously also supplied the software to notebook computer companies, and it has accumulated experience in the integration of hardware and software platforms as well as the ability to provide instant technical support, providing customers with a complete solution in terms of product development. The flexibility in product development and technical support of the Company is superior as compared to our competitors.

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

(1) Advantageous Factors

A. Diversification of Applications, Promising Future of the Industry

The application of biometric recognition is not only a security-grade anti-counterfeiting mechanism at the high security level, but the application of biometrics can also be used as a protection function for personal privacy, such as: password management of various accounts, database management, mailbox management, etc. of personal electronic devices. Furthermore, The uniqueness of biometric recognition enables the introduction of various types of consumer electronic products, providing individuals with fast and convenient personal management functions for their daily lives. These include: all devices that provide for personal needs such as wearable devices, access control, vehicle anti-theft devices and smart TV, etc. In addition to smartphones, fingerprint recognition is a huge opportunity for multiple applications in mobile devices, mobile payments, automotive electronics and financial smart cards and so on.

B. Fingerprint recognition technology has patent restrictions, thus there are high barriers to entry.

As the time taken to train an IC design talent is relatively long, the research and development of a product requires a long-term accumulation of experiences. Furthermore, fingerprint recognition ICs have to capture clear images in an extremely short period of time, and overcome all kinds of situations that may be caused by users' fingers in daily use, such as wet fingers and sensor noise, etc. After capturing the image, the image has to be rearranged and go through a series of analysis and calculations, where the image will then be compared with the analyzed finger characteristic values using an algorithm. As a result, security and convenience are particularly important in applications. Therefore, cross-domain knowledge and skills are needed, and it is a high technical barrier and

requires years of cumulative experience in the IC design industry. The Company was established in 2007 and has acquired key technology and patents related to fingerprint recognition through its own development and acquisition. It has not only equipped itself with advanced development technologies and expertise in upstream chip design and production, but has also empowered itself with the ability for self-development of algorithms, as well as hardware and software application development and system integration capabilities due to its long-term accumulative shipment experience in personal computer market. This enables the Company to provide a full range of products and services for different needs of customers, including those in the upstream, middle and downstream sectors.

C.Exclusive Analog Artificial Intelligence (AI) Chip

The analog AI chip is designed with analog circuitry, and the area can be effectively reduced thanks to new process improvement. Compared with the digital circuitry design, there is a multiplier difference in area between the two, the power consumption is expected to be lower, and it can be produced using a lower-order manufacturing process.

In addition, the analog AI and sensors can be integrated on the same chip, and the complex computation results can be reported immediately after processing, which can significantly reduce the burden and transmission volume of the main system, and is a low cost, low power, high performance, and strong anti-counterfeiting product. This analog AI chip is expected to be widely used in mobile device recognition systems, driver monitoring system (DMS), automatic driving, security surveillance, the Internet of Things and other fields, to add more cost-effective new AI applications.

(2) Disadvantageous Factors

A.Uncertainties in the global mobile phone supply chain

As COVID-19 continues to spread, the vast majority of supply chains are facing shortages of workers, raw materials or city lockdowns.

Contingency Measures: Since all of our suppliers are local semiconductor design, foundry and IC packing and testing companies, the Company has been appropriately diversifying its supply chain risks and taking proactive measures such as inventory management to prevent major problems such as chain

breakage under the expansion of domestic policies to effectively prevent the spread of COVID-19.

The Company's suppliers are long-term trusted partners, and with an annual shipment of over millions of chips, we have considerable bargaining power to hold our position as a major player in the increasingly expensive fingerprint recognition chip market.

B. The impact of global mobile phone consumption

The impact of the COVID-19 is increasing the uncertainty of global mobile phone demand. The geographical and general economic factors such as the Ukraine-Russia war and high inflation also bring more instability to the end market.

Contingency Measures: The Company cooperates closely with customers.

Customers provide weekly demand and end-market estimates for the Company to flexibly adjust the delivery schedule and production planning. In response to the changing broad market, the Company maintained intensive exchanges with customers and further deepened their cooperative relations, such that, in the face of the impact of changing factors, the Company could also communicate more smoothly with customers and make all necessary adjustments in time, in the hope of turning the crisis into a turnaround.

Furthermore, the Company had a layout of other applications of fingerprint products and non-fingerprint product lines in 2021. Amidst changes in the mobile phone market, diversified product applications would be conducive to de-risking and stabilizing the operation of the Company.

C. The impact of global semiconductor industry capacity crunch

With the introduction of vaccines and the decline of the impact of the pandemic, along with the renewal of the 5G generation and increased reliance on semiconductor production, demand recovery and other factors, the supply of wafer capacity has been limited since the second half of 2020, and the shortage of 8-inch production capacity has become an industry problem.

Contingency Measures: The Company has a long-term cooperation relationship built on trust with our foundries, and we have communicated with them in advance about our capacity requirements. We have successfully added a second capacitor foundry in 2020, and have taken the lead in shifting our main products from 8 inches to 12 inches to improve production efficiency and reduce the impact of the 8-inch capacity crunch. In 2021, the Company continued to reach out to other OEM factories, in the hope of adding the third and fourth OEM factories. It is expected that there will be new production capacity for the Company to utilize in the second half of 2022.

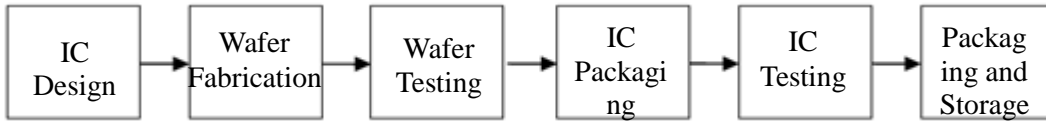
(II) Product Manufacturing Process and Important Uses of Primary Products

1. Important Uses of Main Products

Main Products	Main Function and Uses
Biometric Recognition Sensing IC and Its Applications	Optical Fingerprint Recognition Sensor Chip and Fingerprint Recognition Software Applications
Revenue from Technical Services	Provision of technical support services, including technical services like software testing and the development of sensor chips

2. Manufacturing Process of Main Products

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



(III) Supply of the Primary Raw Materials

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

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

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

Unit: NTD; %

Item	2020				2021			
	Name	Amount in Cash	As a Percentage of Net Purchases (%)	Relationship with Issuer	Name	Amount in Cash	As a Percentage of Net Purchases (%)	Relationship with Issuer
1	Company A	866,045	34.10	Nil	Company A	768,785	41.62	Nil
2	Company B	640,021	25.20	Nil	Company B	525,169	28.43	Nil
3	Company C	498,185	19.62	Nil	Company C	462,351	25.03	Nil
4	Company D	401,533	15.81	Nil	Company D	66,840	3.62	Nil
	Others	133,754	5.27	Nil	Others	23,854	1.30	Nil
	Net Purchase	2,539,538	100.00	-	Net Purchase	1,846,999	100.00	-

Reasons for Increase and Decrease: The change of purchase proportion of the Company in the last two years was mainly due to the consideration of cost. Thus, it reduced the purchase with Company D.

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

Unit: NTD; %

Item	2020				2021			
	Name	Amount in Cash	As a Percentage of Net	Relationship with	Name	Amount in Cash	As a Percentage of Net Sales	Relationship with

			Sales (%)	Issuer			(%)	Issuer
1	Company A	1,540,175	24.74%	Nil	Company A	669,102	19.43%	Nil
2	Company B	1,120,134	18.00%	Nil	Company B	878,771	25.52%	Nil
3	Company C	895,283	14.38%	Nil	Company C	745,886	21.67%	Nil
4	Company D	1,884,661	30.28%	Nil	Company D	966,981	28.09%	Nil
	Others	784,174	12.60%	Nil	Others	182,067	5.29%	Nil
	Net Sales	6,224,427	100%	-	Net Sales	3,442,807	100%	-

Reasons for Increase and Decrease: The Company was mainly affected by the pandemic, tight supply of wafer production capacity, shortage of materials in front-end module factory and market competition, leading to a decline in sales during this period.

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

Unit: PCS; NTD '000

Fiscal Year		2020			2021		
		Capacity	Output	Value	Capacity	Output	Value
Output Quantity and Value							
Primary Product							
Biometric Recognition Sensing IC and Applications	IC and Application Devices	Note 1	194,855,694	3,026,064	Note 1	138,091,891	2,120,842
	Software Application	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
Data Security and Protection and Its Applications		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
Technical Services		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
Total			194,855,694	3,026,064		138,091,891	2,120,842

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

Note2: This is a software application project and thus, it is not applicable.

Analysis and explanation of the changes in the output quantity and value: Mainly due to the decline in revenue.

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

Unit: PCS; NTD '000

Fiscal Year		2020				2021			
		Domestic Sales		International Sales		Domestic Sales		International Sales	
Sales Quantity		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Primary Product									
Biometric Recognition	IC and Application Devices	1,510	327	193,806,601	6,204,906	-	-	134,959,985	3,429,806

Fiscal Year		2020				2021			
		Domestic Sales		International Sales		Domestic Sales		International Sales	
Sales Quantity		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Primary Product		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Sensing IC and Its Applications	Software Application	Note 1	-	Note 1	3,388	Note 1	-	Note 1	1,755
Data Security and Protection and Its Applications		Note 1	4,852	Note 1	-	Note 1	113	Note 1	-
Technical Services		Note 1	5,012	Note 1	5,942	Note 1	3,877	Note 1	4,911
Others		Note 1	-	Note 1	-	Note 1	-	460,000	2,345
Total		1,510	10,191	193,806,601	6,214,236	-	3,990	135,419,985	3,438,817

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

Analysis and Explanation of the Changes in Sales Quantity and Value: The Company was mainly affected by the pandemic, tight supply of wafer production capacity, shortage of materials in front-end module factory and market competition, leading to a decline in sales during this period.

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

Fiscal Year		2020	2021	2022 as of March 31
Number of Employees	Direct	-	-	-
	Indirect	459	359	354
	Total	459	359	354
Average Age		36.24	36.24	37.81
Average Length of Service (Years)		2.53	2.53	3.29
Education Level Ratio (%)	PhD	3.70%	4.74%	4.24%
	Postgraduate	45.10%	47.91%	47.46%
	University and Diploma	49.89%	46.80%	47.18%
	Diploma and below	1.31%	0.56%	1.13%
	Total	100.00%	100.00%	100.00%

4. Information on Disbursements for Environmental Protection

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

5. Labor Relations

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

1. Employee Benefits and Their Implementation

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

Benefits Provided by the Company:

- (1) Labor insurance, national health insurance, and the allocation of labor pension are provided in compliance with the law.
- (2) The Company pays for the employee's insurance in full, including life insurance, casualty insurance, medical insurance, cancer insurance, and business travel insurance.
- (3) Annual health checkups, overtime dinners, department banquets, year-end company parties and events etc.
- (4) Competitive salary including year-end bonuses, performance bonuses, special project bonuses, patent bonuses, and subsidies for business travel expenses etc.

Benefits Provided by the Employee Welfare Committee:

- (1) Lucky draws in year-end company parties.
- (2) Employee holiday trips and festive celebratory events.
- (3) Cash gifts and gifts for the three traditional holidays (namely the Spring Festival, Dragon Boat Festival and Mid-Autumn Festival) and cash gifts for birthdays.
- (4) Subsidies for weddings and funerals.

2. Employee Training and Development

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

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

3. Retirement Scheme and its Implementation

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

4. Situation on Labor and Management Relations

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

5. Various Protective Measures of Employee Rights and Interests

The Company has formulated relevant management regulations and systems which clearly state employees' rights and obligations, as well as benefits. The Company will examine and modify the contents of the benefits regularly, so as to protect the rights and interests of all the employees.

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

6. Information and Communication Security Management

(I) Information and communication security management strategy and architecture

1. Information and communication security risk management architecture

The Company has “information and communication security management measures” in place to protect hardware, software and archives in order to meet confidentiality, integrity, availability and legal compliance requirements. And it has gradually improved the management measures based on ongoing concerns, information security challenges and legality, which are used as the foundation of information security architecture.



2. Information and communication security policy

- The information department is responsible for coordinating the promotion of information security management related matters.
- The Company's personnel shall abide by the Company's information or confidentiality security specifications.
- The Company's suppliers, third parties and outsourcing service providers shall abide by the Company's information security specifications.
- Any information security incident, once discovered, shall be reported to the information security contact.
- Any act endangering information security will be investigated for civil, criminal and administrative responsibilities depending on the case, or will be discussed and dealt with in accordance with the relevant provisions of the Company.

3. Specific management schemes and resources invested in information and communication security management

- The maintenance services shall be outsourced to professional computer

information manufacturers.

B. Network and computer system security management.

C. System access control, development and maintenance security management.

D. Information asset security management.

E. Set up network firewalls, install anti-virus software, and set folders access restrictions.

F. Regularly maintain the Company's computer anti-virus equipment, network equipment and servers every month.

(II) Major information and communication security incidents

It is required to list the losses suffered due to major information and communication security incidents in the latest fiscal year and as of the date of this annual report, and its possible impacts and countermeasures: Nil.

7. Important Contracts

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

Nature of Contract	Parties Involved	Date of the Subscription Agreement	Main Content	Terms and Conditions
Authorization	Company E	From January 2015	Software Authorization	Nil
Authorization	Company F	From January 2015	Software Authorization	Nil
Manufacturing Process Outsourcing Contract	Company H	From August 2015	Manufacturing Process Outsourcing	Nil
Technology Development	ITRI	December 2019 - November 2021	Technology Development	Nil
Long-term Rental	Company X	January 2021 - March 2025	Rental of Office	Nil
Cooperative Development	Company I	January 2021 - January 2024	Cooperative Development	Nil
Authorization	ITRI	September 2021 - August 2025	Technology Development & Authorization	Nil
Long-term Rental	Chen oYing	February 2022 - February 2027	Rental of Office	Nil
Technology Development	Company J	January 2022 - December 2022	Cooperative Development of Software Technology	Nil
Cooperative Development	Company J	January 2022 - December 2022	Cooperative Development	Nil

VI. Financial Overview

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

1. Concise Financial Information for the Last Five Years

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

Unit: NTD '000

Fiscal Year		Financial Information for the Last Five Fiscal Years					2022 as of March 31
		2017	2018	2019	2020	2021	
Current assets		3,238,969	3,750,401	4,809,928	2,505,674	5,208,223	(Note 3)
Investments accounted for using equity method		-	25,963	41,058	46,034	1,444,578	
Property, plant and equipment		33,758	39,437	62,589	104,000	94,724	Not applicable.
Intangible assets		200,641	214,695	223,492	193,154	194,247	
Other assets		154,300	278,040	391,000	3,829,983	1,937,822	
Total assets		3,627,668	4,308,536	5,528,067	6,678,845	8,879,594	
Current liabilities	Before distribution	1,363,586	1,915,374	2,646,112	870,720	1,646,811	
	After distribution	1,665,048	2,470,218	3,269,648	1,909,856	2,339,529	
Non-current liabilities		-	1,038	70,279	1,100,880	900,233	
Total liabilities	Before distribution	1,363,586	1,916,412	2,716,391	1,971,600	2,547,044	
	After distribution	1,665,048	2,471,256	3,339,927	3,010,736	3,239,762	
Equity attributable to owners of the parent company		2,264,082	2,392,124	2,803,045	4,683,324	6,320,415	
Share capital		709,323	710,673	713,878	713,758	692,718	
Capital reserves		942,038	963,159	1,040,153	1,057,960	968,659	
Retained earnings	Before distribution	707,217	1,076,546	1,384,383	1,363,161	4,734,406	
	After distribution	405,755	521,702	760,847	324,025	4,041,688	

Other equities	(94,496)	(79,514)	(86,608)	1,777,220	(75,368)	
Treasury stock	-	(278,740)	(248,761)	(228,775)	-	
Non-controlling interests	-	-	8,631	23,921	12,135	
Total equity	Before distribution	2,264,082	2,392,124	2,811,676	4,707,245	6,332,550
	After distribution	1,962,620	1,837,280	2,188,140	3,668,109	5,639,832

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

Note 2: The 2021 Earnings Distribution Plan is still pending resolution by the shareholders' meeting.

Note 3: As of the date of publication of the annual report, the financial information for the first quarter of 2022 reviewed by the accountants had not been issued.

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

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

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

Unit: NTD '000

Item	Fiscal Year	Financial Information for the Last Five Fiscal Years				
		2017	2018	2019	2020	2021
Current assets		3,199,315	3,710,691	4,746,535	2,403,484	5,020,760
Investments accounted for using equity method		34,442	68,710	113,559	137,328	1,609,754
Property, plant and equipment		33,111	37,531	57,567	101,051	89,360
Intangible assets		200,641	213,906	194,630	167,921	182,358
Other assets		154,056	275,885	373,503	3,812,299	1,919,677
Total assets		3,621,565	4,306,723	5,485,794	6,622,083	8,821,909
Current liabilities	Before distribution	1,357,483	1,913,561	2,620,762	846,439	1,611,813
	After distribution	1,658,945	2,468,405	3,244,298	1,885,575	2,304,531

Non-current liabilities		-	1038	61,987	1,092,320	889,655
Total liabilities	Before distribution	1,357,483	1,914,599	2,682,749	1,938,759	2,501,494
	After distribution	1,658,945	2,469,443	3,306,285	2,977,895	3,194,212
Equity attributable to owners of the parent company		2,264,082	2,392,124	2,803,045	4,683,324	6,320,415
Share capital		709,323	710,673	713,878	713,758	692,718
Capital reserves		942,038	963,159	1,040,153	1,057,960	968,659
Retained earnings	Before distribution	707,217	1,076,546	1,384,383	1,363,161	4,734,406
	After distribution	405,755	521,702	760,847	324,025	4,041,688
Other equities		(94,496)	(79,514)	(86,608)	1,777,220	(75,368)
Treasury stock		-	(278,740)	(248,761)	(228,775)	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,264,082	2,392,124	2,803,045	4,683,324	6,320,415
	After distribution	1,962,620	1,837,280	2,179,509	3,644,188	5,627,697

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

Note 2: The 2021 Earnings Distribution Plan is still pending resolution by the shareholders' meeting.

(4) Concise Individual Balance Sheet – R.O.C.'s Enterprise Accounting Standards

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

2. Concise Consolidated Income Statements

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

Unit: NTD '000

Item \ Fiscal Year	Financial Information for the Last Five Fiscal Years					2022 as of March 31
	2017	2018	2019	2020	2021	
Operating revenue	4,731,908	5,909,333	7,358,441	6,224,427	3,442,807	
Gross operating profit	1,822,175	2,083,902	3,137,307	2,690,953	1,369,894	(Note 2)
Operating profit and loss	776,643	726,177	1,102,652	850,627	(300,418)	Not applicable.
Non-operating revenue and expenditure	(40,757)	121,919	(50,451)	(99,145)	(9,930)	
Net profit (loss) before tax	735,886	848,096	1,052,201	751,482	(310,348)	
Net profit from continuing operations	593,191	670,791	852,703	627,991	(231,774)	
Loss from discontinued operations	-	-	-	-	-	
Net profit (loss) for the current period	593,191	670,791	852,703	627,991	(231,774)	
Other comprehensive income (net amount after tax) for the current period	(2,608)	(53,280)	(32,596)	1,828,376	2,907,428	
Total comprehensive income for the current period	590,583	617,511	820,107	2,456,367	2,668,815	
Net profit attributable to owners of the parent company	593,191	670,791	862,681	632,559	(215,605)	
Net profit attributable to non-controlling interests	-	-	(9,978)	(4,568)	(16,169)	
Total comprehensive income attributable to owners of the parent company	590,583	617,511	830,085	2,460,935	2,684,984	
Total comprehensive income attributable to non-controlling interests	-	-	(9,978)	(4,568)	(16,169)	
Earnings per share	8.50	9.62	12.60	9.14	(3.11)	

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

Note 2: As of the date of publication of the annual report, the financial information for the first quarter of 2022 reviewed by the accountants had not been issued.

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

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

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

Unit: NTD '000

Item \ Fiscal Year	Financial Information for the Last Five Fiscal Years				
	2017	2018	2019	2020	2021
Operating revenue	4,731,908	5,909,333	7,358,441	6,219,414	3,438,319
Gross operating profit	1,822,175	2,083,902	3,137,307	2,685,941	1,365,359
Operating profit and loss	783,856	728,237	1,155,526	873,133	(219,228)
Non-operating revenue and expenditure	(51,898)	113,718	(93,695)	(118,499)	(77,679)
Net profit (loss) before tax	731,958	841,955	1,061,831	754,634	(296,907)
Net profit from continuing operations	593,191	670,791	862,681	632,559	(215,605)
Loss from discontinued operations	-	-	-	-	-
Net profit (loss) for the current period	593,191	670,791	862,681	632,559	(215,605)
Other comprehensive income (net amount after tax) for the current period	(2,608)	(53,280)	(32,596)	1,828,376	2,907,428
Total comprehensive income for the current period	590,583	617,511	830,085	2,460,935	2,684,984
Earnings per share	8.50	9.62	12.60	9.14	(3.11)

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

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

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

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

Fiscal Year	Name of Accounting Firm	Name of Certified Public Accountant Responsible for Certification Work	Opinion

2017	KPMG Taiwan	Steven Shih and Philip Tang	Unqualified opinion
2018	KPMG Taiwan	Steven Shih and Philip Tang	Unqualified opinion
2019	KPMG Taiwan	Steven Shih and Sonia Chang	Unqualified opinion
2020	KPMG Taiwan	Steven Shih and Sonia Chang	Unqualified opinion
2021	KPMG Taiwan	Steven Shih and Sonia Chang	Unqualified opinion and other matters

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

2. Financial Analysis for the Last Five Fiscal Years

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

Fiscal Year		Financial Analysis for the Last Five Fiscal Years					2022 as of March 31
		2017	2018	2019	2020	2021	
Analysis Item							
Financial structure (%)	Liabilities to assets ratio	37.59	44.48	49.14	29.52	28.68	(Note 1)
	Permanent capital to property, plant and equipment ratio	6,706.80	6,068.32	4,604.57	5,584.74	7635.64	Not applicable.
Solvency	Current ratio (%)	237.53	195.81	181.77	287.77	316.26	
	Quick ratio (%)	181.46	162.73	146.86	227.58	270.68	
	Interest coverage ratio	80.94	86.52	55.43	34.34	(20.72)	
Operational capability	Receivables turnover ratio (number of times)	8.32	8.80	15.37	19.24	7.55	
	Average collection period	44	42	24	19	48	
	Inventory turnover ratio (number of times)	4.66	6.09	6.40	6.16	4.19	
	Payables turnover ratio (number of times)	5.24	7.36	8.81	8.66	7.08	
	Average sales days of inventory	78	60	57	59	87	
	Property, plant and equipment turnover ratio (number of times)	164.21	161.47	144.25	74.73	34.65	
	Total assets turnover ratio (number of times)	1.55	1.49	1.50	1.02	0.44	
Profitability	Return on assets(%)	19.63	17.10	17.85	10.66	(2.62)	
	Return on equity(%)	31.04	28.81	33.16	16.83	(3.91)	

Fiscal Year		Financial Analysis for the Last Five Fiscal Years					2022 as of March 31
		2017	2018	2019	2020	2021	
Analysis Item							
	Pre-tax profit to paid-in capital ratio(%)	103.74	119.34	147.39	105.29	(44.80)	
	Net profit margin(%)	12.54	11.35	11.72	10.16	(6.26)	
	Earnings per share (NTD)	8.50	9.62	12.60	9.14	(3.11)	
Cash Flow	Cash flow ratio(%)	43.47	47.26	55.69	69.34	(44.83)	
	Cash flow adequacy ratio(%)	6.12	94.95	144.17	167.44	97.58	
	Cash reinvestment ratio(%)	25.66	24.69	31.09	(0.33)	(24.15)	
Degree of leverage	Degree of operating leverage	1.91	2.50	2.57	2.88	(4.03)	
	Degree of financial leverage	1.01	1.01	1.02	1.03	0.95	

	<p>The explanations for financial ratios with changes in excess of 20% for 2021 as compared to 2020 are as follows:</p> <ol style="list-style-type: none"> 1、Permanent capital to property, plant and equipment ratio: During the current period, the Company disposed of all of its shares in FOCALTECH, resulting in a gain of NTD 5,356,870,000 and an increase in total equity from the previous period. 2、Interest coverage ratio: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue. 3、Receivables turnover ratio: This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition, as well as the delay in cashing out receivables at the end of the period due to the holidays. 4、Average collection period: This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition, as well as the delay in cashing out receivables at the end of the period due to the holidays. 5、Inventory turnover ratio: This is caused by decreased scale of revenue and decreased cost of goods sold due to factors such as the pandemic, capacity constraints and market competition. 6、Average sales days of inventory: This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition, resulting in increased sales day of inventory. 7、Property, plant and equipment turnover ratio (number of times): This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition. 8、Total assets turnover ratio (number of times): This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition. 9、Return on assets: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue. 10、Return on equity: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue. 11、Pre-tax profit to paid-in capital ratio: This is caused by net loss before tax in the current period due to factors such as the pandemic, capacity constraints and market competition, which resulted in decreased scale of revenue. 12、Net profit margin: This is caused by net loss after tax in the current period due to fab capacity constraints, which resulted in reduction in the operation scale. 13、Earnings per share (NTD): This is mainly caused by net loss after tax in the current period due to factors such as the pandemic, capacity constraints and market competition, which resulted in decreased scale of revenue. 14、Cash flow ratio: This is caused by decreased scale of revenue and decreased revenue due to factors such as the pandemic, capacity constraints and market competition. 15、Cash flow adequacy ratio: This is caused by decreased scale of revenue and decreased revenue due to factors such as the pandemic, capacity constraints and market
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Analysis Item	Fiscal Year	Financial Analysis for the Last Five Fiscal Years					2022 as of March 31
		2017	2018	2019	2020	2021	
		competition.					
		16、Cash reinvestment ratio: This is caused by decreased scale of revenue and decreased revenue due to factors such as the pandemic, capacity constraints and market competition.					
		17、Degree of operating leverage: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue.					

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

Note 1: As of the date of publication of the annual report, the financial information for the first quarter of 2022 reviewed by the accountants had not been issued.

The formulae for analysis are as follows:

1. Financial structure

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

2. Solvency

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventories - prepaid expenses)/current liabilities.
- (3) Interest coverage ratio = profit before income tax and interest expenses/interest expenses for the current period.

3. Operational capability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover ratio = net sales/average receivables (including accounts receivable and notes receivable arising from business operations) balance for each period.
- (2) Average collection period = 365/receivables turnover ratio.
- (3) Inventory turnover ratio = cost of goods sold/average inventory value.
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover ratio = cost of goods sold/average payables (including accounts payable and notes payable arising from business operations) balance for each period.
- (5) Days' sales in inventory = 365/inventory turnover ratio.
- (6) Property, plant and equipment turnover ratio = net sales/average net value of property, plant and equipment.
- (7) Total assets turnover ratio = net sales/average total assets.

4. Profitability

- (1) Return on assets = [profit or loss after tax + interest expenses x (1 - tax rate)]/average total assets.
- (2) Return on equity = profit or loss after tax/average total equity.
- (3) Net profit margin = profit or loss after tax/net sales.
- (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred dividends)/weighted average number of issued shares.

5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the last five fiscal years/(capital expenditures + inventory increase + cash dividends) for the last five fiscal years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross value of property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

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

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

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

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

Analysis Item		Financial Analysis for the Last Five Fiscal Years					
		Fiscal Year	2017	2018	2019	2020	2021
Financial structure (%)	Liabilities to assets ratio		37.48	44.46	48.90	29.28	28.36
	Permanent capital to property, plant and equipment ratio		6,837.85	6,376.49	4,976.87	5,715.57	8,068.57
Solvency	Current ratio (%)		235.68	193.92	181.11	283.95	311.49
	Quick ratio (%)		179.39	160.83	145.87	222.08	265.08
	Interest coverage ratio		80.51	85.90	57.43	34.81	(20.07)
Operational capability	Receivables turnover ratio (number of times)		8.32	8.80	15.37	19.34	7.57
	Average collection period		44	42	24	19	48
	Inventory turnover ratio (number of times)		4.66	6.09	6.40	6.16	4.19
	Payables turnover ratio (number of times)		5.24	7.36	8.81	8.66	7.08
	Average sales days of inventory		78	60	57	59	87
	Property, plant and equipment turnover ratio (number of times)		169.55	167.30	154.75	78.42	36.11
	Total assets turnover ratio (number of times)		1.55	1.49	1.50	1.03	0.45
Profitability	Return on assets (%)		19.66	17.12	17.93	10.74	(2.65)
	Return on equity (%)		31.04	28.81	33.21	16.9	(3.92)
	Pre-tax profit to paid-in capital ratio (%)		103.19	118.47	148.74	105.73	(42.86)
	Net profit margin (%)		12.54	11.35	11.72	10.17	(6.27)
	Earnings per share (NTD)		8.50	9.62	12.60	9.14	(3.11)
Cash Flow	Cash flow ratio (%)		44.29	47.91	57.27	73.12	(42.86)
	Cash flow adequacy ratio (%)		15.08	101.62	149.95	172.66	101.48
	Cash reinvestment ratio (%)		26.03	25.18	32.25	(0.08)	(23.60)

Degree of leverage	Degree of operating leverage	1.89	2.49	2.46	2.80	(5.50)
	Degree of financial leverage	1.01	1.01	1.02	1.03	0.94

The explanations for financial ratios with changes in excess of 20% for 2021 as compared to 2020 are as follows:

- 1 ∙ Permanent capital to property, plant and equipment ratio: During the current period, the Company disposed of all of its shares in FOCALTECH, resulting in a gain of NTD 5,351,224,000 and an increase in total equity from the previous period.
- 2 ∙ Interest coverage ratio: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue.
- 3 ∙ Receivables turnover ratio: This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition, as well as the delay in cashing out receivables at the end of the period due to the holidays.
- 4 ∙ Average collection period: This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition, as well as the delay in cashing out receivables at the end of the period due to the holidays.
- 5 ∙ Inventory turnover ratio: This is caused by decreased scale of revenue and decreased cost of goods sold due to factors such as the pandemic, capacity constraints and market competition.
- 6 ∙ Average sales days of inventory: This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition, resulting in increased sales day of inventory.
- 7 ∙ Property, plant and equipment turnover ratio (number of times): This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition.
- 8 ∙ Total assets turnover ratio (number of times): This is caused by decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition.
- 9 ∙ Return on assets: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue.
- 10 ∙ Return on equity: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue.
- 11 ∙ Pre-tax profit to paid-in capital ratio: This is caused by net loss before tax in the current period due to factors such as the pandemic, capacity constraints and market competition, which resulted in decreased scale of revenue.
- 12 ∙ Net profit margin: This is mainly caused by net loss after tax in the current period due to factors such as the pandemic, capacity constraints and market competition, which resulted in decreased scale of revenue.
- 13 ∙ Earnings per share (NTD): This is mainly caused by net loss after tax in the current period due to factors such as the pandemic, capacity constraints and market competition, which resulted in decreased scale of revenue.
- 14 ∙ Cash flow ratio: This is caused by decreased scale of revenue and decreased revenue due to factors such as the pandemic, capacity constraints and market competition.
- 15 ∙ Cash reinvestment ratio: This is caused by decreased scale of revenue and decreased

	revenue due to factors such as the pandemic, capacity constraints and market competition.
16	、 Degree of operating leverage: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue.

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

The formulae for analysis are as follows:

1. Financial structure

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

2. Solvency

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventories - prepaid expenses)/current liabilities.
- (3) Interest coverage ratio = profit before income tax and interest expenses/interest expenses for the current period.

3. Operational capability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover ratio = net sales/average receivables (including accounts receivable and notes receivable arising from business operations) balance for each period.
- (2) Average collection period = 365/receivables turnover ratio.
- (3) Inventory turnover ratio = cost of goods sold/average inventory value.
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover ratio = cost of goods sold/average payables (including accounts payable and notes payable arising from business operations) balance for each period.
- (5) Days' sales in inventory = 365/inventory turnover ratio.
- (6) Property, plant and equipment turnover ratio = net sales/average net value of property, plant and equipment.
- (8) Total assets turnover ratio = net sales/average total assets.

4. Profitability

- (1) Return on assets = [profit or loss after tax + interest expenses x (1 - tax rate)]/average total assets.
- (2) Return on equity = profit or loss after tax/average total equity.
- (3) Net profit margin = profit or loss after tax/net sales.
- (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred dividends)/weighted average number of issued shares.

5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the last five fiscal years/(capital expenditures + inventory increase + cash dividends) for the last five fiscal years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross value of property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

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

income.

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

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

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

3. Audit Committee's Audit Report for the Financial Statements of the Last Fiscal Year: Please refer to Page 232 for details.

4. Financial Statements for the Last Fiscal Year, including an Audit Report Prepared by Certified Public Accountants, a Two-Year Comparative Balance Sheet and Consolidated Income Statement, Statement of Changes in Equity, Cash Flow Statement, and Any Attached Notes or Appendices: Please refer to Attachment 1 for details.

5. Parent Company Only Financial Statements for the Last Fiscal Year, Audited and Certified by Certified Public Accountants: Please refer to Attachment 2 for details.

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

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

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

Unit: NTD '000

Item	Fiscal Year	2021	2020	Difference	
				Amount	%
Current assets		5,208,223	2,505,674	2,702,549	108
Investments accounted for using equity method		1,444,578	46,034	1,398,544	3,038
Property, plant and equipment		94,724	104,000	(9,276)	(9)
Intangible assets		194,247	193,154	1,093	1
Other assets		1,937,822	3,829,983	(1,892,161)	(49)
Total assets		8,879,594	6,678,845	2,200,749	33
Current liabilities		1,646,811	870,720	776,091	89
Non-current liabilities		900,233	1,100,880	(200,647)	(18)
Total liabilities		2,547,044	1,971,600	575,444	29
Share capital		692,718	713,758	(21,040)	(3)
Capital reserves		968,659	1,057,960	(89,301)	(8)
Retained earnings		4,734,406	1,363,161	3,371,245	247
Other equities		(75,368)	1,777,220	(1,852,588)	(104)
Treasury stock		0	(228,775)	228,775	(100)
Non-controlling interests		12,135	23,921	(11,786)	(49)
Total equity		6,332,550	4,707,245	1,625,305	35

1. For items with a 20% or more variation between the previous and current periods, and the variation amount reaches NTD 10 million, an explanation should be provided:
 - (1) Current assets: Mainly the disposal of shares in FOCALTECH in the current period, resulting in a significant increase in cash and financial assets.
 - (2) Investments accounted for using equity method: In order to strengthen diversification, expand the scale of operation and increase the economies of scale, the Company invested in “Alcor Micro, Corp.” and “iCatch Technology, Inc”.
 - (3) Other assets: Disposal of shares in FOCALTECH in the current period.
 - (4) Current liabilities: Mainly the disposal of shares in FOCALTECH, and the income tax expenses were estimated.
 - (5) Retained earnings: Mainly the disposal of shares in FOCALTECH.
 - (6) Other equities: Disposal of shares in FOCALTECH in the current period, reversing the benefit of prior evaluation.
 - (7) Treasury stock: Cancellation of treasury stock resulted in capital reduction of 2,100,000 shares.
 - (8) Non-controlling interests: Loss suffered by non-wholly owned subsidiary, resulting in reduction in non-controlling interests.
2. Planned future contingency measures when the impact is of material significance: Nil.

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

(I) Comparative Analysis of Financial Performance

Unit: NTD '000

Item \ Fiscal Year	2021	2020	Increase (Decrease) Amount	Percentage of Change (%)
Operating revenue	3,442,807	6,224,427	(2,781,620)	(45)
Gross operating profit	1,369,894	2,690,953	(1,321,059)	(49)
Net operating profit (loss)	(300,418)	850,627	(1,151,045)	(135)
Non-operating revenue and expenditure	(9,930)	(99,145)	89,215	(90)
Net profit (loss) before tax	(310,348)	751,482	(1,061,830)	(141)

Fiscal Year	2021	2020	Increase (Decrease) Amount	Percentage of Change (%)
Income tax benefit (expense)	78,574	(123,491)	202,065	(164)
Net profit (loss) for the current period	(231,774)	627,991	(859,765)	(137)
Other comprehensive income (net amount after tax) for the current period	2,900,589	1,828,376	1,072,213	59
Total comprehensive income for the current period	2,668,815	2,456,367	212,448	9
<p>1. For items with a 20% or more variation between the previous and current periods, and the variation amount reaches NTD 10 million, an explanation should be provided:</p> <p>(1) Operating revenue: Decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition.</p> <p>(2) Gross operating profit: Decreased scale of revenue due to factors such as the pandemic, capacity constraints and market competition.</p> <p>(3) Net operating profit: Net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, which resulted in decreased scale of revenue.</p> <p>(4) Non-operating revenue and expenditure: Mainly less currency exchange loss compared with 2020.</p> <p>(5) Net profit before tax: This is caused by net operating loss in the current period due to factors such as the pandemic, capacity constraints and market competition, resulting in decreased scale of revenue.</p> <p>(6) Income tax expenses: This is caused by net loss before tax in the current period due to factors such as the pandemic, capacity constraints and market competition, which resulted in decreased scale of revenue.</p> <p>(7) Net profit for the current period: Net loss after tax in the current period due to factors such as the pandemic, capacity constraints and market competition, which resulted in decreased scale of revenue.</p> <p>(8) Other comprehensive income for the current period: Mainly the disposal of shares in listed company FOCALTECH.</p> <p>2. Sales volume forecast and the basis therefore, as well as the possible impact on the company's future financial operations and contingency measures:</p> <p style="padding-left: 40px;">The Company's main products are biometric sensing IC and its applications. The Business Department formulated the sales volume forecast based on the sales forecast of existing products, development progress of new products, forecast value of customer production demand, with the business development strategy taken into account. Along with</p>				

Item	Fiscal Year	2021	2020	Increase (Decrease) Amount	Percentage of Change (%)
<p>the trend on the introduction of fingerprint recognition applications into handheld devices, it is estimated that there will be a growth in sales volume.</p>					

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

(1) Explanation on the analysis of cash flow changes during the last fiscal year (2021)

1. Financial Analysis

Unit: NTD '000

Opening cash balance (1)	Net cash flow from operating activities for the year (2)	Cash outflows (inflows) for the year (3) (Note)	Estimated surplus (insufficient) cash amount (1)+(2)-(3)	Remedial measures for insufficient cash	
				Investment plan	Financial plan
1,533,311	(738,295)	(1,530,128)	2,325,144	NA	NA

Note: Inclusive of the effect of exchange rate fluctuations on cash and cash equivalents, that is, NTD (3,139,000).

Analysis of cash flow changes during the current fiscal year:

(1) Operating activities: This is due to the increase in account receivables and inventory, thus resulting in net cash outflow from operating activities.

(2) Investment activities: This is mainly due to the disposal of financial assets, thus resulting in net cash inflow from investment activities.

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

2. Improvement measures for illiquidity: There is no any situation of illiquidity for the Company.

3. Liquidity analysis for the coming year (2022)

Unit: NTD '000

Opening cash balance (1)	Estimated net cash flow from operating activities for the year (2)	Estimated cash outflows (inflows) for the whole year (3)	Estimated surplus (insufficient) amount (1)+(2)-(3)	Remedial measures for estimated insufficient cash	
				Investment plan	Financial plan

2,325,144	412,286	1,239,481	1,497,949	NA	NA
<p>1. Liquidity analysis for the coming year:</p> <p>(1) Operating activities: This is caused by slight growth in operating revenue resulting in net cash inflow from current business activities in this period.</p> <p>(2) Investment activities: This is caused by investments in professional technology and acquisition of related equity interests, resulting in net cash outflow from investment activities.</p> <p>(3) Financing activities: This is caused by long-term loans resulting in net cash inflow from financing activities.</p> <p>2. Remedial measures for estimated insufficient cash: There is no situation of estimated insufficient cash. Therefore, this is not applicable.</p>					

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

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

1. Reinvestment Policy

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

2. Main reasons for the profits or losses generated from the reinvestment business in the last fiscal year, and the plan for improving reinvestment profitability

Unit: NTD '000

Name of reinvestment business	Main business item	Investment (losses) and gains recognized in 2021	Main reasons for the profits or losses	Plan for improving reinvestment profitability
Egis Technology (Japan) Inc.	Customer service, business promotion and technical support	700	Revenue from Technical Services	Nil
Egis Technology (Korea) Inc.	Customer service, business promotion and technical support	273	Revenue from Technical Services	Nil
Igistec Co., Ltd.	Technology Development	(1,477)	Operating losses	To be liquidated
Sirius Wireless Pte. Ltd.	Technology Development	(1,639)	Operating losses	Disposal and reduction of shareholding
Sense Investment and	Holding company	2	Return on	Nil

Name of reinvestment business	Main business item	Investment (losses) and gains recognized in 2021	Main reasons for the profits or losses	Plan for improving reinvestment profitability
Consulting Inc.			investment	
Vitrio Technology Corporation	Technology Development	(2,086)	Operating losses	To be liquidated
Luxsentek Microelectronics Corp.	Technology Development	(60,079)	Operating losses	Accelerate development integration and use its technology to become part of the supply chain
Shentao Intelligent Technology (Shanghai) Co., Ltd.	Customer service, business promotion and technical services	(1,354)	Operating losses	Improve the quality of service to customers and strengthen the review of the reasonableness of expenses
Alcor Micro, Corp.	Technology Development	2,383	Operating profit	Nil
iCatch Technology, Inc.	Technology Development	-	(Investment was acquired at the end of the year)	Nil

3. Investment plan for the coming year

In terms of the main strategic investment goals, in addition to smartphones, the Company has been committed to expanding diversified markets and other applications in recent years. In the future, the Company will accelerate its deployment in the AIoT smart Internet of Things, automotive market and security surveillance field, and actively integrate CIS, ISP and DVS to combine applications, integrate high-end light processing and AI-smart image processing chips, combined with the dynamic image sensing technology that the Company is committed to developing.

6. Risk Management Analysis and Evaluation

(1) Risk management policy

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

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

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

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

2. If the Company's important risk assessment matters do not need to be reviewed by the second and third mechanisms for implementation matters, it will conduct legal affairs to identify, assess and prevent risks with the audit office if necessary; usually if it finds that there is immediately potential risks, it can also be immediately reported to the superiors for prevention.
3. According to the provisions of "Guidelines for Handling Internal Control of Public Issuance Companies", the Company establishes "Self-inspection Procedures, Operation and Methods", handles regularly self-assessment internal control operations of each department and operation unit each year, so as to implement the Company's self-supervision mechanism, to change the corresponding environment in a timely manner, to adjust the design and implementation of the internal control system, and to enhance the audit quality and efficiency of the internal audit unit; its scope of self-assessment covers the execution and design of various internal control systems of the Company.

(2) Risk management organization form

Important risk assessment matters	(The first mechanism) Direct risk control unit	(The second mechanism) Risk review and control	(The third mechanism) Board of Directors, Audit Committee and Audit Office
1. Interest Rate, Exchange Rate and Financial Risks	Financial contractor	Directors at all levels and general manager	Board of Directors and Audit Committee (Decision-making and final control of risk assessment and control)
2. High-risk, high-leverage investment, capital loans to others, derivative commodity transactions, financial investment	Financial contractor	Directors at all levels and general manager	
3. Investment, Transfer of Investment and M&A Benefits	Stock and financial staff	Directors at all levels and general manager	
4. Research and Development Plan	Research and Development personnel	Directors at all levels, operation officer and general manager	Audit Office (Inspection, Improvement Tracking and Report of Risk)
5. Concentrated sales or purchases	Business Department, Purchasing Department and Financial Staff	Production and marketing meeting	
6. Changes in equity of directors and major shareholders	Stock	Board of Directors	
7. Changes in operating rights	Stock	Board of Directors	
8. Litigation and non-contentious matters	Legal affairs	General Manager	
9. Other business operations	Directors at all levels	General Manager	
10. Personnel behavior, morality and ethics	Directors at all levels and Personnel Administration Department	Labor-management conference	
11. Compliance with regulations	Directors at all	Legal affairs and	

Important risk assessment matters	(The first mechanism) Direct risk control unit	(The second mechanism) Risk review and control	(The third mechanism) Board of Directors, Audit Committee and Audit Office
	levels	audit	
12. Management of Board Meetings	Stock	Legal affairs and audit	

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

1. Interest Rate Fluctuations

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

The Company's percentages of bank loans to total assets for the fiscal years 2020 and 2021 are 14.82% and 10.70%, respectively. The percentages of interest expenses to the net operating revenue are 0.36% and 0.41%, respectively, which are relatively small percentages. Therefore, interest rate fluctuations have a limited effect on the profit and loss of the Company. The Company will continue to closely monitor changes in the global and domestic economic environments in the future and take necessary measures whenever needed, in order to minimize the risk of interest rate fluctuations on the profits and losses of the Company.

(2) Specific Contingency Measures

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

2. Exchange Rate Fluctuations

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

The purchase and sales transactions of the Company are mainly denominated, paid and received in the U.S. dollar. The net exchange (losses) profits of the Company in the fiscal years 2020 and 2021 are NTD (142,287,000) and NTD (35,156,000), respectively, accounting for approximately (2.29%) and (1.02%) of the Company's net operating revenue, respectively, and accounting for (18.93%) and (11.33%) of the net loss before tax, respectively. Fluctuations in the exchange rate of the New Taiwan dollar against the US dollar have a certain impact on the Company's profit or loss.

(2) Specific Contingency Measures

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

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

3. Inflation

(1) Analysis of the Impact on the Company

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

(2) Specific Contingency Measures

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

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

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

The Company is prudent in its financial management and does not engage in any high-risk or high-leverage investments. The Company has established comprehensive policies and internal control procedures for the capital loan to others, endorsements and guarantees and derivative transactions. All loans and endorsements made by the Company during the year of 2021 and up to date were in accordance with the relevant regulations.

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

1. Future Research and Development Plan

The Company is committed to the design, development and sale of biometric sensor-related chips. For a description of our future research and development plans, please refer to “V. Overview of Business Operations, 1. Content of Business, 3. General Situation of Technology and Research” in this Annual Report.

2. Estimated Research and Development Expenses

The estimated research and development expenses of the Company are gradually allocated based on the progress of the development of new products and technologies, and adjusted according to the market changes and the progress in the research and development of new products. The Company expects to invest approximately NTD 1,363,595,000 in research and development in 2022 in continual support of the future research and development plans, so as to sustain the market competitive advantages of the Company’s products.

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

The Company’s routine operations shall be in compliance with the relevant domestic and international laws and regulations, and the Company will monitor the development trends of domestic and international policies and changes in the laws at all times. The Company will also gather relevant information as reference for decision-making at the operational level and make adjustments to the relevant operational strategies of the

Company. The Company's financial operations have not been affected by any changes in major domestic and international policies and laws in the last fiscal year and the current fiscal year up to the date of publication of the annual report.

(7) Effect of Technological Innovation (Including Information and Communication Security Risks) and Industrial Changes on the Financial Operations of the Company and Contingency Measures

The Company keeps an eye on the evolution of technology related to the industry in which it operates, keeps abreast of industry dynamics, continues to enhance its research and development capabilities, and actively expands future market applications to ensure its competitive advantage in the market. In order to fulfill the requirements of information security management, we focus on processes, legal compliance, personnel training, and technology utilization to strengthen the security and protection of data, information systems, equipment, and network communications, and effectively reduce the risk of theft, misuse, leakage, tampering, or destruction of information assets caused by human negligence, intentional or natural disasters, to ensure our commitment to shareholders and customers, and to achieve the Company's sustainable management. In addition, we continue to pay attention to new cyber security information and technology in response to the rapid changes in external factors and attack methods, and keep our defense or management methods up-to-date to effectively block new types of information security threats and reduce the risk of operations. Therefore, in the last fiscal year and the current fiscal year up to the date of publication of the annual report, there were no technological innovation or industrial changes that would affect the financial operations of the Company.

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

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

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

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

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

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

(11) Risk Faced of Purchases or Sales and Contingency Measures

1. In terms of purchases

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

2. In terms of sales

The sales amount of the Company to Company A in the fiscal year 2021 is USD 966,981,000, accounting for 28.09% of operating revenue in the current fiscal year, with the risk of sales concentration. Following the rise in market demand for fingerprint sensor chips, the Company will continue to develop new products to accommodate different end application markets. The Company will also actively acquire new customers and provide new services so as to reduce sales concentration, thus lowering the risk arising from sales concentration.

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

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

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

of litigation, the main party or parties involved, and the status of the case up to the date of publication of the annual report should be disclosed: No such situation.

(15) Other Important Risks and Contingency Measures: Nil.

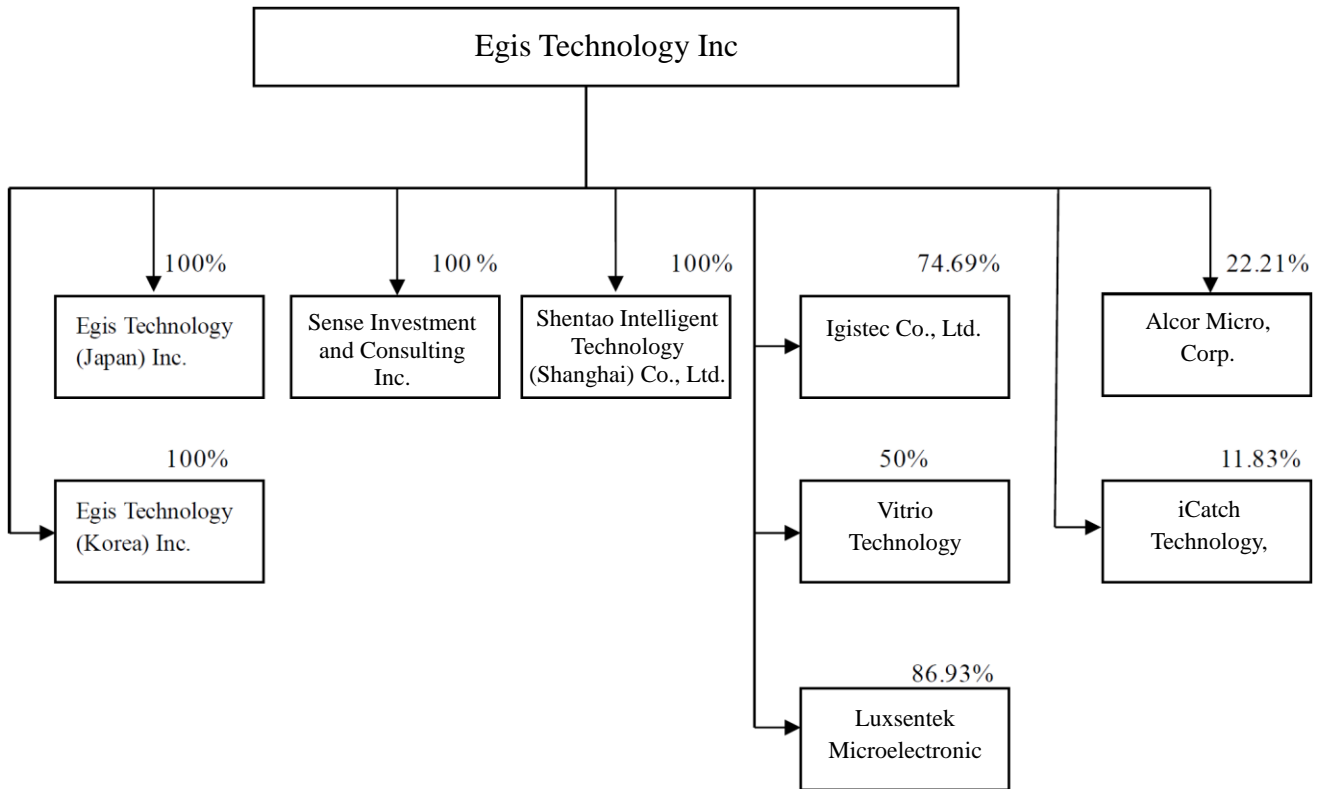
7. Other Significant Matters: Nil.

VIII. Special Notes

I. Relevant Information on Affiliated Enterprises

(1) Affiliated Enterprises

December 31, 2021



(2) Basic Information of Affiliated Enterprises

Unit: NTD '000

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main business item
Egis Technology(Japan) Inc.	08/18/2009	Mita Kokusai Bldg. 3F., 1-4-28, Mita, Minato-ku, Tokyo,108-0073 Japan	10,502	Customer service, business promotion and technical support
Egis Technology(Korea) Inc.	11/23/2017	17 Daehak 4-ro, Ace Gwanggyo Tower #516, Yeongtong, Suwon, Gyeonggi	5,706	Customer service, business promotion and technical support
Igistec Co., Ltd.	10/30/2018	29F-7, No. 118, Ciyun Road, Puding Village, East District, Hsinchu City	221	Technology Development

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main business item
Sense Investment and Consulting Inc.	08/14/2015	2F, No. 360 Ruiguang Road, Neihu District, Taipei City	1,670	Investment advisory services Management consulting services
Vitrio Technology Corporation	09/24/2020	30F-1, No. 118, Ciyun Road, East District, Hsinchu City	2,840	Manufacture of electronic components
Luxsentek Microelectronics Corp.	08/24/2020	5F, No. 119 Baozhong Road, Xindian District, New Taipei City	161,050	Technology Development
Shentao Intelligent Technology (Shanghai) Co., Ltd.	12/28/2020	Room 3866, Building 11, Alley 1333, Jiangnan Avenue, Changxing Town, Chongming District, Shanghai City	56,000	Customer service, business promotion and technical support
Alcor Micro, Corp.	11/23/1999	9F, No. 66, Sanchong Road, Nangang District, Taipei City	904,808	Technology Development
iCatch Technology, Inc.	12/23/2009	Hsinchu Science Park, No. 19-1, Chuangxin 1st Road, Hsinchu County	845,000	Technology Development

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

(4) Industries covered by the operations of all affiliated enterprises: Design, development, production and sales of biometric recognition sensor chips, IC design and solutions that integrate chip and software design.

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

December 31, 2021 Unit: Thousand Shares; %

Name of Enterprise	Position	Name or Representative	Shares Held	
			Number of Shares	Shareholding Ratio
Egis Technology(Japan) Inc.	General Manager	Representative of Egis Technology Inc.: Tang, Hsien Chih	7,680	100.00%
Egis Technology(Korea) Inc.	Director	Representative of Egis Technology Inc.: Jimmy Hsu	20	100.00%
Igistec Co., Ltd.	Director	Representative of Egis Technology Inc.: Kathy Huang, LO, SEN CHOU Supervisor: LEE, YI-PIN	16,527	74.69%
Sense Investment and Consulting Inc.	Director	Representative of Egis Technology Inc.: LEE, YI-PIN Supervisor: Egis Technology Inc. Representative Kathy Huang	167	100.00%
Vitrio Technology Corporation	Director	Chairman: YU, MING-TO Representative of Egis Technology Inc.: Kos Lin Supervisor: GEORGE CHANG	142	50.00%
Luxsentek Microelectronics Corp.	Director	Representative of Egis Technology Inc.: LEE, YI-PIN, LIN, GONG-YI Supervisor: Kathy Huang	14,000	86.93%
Shentao Intelligent Technology (Shanghai) Co., Ltd.	Director	Representative of Egis Technology Inc.: Sky Su Supervisor: Tony Lo	-	100%

(6) Overview of Business Operations of Affiliated Enterprises

December 31, 2021 Unit: NTD '000

Name of Enterprise	Capital	Total assets	Total liabilities	Net Value	Operating revenue	Operating Income	Gain or Loss (After Tax) for the Current Period:	Earnings Per Share (NTD) (After Tax)
Egis Technology (Japan) Inc.	10,502	3,275	2,880	395	13,659	1,135	700	0.09
Egis Technology (Korea) Inc.	5,706	40,089	15,418	24,670	38,214	2,984	273	13.64
Igistec Co., Ltd.	221	6,758	6,218	540	3,877	-12,806	-1,977	-0.09
Sense Investment and Consulting Inc.	1,670	7,241	652	6,589	-	-50	2	0.01
Luxsentek Microelectronics Corp.	161,050	124,491	44,959	79,532	2,345	-72,393	-72,123	-4.48
Shentao Intelligent Technology (Shanghai) Co., Ltd.	56,000	54,747	74	54,673	-	-778	-1,354	-
Vitrio Technology Corporation	2,840	2,592	1,763	830	-98	-3,333	-3,341	-11.76
Alcor Micro, Corp.	904,808	4,018,167	448,681	3,569,486	1,486,603	139,485	300,147	3.25
iCatch Technology, Inc.	845,000	1,780,239	477,934	1,302,305	1,208,049	99,891	137,496	1.9

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

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

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

IV. Other Necessary Supplementations:

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

OTC Trading Commitments	Status of Compliance with Commitments
<p>In the “Operating Procedures for Acquisition or Disposal of Assets”, the addition of “The Company shall not cease capital injections into Egis Inc. and Egis Technology (Japan) for the respective fiscal years in the future. Should the Company have to cease the capital injections into or to dispose of the aforementioned company due to strategic alliance considerations or other factors, the Company must gain the approval of Taipei Exchange and raise it to the Company’s Board of Directors for the passing of a special resolution.” Should the said operating procedures be revised after the approval by the Board of Directors, it should be entered into the Market Observation Post System as material information disclosure and reported to Taipei Exchange for future reference.</p>	<ol style="list-style-type: none"> 1. The Company has provided the Letter of Commitment which will be disclosed in the prospectus. 2. The Company has passed the resolution on the addition of the content stated on the left to Article 5, Paragraph 6 of the “Operating Procedures for Acquisition or Disposal of Assets” during the Board meeting on August 13, 2015, and this has been entered into the Market Observation Post System as material information disclosure on the same day. 3. The Company has passed the resolution to amend part of the content of the “Operating Procedures for Acquisition or Disposal of Assets” during the Shareholders’ meeting on June 28, 2016, and this has been entered into the Market Observation Post System as material information disclosure on the same day. 4. On May 6, 2020, the Company reported to the Board of Directors that Egis Inc., a wholly-owned subsidiary of the Company, no longer had actual operation function and would be dissolved, and the liquidation certificate was obtained on June 2, 2020. The Company has passed the resolution to amend part of the content of the “Operating Procedures for Acquisition or Disposal of Assets” during the Shareholders’ meeting on July 12, 2021, and this has been

OTC Trading Commitments	Status of Compliance with Commitments
	entered into the Market Observation Post System as material information disclosure on the same day.

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

Egis Technology Inc

Statement on Internal Control System

Date: March 22, 2022

In accordance with the result of self-assessment on the internal control system for 2021, the Company hereby declares as follows:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of the internal control system are the responsibilities of the Board of Directors and managers of the Company, and the Company has already established such a system. The purpose of the system is to provide reasonable guarantee for the achievement of goals such as effectiveness and efficiency of business operations (including profitability, performance and security of assets, etc.), reliability, timeliness, and transparency of reporting, as well as compliance with relevant regulatory requirements.
2. There are inherent limitations to even the most well-designed internal control system. Thus, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. Moreover, changes in the operating environment and circumstances may also affect the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism. Once identified, any deficiency will be rectified immediately by the Company.
3. The Company determines the effectiveness of the internal control system in design and enforcement in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “the Regulations”), which are instituted for judging the effectiveness of internal control systems. The internal control system comprises five components as specified in the Regulations for judging the effectiveness of internal control systems, and these components are examined throughout the internal control process: 1. Control Environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring Operation. Each of the elements in turn contains several items, Please refer to “the Regulations” for details on the aforementioned items.
4. The Company has adopted the aforementioned internal control system for the assessment on the effectiveness of the design and enforcement of the internal control system.
5. According to the findings of the aforementioned assessment, the Company holds

that it is able to reasonably ensure the achievement of the aforementioned goals with the internal control system (including the monitoring and management of the subsidiaries) as of December 31, 2021, including understanding of the effectiveness and efficiency in operation, reliability, timeliness, and transparency in reporting, as well as compliance with relevant regulatory requirements, and that the design and enforcement of the internal control system are effective.

6. This statement shall form an integral part of the annual report and prospectus of the Company, and will be announced to the public. If any fraudulent information, concealment, or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors of the Company on March 22, 2022 in the presence of nine directors, who concurred unanimously on the contents of this statement with no objection. This statement is hereby provided.

Egis Technology Inc. [seal:] Egis Technology Inc.

Chairman: LO, SEN CHOU [seal:] LO, SEN CHOU Signature and seal

General Manager: RO, SHIH-HAO [seal:] RO, SHIH-HAO Signature and seal

Auditors' Report of Audit Committee

It is hereby approved that

The Board of Directors delivered the Company's parent-company-only financial statements and consolidated financial statements, business report and earnings distribution table for the year of 2021, among which the parent-company-only financial statements and consolidated financial statements for the year of 2021 had been audited by CPAs Steven Shih and Sonia Chang from KPMG Taiwan, and an audit report had been accordingly issued.

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

2022 Annual General Meeting of Egis Technology
Inc.

Audit committee convener: WENG, MING-JENG

March 22, 2022

Attachment 1

Stock Code:6462

EGIS TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

Address: 30F, -1, No. 118, Ciyun Rd., East Dist., Hsinchu City, Taiwan
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Representation Letter

The entities that are required to be included in the combined financial statements of Egis Technology Inc. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Egis Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Egis Technology Inc.

Chairman: Sen Chou, Lo

Date: March 22, 2022

Independent Auditors' Report

To the Board of Directors of Egis Technology Inc.:

Opinion

We have audited the consolidated financial statements of Egis Technology Inc. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the paragraph on Other Matter of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

1. Impairment of goodwill

Please refer to Note 4(m) "Impairment of non-financial assets" for the related accounting policies on goodwill impairment, Note 5 for the estimation uncertainty and Note 6(k) for the related disclosures.

Description of the key audit matter:

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

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected sales growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions; and assessing the adequacy of the Group's disclosures with respect to the related information.

2. Valuation of inventories

Please refer to Note 4(h) "Inventories" for the related accounting policies, Note 5 for the estimation uncertainty of inventory valuation and Note 6(e) for the related disclosures.

Description of the key audit matter:

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

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: obtaining the inventory aging report; analyzing the fluctuation of aging inventory and selecting samples to verify their accuracy; evaluating whether the valuation of inventories was accounted for in accordance with the Group's accounting policies; and assessing the historical reasonableness of management's estimates on inventory provisions.

3. Assessment of the fair value of financial assets without an active market

Please refer to Note 4(g) "Financial instruments" for the related accounting policies, Note 5 for the estimation uncertainty and Note 6(w) for the related disclosures.

Description of the key audit matter:

Parts of the financial assets owned by the Group include unlisted companies shares and convertible bonds (recorded as financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income) are measured by using valuation techniques due to the lack of active market prices. Thus, it demands significant professional judgments from the management. Consequently, the assessment of the fair value of financial assets without an active

market has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: obtaining the measurement of fair value of financial instruments without active market prices provided by the management and using sampling test and also involving a valuation specialist to access the appropriateness of the evaluation model and key assumptions used by the management.

Other Matters

We did not audit the financial statements of certain investments accounted for using the equity method. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those companies, is based solely on the reports of other auditors. The investments accounted for using the equity method amounted to \$792,578 thousand, constituting 8.93% of the total consolidated assets at December 31, 2021, and the related share of profit of associates accounted for using the equity method amounted to \$2,383 thousand, constituting (0.8)% of the consolidated net loss before tax for the year ended December 31, 2021.

The Company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion with other matters section and an unqualified audit opinion, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remained solely responsible for our audit opinion.

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

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

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

communication.

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

KPMG

Taipei, Taiwan (Republic of China)

March 22, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (notes 6(a) and 8)	\$ 2,325,144	26	1,533,311	23	2100	Short-term borrowings (notes 6(l)(z))	\$ 100,000	1	-	-
1110	Financial assets at fair value through profit or loss—current (notes 6(b) and 13)	798,248	9	-	-	2170	Notes and accounts payable	331,422	4	254,432	4
1170	Accounts receivable, net (notes 6(d)(t))	608,734	7	303,743	5	2322	Current portion of long-term debt (note 6(m))	37,500	-	-	-
130X	Inventories (note 6(e))	606,684	7	383,526	6	2230	Current tax liabilities (note 6(p))	603,949	7	37,274	-
1410	Prepaid expenses and other current assets	143,961	2	140,585	2	2280	Current lease liabilities (notes 6(n)(z))	33,951	-	44,707	1
1476	Other financial assets—current (notes 6(f) and 8)	725,452	8	144,509	2	2365	Refund liabilities—current	75,139	1	99,066	1
	Total current assets	5,208,223	59	2,505,674	38	2399	Accrued expenses and other current liabilities (note 6(u))	464,850	6	435,241	7
Non-current assets:							Total current liabilities	1,646,811	19	870,720	13
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and 13)	583,356	7	13,045	-		Non-current liabilities:				
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c) and 13)	409,070	5	3,561,233	53	2540	Long-term debt (notes 6(m)(z))	812,500	9	990,000	15
1550	Investments accounted for using equity method (notes 6(g) and 13)	1,444,578	16	46,034	1	2570	Deferred income tax liabilities (note 6(p))	1,995	-	-	-
1600	Property, plant and equipment (note 6(i))	94,724	1	104,000	2	2580	Non-current lease liabilities (notes 6(n)(z))	85,738	1	110,880	2
1755	Right-of-use assets (note 6(j))	110,902	1	148,087	2		Total non-current liabilities	900,233	10	1,100,880	17
1780	Intangible assets (notes 6(h)(k))	194,247	2	193,154	3		Total liabilities	2,547,044	29	1,971,600	30
1840	Deferred income tax assets (note 6(p))	146,444	2	94,218	1		Equity (notes 6(q)(r)):				
1915	Prepayments for equipment	2,623	-	-	-	3110	Common stock	692,718	8	713,758	11
1920	Refundable deposits	13,027	-	12,951	-	3200	Capital surplus	968,659	11	1,057,960	16
1960	Prepayments for investments (note 6(g))	672,000	7	-	-		Retained earnings:				
1980	Other financial assets—non-current (note 8)	400	-	449	-	3310	Legal reserve	284,300	3	224,069	3
	Total non-current assets	3,671,371	41	4,173,171	62	3320	Special reserve	-	-	81,463	1
						3350	Unappropriated earnings	4,450,106	50	1,057,629	16
							Other equity interest:				
						3411	Exchange differences on translation of foreign financial statements	(594)	-	2,112	-
						3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(74,774)	(1)	1,775,108	26
						3500	Treasury stock	-	-	(228,775)	(3)
							Equity attributable to shareholders of the Company	6,320,415	71	4,683,324	70
						36XX	Non-controlling interests	12,135	-	23,921	-
							Total equity	6,332,550	71	4,707,245	70
							Total liabilities and equity	\$ 8,879,594	100	6,678,845	100
	Total assets	\$ 8,879,594	100	6,678,845	100						

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Revenue (note 6(t))	\$ 3,442,807	100	6,224,427	100
5000	Costs of revenue (notes 6(e)(i) and 12)	(2,072,913)	(60)	(3,533,474)	(57)
	Gross profit	<u>1,369,894</u>	<u>40</u>	<u>2,690,953</u>	<u>43</u>
	Operating expenses (notes 6(d)(i)(j)(k)(n)(o)(r)(u), 7 and 12):				
6100	Selling expenses	(132,298)	(4)	(264,407)	(4)
6200	Administrative expenses	(342,910)	(10)	(267,163)	(4)
6300	Research and development expenses	(1,195,104)	(35)	(1,308,756)	(21)
	Total operating expenses	<u>(1,670,312)</u>	<u>(49)</u>	<u>(1,840,326)</u>	<u>(29)</u>
	Operating income (loss)	<u>(300,418)</u>	<u>(9)</u>	<u>850,627</u>	<u>14</u>
	Non-operating income and loss:				
7100	Interest income (notes 6(v) and 7)	19,449	1	35,245	-
7010	Other income (note 6(v))	5,513	-	31,341	-
7020	Other gains and losses, net (note 6(v))	(19,263)	(1)	(143,645)	(2)
7050	Finance costs (notes 6(n)(v))	(14,287)	-	(22,543)	-
7060	Share of profits of associates and joint ventures accounted for using equity method (notes 6(g) and 13)	(1,342)	-	457	-
	Total non-operating income and loss	<u>(9,930)</u>	<u>-</u>	<u>(99,145)</u>	<u>(2)</u>
	Net income (loss) before tax	<u>(310,348)</u>	<u>(9)</u>	<u>751,482</u>	<u>12</u>
7950	Income tax (expenses) benefit (note 6(p))	78,574	2	(123,491)	(2)
	Net income (loss)	<u>(231,774)</u>	<u>(7)</u>	<u>627,991</u>	<u>10</u>
	Other comprehensive income:				
	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (notes 6(q)(w))	3,509,362	103	1,828,687	29
8320	Share of other comprehensive income of associates and joint ventures	997	-	-	-
8349	Income tax related to items that will not be reclassified to profit or loss (note 6(p))	(602,931)	(18)	-	-
		<u>2,907,428</u>	<u>85</u>	<u>1,828,687</u>	<u>29</u>
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations (note 6(q))	(3,267)	-	140	-
8367	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income (note 6(q))	(3,371)	-	-	-
8370	Share of other comprehensive income of associates and joint ventures (note 6(g)(q))	(201)	-	(451)	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-
		<u>(6,839)</u>	<u>-</u>	<u>(311)</u>	<u>-</u>
	Other comprehensive income (loss), net	<u>2,900,589</u>	<u>85</u>	<u>1,828,376</u>	<u>29</u>
	Comprehensive income	<u>\$ 2,668,815</u>	<u>78</u>	<u>2,456,367</u>	<u>39</u>
	Net income (loss) attributable to:				
8610	Shareholders of the Company	\$ (215,605)	(7)	632,559	10
8620	Non-controlling interests	(16,169)	-	(4,568)	-
		<u>\$ (231,774)</u>	<u>(7)</u>	<u>627,991</u>	<u>10</u>
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the Company	\$ 2,684,984	78	2,460,935	39
8720	Non-controlling interests	(16,169)	-	(4,568)	-
		<u>\$ 2,668,815</u>	<u>78</u>	<u>2,456,367</u>	<u>39</u>
	Earnings (loss) per share (in New Taiwan Dollars) (note 6(s)) :				
9750	Basic earnings (loss) per share	<u>\$ (3.11)</u>		<u>9.14</u>	
9850	Diluted earnings (loss) per share	<u>\$ (3.11)</u>		<u>9.09</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company											Non-controlling interests	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	Total		
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
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	-	86,268	-	(86,268)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	32,596	(32,596)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(623,536)	-	-	-	-	(623,536)	-	(623,536)
Treasury stock transferred to employees	-	-	(60)	-	-	-	-	-	-	19,986	19,926	-	19,926
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	19,858	19,858
Acquisition of subsidiaries	-	-	-	-	-	-	62	-	-	-	62	-	62
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(30,245)	-	30,245	-	-	-	-	-
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	-	-	(1,667)	-	-	-	-	-	5,145	-	3,478	-	3,478
Retirement of restricted shares of stock issued to employees	(120)	-	120	-	-	-	-	-	-	-	-	-	-
Net income in 2020	-	-	-	-	-	632,559	-	-	-	-	632,559	(4,568)	627,991
Other comprehensive income in 2020	-	-	-	-	-	-	(311)	1,828,687	-	-	1,828,376	-	1,828,376
Total comprehensive income in 2020	-	-	-	-	-	632,559	(311)	1,828,687	-	-	2,460,935	(4,568)	2,456,367
Balance at December 31, 2020	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
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	-	60,231	-	(60,231)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(81,463)	81,463	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,039,136)	-	-	-	-	(1,039,136)	-	(1,039,136)
Retirement of treasury stock	(21,000)	-	(89,415)	-	-	(118,360)	-	-	-	228,775	-	-	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	762	-	-	-	762	-	762
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	4,753,939	-	(4,753,939)	-	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	-	-	-	-	(5,210)	-	-	-	-	(5,210)	-	(5,210)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(4,383)	-	-	-	-	(4,383)	4,383	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	74	-	-	-	-	-	-	-	74	-	74
Retirement of restricted shares of stock issued to employees	(40)	-	40	-	-	-	-	-	-	-	-	-	-
Net loss in 2021	-	-	-	-	-	(215,605)	-	-	-	-	(215,605)	(16,169)	(231,774)
Other comprehensive income in 2021	-	-	-	-	-	-	(3,468)	2,904,057	-	-	2,900,589	-	2,900,589
Total comprehensive income in 2021	-	-	-	-	-	(215,605)	(3,468)	2,904,057	-	-	2,684,984	(16,169)	2,668,815
Balance at December 31, 2021	\$ 692,718	-	968,659	284,300	-	4,450,106	(594)	(74,774)	-	-	6,320,415	12,135	6,332,550

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Income (loss) before income taxes	\$ (310,348)	751,482
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	97,488	78,073
Amortization	32,184	38,303
Net loss (gain) on financial assets at fair value through profit or loss	(4,651)	8,558
Interest expense	14,287	22,543
Interest income	(19,449)	(35,245)
Dividend income	-	(24,424)
Share-based payments	74	22,892
Share of loss of associates and joint ventures accounted for using equity method	1,342	(457)
Loss on disposal of property, plant and equipment	1,024	6,190
Gain on disposal of investments accounted for using equity method	(97,365)	(19,468)
Gain arising from lease modifications	(496)	(1,744)
Others	385	(243)
Total adjustments to reconcile profit (loss)	<u>24,823</u>	<u>94,978</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(304,991)	40,012
Inventories	(223,158)	379,381
Prepayments and other current assets	4,097	24,571
Total changes in operating assets	<u>(524,052)</u>	<u>443,964</u>
Changes in operating liabilities:		
Notes and accounts payable	76,990	(307,306)
Refund liabilities	(23,927)	38,478
Accrued expenses and other current liabilities	28,538	(189,722)
Total changes in operating liabilities	<u>81,601</u>	<u>(458,550)</u>
Total changes in operating assets and liabilities	<u>(442,451)</u>	<u>(14,586)</u>
Cash provided by (used in) operations	(727,976)	831,874
Interest received	18,282	44,637
Dividends received	-	24,424
Interest paid	(13,216)	(23,026)
Income taxes paid	(15,385)	(274,127)
Net cash provided by (used in) operating activities	<u>(738,295)</u>	<u>603,782</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(156,149)	(1,681,364)
Proceeds from capital return of financial assets at fair value through other comprehensive income	-	145,644
Proceeds from disposal of financial assets at fair value through other comprehensive income	6,813,779	-
Acquisition of financial assets at fair value through profit or loss	(1,522,978)	(99,289)
Proceeds from disposal of financial assets at fair value through profit or loss	201,672	145,536
Acquisition of investments accounted for using equity method	(1,446,600)	(4,970)
Proceeds from disposal of investments accounted for using equity method	97,825	19,530
Increase in prepayments for investments	(672,000)	-
Net cash flows from acquisition of subsidiaries	-	11,754
Acquisition of property, plant and equipment	(47,446)	(83,064)
Proceeds from disposal of property, plant and equipment	2,992	233
Acquisition of intangible assets	(33,277)	(8,008)
Decrease (increase) in other financial assets	(579,638)	164,569
Increase in refundable deposits	(76)	(1,832)
Increase in prepayments for equipment	(2,623)	-
Net cash provided by (used in) investing activities	<u>2,655,481</u>	<u>(1,391,261)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	300,000	7,516,526
Repayments of short-term borrowings	(200,000)	(8,710,012)
Proceeds from long-term debt	850,000	990,000
Repayments of long-term debt	(990,000)	-
Payment of lease liabilities	(43,078)	(34,494)
Cash dividends distributed to shareholders	(1,039,136)	(623,536)
Treasury stock transferred to employees	-	19,926
Net cash used in financing activities	<u>(1,122,214)</u>	<u>(841,590)</u>
Effects of foreign exchange rate changes	<u>(3,139)</u>	<u>150</u>
Net increase (decrease) in cash and cash equivalents	791,833	(1,628,919)
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>\$ 2,325,144</u>	<u>1,533,311</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Issued in Chinese)
EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 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 30F, -1, No. 118, Ciyun Rd., East Dist., Hsinchu 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 March 22, 2022.

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”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) 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”	<p>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.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	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 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial assets at fair value through profit or loss are measured at fair value; and
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

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

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Names of Investors	Names of Subsidiaries	Principal Activities	Shareholdings		Note
			December 31, 2021	December 31, 2020	
The Company	Egis Technology (Japan) Inc.	Customer service, business promotion and technical service	100.00%	100.00%	-
The Company	Egis Technology Korea Inc.	Customer service, business promotion and technical service	100.00%	100.00%	-
The Company	Igistec Co., Ltd.	Technology development	74.69%	74.69%	-
The Company	Sense Investment and Consulting Inc.	Investment and holding activity	100.00%	100.00%	-
The Company	Luxsentek Microelectronics Corp.	Technology development	86.93%	68.13%	Note 1
The Company	Egis Intelligent (Shanghai) Co., Ltd	Customer service, business promotion and technical service	100%	-	Note 2
The Company	Egis (Hong Kong) Limited	Investment and holding activity	-	-	Note 3

Note 1: 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.

Note 2: Egis Intelligent (Shanghai) Co., Ltd was incorporated on December 28, 2020, and the Group completed the capital injection on August 2, 2021.

Note 3: Egis (Hong Kong) Limited was incorporated on August 17, 2015 and the capital injection has not been completed by the Group.

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

- (d) Foreign currency

- (i) Foreign currency transactions

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

Exchange differences are generally recognized in profit or loss, except for an investment in

(Continued)

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

equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****(ii) Foreign operations**

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities

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

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

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition calculated ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(i) Investments accounted for using equity method

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

An associate is an entity over which the Group has significant influence, but not control or joint control, over its financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group recognizes its share of the profit or loss and other comprehensive income of those associates from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

Adjustments are made to associates' financial statements to conform to the accounting policies applied by the Group.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss (or retained earnings).

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28, unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Group reevaluates whether the classification of the joint arrangement has changed.

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows: tooling- 2 years; research and development equipment- 3 years; leasehold improvement- 3 years; and other equipment- 3 to 6 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any change in estimate accounted for on a prospective basis.

(k) Leases

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

(i) As a lessee

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

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

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

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

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

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

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

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the balance sheet.

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

(1) Intangible assets

(i) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Please refer to Note 4(t) for the description of the measurement of goodwill at initial recognition. Goodwill arising from the acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other separately acquired intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: computer software- 1 to 4 years; patent- 3 to 15 years; technology- 8 years.

The residual value, amortization period, and amortization method are reviewed at each reporting date and adjusted if appropriate.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories, contract assets, and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Treasury stock

Common stock repurchased by the Group treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus — treasury stock. If the sales proceeds are less than the cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus — treasury stock. If the remaining balance of capital surplus — treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

If a treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus — treasury stock, or a reduction of retained earnings for any deficiency where capital surplus — treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus — treasury stock.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****(o) Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group recognizes revenue based on the price specified in the contract, net of the estimated sales discounts and rebates. Sales discount and rebates are recognized and estimated based on each contract term. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts and rebates payable to customers in relation to sales made until the end of the reporting period.

(ii) Revenue from service rendered

The Group provides technical support services to enterprise customers. Revenue from providing services is recognized in the accounting periods in which the services are rendered. For performance obligations that are satisfied over time, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the portion of the work performed the time passed by, or the milestone reached.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Government grants

The Group recognizes an unconditional government grant in deduction of related expenses when the grant becomes receivable.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are expensed during the year in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payment as a result of past service provided by the employees, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The grant date of options for employees to subscribe new shares for a cash injection is the date when the price and shares that employees can subscribe have been notified to its employees.

(s) Income taxes

Income tax comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- (i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill, if any.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(t) **Business combinations**

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Group recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

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

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured individually at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interest is measured at their acquisition-date fair values or other measurement basis in accordance with Taiwan-IFRSs.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In a business combination achieved in stages, the Group shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in profit or loss. The amount previously recognized in other comprehensive income in relation to the changes in the value of the Group's equity interest should be reclassified to profit or loss on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

(u) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the consolidated financial statements. Basic EPS are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares include employee stock options, restricted stock to employee and profit sharing for employees to be settled in the form of common stock.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker, who decides on the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements, in conformity with the Regulations and Taiwan-IFRSs, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information about judgments made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (a) Judgment of whether the Group has control over or has significant influence on 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 being twice as much as compared to that of the Group. Therefore, the management 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 a part of Sirius Wireless shares, and the resignation of the director's position on Sirius Wireless. Therefore, the management determined that the Group lost significant influence on Sirius Wireless and the retained interest was reclassified from investments accounted for using the equity method to financial assets at fair value through profit and losses.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

- (a) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any change in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years.

- (b) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. With the rapid customers' demands changes, the Group estimates the net realizable value of inventory, taking obsolescence and unmarketable items into account at the reporting date, and writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

- (c) Assessment of the fair value of financial assets without an active market

The valuation of financial assets without an active market demands significant professional judgments from the management by using different valuation techniques and assumptions for input values, which could result in significant adjustments.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 746	1,016
Bank deposits	589,278	909,272
Time deposits	1,535,120	480,623
Repurchase agreements — bond	200,000	142,400
	<u>\$ 2,325,144</u>	<u>1,533,311</u>

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

	December 31, 2021	December 31, 2020
Current:		
Open-end mutual fund	\$ 763,422	-
Foreign unlisted common shares	34,826	-
Non-current:		
Privately offered fund	35,818	13,045
Convertible bonds	450,038	-
Open-end mutual fund	97,500	-
	<u>\$ 1,381,604</u>	<u>13,045</u>

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

	December 31, 2021	December 31, 2020
Debt instruments at fair value through other comprehensive income:		
Foreign unsecured bank bonds	\$ 46,536	-
Foreign unsecured corporate bonds	5,263	-
Subtotal	<u>51,799</u>	<u>-</u>
Equity instruments at fair value through other comprehensive income:		
Domestic listed common shares	\$ -	3,179,148
Unlisted common shares	357,271	382,085
	<u>357,271</u>	<u>382,085</u>

(Continued)

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

Subtotal	<u>357,271</u>	<u>3,561,233</u>
Total	<u>\$ 409,070</u>	<u>3,561,233</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group designated the investments shown above as debt instruments as at fair value through other comprehensive income, because these debt instruments represent those investments that the Group holds within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities.

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

On April 19, 2021, the Group disposed all its investments in FocalTech Systems Co., Ltd., which were recognized as financial assets at fair value through other comprehensive income. The fair value of the investments was \$6,766,454 at the disposal date, resulting in the disposal gain by \$4,753,939 (net of tax). Thereafter, the disposal gain was reclassified from other equity interest to retained earnings within equity.

A portion of the Group's investment in financial assets measured at fair value through other comprehensive income was liquidated, resulting in the Group to recognize the loss of \$30,245, which had been reclassified from other equity interest to retained earnings in 2020.

(d) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 608,734	303,743

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

December 31, 2021			
	Gross carrying amount	Weighted-ave rage loss rate	Loss allowance provision
Current	\$ 608,734	0.0001%	-
December 31, 2020			
	Gross carrying amount	Weighted-ave rage loss rate	Loss allowance provision
Current	\$ 303,743	0.0001%	-

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ -	327
Impairment loss reversed	-	(330)
Foreign exchange losses	-	3
Balance at December 31	<u>\$ -</u>	<u>-</u>

(e) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 117,069	90,214
Work in process	489,615	283,907
Finished goods	-	9,405
	<u>\$ 606,684</u>	<u>383,526</u>

For the years ended December 31, 2021 and 2020, the cost of inventories sold, which were included in costs of revenue, amounted to \$1,894,382 and \$3,394,676, respectively, of which the write-downs of inventories to net realizable value (the reversal of write-down due to the disposal of slow-moving inventories) amounted to \$(38,627) and \$130,104, respectively.

(f) Other financial assets—current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposit (with original maturities of between three months and one year)	\$ 677,300	142,900
Restricted bank deposits	-	596
Other receivables	48,152	1,013
	<u>\$ 725,452</u>	<u>144,509</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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates	\$ 1,444,578	43,948
Joint ventures	-	2,086
	<u>\$ 1,444,578</u>	<u>46,034</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Associates

Name of associates	Business relations	Location	December 31, 2021		December 31, 2020	
			Percentage of voting rights	Carrying amount	Percentage of voting rights	Carrying amount
Alcor Micro, Corp.("Alcor")	IC development and design	Taiwan	22.21%	\$ 792,578	-	-
iCatch Technology Inc.("iCatch")	Digital image and car recording development	Taiwan	11.83%	652,000	-	-
Sirius Wireless Pte. Ltd.	Wireless communication and radio frequency technology development	Singapore	-	-	50.05%	43,948
				<u>\$ 1,444,578</u>		<u>43,948</u>

In October 2021, the Group invested in Alcor Micro, Corp. for \$794,600 and acquired 22.27% of its ownership. The equity-method was used to account for investments as the Group has significant influence over it.

In December 2021, the Group invested in iCatch Technology Inc. for \$652,000 and acquired 11.83% of its ownership. The Group expects to acquire additional ownership of iCatch Technology Inc. through public tender offer. As of December 31, 2021, the Group had prepaid the amount of \$672,000 to public tender account, which was classified as prepayments for investments, with the expected number of 10,000 thousand shares and 23.67% of its ownership. The equity-method was used to account for investments as the Group has significant influence over it.

The fair value of the investment in associates which are publicly traded was as follows:

	December 31, 2021
Alcor Micro, Corp.	\$ 1,208,000

The summarized financial information in respect of each of the Group's material associates is set out below:

1) The summarized financial information of Alcor :

	December 31, 2021
Current assets	\$ 2,611,131
Non-current assets	1,407,036
Current liabilities	(413,839)
Non-current liabilities	<u>(34,842)</u>
Equity	<u>\$ 3,569,486</u>
Equity attributable to non-controlling interests of Alcor	<u>\$ 574,249</u>
Equity attributable to shareholders of Alcor	<u>\$ 2,995,237</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2021
	<hr/>
Net sales	<u>\$ 1,486,603</u>
Net income	\$ 300,147
Other comprehensive income	<u>(57,231)</u>
Total comprehensive income	<u>\$ 242,916</u>
Total comprehensive income attributable to non-controlling interests of Alcor	<u>\$ 60,040</u>
Total comprehensive income attributable to shareholders of Alcor	<u>\$ 182,876</u>
	December 31,
	2021
	<hr/>
The Group's share of equity of associates at January 1	\$ -
Additions	794,600
Net income attributable to the Group	2,383
Other comprehensive income attributable to the Group	805
Capital surplus (retained earnings) attributable to the Group	<u>(5,210)</u>
The carrying amount of investments in the associates	<u>\$ 792,578</u>
2) The summarized financial information of iCatch :	
	December 31,
	2021
	<hr/>
Current assets	\$ 1,704,866
Non-current assets	75,373
Current liabilities	(330,893)
Non-current liabilities	<u>(147,041)</u>
Equity	<u>\$ 1,302,305</u>
Equity attribute to non-controlling interests of iCatch	<u>\$ -</u>
Equity attribute to shareholders of iCatch	<u>\$ 1,302,305</u>
	2021
	<hr/>
Net sales	<u>\$ 1,208,049</u>
Net income	\$ 137,496

(Continued)

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

Other comprehensive income	<u>(2,429)</u>
Total comprehensive income	<u>\$ 135,067</u>
Total comprehensive income attributable to non-controlling interests of iCatch	<u>\$ -</u>
Total comprehensive income attributable to shareholders of iCatch	<u>\$ 135,067</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2021
The Group's share of equity of associates at January 1	\$ -
Additions	652,000
The carrying amount of investments in the associates	\$ 652,000

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%, with the resignation of the director's position on Sirius Wireless, 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(v)(iii).

In the third quarter of 2020, the Group sold its entire investment in Tyrafos Technologies Co., Limited for \$19,530, resulting in the Group to recognize a gain on disposal of \$19,468.

The Group's financial information on its investment in individually insignificant associate accounted for using the equity method at the reporting date was as follows. The financial information is included in the consolidated financial statements.

	2021	2020
Attributable to the Group:		
Net loss	\$ (3,725)	457
Other comprehensive income (loss)	(9)	(451)
Total comprehensive income (loss)	\$ (3,734)	6

(h) 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 Corp. (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.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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	\$	<u><u>-</u></u>

3) Pro forma information

From the acquisition date to December 31, 2020, the Group incurred a revenue of \$0 and a net loss of \$(5,652) from Luxsentek. However, if the acquisition had occurred on January 1, 2020, the management estimates that the consolidated revenue and net income after tax from January 1 to December 31, 2020 would have been \$6,224,427 and \$624,248, respectively.

(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	<u>(72)</u>

(Continued)

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

\$ 1,880

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Pro forma information

From the acquisition date to December 31, 2020, the Group incurred a revenue of \$0 and a net loss of \$0 from Sense Investment. However, if this acquisition had occurred on January 1, 2020, the management estimates that the consolidated revenue and net income after tax from January 1 to December 31, 2020 would have been \$6,224,427 and \$630,318, respectively.

(i) Property, plant and equipment

	<u>Computer and communication equipment</u>	<u>Research and development equipment</u>	<u>Leasehold improvement</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 67,056	59,747	21,645	57,588	206,036
Additions	20,434	20,316	4,284	2,412	47,446
Disposals	(4,274)	(607)	(4,687)	(21,480)	(31,048)
Effect of exchange rate changes	(49)	(181)	(120)	(41)	(391)
Balance at December 31, 2021	\$ 83,167	79,275	21,122	38,479	222,043
Balance at January 1, 2020	\$ 35,481	35,960	16,972	46,730	135,143
Acquisition through business combination	-	-	-	1,540	1,540
Additions	31,332	24,391	16,060	11,281	83,064
Reclassification	1,323	-	-	(1,430)	(107)
Disposals	(1,091)	(621)	(11,398)	(534)	(13,644)
Effect of exchange rate changes	11	17	11	1	40
Balance at December 31, 2020	\$ 67,056	59,747	21,645	57,588	206,036
Depreciation:					
Balance at January 1, 2021	\$ 31,798	27,878	7,110	35,250	102,036
Depreciation	20,701	18,296	5,830	7,795	52,622
Disposals	(4,197)	(564)	(3,290)	(18,981)	(27,032)
Effect of exchange rate changes	(26)	(122)	(120)	(39)	(307)
Balance at December 31, 2021	\$ 48,276	45,488	9,530	24,025	127,319
Balance at January 1, 2020	\$ 20,635	15,971	7,834	28,114	72,554
Acquisition through business combination	-	-	-	63	63
Depreciation	12,248	12,501	4,399	7,506	36,654

(Continued)

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

Reclassification	-	-	-	(63)	(63)
Disposals	(1,091)	(621)	(5,138)	(371)	(7,221)
Effect of exchange rate changes	6	27	15	1	49
Balance at December 31, 2020	<u>\$ 31,798</u>	<u>27,878</u>	<u>7,110</u>	<u>35,250</u>	<u>102,036</u>
Carrying amounts:					
Balance at December 31, 2021	<u>\$ 34,891</u>	<u>33,787</u>	<u>11,592</u>	<u>14,454</u>	<u>94,724</u>
Balance at December 31, 2020	<u>\$ 35,258</u>	<u>31,869</u>	<u>14,535</u>	<u>22,338</u>	<u>104,000</u>

(Continued)

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

(j) Right-of-use assets

	Buildings
Cost:	
Balance at January 1, 2021	\$ 195,450
Additions	20,279
Disposals	(41,172)
Effect of exchange rates changes	(444)
Balance at December 31, 2021	<u>\$ 174,113</u>
Balance at January 1, 2020	\$ 140,285
Acquisition through business combination	11,660
Additions	116,537
Disposals	(73,032)
Balance at December 31, 2020	<u>\$ 195,450</u>
Accumulated depreciation:	
Balance at January 1, 2021	\$ 47,363
Depreciation	44,866
Disposals	(28,703)
Effect of exchange rates changes	(315)
Balance at December 31, 2021	<u>\$ 63,211</u>
Balance at January 1, 2020	\$ 35,346
Depreciation	41,419
Disposals	(29,402)
Balance at December 31, 2020	<u>\$ 47,363</u>
Carrying amount:	
Balance at December 31, 2021	<u>\$ 110,902</u>
Balance at December 31, 2020	<u>\$ 148,087</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Intangible assets

	<u>Goodwill</u>	<u>Patent</u>	<u>Technology</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance at January 1, 2021	\$ 111,403	25,714	112,078	80,980	330,175
Additions	-	22,172	-	11,105	33,277
Balance at December 31, 2021	<u>\$ 111,403</u>	<u>47,886</u>	<u>112,078</u>	<u>92,085</u>	<u>363,452</u>
Balance at January 1, 2020	\$ 111,403	25,714	112,078	73,062	322,257
Additions	-	-	-	8,008	8,008
Disposals	-	-	-	(90)	(90)
Balance at December 31, 2020	<u>\$ 111,403</u>	<u>25,714</u>	<u>112,078</u>	<u>80,980</u>	<u>330,175</u>
Accumulated amortization and impairment loss:					
Balance at January 1, 2021	\$ -	23,704	51,707	61,610	137,021
Amortization	-	2,820	14,009	15,355	32,184
Balance at December 31, 2021	<u>\$ -</u>	<u>26,524</u>	<u>65,716</u>	<u>76,965</u>	<u>169,205</u>
Balance at January 1, 2020	\$ -	23,348	37,697	37,720	98,765
Amortization	-	356	14,010	23,937	38,303
Disposals	-	-	-	(47)	(47)
Balance at December 31, 2020	<u>\$ -</u>	<u>23,704</u>	<u>51,707</u>	<u>61,610</u>	<u>137,021</u>
Carrying amount:					
Balance at December 31, 2021	<u>\$ 111,403</u>	<u>21,362</u>	<u>46,361</u>	<u>15,121</u>	<u>194,247</u>
Balance at December 31, 2020	<u>\$ 111,403</u>	<u>2,010</u>	<u>60,371</u>	<u>19,370</u>	<u>193,154</u>

(i) Amortization

The amortization of intangible assets is included in the following line items of the statement of comprehensive income:

	<u>2021</u>	<u>2020</u>
Operating expenses	<u>\$ 32,184</u>	<u>38,303</u>

(ii) Impairment test on goodwill

The carrying amounts of goodwill and the respective cash-generating units (“CGUs”) to which the goodwill was allocated for impairment test purpose were as follows:

<u>December 31,</u>	<u>December</u>
<u>2021</u>	<u>31, 2020</u>

(Continued)

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

Biometric authentication IC sensor and its application **\$ 111,403** **111,403**

At the end of each reporting period, the Group's goodwill is tested annually for impairment. The recoverable amount of a CGU was determined based on the value in use. As of December 31, 2021 and 2020, no impairment loss was recognized for the biometric authentication IC sensor and its application based on the tested result.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The key assumptions in assessing the value in use were as follows:

	December 31, 2021	December 31, 2020
Discount rates (before tax)	9.87%	12.28%
Revenue growth rates	(8)% ~ 9%	(13)% ~ 10%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the Taiwan government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific CGU.

The cash flow projections approved by management were based on future financial budgets, covering a period of 5 years. Cash flows beyond that 5-year period have been extrapolated using the revenue growth rate of 0%.

(l) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 100,000	-
Unused credit facilities	\$ 2,006,480	3,774,480
Interest rate	0.79%~0.85 %	0.86%~1.29 %

(m) Long-term debt

	December 31, 2021	December 31, 2020
Unsecured bank loans	850,000	990,000
Less: Current portion of long-term debt	(37,500)	-
Total	\$ 812,500	990,000
Unused credit facilities	\$ 403,600	400,000
Maturity year	2023~2025	2022~2024
Interest rate	1.05%~1.54 %	1.49%~1.58 %

(i) Covenants for bank borrowings

In the year of 2020 and the first quarter of 2021, the Company committed to the banks that the common shares of FocalTech Systems Co. Ltd. (FocalTech) held by the Company, which were recognized as financial assets at fair value through other comprehensive income, and shall not be disposed, collateralized or transferred to third parties without any notice to the banks. On April 15, 2021, the Company early repaid the long-term debt borrowed in the second quarter of 2020,

(Continued)

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

amounting to \$990,000, and disposed all its investments in FocalTech. Please refer to note 6(c) for the related information.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

For the years ended December 31, 2021 and 2020, the Company's financial ratios were in compliance with the loan agreements.

(n) Lease liabilities

The Group's lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 33,951</u>	<u>44,707</u>
Non-current	<u>\$ 85,738</u>	<u>110,880</u>

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest expenses on lease liabilities	<u>\$ 2,133</u>	<u>2,109</u>
Expenses relating to short-term leases	<u>\$ 3,596</u>	<u>3,967</u>

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

	2021	2020
Total cash outflow for leases	<u>\$ 48,807</u>	<u>40,570</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.

(Continued)

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 years ended December 31, 2021 and 2020, the Group recognized the pension expenses of \$30,792 and \$26,163, respectively, in relation to the defined contribution plans.

(p) Income taxes

	2021	2020
Current income tax expense (benefit)		
Current period	\$ (28,337)	132,544
Adjustments for prior years	(6)	10,700
	(28,343)	143,244
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(50,231)	(19,753)
Income tax expense (benefit)	\$ (78,574)	123,491

The components of income tax expense recognized in other comprehensive income were as follows:

	2021	2020
Items that will not be reclassified subsequently to profit or loss:		
Gains from investments in equity instruments measured at fair value through other comprehensive income	\$ 602,931	-

Referring to note 6(c), the Group disposed all its investments in FocalTech Systems Co., Ltd. in 2021, resulting in current tax payables of \$602,931, which were recorded as income tax liabilities.

Reconciliation between the expected income tax expense (benefit) calculated based on the Company's statutory tax rate and the actual income tax expense reported in the consolidated statements of comprehensive income for 2021 and 2020 were as follows:

	2021	2020
Income before income tax	\$ (310,348)	751,482
Income tax using the Company's statutory tax rate	\$ (62,070)	150,296
Income tax credits	(37,767)	(42,768)
Additional tax on undistributed earnings	-	6,014
Others	21,263	9,949
	\$ (78,574)	123,491

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

As the Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020, and management considers that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences are not recognized as deferred income tax assets and liabilities. In addition, as certain subsidiaries determined that it is not probable that future taxable profits will be available against which the temporary differences and operating loss carryforwards can be utilized, these items were not recognized as deferred income tax assets. The related amounts were as follows:

Unrecognized deferred income tax assets:

	December 31, 2021	December 31, 2020
Losses associated with investments in subsidiaries	\$ 3,542	149,065
Tax losses	15,980	-
Total	<u>\$ 19,522</u>	<u>149,065</u>

Unrecognized deferred income tax liabilities:

	December 31, 2021	December 31, 2020
Net profits associated with investments in subsidiaries	<u>\$ 2,135</u>	<u>-</u>

As of December 31, 2021, the unrecognized tax losses and the respective expiry years were as follows:

Year of loss	Unrecognize d tax losses	Tax effect of tax losses	Year of expiry
2021	<u>\$ 79,900</u>	<u>\$ 15,980</u>	2031

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	Inventory provision s	Unrealized foreign currency exchange loss	Tax losses	Others	Total
Balance at January 1 , 2021	\$ 81,685	5,244	-	7,289	94,218
Recognized in profit or loss	(7,861)	(1,416)	66,121	(4,618)	52,226
Balance at December 31, 2021	\$ 73,824	3,828	66,121	2,671	146,444
Balance at January 1 , 2020	\$ 55,528	12,336	-	6,676	74,540
Recognized in profit or loss	26,157	(7,092)	-	613	19,678
Balance at December 31, 2020	\$ 81,685	5,244	-	7,289	94,218

Deferred income tax liabilities:

	Unrealized foreign currency exchange gain	Others	Total
Balance at January 1 , 2021	\$ -	-	-
Recognized in profit or loss	14	1,981	1,995
Balance at December 31, 2021	\$ 14	1,981	1,995
Balance at January 1 , 2020	\$ -	75	75
Recognized in profit or loss	-	(75)	(75)
Balance at December 31, 2020	\$ -	-	-

(ii) The Company's income tax returns for all fiscal years through 2019 were examined and approved by the R.O.C. income tax authorities.

(q) Capital and other equity

(i) Common stock

As of December 31, 2021 and 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 69,272 thousand shares and 71,376 thousand shares, respectively, were issued and outstanding.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	Ordinary shares	
	2021	2020
Balance at January 1	69,269	68,886
Exercise of employee stock options	-	123
Vested restricted stock issued to employees	3	60
Treasury stock transferred to employees	-	200
Balance at December 31	69,272	69,269

(ii) Capital surplus

	December 31, 2021	December 31, 2020
Paid-in capital in excess of par value	\$ 968,659	996,145
Restricted stock issued to employees	-	1,480
Treasury share transactions	-	60,335
	\$ 968,659	1,057,960

Pursuant to the Company Act, any realized capital surplus is initially used to cover any accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends, based on the original shareholding ratio or distributed by cash, according to a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings and dividend policy

The Company’s articles of incorporation, amended on July 12, 2021, stipulate that at least 10% of annual profit, 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. If dividends are distributed in the form of new shares, the distribution of shares shall be approved by the shareholders. In accordance with the Article 240, Paragraph 5 of the Company Act, the distributable dividends will be paid in cash by the Company after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Company's articles of incorporation before amended on July 12, 2021, stipulate that at least 10% of annual net income after tax, 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.

1) Legal reserve

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 appropriation of 2020 and 2019 earnings was resolved by the shareholders' meeting held on July 12, 2021 and June 18, 2020, respectively; and the distributions to shareholders were as follows:

	2020	2019
	Dividends per share (NT\$)	Dividends per share (NT\$)
	Amount	Amount
Distribution to legal reserve	<u>\$ 60,231</u>	<u>86,268</u>
Distribution to (reversal of) special reserve	<u>\$ (81,463)</u>	<u>32,596</u>
Cash dividends	\$ 15.00 <u>1,039,13</u>	\$ 9.00 <u>623,536</u>
	<u>6</u>	

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.
- 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)
Retirement	(2,100)	-
Balance at December 31	-	2,100

(v) Other equity

	Exchange differences on translation of foreign operations	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	(3,267)	-
Joint ventures and associates	(201)	-
Disposal gain (loss) of investment accounted for using the equity method reclassified to net income	762	-
Disposal gain of equity instruments at fair value through other comprehensive income reclassified to retained earnings	-	(4,753,939)
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income		
The Group	-	2,906,431
Associates	-	997
Unrealized gains (losses) from debt instruments at fair value through other comprehensive income	-	(3,371)
Balance at December 31, 2021	\$ (594)	(74,774)

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<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	140	-	-
Joint ventures and associates	(451)	-	-
Disposal gain (loss) of investment accounted for using the equity method reclassified to net income	62	-	-
Deferred compensation cost	-	5,145	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	-	-	1,828,687
Disposal of financial assets at fair value through other comprehensive income	-	-	30,245
Balance at December 31, 2020	<u>\$ 2,112</u>	<u>-</u>	<u>1,775,108</u>

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

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 23,921	8,631
Acquisition of subsidiary	-	19,858
Equity attributable to non-controlling interest:		
Net loss	(16,169)	(4,568)
Changes in ownership interests in subsidiaries	4,383	-
Balance at December 31	<u>\$ 12,135</u>	<u>23,921</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Share-based payment

(i) Employee stock options

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

Grant date	2015
Number of units granted (note 1)	408 (2014 plan)
Contract term	5 years
Qualified employees	Employees of the Company conforming to certain requirements
Vesting conditions	(note 2)

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

Note 2: Employees are entitled to receive 50% and 100% of the stock options in the second and third year, respectively, of their service.

	2020	
	Weighted-average exercise price (NT\$)	Number of shares
Outstanding, beginning of year	127.18	18,500
Forfeited	127.18	<u>(18,500)</u>
Outstanding, end of year	-	<u><u>-</u></u>
Exercisable, end of year	-	<u><u>-</u></u>

The above plan of employee stock options has been terminated in November 2020.

(ii) Restricted stock

During the meeting in June 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

(Continued)

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

recall and retire those shares from employees who do not meet the vesting conditions.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 1) 2017 plan of issuance of restricted stock

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

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

	2021	2020
Balance at January 1	\$ 551	557
Forfeited	(4)	(6)
Balance at December 31	547	551
Accumulated vested shares	(547)	(544)
Unvested shares	<u>\$ -</u>	<u>7</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

In February 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

	2021	2020
Treasury stock transferred to employees	\$ -	19,414
Restricted stock	74	3,478
	<u>\$ 74</u>	<u>22,892</u>

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Earnings per share (“EPS”)

(i) Basic earnings per share

	<u>2021</u>	<u>2020</u>
Net income attributable to the shareholders of the Company	\$ (215,605)	632,559
Weighted-average number of ordinary shares outstanding (in thousands)	69,271	69,197
Basic earnings per share (in New Taiwan Dollars)	<u>\$ (3.11)</u>	<u>9.14</u>

(ii) Diluted earnings per share

	<u>2021</u>	<u>2020</u>
Net income attributable to the shareholders of the Company	\$ (215,605)	632,559
Weighted-average number of ordinary shares outstanding (in thousands)	69,271	69,197
Effect of diluted potential ordinary shares:		
Stock options	-	5
Employees compensation	-	349
Restricted stock	-	57
Weighted-average shares of ordinary shares outstanding (in thousands) (including effect of dilutive potential ordinary shares)	69,271	69,608
Diluted earnings per share (in New Taiwan Dollars)	<u>\$ (3.11)</u>	<u>9.09</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 3,990	10,191
Asia	3,433,906	6,208,294
United States	4,911	5,942
	<u>\$ 3,442,807</u>	<u>6,224,427</u>
Major products/ services line:		
Biometric authentication IC sensor and its application	\$ 3,431,561	6,208,621
Data security protection and its application	113	4,852
Engineering service revenue	8,788	10,954

(Continued)

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

Others	2,345	-
	<u>2,345</u>	<u>-</u>
	<u>\$ 3,442,807</u>	<u>6,224,427</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable	\$ 608,734	303,743	343,682
Less: Allowance for impairment	-	-	(327)
Total	\$ 608,734	303,743	343,355

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

(u) Remuneration to employees and directors

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

For the years ended December 31, 2021 and 2020, the Company accrued its remuneration to employees amounting to \$0 and \$40,140, respectively, and its remuneration to directors amounting to \$0 and \$8,028, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as operating expenses. The aforementioned accrued remunerations to employees and directors were same as the amounts approved by the Board of Directors. The related information would be available at the Market Observation Post System website.

(v) Non-operating income and loss

(i) Interest income

	2021	2020
Interest income from bank deposits	\$ 12,332	35,137
Interest income from other receivables	-	108
Others	7,117	-
Total	\$ 19,449	35,245

(ii) Other income

	2021	2020
Rent income	\$ 1,688	499
Dividend income	-	24,424
Others	3,825	6,418

(Continued)

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

\$ 5,513 31,341

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Losses on disposal of property, plant and equipment	\$ (1,024)	(6,190)
Gains on disposal of investments accounted for using equity method (note 6(g))	97,365	19,468
Transaction costs of disposal of financial assets at fair value through other comprehensive income	(75,813)	-
Foreign exchange (losses) gains, net	(35,156)	(142,287)
Net gain (loss) on financial assets at fair value through profit or loss	4,651	(8,558)
Gain arising from lease modification	496	1,744
Others	(9,782)	(7,822)
	<u>\$ (19,263)</u>	<u>(143,645)</u>

(iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense on bank loans	\$ (12,154)	(20,434)
Lease liabilities	(2,133)	(2,109)
	<u>\$ (14,287)</u>	<u>(22,543)</u>

(w) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through profit or loss – current and non-current	\$ 1,381,604	13,045
Financial assets at fair value through other comprehensive income	409,070	3,531,009
Financial assets at amortized cost:		
Cash and cash equivalents	2,325,144	1,533,311
Accounts receivable, net	608,734	303,743
Other financial assets – current and non-current	725,852	144,958
Refundable deposits	13,027	12,951
Subtotal	<u>3,672,757</u>	<u>1,994,963</u>
Total	<u>\$ 5,463,431</u>	<u>5,539,017</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Financial liabilities

	December 31, 2021	December 31, 2020
Financial liabilities at amortized cost:		
Short-term borrowings	\$ 100,000	-
Notes and accounts payable	331,422	254,432
Accrued expenses	450,690	427,882
Lease liabilities—current and non-current	119,689	155,587
Long-term debt (including current portion)	850,000	990,000
	\$ 1,851,801	1,827,901

(ii) Information on fair value

1) Financial instruments not measured at fair value

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

2) Financial instruments measured at fair value

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

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(Continued)

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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>
Financial assets measured at fair value through other comprehensive income — equity investments without an active market	Comparable company valuation	Discount for lack of marketability (30%) Price-Book ratio (2.21~4.86 and 1.84~4.54 on December 31, 2021 and 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
Financial assets at fair value through profit or loss — debt investments without an active market	Discounted cash flow method/Option pricing model	Discount for lack of marketability (25% on December 31, 2021)	The estimated fair value would decrease if the discount for lack of marketability was higher

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 5) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is reasonable, but it may change if different valuation models or inputs are used. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income:

	Input	Change in assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2021						
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	-	-	3,573	(3,573)
Debt investments at fair value through profit or loss	Discount for lack of marketability	1%	4,500	(4,500)	-	-
December 31, 2020						
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	-	-	3,386	(3,386)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. If the fair value of a financial instrument is subject to more than one inputs, the analysis above reflects only the effects of changes in a single input and does not include the interrelationships with another input.

- (iii) Transfer between fair value levels

There are no transfers between fair value levels for the years ended December 31, 2021 and 2020.

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

	For the years ended December 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	10,528	-	(188)	-
Recognized in other comprehensive income	-	(77,944)	-	59,123
Additions	505,162	53,130	7,924	127,746
Disposals	(8,053)	-	-	-

(Continued)

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

Ending Balance	<u>\$</u>	<u>520,682</u>	<u>357,271</u>	<u>13,045</u>	<u>382,085</u>
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EGIS TECHNOLOGY INC. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****(x) Financial risk management**

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, accounts receivable, and other financial assets. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. As of December 31, 2021 and 2020, 84% and 73%, respectively, of accounts receivable were concentrated on three customers, thus, credit risk is significantly centralized.

Please refer to note 6(d) for credit risk exposure of accounts receivable.

(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 the current and mid- to long-term cash demand regularly, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of loan agreements. As of December 31, 2021 and 2020, the Group had unused credit facilities of \$2,410,080 and \$4,174,480, respectively.

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Contractual</u>	<u>Within 1</u>	<u>1-5 years</u>
	<u>cash flows</u>	<u>year</u>	
December 31, 2021			
Short-term borrowings	\$ 100,072	100,072	-
Notes and accounts payable	331,422	331,422	-
Accrued expenses	450,690	450,690	-
Lease liabilities — current and non-current	122,719	34,146	88,573
Long-term debt	875,554	48,753	826,801
	<u>\$ 1,880,457</u>	<u>965,083</u>	<u>915,374</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 — current and non-current	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>

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

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

a) Exposure to foreign currency risk

The carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency, other than the respective functional currencies of Group entities, was as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2021			December 31, 2020			
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	54,165	27.680	1,499,287	59,468	28.480	1,693,649
<u>Non-monetary items</u>							
USD		46,873	27.680	1,297,445	8,934	28.480	254,440
<u>Financial liabilities</u>							
USD		20,570	27.680	569,378	16,544	28.480	471,173

b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of cash and cash equivalents, accounts receivables, notes and accounts payable that are denominated in a currency other than the respective functional currencies of Group entities. As of December 31, 2021 and 2020, a 1% depreciation of the TWD against the USD would have increased the Group's income before tax for the years ended December 31, 2021 and 2020 by \$9,299, and \$12,225, respectively. This analysis assumes that all other variables remain constant and is performed on the same basis for the current and prior periods.

c) Gains or losses on monetary items

Information related to gains and losses (included unrealized and realized) is as follows:

	2021		2020		
	Foreign exchange gains (losses)	Exchange rate	Foreign exchange gains (losses)	Exchange rate	
<u>Financial assets</u>					
USD:TWD	\$	(30,786)	27.998	(44,830)	29.533
<u>Financial liabilities</u>					
USD:TWD		(4,132)	27.998	(93,925)	29.533

2) Interest rate risk

The Group's bank borrowings carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to adjust the composition of working capital as well as the risk arising from fluctuation of interest rates.

If interest rates had been 100 basis points (1%) higher/lower with all other variables held constant, the pre-tax income/loss for the years ended December 31, 2021 and 2020 would

(Continued)

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

have been \$9,500 and \$9,900, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Other market price risk

The Group is exposed to equity price risk arising from the investment of open-end mutual funds. The Group supervises the equity price risk actively and manages the risk based on the fair value. The Group also has strategic investments in privately held stocks and convertible bonds, which the Group does not actively participate in trading.

Assuming a hypothetical increase or decrease of 5% in prices of the investments which accounted for financial assets at fair value through other comprehensive income at each reporting date, other comprehensive income for the years ended December 31, 2021 and 2020, would have increased or decreased by \$20,454 and \$178,062, respectively.

Assuming a hypothetical increase or decrease of 5% in prices of the investments which accounted for financial assets at fair value through profit or loss at each reporting date, net income before tax for the years ended December 31, 2021 and 2020, would have increased or decreased by \$69,080 and \$652, respectively.

(y) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(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(j).

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

	January 1, 2021	Cash flows	Non-cash changes Additions to lease liabilities	December 31, 2021
Long-term debt (including current portion)	\$ 990,000	(140,000)	-	850,000
Short-term borrowings	-	100,000	-	100,000
Lease liabilities	155,587	(43,078)	7,180	119,689
Total amount of liabilities from financing activities	\$ 1,145,587	(83,078)	7,180	1,069,689

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	January 1, 2020	Cash flows	Non-cash changes Additions to lease liabilities	December 31, 2020
Short-term borrowings	\$ 1,193,486	(1,193,486)	-	-
Long-term debt	-	990,000	-	990,000
Lease liabilities	107,257	(34,494)	82,824	155,587
Total amount of liabilities from financing activities	\$ 1,300,743	(237,980)	82,824	1,145,587

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.

Name of related party	Relationship with the Group
Sirius Wireless Pte. Ltd.	Associates (The Group lost significant influence over the investee on January 31, 2021)

- (b) Significant transactions with related parties

- (i) Financing provided to related parties

The Group loaned to the associate – Sirius Wireless Pte. Ltd. with the interest rate of 1.050%~2.537% in the first quarter of year 2020. As of December 31, 2020, the loan receivable was fully collected, with the related interest income amounting to \$108.

- (c) Compensation for key management personnel

	2021	2020
Short-term employee benefits	\$ 163,187	108,568
Post-employment benefits	1,125	1,031
Share-based payments	-	20,241
	\$ 164,312	129,840

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

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

8. Pledged assets

<u>Assets</u>	<u>Pledged to secure</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets — current (bank deposits)	Performance guarantee	\$ -	596
Other financial assets — non-current (time deposits)	Performance guarantee	400	449
		<u>\$ 400</u>	<u>1,045</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.
- (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 on 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.
- (d) Shenzhen Goodix Technology Co., Ltd. (Goodix) has filed a patent infringement complaint with the Fuzhou Intermediate People's Court against the Company in March 2021, wherein it requested the Company to pay the compensation amounting to CNY 50,500 thousand for the damage. The Company received the complaint in June 10, 2021 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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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

10. Significant loss from casualty: None.

11. Significant subsequent events

As described in note 6(g) to the consolidated financial statements, on January 11, 2022, the Group acquired 8,000 thousand shares of iCatch Technology Inc. at a price of \$ 537,600 through public tender offer. As of January 11, 2022, the Group obtained 21.3% of iCatch Technology Inc.'s ownership.

12. Other

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

By item	By function	2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:							
	Salaries	-	795,628	795,628	-	837,904	837,904
	Labor and health insurances	-	42,976	42,976	-	41,848	41,848
	Pension	-	30,792	30,792	-	26,163	26,163
	Other employees' benefits	-	35,320	35,320	-	33,750	33,750
	Depreciation	1,622	95,866	97,488	2,773	75,300	78,073
	Amortization	-	32,184	32,184	-	38,303	38,303

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 months ended December 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	-	-	1%	2	-	Operating Requirements	-	-	-	103,908	207,815

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 (USD 4,000)	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 (Note 2)	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	745,886	114,140 (USD 4,000)	110,720	-	-	1.75%	3,160,208 (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				Maximum ownership during 2021		Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares (thousands)	Percentage of ownership (%)	
The Company	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income	131	858	1.86%	858	314	1.86%	
The Company	Integrated Digital Technologies, Inc.	-	Financial assets at fair value through other comprehensive income	4,000	-	13.96%	-	4,000	13.96%	
The Company	AIStorm, Inc.	-	Financial assets at fair value through other comprehensive income	5,053	258,717	19.28%	258,717	5,053	19.39%	
The Company	MEMS DRIVE INC.	-	Financial assets at fair value through other	188	33,349	2.87%	33,349	188	3.25%	

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company	ION ELECTRONIC MATERIALS CO.,LTD	-	comprehensive income Financial assets at fair value through other comprehensive income	1,000	33,432	6.06%	33,432	1,000	8.33%
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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				Maximum ownership during 2021		Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares (thousands)	Percentage of ownership (%)	
The Company	Astrogate Inc.	-	Financial assets at fair value through other comprehensive income	1,000	5,910	16.67%	6,701	1,000	16.67%	
The Company	MP High Tech Solutions Pty Ltd	-	Financial assets at fair value through other comprehensive income	1,011	25,005	4.24%	25,005	1,011	4.24%	
The Company	Bank of America Corporation USD Senior Unsecured	-	Financial assets at fair value through other comprehensive income	-	46,536	-	46,536	-	-	
The Company	SOFTBK 4 07/06/26 (XS2361252971)	-	Financial assets at fair value through other comprehensive income	-	5,263	-	5,263	-	-	
The Company	Vertex Growth (SG) LP	-	Financial assets at fair value through profit or loss – non-current	-	30,452	-	30,452	-	-	
The Company	Vertex Venture (SG) SEA IV LP	-	Financial assets at fair value through profit or loss – non-current	-	5,366	-	5,366	-	-	
The Company	Shin Kong No.1 REIT	-	Financial assets at fair value through profit or loss – non-current	-	97,500	-	97,500	-	-	
The Company	Sirus Wireless Pte. Ltd	-	Financial assets at fair value through profit or loss – current	10,020	34,826	10.01%	34,826	40,080	50.05%	
The Company	M&G (Lux) Investment Funds 1 – M&G (Lux) Optimal Income Fund USD A-H M Dis	-	Financial assets at fair value through profit or loss – current	-	98,370	-	98,370	-	-	
The Company	Allianz Global Investors US Short Duration High Income Bond Fund B TWD	-	Financial assets at fair value through profit or loss – current	-	97,032	-	97,032	-	-	
The Company	KGI Global ESG Sustainable High Yield Bond Fund	-	Financial assets at fair value through profit or loss – current	-	97,183	-	97,183	-	-	
The Company	JPMorgan Funds – Income Fund – JPM Income A (acc) – USD	-	Financial assets at fair value through profit or loss – current	-	98,772	-	98,772	-	-	
The Company	PineBridge Preferred Securities Income Fund A TWD	-	Financial assets at fair value through profit or loss – current	-	100,267	-	100,267	-	-	
The Company	Nomura Fallen Angel High Yield Bond Fund	-	Financial assets at fair value through profit or loss – current	-	100,308	-	100,308	-	-	
The Company	BlackRock Global Funds - Global High Yield Bond Fund	-	Financial assets at fair value through profit or loss – current	-	49,545	-	49,545	-	-	
The Company	Cathay US Asset Income Fund	-	Financial assets at fair value through profit or loss – current	-	107,714	-	107,714	-	-	
The Company	Cathay Real Estate Income Fund	-	Financial assets at fair value through profit or loss – current	-	14,231	-	14,231	-	-	

(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				Maximum ownership during 2021		Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares (thousands)	Percentage of ownership (%)	
The Company	SCT Holdings Ltd. Convertible Bonds	-	Financial assets at fair value through profit or loss – non-current	-	281,525	-	281,525	-	-	
The Company	Netlink Communication Inc. Convertible Bonds	-	Financial assets at fair value through profit or loss – non-current	-	140,763	-	140,763	-	-	
The Company	Gear Radio Limited Convertible Bonds	-	Financial assets at fair value through profit or loss – non-current	-	27,750	-	27,750	-	-	

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisitions		Disposal			Ending Balance		
					Shares/Units (in thousands)	Amount	Shares/Units (in thousands)	Amount	Shares/Units (in thousands)	Amount	Carrying Value	Gain(Loss) on Disposal	Shares/Units (in thousands)	Amount
The Company	Common Shares- FocalTech Systems Co., Ltd.	Financial assets at fair value through other comprehensive income – non-current	-	-	33,967	3,175,875	-	-	33,967	6,759,348	1,408,124	5,351,224	-	-
Sense Investment and Consulting Inc.	Common Shares- FocalTech Systems Co., Ltd.	Financial assets at fair value through other comprehensive income – non-current	-	-	35	3,273	-	-	35	7,106	1,460	5,646	-	-
The Company	Alcor Micro Corp.	Investments accounted for using equity method	-	-	-	-	20,000	794,600	-	-	-	-	20,000	792,578
The Company	iCatch Technology Inc.	Investments accounted for using equity method	-	-	-	-	10,000	652,000	-	-	-	-	10,000	652,000

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

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

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

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

(ix) Information about derivative instrument transactions: None.

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

(b) Information on investees:

Names, locations, and related information of investees over which the Company exercises significant influence for the years ended December 31, 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 December 31, 2021			Maximum Ownership during 2021		Net Income (Losses) of the Investee	Share of Profit / (Losses) of Investee	Note
				December 31, 2021	December 31, 2020	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
The Company	Egis Technology (Japan) Inc.	Japan	Customer service, business promotion and technical service	109,279	109,279	7,680	100.00%	395	7,680	100.00%	700	700	Parent/ subsidiary
The Company	Egis Technology Korea Inc.	Korea	Customer service, business promotion and technical service	18,233	18,233	20	100.00%	24,671	20	100.00%	273	273	Parent/ subsidiary
The Company	Igistec Co., Ltd.	Taiwan	Technology development	59,497	59,497	16,527	74.69%	9,711	16,527	74.69%	(1,977)	(1,477)	Parent/ subsidiary
The Company	Sirius Wireless Pte. Ltd.	Singapore	Technology development	-	61,760	-	-	-	40,080	50.05%	(3,073)	(1,639)	Former associate
The Company	Sense Investment and Consulting Inc.	Taiwan	Investment and holding activity	1,880	1,880	167	100.00%	6,589	167	100.00%	2	2	Parent/ subsidiary
The Company	Vitrio Technology Corporation	Taiwan	Technology development	4,970	4,970	142	50.00%	-	142	50.00%	(3,341)	(2,086)	Joint venture
The Company	Luxsentek Microelectronics Corp.	Taiwan	Technology development	140,000	45,000	14,000	86.93%	69,137	14,000	86.93%	(72,123)	(60,079)	Parent/ subsidiary
The Company	Alcor Micro, Corp.	Taiwan	Technology development	794,600	-	20,000	22.21%	792,578	20,000	22.27%	240,131	2,383	Associate
The Company	iCatch Technology Inc.	Taiwan	Technology development	652,000	-	10,000	11.83%	652,000	10,000	11.83%	137,496	-	Associate

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2021		Investment income (losses)	Carrying Value as of December 31, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2021 (Note 2)
					Outflow	Inflow				Shares (in thousands)	Percentage of Ownership			
Egis Intelligent (Shanghai) Co., Ltd	Customer service, business promotion and technical service	55,521	(Note 1)	-	55,700	-	55,700	(1,354)	100.00%	-	100.00%	(1,354)	54,673	-

Note 1: Direct investment in Mainland China.

Note 2: The above amount has been eliminated when preparing the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars and US Dollars)

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
55,360 (USD2,000)	55,360 (USD2,000)	3,792,249

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$27.68.

(iii) Significant transactions with investee companies in Mainland China:

The transactions between the Company and its investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" for detail description.

(d) Information on major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sen-Chou Lo		3,546,262	5.11%

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

14. Segment information

(a) General information

The Group is mainly engaged in the research and development, design and sale of biometric identification software and hardware. The overall operating results are regularly reviewed by the Group's chief operating decision maker to assess its performance. Therefore, the Group has only one reportable segment. In 2021 and 2020, there were no material inconsistency between the reportable segment profit or loss and the consolidated financial statements.

(b) Product information

Revenues from external customers are detailed below:

<u>Products and services</u>	<u>2021</u>	<u>2020</u>
Biometric authentication IC sensor and its application	\$ 3,431,561	6,208,621
Data security and its application	113	4,852
Engineering service revenue	8,788	10,954
Others	2,345	-
	<u>\$ 3,442,807</u>	<u>6,224,427</u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers, and segment assets are based on the geographical location of the assets.

<u>Region</u>	<u>2021</u>	<u>2020</u>
Revenues from external customers are detailed below:		
Asia	\$ 3,433,906	6,208,294
Taiwan	3,990	10,191
United States	4,911	5,942
	<u>\$ 3,442,807</u>	<u>6,224,427</u>

<u>Region</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current assets:		
Taiwan	\$ 396,843	417,789
Others	5,653	27,452
	<u>\$ 402,496</u>	<u>445,241</u>

Non-current assets include property, plant and equipment, right-of-use assets and intangible assets, and

(Continued)

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

do not include financial instruments and deferred income tax assets.

(Continued)

(d) Major customer information

	<u>2021</u>	<u>2020</u>
Customer A	\$ 966,981	1,884,661
Customer B	878,771	1,120,134
Customer C	745,886	895,283
Customer D	<u>669,102</u>	<u>1,540,175</u>
	<u>\$ 3,260,740</u>	<u>5,440,253</u>

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

Attachment 2

Stock Code:6462

EGIS TECHNOLOGY INC.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

Address: 30F, -1, No. 118, Ciyun Rd., East Dist., Hsinchu City, Taiwan
Telephone: +886 3 6663568

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

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Independent Auditors' Report

To the Board of Directors of Egis Technology Inc.:

Opinion

We have audited the accompanying parent-company-only financial statements of Egis Technology Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the paragraph on Other

Matter of our report), the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2021 are stated as follows:

1. Impairment of goodwill

Please refer to Note 4(m) "Impairment of non-financial assets" for the related accounting policies on goodwill impairment, Note 5 for the estimation uncertainty and Note 6(j) for the related disclosures.

Description of the key audit matter:

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

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: obtaining the assessment of goodwill impairment provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected sales growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions; and assessing the adequacy of the Company's disclosures with respect to the related information.

2. Valuation of inventories

Please refer to Note 4(g) "Inventories" for the related accounting policies, Note 5 for the estimation uncertainty of inventory valuation and Note 6(e) for the related disclosures.

Description of the key audit matter:

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

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: obtaining the inventory aging report; analyzing the fluctuation of aging inventory and selecting samples to verify their accuracy; evaluating whether the valuation of inventories was accounted for in accordance with the Company's accounting policies; and assessing the historical reasonableness of management's estimates on inventory provisions.

3. Assessment of the fair value of financial assets without an active market

Please refer to Note 4(g) "Financial instruments" for the related accounting policies, Note 5 for the estimation uncertainty and Note 6(v) for the related disclosures.

Description of the key audit matters

Parts of the financial assets owned by the Company include unlisted companies shares and convertible bonds (recorded as financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income) are measured by using valuation techniques due to the lack of active market prices. Thus, it demands significant professional judgments from the management. Consequently, the assessment of the fair value of financial assets

without an active market has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: obtaining the measurement of fair value of financial instruments without active market prices provided by the management and using sampling test and also involving a valuation specialist to access the appropriateness of the evaluation model and key assumptions used by the management.

Other Matters

We did not audit the financial statements of certain investments accounted for using the equity method. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those companies, is based solely on the reports of other auditors. The investments accounted for using the equity method amounted to \$792,578 thousand, constituting 8.98% of the total assets at December 31, 2021, and the related share of profit of associates accounted for using the equity method amounted to \$2,383 thousand, constituting (0.8)% of the total net loss before tax for the year ended December 31, 2021.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, base on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investee companies accounted for using equity method to express an opinion on this parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

Notes to Readers

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 22, 2022

Notes to Readers

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

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(English Translation of Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC.
Balance Sheets
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (notes 6(a))	\$ 2,121,126	24	1,435,898	22	2100	Short-term borrowings (notes 6(k)(y))	\$ 100,000	1	-	-
1110	Financial assets at fair value through profit or loss – current (notes 6(b))	798,248	9	-	-	2170	Notes and accounts payable	331,422	4	254,432	4
1170	Accounts receivable, net (notes 6(d)(r))	608,227	7	299,843	4	2220	Other payables to related parties (note 7)	4,364	-	6,074	-
1181	Accounts receivable from related parties (note 6(d) and 7)	756	-	-	-	2230	Current tax liabilities (note 6(o))	603,284	7	36,765	1
1210	Other receivables from related parties (note 7)	19,532	-	-	-	2280	Current lease liabilities (note 6(m)(y))	30,365	-	41,107	1
130X	Inventories (note 6(e))	606,684	7	383,526	6	2322	Current portion of long-term debt (notes 6(l))	37,500	-	-	-
1470	Prepayments and other current assets	141,465	2	140,181	2	2365	Refund liabilities – current	75,139	1	99,066	1
1476	Other financial assets – current (notes 6(f) and 8)	724,722	8	144,036	2	2399	Accrued expenses and other current liabilities (note 6(t))	429,765	5	408,995	6
	Total current assets	5,020,760	57	2,403,484	36		Total current liabilities	1,611,839	18	846,439	13
Non-current assets:						Non-current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	583,356	7	13,045	-	2540	Long-term debt (notes 6(l)(y))	812,500	9	990,000	15
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	409,070	5	3,557,960	54	2570	Deferred income tax liabilities (note 6(o))	1,980	-	-	-
1550	Investments accounted for using equity method (note 6(g))	1,609,754	17	137,328	2	2580	Non-current lease liabilities (notes 6(m)(y))	75,175	1	102,320	1
1600	Property, plant and equipment (note 6(h))	89,360	1	101,051	2		Total non-current liabilities	889,655	10	1,092,320	16
1755	Right-of-use assets (note 6(i))	97,147	1	136,188	2		Total liabilities	2,501,494	28	1,938,759	29
1780	Intangible assets (note 6(j))	182,358	2	167,921	3	Equity (notes 6(p)(q)):					
1840	Deferred income tax assets (note 6(o))	146,110	2	94,218	1	3110	Common stock	692,718	8	713,758	11
1960	Prepayments for investments (note 6(g))	672,000	8	-	-	3200	Capital surplus	968,659	11	1,057,960	16
1995	Refundable deposits	10,815	-	10,888	-	Retained earnings:					
1915	Prepayments for equipment	1,179	-	-	-	3310	Legal reserve	284,300	3	224,069	4
	Total non-current assets	3,801,149	43	4,218,599	64	3320	Special reserve	-	-	81,463	1
						3350	Unappropriated earnings	4,450,106	51	1,057,629	16
						Other equity interest:					
						3411	Exchange differences on translation of foreign financial statements	(594)	-	2,112	-
						3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(74,774)	(1)	1,775,108	26
						3500	Treasury stock	-	-	(228,775)	(3)
							Total equity	6,320,415	72	4,683,324	71
							Total liabilities and equity	\$ 8,821,909	100	6,622,083	100
	Total assets	\$ 8,821,909	100	6,622,083	100						

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC.
Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2021		2020	
		Amount	%	Amount	%
4000	Revenue (note 6(s))	\$ 3,438,319	100	6,219,414	100
5000	Costs of revenue (notes 6(e)(h) and 12)	(2,072,960)	(60)	(3,533,473)	(57)
	Gross profit	1,365,359	40	2,685,941	43
	Operating expenses (notes 6(d)(h)(i)(j)(m)(n)(q)(t), 7 and 12):				
6100	Selling expenses	(121,923)	(4)	(246,119)	(4)
6200	Administrative expenses	(319,839)	(9)	(259,167)	(4)
6300	Research and development expenses	(1,142,825)	(33)	(1,307,522)	(21)
	Total operating expenses	(1,584,587)	(46)	(1,812,808)	(29)
	Operating income (loss)	(219,228)	(6)	873,133	14
	Non-operating income and loss:				
7101	Interest income (note 6(u))	19,410	1	35,212	-
7110	Other income (note 6(u))	9,552	-	31,142	-
7020	Other gains and losses, net (note 6(u))	(18,577)	(1)	(137,359)	(2)
7050	Finance costs (notes 6(m)(u))	(14,090)	-	(22,318)	-
7375	Share of losses of subsidiaries, associates and joint ventures accounted for using equity method (note 6(g))	(73,974)	(2)	(25,176)	-
	Total non-operating income and loss	(77,679)	(2)	(118,499)	(2)
	Net income (loss) before tax	(296,907)	(8)	754,634	12
7950	Less: Income tax (expenses) benefit (notes 6(o))	81,302	2	(122,075)	(2)
	Net income (loss)	(215,605)	(6)	632,559	10
	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (notes 6(p))	3,505,529	102	1,826,874	29
8330	Share of other comprehensive income of subsidiaries and joint ventures (notes 6(p))	4,161	-	1,813	-
8349	Income tax related to items that will not be reclassified to profit or loss (notes 6(o))	(602,262)	(18)	-	-
		2,907,428	84	1,828,687	29
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations (note 6(g)(p))	(3,267)	-	(311)	-
8367	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income (note 6(p))	(3,371)	-	-	-
8380	Share of other comprehensive income of associates and joint ventures (note 6(g)(p))	(201)	-	-	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-
		(6,839)	-	(311)	-
	Other comprehensive income (loss), net	2,900,589	84	1,828,376	29
	Comprehensive income	\$ 2,684,984	78	2,460,935	39
	Earnings (loss) per share (in New Taiwan dollars) (note 6(r)) :				
9750	Basic earnings (loss) per share	\$ (3.11)		9.14	
9850	Diluted earnings (loss) per share	\$ (3.11)		9.09	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC.
Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest					Total equity
	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	
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
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	86,268	-	(86,268)	-	-	-	-	-
Special reserve	-	-	-	-	32,596	(32,596)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(623,536)	-	-	-	-	(623,536)
Treasury stock transferred to employees	-	-	(60)	-	-	-	-	-	-	19,986	19,926
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	62	-	-	-	62
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(30,245)	-	30,245	-	-	-
Issuance of common stock from exercise of employee stock options	1,225	(1,225)	-	-	-	-	-	-	-	-	-
Compensation cost of employee stock options	-	-	19,414	-	-	-	-	-	-	-	19,414
Compensation cost arising from restricted shares of stock issued to employees	-	-	(1,667)	-	-	-	-	-	5,145	-	3,478
Retirement of restricted shares of stock issued to employees	(120)	-	120	-	-	-	-	-	-	-	-
Net income in 2020	-	-	-	-	-	632,559	-	-	-	-	632,559
Other comprehensive income in 2020	-	-	-	-	-	-	(311)	1,828,687	-	-	1,828,376
Total comprehensive income in 2020	-	-	-	-	-	632,559	(311)	1,828,687	-	-	2,460,935
Balance at December 31, 2020	713,758	-	1,057,960	224,069	81,463	1,057,629	2,112	1,775,108	-	(228,775)	4,683,324
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	60,231	-	(60,231)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(81,463)	81,463	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(1,039,136)	-	-	-	-	(1,039,136)
Retirement of treasury stock	(21,000)	-	(89,415)	-	-	(118,360)	-	-	-	228,775	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	762	-	-	-	762
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	4,748,962	-	(4,748,962)	-	-	-
Disposal of financial assets measured at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	4,977	-	(4,977)	-	-	-
Changes in equity of associates accounted for using the equity method	-	-	-	-	-	(5,210)	-	-	-	-	(5,210)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(4,383)	-	-	-	-	(4,383)
Compensation cost arising from restricted shares of stock issued to employees	-	-	74	-	-	-	-	-	-	-	74
Retirement of restricted shares of stock issued to employees	(40)	-	40	-	-	-	-	-	-	-	-
Net loss in 2021	-	-	-	-	-	(215,605)	-	-	-	-	(215,605)
Other comprehensive income in 2021	-	-	-	-	-	-	(3,468)	2,904,057	-	-	2,900,589
Total comprehensive income in 2021	-	-	-	-	-	(215,605)	(3,468)	2,904,057	-	-	2,684,984
Balance at December 31, 2021	\$ 692,718	-	968,659	284,300	-	4,450,106	(594)	(74,774)	-	-	6,320,415

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

EGIS TECHNOLOGY INC.**Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Income (loss) before income taxes	\$ (296,907)	754,634
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	91,764	70,385
Amortization	27,989	34,717
Net loss (gain) on financial assets at fair value through profit or loss	(4,651)	8,558
Interest expense	14,090	22,318
Interest income	(19,410)	(35,212)
Dividend income	-	(24,399)
Share-based payments	74	22,892
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	73,974	25,176
Loss on disposal of property, plant and equipment	959	4,315
Gain on disposal of investments accounted for using equity method	(97,365)	(19,468)
Gain arising from lease modifications	(496)	(1,470)
Others	385	(330)
Total adjustments to reconcile profit (loss)	<u>87,313</u>	<u>107,482</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(308,384)	43,842
Accounts receivable from related parties	(756)	-
Other receivables from related parties	(19,532)	-
Inventories	(223,158)	379,381
Prepayments and other current assets	6,194	20,467
Total changes in operating assets	<u>(545,636)</u>	<u>443,690</u>
Changes in operating liabilities:		
Notes and accounts payable	76,990	(307,306)
Other payables to related parties	(1,710)	1,059
Refund liabilities – current	(23,927)	38,478
Accrued expenses and other current liabilities	19,699	(192,935)
Total changes in operating liabilities	<u>71,052</u>	<u>(460,704)</u>
Total changes in operating assets and liabilities	<u>(474,584)</u>	<u>(17,014)</u>
Cash provided by (used in) operations	(684,178)	845,102
Interest received	18,243	44,603
Dividends received	-	24,399
Interest paid	(13,019)	(22,801)
Income taxes paid	(11,831)	(272,421)
Net cash provided by (used in) operating activities	<u>(690,785)</u>	<u>618,882</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC.
Statements of Cash Flows (Continued)
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(156,149)	(1,681,364)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6,806,674	-
Proceeds from capital return of financial assets at fair value through other comprehensive income	-	145,494
Acquisition of financial assets at fair value through profit or loss	(1,522,978)	(99,289)
Proceeds from disposal of financial assets at fair value through profit or loss	201,672	145,536
Acquisition of investments accounted for using equity method	(1,597,600)	(51,850)
Proceeds from disposal of investments accounted for using equity method	97,825	19,530
Increase in prepayments for investments	(672,000)	-
Proceeds from capital return of investments accounted for using equity method	-	4,407
Acquisition of property, plant and equipment	(42,666)	(82,678)
Proceeds from disposal of property, plant and equipment	2,903	168
Acquisition of intangible assets	(42,426)	(8,008)
Decrease (increase) in other financial assets	(579,381)	164,547
Decrease (increase) in refundable deposits	73	(2,623)
Increase in prepayments for equipment	(1,179)	-
Net cash provided by (used in) investing activities	<u>2,494,768</u>	<u>(1,446,130)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	300,000	7,516,526
Repayments of short-term borrowings	(200,000)	(8,710,012)
Proceeds from long-term debt	850,000	990,000
Repayments of long-term debt	(990,000)	-
Payment of lease liabilities	(39,619)	(28,868)
Cash dividends distributed to shareholders	(1,039,136)	(623,536)
Treasury stock transferred to employees	-	19,926
Net cash used in financing activities	<u>(1,118,755)</u>	<u>(835,964)</u>
Net increase (decrease) in cash and cash equivalents	685,228	(1,663,212)
Cash and cash equivalents at beginning of the period	<u>1,435,898</u>	<u>3,099,110</u>
Cash and cash equivalents at end of the period	<u>\$ 2,121,126</u>	<u>1,435,898</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
EGIS TECHNOLOGY INC.
Notes to the Financial Statements
For the years ended December 31, 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 30F, -1, No. 118, Ciyun Rd., East Dist., Hsinchu City, Taiwan. The Company is primarily engaged in research, development, and sales of data security software, biometric identification software and hardware.

2. Authorization of the financial statements

The accompanying parent-company-only financial statements were authorized for issue by the Board of Directors on March 22, 2022.

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. which have already been adopted.

The Company 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”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- 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”

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

- (c) 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 Company, 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”	<p>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.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

The Company 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 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 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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EGIS TECHNOLOGY INC.
Notes to the Financial Statements

4. Summary of significant accounting policies

The significant accounting policies presented in the parent-company-only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

The accompanying parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (the “Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through profit or loss are measured at fair value; and
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment. The parent-company-only financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. Except when otherwise indicated, all financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

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

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

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

(e) Cash and cash equivalents

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

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

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

6) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities

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

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

(Continued)

EGIS TECHNOLOGY INC.
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3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition calculated ready for sale. Net realizable value represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(h) Investment in subsidiaries

The Company accounts the investee companies that it possesses control using the equity method. Net income, other comprehensive income, and shareholder's equity in the financial reports of the Company, and the net income, other comprehensive income, and shareholder's equity that belongs to shareholders of the Company in the consolidated financial reports, should be the same.

The Company accounts the changes in equity only when its control over the equity transaction between proprietors is still present.

(i) Investments accounted for using equity method

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

An associate is an entity over which the Company has significant influence, but not control or joint control, over its financial and operating policies.

(Continued)

EGIS TECHNOLOGY INC.
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Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company recognizes its share of the profit or loss and other comprehensive income of those associates from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

Adjustments are made to associates' financial statements to conform to the accounting policies applied by the Company.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss (or retained earnings).

(Continued)

EGIS TECHNOLOGY INC.
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When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28, unless the entity is exempted from applying the equity method as specified in that Standard.

When assessing the classification of a joint arrangement, the Company considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows: tooling- 2 years; research and development equipment- 3 years; leasehold improvement- 3 years; and other equipment- 3 to 6 years.

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Depreciation methods, useful lives, and residual values are reviewed at each reporting date, with the effect of any change in estimate accounted for on a prospective basis.

(k) Leases

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

(i) As a lessee

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

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

(Continued)

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

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the balance sheets.

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

(l) Intangible assets

(i) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Please refer to Note 4(t) for the description of the measurement of goodwill at initial recognition. Goodwill arising from the acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other separately acquired intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: computer software- 1 to 4 years; patent- 3 to 15 years; technology- 8 years.

The residual values, amortization period, and amortization method are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Treasury stock

Common stock repurchased by the Company treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus — treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus — treasury stock. If the remaining balance of capital surplus — treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

If a treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus — treasury stock, or a reduction of retained earnings for any deficiency where capital surplus — treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus — treasury stock.

(o) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all criteria for acceptance have been satisfied.

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The Company recognizes revenue based on the price specified in the contract, net of the estimated sales discounts and rebates. Sales discount and rebates are recognized and estimated based on each contract term. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts and rebates payable to customers in relation to sales made until the end of the reporting period.

(ii) Revenue from service rendered

The Company provides technical support services to enterprise customers. Revenue from providing services is recognized in the accounting periods in which the services are rendered. For performance obligations that are satisfied over time, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the portion of the work performed the time passed by, or the milestone reached.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Government grants

The Company recognizes an unconditional government grant in deduction of related expenses when the grant becomes receivable.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution pension plans are expensed during the year in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payment as a result of past service provided by the employees, and the obligation can be estimated reliably.

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EGIS TECHNOLOGY INC.
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(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The grant date of options for employees to subscribe new shares for a cash injection is the date when the price and shares that employees can subscribe have been notified to its employees.

(s) Income taxes

Income tax comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- (i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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EGIS TECHNOLOGY INC.
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Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (t) Business combinations

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of the acquisition-date fair value of consideration transferred, including the amount of non-controlling interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Company recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

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

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured individually at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interest is measured at their acquisition-date fair values or other measurement basis in accordance with Taiwan-IFRSs.

In a business combination achieved in stages, the Company shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in profit or loss. The amount previously recognized in other comprehensive income in relation to the changes in the value of the Company's equity interest should be reclassified to profit or loss on the same basis as would be required if the Company had disposed directly of the previously held equity interest.

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

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EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(u) Earnings per share (“EPS”)

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the parent- company-only financial statements. Basic EPS are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year is adjusted for the effects of dilutive potential common shares. The Company’s dilutive potential common shares include employee stock options, restricted stock to employee and profit sharing for employees to be settled in the form of common stock.

(v) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent- company-only financial statements.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the parent-company-only financial statements, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information about judgments made in applying the accounting policies that have significant effects on the amounts recognized in the parent-company-only financial statements is as follows:

(a) Judgment of whether the Company has control over or has significant influence on its investees

The Company 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 being twice as much as compared to that of the Company. Therefore, the management determined that the Company has only significant influence on Sirius Wireless but not control over it. In January 2021, the Company’s shareholding ratio decreased to 15.02% due to a disposal of a part of Sirius Wireless shares, and the resignation of the director’s position on Sirius Wireless. Therefore, the management determined that the Company lost significant influence on Sirius Wireless and the retained interest was reclassified from investments accounted for using the equity method to financial assets at fair value through profit and losses.

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Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years.

(b) Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. With the rapid customers' demands changes, the Company estimates the net realizable value of inventory, taking obsolescence and unmarketable items into account at the reporting date, and writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

(c) Assessment of the fair value of financial assets without an active market

The valuation of financial assets without an active market demands significant professional judgments from the management by using different valuation techniques and assumptions for input values, which could result in significant adjustments.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 731	976
Bank deposits	411,275	811,899
Time deposits	1,509,120	480,623
Repurchase agreements – bond	200,000	142,400
	<u>\$ 2,121,126</u>	<u>1,435,898</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current:		
Open-end mutual fund	\$ 763,422	-
Foreign unlisted common shares	34,826	-
Non-current:		
Privately offered fund	35,818	13,045
Convertible bonds	450,038	-
Open-end mutual fund	97,500	-
	<u><u>\$ 1,381,604</u></u>	<u><u>13,045</u></u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Debt instruments at fair value through other comprehensive income:		
Foreign unsecured bank bonds	\$ 46,536	-
Foreign unsecured corporate bonds	5,263	-
Subtotal	<u><u>\$ 51,799</u></u>	<u><u>-</u></u>
Equity instruments at fair value through other comprehensive income :		
Domestic listed common shares	\$ -	3,175,875
Unlisted common shares	357,271	382,085
Subtotal	<u><u>\$ 357,271</u></u>	<u><u>3,557,960</u></u>
Total	<u><u>\$ 409,070</u></u>	<u><u>3,557,960</u></u>

The Company designated the investments shown above as debt instruments as at fair value through other comprehensive income, because these debt instruments represent those investments that the Company holds within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities.

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

On April 19, 2021, the Company disposed all its investments in FocalTech Systems Co., Ltd., which were recognized as financial assets at fair value through other comprehensive income. The fair value

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of the investments was \$6,759,348 at the disposal date, resulting in the disposal gain by \$4,748,962 (net of tax). Thereafter, the disposal gain was reclassified from other equity interest to retained earnings within equity.

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A portion of the Company's investment in financial assets measured at fair value through other comprehensive income was liquidated, resulting in the Company to recognize the loss of \$30,245, which had been reclassified from other equity interest to retained earnings in 2020.

(d) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 608,227	299,843
Accounts receivable from related parties	756	-
	<u><u>\$ 608,983</u></u>	<u><u>299,843</u></u>

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

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-ave rage loss rate</u>	<u>Loss allowance provision</u>
Current	<u>\$ 608,983</u>	0.0001%	<u>-</u>
	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted-ave rage loss rate</u>	<u>Loss allowance provision</u>
Current	<u>\$ 299,843</u>	0.0001%	<u>-</u>

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

	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ -	327
Impairment loss reversed	-	(330)
Foreign exchange losses	-	3
Balance on December 31	<u><u>\$ -</u></u>	<u><u>-</u></u>

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(e) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 117,069	90,214
Work in process	489,615	283,907
Finished goods	-	9,405
	<u>\$ 606,684</u>	<u>383,526</u>

For the years ended December 31, 2021 and 2020, the cost of inventories sold, which were included in costs of revenue, amounted to \$1,894,382 and \$3,394,676, respectively, of which the write-downs of inventories to net realizable value (the reversal of write-down due to the disposal of slow-moving inventories) amounted to \$(38,627) and \$130,104, respectively.

(f) Other financial assets—current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposit (with original maturities of between three months and one year)	\$ 676,800	142,400
Restricted bank deposits	-	596
Other receivables	47,922	1,040
	<u>\$ 724,722</u>	<u>144,036</u>

(g) Investments accounted for using equity method and prepayment for investment

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 165,176	91,294
Associates	1,444,578	43,948
Joint ventures	-	2,086
	<u>\$ 1,609,754</u>	<u>137,328</u>

The Company's share of profit (loss) of investments accounted for using equity method were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ (72,632)	(25,633)
Associates	744	3,341
Joint ventures	(2,086)	(2,884)
	<u>\$ (73,974)</u>	<u>(25,176)</u>

(i) Subsidiaries

(Continued)

EGIS TECHNOLOGY INC.
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Refer to the 2021 consolidated financial statements for more details.

(Continued)

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(ii) Associate

Name of associates	Business relations	Location	December 31, 2021		December 31, 2020	
			Percentage of voting rights	Carrying amount	Percentage of voting rights	Carrying amount
Alcor Micro, Corp.("Alcor")	IC development and design	Taiwan	22.21%	\$ 792,578	-	-
iCatch Technology Inc.("iCatch")	Digital image and car recording development	Taiwan	11.83%	652,000	-	-
Sirus Wireless Pte. Ltd.	Wireless communication and radio frequency technology development	Singapore	-	-	50.05%	43,948
				<u>\$ 1,444,578</u>		<u>43,948</u>

In October 2021, the Company invested in Alcor Micro, Corp. for \$794,600 and acquired 22.27% of its ownership. The equity-method was used to account for investments as the Group has significant influence over it.

In December 2021, the Company invested in iCatch Technology Inc. for \$652,000 and acquired 11.83% of its ownership. The Company expects to acquire additional ownership of iCatch Technology Inc. through public tender offer. As of December 31, 2021, the Company had prepaid the amount of \$672,000 to public tender account, which was classified as prepayments for investments, with the expected number of 10,000 thousand shares and 23.67% of its ownership. The equity-method was used to account for investments as the Company has significant influence over it.

The fair value of the investment in associates which are publicly traded was as follows:

	December 31, 2021
Alcor Micro, Corp.	\$ 1,208,000

The summarized financial information in respect of each of the Company's material associates is set out below:

(Continued)

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Notes to the Financial Statements

- 1) The summarized financial information of Alcor:

	December 31, 2021
Current assets	\$ 2,611,131
Non-current assets	1,407,036
Current liabilities	(413,839)
Non-current liabilities	(34,842)
Equity	<u>\$ 3,569,486</u>
Equity attributable to non-controlling interests of Alcor	<u>\$ 574,249</u>
Equity attributable to shareholders of Alcor	<u>\$ 2,995,237</u>
	2021
Net sales	<u>\$ 1,486,603</u>
Net income	\$ 300,147
Other comprehensive income	(57,231)
Total comprehensive income	<u>\$ 242,916</u>
Total comprehensive income attributable to non-controlling interests of Alcor	<u>\$ 60,040</u>
Total comprehensive income attributable to shareholders of Alcor	<u>\$ 182,876</u>
	December 31, 2021
The Company's share of equity of associates at January 1	\$ -
Additions	794,600
Net income attributable to the Company	2,383
Other comprehensive income attributable to the Company	805
Capital surplus (retained earnings) attributable to the Company	(5,210)
The carrying amount of investments in the associates	<u>\$ 792,578</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

- 2) The summarized financial information of iCatch:

	December 31, 2021
Current assets	\$ 1,704,866
Non-current assets	75,373
Current liabilities	(330,893)
Non-current liabilities	<u>(147,041)</u>
Equity	<u>\$ 1,302,305</u>
Equity attribute to non-controlling interests of iCatch	<u>\$ -</u>
Equity attribute to shareholders of iCatch	<u>\$ 1,302,305</u>
	2021
Net sales	<u>\$ 1,208,049</u>
Net income	\$ 137,496
Other comprehensive income	<u>(2,429)</u>
Total comprehensive income	<u>\$ 135,067</u>
Total comprehensive income attributable to non-controlling interests of iCatch	<u>\$ -</u>
Total comprehensive income attributable to shareholders of iCatch	<u>\$ 135,067</u>
	December 31, 2021
The Company's share of equity of associates at January 1	\$ -
Additions	<u>652,000</u>
The carrying amount of investments in the associates	<u>\$ 652,000</u>

The Company disposed part of its investments in Sirius Wireless in January 2021 for \$97,825, and therefore, its shareholding ratio decreased to 15.02%, with the resignation of the director's position on Sirius Wireless, resulting in the Company to lose significant influence over Sirius Wireless. The Company 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(u)(iii).

In the third quarter of 2020, the Company sold its entire investment in Tyrafos Technologies Co., Limited for \$19,530, resulting in the Company to recognize a gain on disposal of \$19,468.

(Continued)

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Notes to the Financial Statements

The Company's financial information on its investment in individually insignificant associate accounted for using the equity method at the reporting date was as follows. The financial information is included in the parent-company-only financial statements.

	2021	2020
Attributable to the Company:		
Net loss	\$ (3,725)	457
Other comprehensive income (loss)	(9)	(451)
Total comprehensive income (loss)	<u><u>\$ (3,734)</u></u>	<u><u>6</u></u>

(h) Property, plant and equipment

		Computer and communication equipment	Research and development equipment	Leasehold improvement	Other equipment	Total
Cost:						
Balance at	January 1, 2021	\$ 64,358	57,719	19,703	56,790	198,570
Additions		20,434	16,180	3,640	2,412	42,666
Disposals		(3,835)	(387)	(4,687)	(21,316)	(30,225)
Balance at	December 31, 2021	<u><u>\$ 80,957</u></u>	<u><u>73,512</u></u>	<u><u>18,656</u></u>	<u><u>37,886</u></u>	<u><u>211,011</u></u>
Balance at	January 1, 2020	\$ 34,232	34,075	11,819	46,073	126,199
Additions		31,217	24,265	16,060	11,136	82,678
Disposals		(1,091)	(621)	(8,176)	(419)	(10,307)
Balance at	December 31, 2020	<u><u>\$ 64,358</u></u>	<u><u>57,719</u></u>	<u><u>19,703</u></u>	<u><u>56,790</u></u>	<u><u>198,570</u></u>
Accumulated depreciation:						
Balance at	January 1, 2021	\$ 30,741	26,821	5,167	34,790	97,519
Depreciation		20,012	17,166	5,654	7,663	50,495
Disposals		(3,835)	(387)	(3,289)	(18,852)	(26,363)
Balance at	December 31, 2021	<u><u>\$ 46,918</u></u>	<u><u>43,600</u></u>	<u><u>7,532</u></u>	<u><u>23,601</u></u>	<u><u>121,651</u></u>
Balance at	January 1, 2020	\$ 19,965	15,532	5,398	27,737	68,632
Depreciation		11,867	11,910	3,565	7,369	34,711
Disposals		(1,091)	(621)	(3,796)	(316)	(5,824)
Balance at	December 31, 2020	<u><u>\$ 30,741</u></u>	<u><u>26,821</u></u>	<u><u>5,167</u></u>	<u><u>34,790</u></u>	<u><u>97,519</u></u>
Carrying amounts:						
Balance at	December 31, 2021	<u><u>\$ 34,039</u></u>	<u><u>29,912</u></u>	<u><u>11,124</u></u>	<u><u>14,285</u></u>	<u><u>89,360</u></u>
Balance at	December 31, 2020	<u><u>\$ 33,617</u></u>	<u><u>30,898</u></u>	<u><u>14,536</u></u>	<u><u>22,000</u></u>	<u><u>101,051</u></u>

(Continued)

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(i) Right-of-use assets

	Buildings
Cost:	
Balance at January 1, 2021	\$ 179,990
Additions	14,697
Disposals	(37,760)
Balance at December 31, 2021	<u>\$ 156,927</u>
Balance at January 1, 2020	120,574
Additions	116,537
Disposals	(57,121)
Balance at December 31, 2020	<u>179,990</u>
Accumulated depreciation:	
Balance at January 1, 2021	\$ 43,802
Depreciation	41,269
Disposals	(25,291)
Balance at December 31, 2021	<u>\$ 59,780</u>
Balance at January 1, 2020	30,401
Depreciation	35,674
Disposals	(22,273)
Balance at December 31, 2020	<u>43,802</u>
Carrying amount:	
Balance at December 31, 2021	<u>\$ 97,147</u>
Balance at December 31, 2020	<u>136,188</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(j) Intangible assets

	<u>Goodwill</u>	<u>Patent</u>	<u>Technology</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance at January 1, 2021	\$ 106,827	25,714	84,726	80,674	297,941
Additions	-	33,075	-	9,351	42,426
Balance at December 31, 2021	<u>\$ 106,827</u>	<u>58,789</u>	<u>84,726</u>	<u>90,025</u>	<u>340,367</u>
Balance at January 1, 2020	\$ 106,827	25,714	84,726	72,666	289,933
Additions	-	-	-	8,008	8,008
Balance at December 31, 2020	<u>\$ 106,827</u>	<u>25,714</u>	<u>84,726</u>	<u>80,674</u>	<u>297,941</u>
Accumulated amortization and impairment loss:					
Balance at January 1, 2021	\$ -	23,704	45,012	61,304	130,020
Amortization	-	2,820	10,590	14,579	27,989
Balance at December 31, 2021	<u>\$ -</u>	<u>26,524</u>	<u>55,602</u>	<u>75,883</u>	<u>158,009</u>
Balance at January 1, 2020	\$ -	23,348	34,421	37,534	95,303
Amortization	-	356	10,591	23,770	34,717
Balance at December 31, 2020	<u>\$ -</u>	<u>23,704</u>	<u>45,012</u>	<u>61,304</u>	<u>130,020</u>
Carrying amount:					
Balance at December 31, 2021	<u>\$ 106,827</u>	<u>32,265</u>	<u>29,124</u>	<u>14,142</u>	<u>182,358</u>
Balance at December 31, 2020	<u>\$ 106,827</u>	<u>2,010</u>	<u>39,714</u>	<u>19,370</u>	<u>167,921</u>

(i) Amortization

The amortization of intangible assets is included in the following line items of the statement of comprehensive income:

	<u>2021</u>	<u>2020</u>
Operating expenses	<u>\$ 27,989</u>	<u>34,717</u>

(ii) Impairment test on goodwill

The carrying amounts of goodwill and the respective cash-generating units (“CGUs”) to which the goodwill was allocated for impairment test purpose were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Biometric authentication IC sensor and its application	<u>\$ 106,827</u>	<u>106,827</u>

At the end of each reporting period, the goodwill is tested annually for impairment. The

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EGIS TECHNOLOGY INC.
Notes to the Financial Statements

recoverable amount of a CGU was determined based on the value in use. As of December 31, 2021 and 2020, no impairment loss was recognized for the biometric authentication IC sensor and its application based on the test result.

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The key assumptions in assessing the value in use were as follows:

	December 31, 2021	December 31, 2020
Discount rates (before tax)	9.87%	12.28%
Revenue growth rates	(8)% ~ 9%	(13)% ~ 10%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the Taiwan government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific CGU.

The cash flow projections approved by management were based on future financial budgets, covering a period of 5 years. Cash flows beyond that 5-year period have been extrapolated using the revenue growth rate of 0%.

(k) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured bank loans	<u>\$ 100,000</u>	<u>-</u>
Unused credit facilities	<u>\$ 2,006,480</u>	<u>3,774,480</u>
Interest rate	<u>0.79%~0.85</u> <u>%</u>	<u>0.86%~1.29</u> <u>%</u>

(l) Long-term debt

	December 31, 2021	December 31, 2020
Unsecured bank loans	850,000	990,000
Less: Current portion of long-term debt	(37,500)	-
Total	<u>\$ 812,500</u>	<u>990,000</u>
Unused credit facilities	<u>\$ 403,600</u>	<u>400,000</u>
Maturity year	<u>2023~2025</u>	<u>2022~2024</u>
Interest rate	<u>1.05%~1.54</u> <u>%</u>	<u>1.49%~1.58</u> <u>%</u>

(i) Covenants for bank borrowings

In the year of 2020 and the first quarter of 2021, the Company committed to the banks that the common shares of FocalTech Systems Co. Ltd. (FocalTech) held by the Company, which were recognized as financial assets at fair value through other comprehensive income, and shall not be disposed, collateralized or transferred to third parties without any notice to the banks. On April 15, 2021, the Company early repaid the long-term debt borrowed in the second quarter of 2020, amounting to \$990,000, and disposed all its investments in FocalTech. Please refer to note 6(c) for the related information.

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Notes to the Financial Statements

(ii) Compliance with loan agreement

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.

For the years ended December 31, 2021 and 2020, the Company's financial ratios were in compliance with the loan agreements.

(m) Lease liabilities

The Company's lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 30,365</u>	<u>41,107</u>
Non-current	<u>\$ 75,175</u>	<u>102,320</u>

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

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest expenses on lease liabilities	<u>\$ 1,936</u>	<u>1,884</u>
Expenses relating to short-term leases	<u>\$ 2,597</u>	<u>6,767</u>

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

	2021	2020
Total cash outflow for leases	<u>\$ 44,152</u>	<u>37,519</u>

(i) Buildings leases

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

(ii) Other leases

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

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Notes to the Financial Statements

(n) Employee benefits

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

For the years ended December 31, 2021 and 2020, the Company recognized the pension expenses of \$27,154 and \$24,013, respectively, in relation to the defined contribution plans.

(o) Income taxes

(i) Income tax expense

	<u>2021</u>	<u>2020</u>
Current income tax expense (benefit)		
Current period	\$ (31,691)	130,321
Adjustments for prior years	<u>301</u>	<u>11,507</u>
	<u>(31,390)</u>	<u>141,828</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	<u>(49,912)</u>	<u>(19,753)</u>
Income tax expense (benefit)	<u><u>\$ (81,302)</u></u>	<u><u>122,075</u></u>

The components of income tax expense recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Gains from investments in equity instruments measured at fair value through other comprehensive income	<u><u>\$ 602,262</u></u>	<u>-</u>

Referring to note 6(c), the Company disposed all its investments in FocalTech Systems Co., Ltd. in 2021, resulting in current tax payables of \$602,262, which were recorded as income tax liabilities.

Reconciliation between the expected income tax expense (benefit) calculated based on the Company's statutory tax rate and the actual income tax expense reported in the statements of comprehensive income for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Income before income tax	<u><u>\$ (296,907)</u></u>	<u><u>754,634</u></u>
Income tax using the Company's statutory tax rate	\$ (59,381)	150,926
Adjustments for prior years	301	11,507

(Continued)

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Income tax credits	(37,767)	(42,768)
Additional tax on undistributed earning	-	6,014
Others	<u>15,545</u>	<u>(3,604)</u>
	<u>\$ (81,302)</u>	<u>122,075</u>

(Continued)

EGIS TECHNOLOGY INC.
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(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets and liabilities

As the Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020, and management considers that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences are not recognized as deferred income tax assets and liabilities. The related amounts were as follows:

Unrecognized deferred income tax assets:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Losses associated with investments in subsidiaries	<u>\$ 3,542</u>	<u>149,065</u>

Unrecognized deferred income tax liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net profits associated with investments in subsidiaries	<u>\$ 2,135</u>	<u>-</u>

2) Recognized deferred income tax assets and liabilities

Deferred income tax assets:

	<u>Inventory provisions</u>	<u>Unrealized foreign currency exchange loss</u>	<u>Tax losses</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2021	\$ 81,685	5,244	-	7,289	94,218
Recognized in profit or loss	(7,861)	(1,416)	66,121	(4,952)	51,892
Balance at December 31, 2021	<u>\$ 73,824</u>	<u>3,828</u>	<u>66,121</u>	<u>2,337</u>	<u>146,110</u>
Balance at January 1, 2020	\$ 55,528	12,336	-	6,676	74,540
Recognized in profit or loss	26,157	(7,092)	-	613	19,678
Balance at December 31, 2020	<u>\$ 81,685</u>	<u>5,244</u>	<u>-</u>	<u>7,289</u>	<u>94,218</u>

Deferred income tax liabilities:

	<u>Others</u>
Balance at January 1, 2021	\$ -
Recognized in profit or loss	1,980
Balance at December 31, 2021	<u>\$ 1,980</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

Balance at January 1 , 2020	\$	75
Recognized in profit or loss		<u>(75)</u>
Balance at December 31, 2020	\$	<u><u>-</u></u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(iii) The Company's income tax returns for all fiscal years through 2019 were examined and approved by the R.O.C. income tax authorities.

(p) Capital and other equity

(i) Common stock

As of December 31, 2021 and 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 69,272 thousand shares and 71,376 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	
	2021	2020
Balance at January 1	69,269	68,886
Exercise of employee stock options	-	123
Vested restricted stock issued to employees	3	60
Treasury stock transferred to employees	-	200
Balance at December 31	69,272	69,269

(ii) Capital surplus

	December 31, 2021	December 31, 2020
Paid-in capital in excess of par value	\$ 968,659	996,145
Restricted stock issued to employees	-	1,480
Treasury share transactions	-	60,335
	\$ 968,659	1,057,960

Pursuant to the Company Act, any realized capital surplus is initially used to cover any accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends, based on the original shareholding ratio or distributed by cash, according to a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(Continued)

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Notes to the Financial Statements

(iii) Retained earnings and dividend policy

The Company's articles of incorporation, amended on July 12, 2021, stipulate that at least 10% of annual profit, 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. If dividends are distributed in the form of new shares, the distribution of shares shall be approved by the shareholders. In accordance with the Article 240, Paragraph 5 of the Company Act, the distributable dividends will be paid in cash by the Company after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The Company's articles of incorporation before amended on July 12, 2021, stipulate that at least 10% of annual net income after tax, 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.

1) Legal reserve

If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to its shareholders by issuing new shares or by distributing cash for the portion in excess of 25% of the paid-in capital.

2) Special reserve

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

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3) Earnings distribution

The appropriation of 2020 and 2019 earnings was resolved by the shareholder's meeting held on July 12, 2021, and June 18, 2020, respectively; and the distribution to shareholders were as follows:

	2020	2019
	Dividends per share (NT\$)	Dividends per share (NT\$)
	Amount	Amount
Distribution to legal reserve	<u>\$ 60,231</u>	<u>86,268</u>
Distribution to (reversal of) special reserve	<u>\$ (81,463)</u>	<u>32,596</u>
Cash dividends	\$ 15.00 <u>1,039,136</u>	\$ 9.00 <u>623,536</u>

(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.
- 2) The movement in treasury shares were as follows (in thousands of shares):

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

(Continued)

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(v) Other equity

	Exchange differences on translation of foreign operations	Deferred compensation cost arising from issuance of restricted stock	Unrealized gains (losses) from financial assets at fair value through other comprehensive income
Balance at January 1, 2021	\$ 2,112	-	1,775,108
Foreign exchange difference arising from translation of foreign operations:			
Subsidiaries	(3,267)	-	-
Joint Ventures and associates	(201)	-	-
Disposal gain (loss) of investment accounted for using the equity method reclassified to net income	762	-	-
Disposal gain of equity instruments at fair value through other comprehensive income reclassified to retained earnings			
The company	-	-	(4,748,962)
Subsidiaries	-	-	(4,977)
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income			
The company	-	-	2,903,267
Subsidiaries	-	-	3,164
Associates	-	-	997
Unrealized gains (losses) from debt instruments at fair value through other comprehensive income	-	-	(3,371)
Balance at December 31, 2021	<u>\$ (594)</u>	<u>-</u>	<u>(74,774)</u>
Balance at January 1, 2020	\$ 2,361	(5,145)	(83,824)
Foreign exchange difference arising from translation of foreign operations:			
Subsidiaries	140	-	-
Joint Ventures and associates	(451)	-	-
Disposal gain (loss) of investment accounted for using the equity method reclassified to net income	62	-	-
Deferred compensation cost	-	5,145	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income			
The company	-	-	1,826,874
Associates	-	-	1,813

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

Disposal of financial assets at fair value through other comprehensive income	-	-	30,245
Balance at December 31, 2020	<u>\$ 2,112</u>	<u>-</u>	<u>1,775,108</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(q) Share-based payment

(i) Employee stock options

A summary of the Company's stock option plans and related information is as follows:

Grant date	2015
Number of units granted (note 1)	408 (2014 plan)
Contract term	5 years
Qualified employees	Employees of the Company conforming to certain requirements
Vesting conditions	Note 2

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

Note 2: Employees are entitled to receive 50% and 100% of the stock options in the second and third year, respectively, of their service.

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

	2020	
	Weighted-av erage exercise price (NT\$)	Number of shares
Outstanding, beginning of year	\$ 127.18	18,500
Forfeited	127.18	<u>(18,500)</u>
Outstanding, end of year	-	<u> -</u>
Exercisable, end of year	-	<u> -</u>

The above plan of employee stock options has been terminated in November 2020.

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(ii) Restricted stock

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

1) 2017 plan of issuance of restricted stock

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

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

	2021	2020
Balance at January 1	551	557
Forfeited	(4)	(6)
Balance at December 31	547	551
Accumulated vested shares	(547)	(544)
Unvested shares	-	<u>7</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.

(iii) Treasury stock transferred to employees

In February 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.

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(iv) Expenses resulted from share-based payments

	<u>2021</u>	<u>2020</u>
Treasury stock transferred to employees	\$ -	19,414
Restricted stock	74	3,478
	<u>\$ 74</u>	<u>22,892</u>

(r) Earnings per share (“EPS”)

(i) Basic earnings per share

	<u>2021</u>	<u>2020</u>
Net income attributable to the shareholders of the Company	\$ (215,605)	632,559
Weighted-average number of ordinary shares outstanding (in thousands)	69,271	69,197
Basic earnings per share (in New Taiwan dollars)	<u>\$ (3.11)</u>	<u>9.14</u>

(ii) Diluted earnings per share

	<u>2021</u>	<u>2020</u>
Net income attributable to the shareholders of the Company	\$ (215,605)	632,559
Weighted-average number of ordinary shares outstanding (in thousands)	69,271	69,197
Effect of dilutive potential ordinary shares:		
Stock options	-	5
Employees compensation	-	349
Restricted stock	-	57
Weighted-average shares of ordinary shares outstanding (in thousands) (including effect of dilutive potential ordinary shares)	69,271	69,608
Diluted earnings per share (in New Taiwan dollars)	<u>\$ (3.11)</u>	<u>9.09</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 1,846	5,178
Asia	3,431,562	6,208,294

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

United States	4,911	5,942
	<u>\$ 3,438,319</u>	<u>6,219,414</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

Major products/ services line:

Biometric authentication IC sensor and its application	\$ 3,433,295	6,208,620
Data security protection and its application	113	4,852
Engineering service revenue	<u>4,911</u>	<u>5,942</u>
	<u>\$ 3,438,319</u>	<u>6,219,414</u>

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (including related parties)	\$ 608,983	299,843	343,682
Less: Allowance for impairment	<u>-</u>	<u>-</u>	<u>(327)</u>
Total	<u>\$ 608,983</u>	<u>299,843</u>	<u>343,355</u>

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

(t) Remuneration to employees and directors

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

For the years ended December 31, 2021 and 2020, the Company accrued its remuneration to employees amounting to \$0 and \$40,140, respectively, and its remuneration to directors amounting to \$0 and \$8,028, respectively, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as operating expenses. The aforementioned accrued remunerations to employees and directors were same as the amounts approved by the Board of Directors. The related information would be available at the Market Observation Post System website.

(u) Non-operating income and loss

(i) Interest income

	2021	2020
Interest income from bank deposits	\$ 12,113	35,104
Interest income from other receivables	60	108
Others	<u>7,237</u>	<u>-</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

\$ 19,410 35,212

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(ii) Other income

	<u>2021</u>	<u>2020</u>
Rent income	\$ 1,785	499
Dividend income	-	24,399
Others	<u>7,767</u>	<u>6,244</u>
	<u>\$ 9,552</u>	<u>31,142</u>

(iii) Other gains and losses

	<u>2021</u>	<u>2020</u>
Losses on disposal of property, plant and equipment	\$ (959)	(4,315)
Gains on disposal of investments accounted for using equity method	97,365	19,468
Transaction costs of disposal of financial assets at fair value through other comprehensive income	(75,813)	-
Disposal gain of debt instruments at fair value through other comprehensive income	(385)	-
Foreign exchange gains (losses), net	(34,559)	(141,420)
Net gain (loss) on financial assets at fair value through profit or loss	4,651	(8,558)
Gain arising from lease modification	496	1,470
Others	<u>(9,373)</u>	<u>(4,004)</u>
	<u>\$ (18,577)</u>	<u>(137,359)</u>

(iv) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense on bank loans	\$ (12,154)	(20,434)
Lease liabilities	<u>(1,936)</u>	<u>(1,884)</u>
	<u>\$ (14,090)</u>	<u>(22,318)</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(v) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through profit or losses	\$ 1,381,604	13,045
— current and non-current		
Financial assets at fair value through other comprehensive income	<u>409,070</u>	<u>3,527,736</u>
Financial assets at amortized cost:		
Cash and cash equivalents	2,121,126	1,435,898
Accounts receivable, net	608,227	299,843
Accounts receivable from related parties	756	-
Other receivables from related parties	19,532	-
Other financial assets — current	724,722	144,036
Refundable deposits	<u>10,815</u>	<u>10,888</u>
Subtotal	<u>3,485,178</u>	<u>1,890,665</u>
Total	<u>\$ 5,275,852</u>	<u>5,431,446</u>

2) Financial liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities at amortized cost:		
Short-term borrowings	\$ 100,000	-
Notes and accounts payable	331,422	254,432
Other payables to related parties	4,364	6,074
Accrued expenses	417,422	402,836
Long-term debt (including current portion)	850,000	990,000
Lease liabilities — current and non-current	<u>105,540</u>	<u>143,427</u>
	<u>\$ 1,808,748</u>	<u>1,796,769</u>

(ii) Information on fair value

1) Financial instruments not measured at fair value

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

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

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

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).

	Carrying Amount	December 31, 2021			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss — current:					
Open-end mutual fund	\$ 763,422	763,422	-	-	763,422
Foreign unlisted common shares	34,826	-	-	34,826	34,826
Financial assets at fair value through profit or loss — non-current:					
Privately offered fund	35,818	-	-	35,818	35,818
Convertible bonds	450,038	-	-	450,038	450,038
Open-end mutual fund	97,500	97,500	-	-	97,500
Subtotal	583,356	97,500	-	485,856	583,356
Financial assets at fair value through other comprehensive income — non-current:					
Unlisted common shares	357,271	-	-	357,271	357,271
Foreign unsecured bank bonds	46,536	46,536	-	-	46,536
Foreign unsecured corporate bonds	5,263	5,263	-	-	5,263
	\$ 1,790,674	912,721	-	877,953	1,790,674

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

	December 31, 2020				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss — non-current:					
Privately offered fund	\$ 13,045	-	-	13,045	13,045
Financial assets at fair value through other comprehensive income — non-current:					
Domestic listed common shares	3,175,875	3,175,875	-	-	3,175,875
Unlisted common shares	382,085	-	-	382,085	382,085
	\$ 3,571,005	3,175,875	-	395,130	3,571,005

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.

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

4) Quantified information of significant unobservable inputs

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through other comprehensive income — equity investments without an active market	Comparable company valuation	Discount for lack of marketability (30%) Price-Book ratio (2.21~4.86 and 1.84~4.54 on December 31, 2021 and 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
Financial assets at fair value through profit or loss — debt investments without an active market	Discounted cash flow method/Option pricing model	Discount for lack of marketability (25% on December 31, 2021)	The estimated fair value would decrease if the discount for lack of marketability was higher

5) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is reasonable, but it may change if different valuation models or inputs are used. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income:

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

	Input	Change in assumptions	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2021						
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	-	-	3,573	(3,573)
Debt investments at fair value through profit or loss	Discount for lack of marketability	1%	4,500	(4,500)	-	-
December 31, 2020						
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	-	-	3,386	(3,386)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. If the fair value of a financial instrument is subject to more than one inputs, the analysis above reflects only the effects of changes in a single input and does not include the interrelationships with another input.

(iii) Transfer between fair value levels

There are no transfers between fair value levels for the years ended December 31, 2021 and 2020.

(iv) Movement in financial assets included Level 3 fair values hierarchy were as follows:

	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 and loss	10,528	-	(188)	-
Recognized in other comprehensive income	-	(77,944)	-	59,123
Additions	505,162	53,130	7,924	127,746
Disposals	(8,053)	-	-	-
Ending Balance	<u>\$ 520,682</u>	<u>357,271</u>	<u>13,045</u>	<u>382,085</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(w) Financial risk management

The Company is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Company has disclosed the information on exposure to the aforementioned risks and the Company's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's operations.

The Company's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, accounts receivable, and other financial assets. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

The Company has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. As of December 31, 2021 and 2020, 84% and 74%, respectively, of accounts receivable were concentrated on three customers, thus, credit risk is significantly centralized.

Please refer to note 6(d) for credit risk exposure of accounts receivable.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Company manages liquidity risk by monitoring the current and mid- to long-term cash demand regularly, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of loan agreements. As of December 31, 2021 and 2020, the Company had unused credit facilities of \$2,410,080 and \$4,174,480, respectively.

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

(Continued)

EGIS TECHNOLOGY INC.
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	Contractual cash flows	Within 1 year	1-5 years
December 31, 2021			
Short-term borrowings	\$ 100,072	100,072	-
Notes and accounts payable	331,422	331,422	-
Other payables to related parties	4,364	4,364	-
Accrued expenses	417,422	417,422	-
Long-term debt	875,554	48,753	826,801
Lease liabilities — current and non-current	107,858	30,524	77,334
	\$ 1,836,692	932,557	904,135
December 31, 2020			
Notes and accounts payable	254,432	254,432	-
Other payables to related parties	6,074	6,074	-
Accrued expenses	402,836	402,836	-
Long-term debt	1,043,403	15,247	1,028,156
Lease liabilities — current and non-current	148,361	41,426	106,935
	\$ 1,855,106	720,015	1,135,091

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

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

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

a) Exposure to foreign currency risk

The carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency, other than the functional currency, was as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 52,209	27.680	1,445,145	59,305	28.480	1,689,006
<u>Non-Monetary items</u>						
USD	46,873	27.680	1,297,445	8,934	28.480	254,440
<u>Financial liabilities</u>						
USD	20,506	27.680	567,606	16,544	28.480	471,173

b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of cash and cash equivalents, accounts receivables, notes and accounts payable and bank loans that are denominated in a currency other than the respective functional currencies of Company entities. As of December 31, 2021 and 2020, a 1% depreciation of the TWD against the USD would have increased the Company's income before tax for the years ended December 31, 2021 and 2020, by \$8,775, and \$12,178, respectively. This analysis assumes that all other variables remain constant and is performed on the same basis for the current and prior periods.

c) Gains or losses on monetary items

Information related to gains and losses (included unrealized and realized) is as follows:

	2021		2020	
	Foreign exchange gains (losses)	Average exchange rate	Foreign exchange gains (losses)	Average exchange rate
<u>Financial assets</u>				
USD:TWD	\$ (30,070)	27.998	(43,934)	29.533
<u>Financial liabilities</u>				
USD:TWD	(4,151)	27.998	(93,925)	29.533

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

2) Interest rate risk

The Company's bank borrowings carried floating interest rates. To manage the interest rate risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Company also strengthens the management of working capital to adjust the composition of working capital as well as the risk arising from fluctuation of interest rates.

If interest rates had been 100 basis points (1%) higher/lower, with all other variables held constant, the pre-tax income/loss for the years ended December 31, 2021 and 2020, would have been \$9,500 and 9,900, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

3) Other market price risk

The Company is exposed to equity price risk arising from the investment of open-end mutual funds. The Company supervises the equity price risk actively and manages the risk based on the fair value. The Company also has strategic investments in privately held stocks and convertible bonds, which the Company does not actively participate in trading.

Assuming a hypothetical increase or decrease of 5% in prices of the investments which accounted for financial assets at fair value through other comprehensive income at each reporting date, other comprehensive income for the years ended December 31, 2021 and 2020, would have increased or decreased by \$20,454 and \$177,898, respectively.

Assuming a hypothetical increase or decrease of 5% in prices of the investments which accounted for financial assets at fair value through profit or loss at each reporting date, net income before tax for the years ended December 31, 2021 and 2020, would have increased or decreased by \$69,080 and \$652, respectively.

(x) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

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

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

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

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

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes Additions to lease liabilities</u>	<u>December 31, 2021</u>
Long-term debt (including current portion)	\$ 990,000	(140,000)	-	850,000
Short-term borrowings	-	100,000	-	100,000
Lease liabilities	143,427	(39,619)	1,732	105,540
Total amount of liabilities from financing activities	<u>\$ 1,133,427</u>	<u>(79,619)</u>	<u>1,732</u>	<u>1,055,540</u>

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes Additions to lease liabilities</u>	<u>December 31, 2020</u>
Long-term debt	\$ -	990,000	-	990,000
Short-term borrowings	1,193,486	(1,193,486)	-	-
Lease liabilities	92,076	(28,868)	80,219	143,427
Total amount of liabilities from financing activities	<u>\$ 1,285,562</u>	<u>(232,354)</u>	<u>80,219</u>	<u>1,133,427</u>

7. Related-party transactions

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Egis Technology (Japan) Inc.	The Company's subsidiary
Egis Technology Korea Inc.	The Company's subsidiary
Igistec Co., Ltd.	The Company's subsidiary
Luxsentek Microelectronics Corp.	The Company's subsidiary
Sirius Wireless Pte. Ltd	Associates

(b) Significant transactions with related parties

(i) Revenue

The Company sales product to the subsidiary - Luxsentek Microelectronics Corp. by NT\$1,734.

(Continued)

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There were no significant differences between the sales prices for related parties and those for third-party customers, with the payment terms of 45 days.

- (ii) Research and development expenses

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The Company has authorized its related parties to assist and develop its optical fingerprint sensor technology. The operating of expenses related to the R&D services were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries:		
Egis Technology (Japan) Inc.	\$ 13,691	4,443
Egis Technology Korea Inc.	37,831	52,619
Igistec Co., Ltd.	-	7,500
	<u>\$ 51,522</u>	<u>64,562</u>

(iii) Financing provided to related parties

The Company's loan to the subsidiary – Igistec Co. Ltd., has an interest rate of 1% starting from second quarter in 2021. As of December 31, 2021, loan receivable was fully collected, with the related interest income amounting to \$60.

The Company's loan to its associate – Sirius Wireless Pte. Ltd., has an interest rate ranging from 1.050% to 2.537% in 2020. As of December 31, 2020, loan receivable was fully collected, with the related interest income amounting to \$108.

(iv) Property transactions

In 2021, the subsidiaries sold patents and other equipments to the Company. The total disposal price was \$10,990 and the related payables were recorded as other payables to related parties.

(v) Service Income

The service income related to the management consulting and system maintenance service provided to subsidiaries was \$3,950 and \$0, respectively, and was included in other income. The related receivables were recorded as other receivables from related parties.

(vi) Receivables

The receivables from related parties due to the abovementioned transaction were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	Subsidiaries	\$ 756	-
Other receivables	Subsidiaries	19,532	-
		<u>\$ 20,288</u>	<u>-</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(vii) Payables

The payables to related parties due to the abovementioned transaction were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables	Subsidiaries	<u>\$ 4,364</u>	<u>6,074</u>

(c) Compensation for key management personnel

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 155,104	103,791
Post-employment benefits	1,017	1,025
Share-based payments	-	20,241
	<u>\$ 156,121</u>	<u>125,057</u>

Refer to note 6(q) for information on share-based payment.

8. Pledged assets

<u>Assets</u>	<u>Pledged to secure</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other financial assets-current (time deposits)	Performance guarantee	<u>\$ -</u>	<u>596</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.
- (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 on December 4, 2020 and engaged attorney to take further action. The final

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

result remains unknown and the management predicts no immediate material negative effect on the Group's operating and finance activities.

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

- (d) Shenzhen Goodix Technology Co., Ltd. (Goodix) has filed a patent infringement complaint with the Fuzhou Intermediate People's Court against the Company in March 2021, wherein it requested the Company to pay the compensation amounting to CNY 50,500 thousand for the damage. The Company received the complaint in June 10, 2021 and engaged attorney to take further action. The final result remains unknown and the management predicts no immediate material negative effect on the Company's operating and finance activities.

10. Significant loss from casualty: None.

11. Significant subsequent events

As described in note 6(g) to the consolidated financial statements, on January 11, 2022, the Company acquired 8,000 thousand shares of iCatch Technology Inc. at a price of \$ 537,600 through public tender offer. As of January 11, 2022, the Company obtained 21.3% of iCatch Technology Inc.'s ownership.

12. Others

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

By item	By function	2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:							
Salaries		-	686,394	686,394	-	767,765	767,765
Labor and health insurance		-	38,437	38,437	-	39,053	39,053
Pension		-	27,154	27,154	-	24,013	24,013
Remuneration to directors		-	26,586	26,586	-	8,348	8,348
Other employees' benefits		-	33,211	33,211	-	32,614	32,614
Depreciation		1,622	90,142	91,764	2,773	67,612	70,385
Amortization		-	27,989	27,989	-	34,717	34,717

Additional information related to the number of employees and employee benefits of 2021 and 2020, were as follows:

	2021	2020
The number of employees	<u>410</u>	<u>483</u>
The number of non-employee directors	<u>5</u>	<u>5</u>
Average employee benefits	<u>\$ 1,939</u>	<u>1,806</u>
Average employee salaries	<u>\$ 1,695</u>	<u>1,606</u>
Average employee salaries increased (decreased) by	<u>5.54%</u>	<u>(21.89)%</u>
Supervisors' remuneration	<u>\$ -</u>	<u>-</u>

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

The Company's salary and remuneration policy, including directors, managers, and employees, is as follows:

(a) Directors

- (i) According to the Company's Article of Incorporation, the Board is authorized to determine the remuneration to directors based on the assessment from the Remuneration Committee, taking into account the extent and value of the services provided for the management of the Company and the standard level of remuneration in the same industry.
- (ii) The remuneration policy for directors and independent directors may differ depending on the specific consideration.
- (iii) Pursuant to the Company's Article of Incorporation rule No. 24, the Company shall distribute no more than 1% of its profits in the current period as remuneration to its directors.

(b) Managers

- (i) The remuneration policy for managers is decided which takes into consideration their job responsibility, the future trend of the industry, overall operating performance of the Company, personal KPI and contribution to the Company's operating performance achievement rate.

Furthermore, the pay level in the same peer industry and future operating risks of the Company will also be taken into consideration to prepare a payment scheme which will be assessed by the Remuneration Committee and approved by the Board of Directors.

- (ii) Pursuant to the Company's Article of Incorporation rule No. 24, the Company shall distribute no less than 5% of its profits in the current period as remuneration to its managers and employees.

(c) Employees

- (i) The Company provides the remuneration to employees above the industry average standard in order to recruit and retain talented employees with excellent performance. In order to remain competitive in the market, the Company adjust its employees' salary and promotion process based on different indicators such as external salary research, changes in the future trend of the industry, and Company's operating performance.
- (ii) Pursuant to the Company's Article of Incorporation rule No. 24, the Company shall distribute no less than 5% of its profits in the current period as remuneration to its managers and employees.

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

13. Additional disclosures

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 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	-	-	1%	2	-	Operating Requirements	-		-	103,908	207,815

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	745,886	114,140 (USD 4,000)	110,720	-	-	1.75%	3,160,208 (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.

(Continued)

EGIS TECHNOLOGY INC.
Notes to the 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	131	858	1.86%	858	
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	258,717	19.28%	258,717	
The Company	MEMS DRIVE INC.	-	Financial assets at fair value through other comprehensive income	188	33,349	2.87%	33,349	
The Company	ION ELECTRONIC MATERIALS CO.,LTD	-	Financial assets at fair value through other comprehensive income	1,000	33,432	6.06%	33,432	
The Company	Astrogate Inc.	-	Financial assets at fair value through other comprehensive income	1,000	5,910	16.67%	5,910	
The Company	MP High Tech Solutions Pty Ltd	-	Financial assets at fair value through other comprehensive income	1,011	25,005	4.24%	25,005	
The Company	Bank of America Corporation USD Senior Unsecured	-	Financial assets at fair value through other comprehensive income	-	46,536	-	46,536	
The Company	SOFTBK 4 07/06/26(XS2361252971)	-	Financial assets at fair value through other comprehensive income	-	5,263	-	5,263	
The Company	Vertex Growth (SG) LP	-	Financial assets at fair value through profit or loss – non-current	-	30,452	-	30,452	
The Company	Vertex Venture (SG) SEA IV LP	-	Financial assets at fair value through profit or loss – non-current	-	5,366	-	5,366	
The Company	Shin Kong No.1 REIT	-	Financial assets at fair value through profit or loss – non-current	-	97,500	-	97,500	
The Company	Sirus Wireless Pte. Ltd	-	Financial assets at fair value through profit or loss – current	10,020	34,826	10.01%	34,826	
The Company	M&G (Lux) Investment Funds 1 – M&G (Lux) Optimal Income Fund USD A-H M Dis	-	Financial assets at fair value through profit or loss – current	-	98,370	-	98,370	
The Company	Allianz Global Investors US Short Duration High Income Bond Fund B TWD	-	Financial assets at fair value through profit or loss – current	-	97,032	-	97,032	
The Company	KGI Global ESG Sustainable High Yield Bond Fund	-	Financial assets at fair value through profit or loss – current	-	97,183	-	97,183	
The Company	JPMorgan Funds – Income Fund – JPM Income A (acc) – USD	-	Financial assets at fair value through profit or loss – current	-	98,772	-	98,772	
The Company	PineBridge Preferred Securities Income Fund A TWD	-	Financial assets at fair value through profit or loss – current	-	100,267	-	100,267	
The Company	Nomura Fallen Angel High Yield Bond Fund	-	Financial assets at fair value through profit or loss – current	-	100,308	-	100,308	

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

The Company	BlackRock Global Funds - Global High Yield Bond Fund	-	Financial assets at fair value through profit or loss – current	-	49,545	-	49,545
The Company	Cathay US Asset Income Fund	-	Financial assets at fair value through profit or loss – current	-	107,714	-	107,714
The Company	Cathay Real Estate Income Fund	-	Financial assets at fair value through profit or loss – current	-	14,231	-	14,231
The Company	SCT Holdings Ltd. Convertible Bonds	-	Financial assets at fair value through profit or loss – non-current	-	281,525	-	281,525
The Company	Netlink Communication Inc. Convertible Bonds	-	Financial assets at fair value through profit or loss – non-current	-	140,763	-	140,763
The Company	Gear Radio Limited Convertible Bonds	-	Financial assets at fair value through profit or loss – non-current	-	27,750	-	27,750

(Continued)

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares/Units (in thousands)	Amount	Shares/Units (in thousands)	Amount	Shares/Units (in thousands)	Amount	Carrying Value	Gain(Loss) on Disposal	Shares/Units (in thousands)	Amount
The Company	Common Shares- FocalTech Systems Co., Ltd.	Financial assets at fair value through other comprehensive income – non-current			33,967	3,175,875	-	-	33,967	6,759,348	1,408,124	5,351,224	-	-
Sense Investment and Consulting Inc.	Common Shares- FocalTech Systems Co., Ltd.	Financial assets at fair value through other comprehensive income – non-current			35	3,273	-	-	35	7,106	1,460	5,646	-	-
The Company	Alcor Micro Corp.	Investments accounted for using equity method			-	-	20,000	794,600	-	-	-	-	20,000	792,578
The Company	iCatch Technology Inc.	Investments accounted for using equity method			-	-	10,000	652,000	-	-	-	-	10,000	652,000

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

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

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

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

(ix) Information about derivative instrument transactions: None.

(b) Information on investees:

Names, locations, and related information of investees over which the Company exercises significant influence for the year ended December 31, 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 December 31, 2021			Net Income (Losses) of the Investee	Share of Profit / (Losses) of Investee	Note
				December 31, 2021	December 31, 2020	Shares (in thousands)	Percentage of Ownership	Carrying Value			
The Company	Egis Technology (Japan) Inc.	Japan	Customer service, business promotion and technical service	109,279	109,279	7,680	100.00%	395	700	700	Parent/subsidiary
The Company	Egis Technology Korea Inc.	Korea	Customer service, business promotion and technical service	18,233	18,233	20	100.00%	24,671	273	273	Parent/subsidiary
The Company	Igistec Co., Ltd.	Taiwan	Technology development	59,497	59,497	16,527	74.69%	9,711	(1,977)	(1,477)	Parent/subsidiary
The Company	Sirius Wireless Pte. Ltd.	Singapore	Technology development	-	61,760	-	-	-	(3,073)	(1,639)	Former associate
The Company	Sense Investment and Consulting Inc.	Taiwan	Investment and holding	1,880	1,880	167	100.00%	6,589	2	2	Parent/subsidiary
The Company	Vitrio Technology Corporation	Taiwan	Technology development	4,970	4,970	142	50.00%	-	(3,341)	(2,086)	Joint venture
The Company	Luxsentek Microelectronics Corp.	Taiwan	Technology development	140,000	45,000	14,000	86.93%	69,137	(72,123)	(60,079)	Parent/subsidiary
The Company	Alcor Micro, Corp.	Taiwan	Technology development	794,600	-	20,000	22.21%	792,578	240,131	2,383	Associate
The Company	iCatch Technology Inc.	Taiwan	Technology development	652,000	-	10,000	11.83%	652,000	137,496	-	Associate

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Main	Total	Accumulated outflow of Investment flows	Accumulated outflow of	Net income	% of Ownership	Carrying	Accumulated Inward
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EGIS TECHNOLOGY INC.
Notes to the Financial Statements

Name of investee	businesses and products	amount of paid-in capital	Method of investment	investment from Taiwan as of January 1, 2021	Outflow	Inflow	investment from Taiwan as of December 31, 2021	(losses) of the investee	of Direct or Indirect Investment	Investment income (losses)	Value as of December 31, 2021 (Note 2)	Remittance of Earnings as of December 31, 2021 (Note 2)
Egis Intelligent (Shanghai) Co., Ltd	Customer service, business promotion and technical service	55,521	(Note 1)	-	55,570	-	55,570	(1,354)	100.00%	(1,354)	54,673	-

Note 1: Direct investment in Mainland China.

Note 2: The above amount has been eliminated when preparing the consolidated financial statements.

EGIS TECHNOLOGY INC.
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

(In Thousands of New Taiwan Dollars and US Dollars)

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
55,360 (USD2,000)	55,360 (USD2,000)	3,792,249

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$27.68.

(iii) Significant transactions:

The transactions between the Company and its investee companies in Mainland China have been eliminated when preparing the consolidated financial statements. Please refer to section "Information on Significant Transactions" for detail description.

(d) Information on major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sen-Chou Lo		3,546,262	5.11%

14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2021 for disclosure of segment information.

Egis Technology Inc.
Statement of Cash and Cash Equivalents
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash on hand	including New Taiwan Dollars and Chinese Yuan, etc.	\$ 731
Bank deposits	including US\$11,157 thousands, CNY\$4,949 thousands and NT\$80,961 thousands	411,275
Time deposits	including US\$9,000 thousands and NT\$1,260,000 thousands	1,509,120
Repurchase agreements - bond	including US\$200,000 thousands	200,000
		<u>\$ 2,121,126</u>

Note : Foreign currency deposits were translated at the spot exchange rate on December 31, 2021 as follows:

<u>Foreign Currency</u>	<u>Exchange rate</u>
USD	27.680
CNY	4.344

(Continued)

Egis Technology Inc.
Statement of Financial Assets at Fair Value through
profit or loss – Current
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Name of Financial Instrument	Description	Thousand shares or Thousand units	Acquisition Cost	Fair Value	
				Unit Price (In Dollars)	Total Amount
Sirius Wireless Pte. Ltd.	Foreign unlisted common shares	10,020	\$ 42,602	-	34,826
M&G (Lux) Investment Funds 1 – M&G (Lux)	Open-end mutual fund	332	100,000	296.43	98,370
Optimal Income Fund USD A-H M Dis					
Allianz Global Investors US Short Duration High Income Bond Fund B TWD	Open-end mutual fund	10,103	100,000	9.61	97,032
KGI Global ESG Sustainable High Yield Bond Fund	Open-end mutual fund	9,439	100,000	10.30	97,183
JPMorgan Funds – Income Fund – JPM Income A (acc) – USD	Open-end mutual fund	27	100,000	3,695	98,772
PineBridge Preferred Securities Income Fund A TWD	Open-end mutual fund	8,905	100,000	11.28	100,267
Nomura Fallen Angel High Yield Bond Fund	Open-end mutual fund	9,897	100,000	10.13	100,308
BlackRock Global Funds - Global High Yield Bond Fund	Open-end mutual fund	61	50,000	815.18	49,545
Cathay US Asset Income Fund	Open-end mutual fund	9,407	100,000	11.48	107,714
Cathay Real Estate Income Fund	Open-end mutual fund	45	13,918	320.29	<u>14,231</u>
					<u>\$ 798,248</u>

(Continued)

Egis Technology Inc.
Statement of Accounts Receivable
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Amount</u>
Client A	\$ 225,394
Client B	185,637
Client C	98,199
Client D	86,739
Others (the amount of individual client does not exceed 5% of the account balance.)	<u>12,258</u>
	<u><u>\$ 608,227</u></u>

Statement of Inventories

<u>Item</u>	<u>Description</u>	<u>Amount</u>	
		<u>Carrying Value (Note)</u>	<u>Net realizable value</u>
Raw materials	Wafer and optical lens	\$ 117,069	117,069
Work in process	Wafer testing and IC packaging	489,615	959,012
Total		<u><u>\$ 606,684</u></u>	<u><u>1,076,081</u></u>

Note : Provision of inventory obsolescence has been deducted.

(Continued)

Egis Technology Inc.
Statement of prepayments and Other Current
Assets
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Prepaid expenses		\$ 63,819	
Prepayment for purchase		46,665	
Tax refund receivables		28,742	
Others		2,239	
		<u>\$ 141,465</u>	

Statement of Other Financial Assets – Current

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Time deposits		\$ 676,800	
Other receivables		47,922	
		<u>\$ 724,722</u>	

(Continued)

Egis Technology Inc.
Statement of Changes in Financial Assets at Fair Value through profit or loss—Non-current
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Name	Beginning balance		Addition		Decrease		Unrealized Gain (Loss)	Ending balance		Collatera l
	Thousan d shares/ Thousan d units	Amount	Thousand shares/ Thousand units	Amount	Thousand shares/ Thousand units	Amount		Thousand shares/ Thousand units	Amount	
Vertex Growth (SG) LP	-	\$ 11,389	-	9,676	-	(986)	10,373	-	30,452	Nil
Vertex Venture (SG) SEA IV LP	-	1,656	-	2,847	-	-	863	-	5,366	Nil
Shin Kong No.1 REIT	-	-	5,000	96,500	-	-	1,000	5,000	97,500	Nil
SCT Holdings Ltd. Convertible Bonds	-	-	-	281,525	-	-	-	-	281,525	Nil
Netlink Communication Inc. Convertible Bonds	-	-	-	140,763	-	-	-	-	140,763	Nil
Gear Radio Limited Convertible Bonds	-	-	-	27,750	-	-	-	-	27,750	Nil
		<u>\$ 13,045</u>		<u>559,061</u>		<u>(986)</u>	<u>12,236</u>		<u>583,356</u>	Nil

(Continued)

Egis Technology Inc.
Statements of Changes in Financial Assets at Fair Value through Other Comprehensive Income—Non-current
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Name	Beginning balance		Addition		Decrease		Other	Ending balance		
	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Adjustments (Note)	Shares (Thousand)	Amount	Collateral
Gingy Technology Inc.	314	\$ 3,988	-	-	(183)	-	(3,130)	131	858	Nil
Integrated Digital Technologies, Inc.	4,000	-	-	-	-	-	-	4,000	-	Nil
AIS Storm, Inc.	4,927	325,651	126	-	-	-	(66,934)	5,053	258,717	Nil
MEMS DRIVE INC.	188	44,182	-	-	-	-	(10,833)	188	33,349	Nil
FocalTech Systems Co., Ltd.	33,967	3,175,875	-	-	(33,967)	(6,759,348)	3,583,473	-	-	Nil
ION ELECTRONIC MATERIALS CO.,LTD	1,000	8,264	-	-	-	-	25,168	1,000	33,432	Nil
Astrogate Inc.	-	-	1,000	25,000	-	-	(19,090)	1,000	5,910	Nil
MP High Tech Solutions Pty Ltd.	-	-	1,011	28,130	-	-	(3,125)	1,011	25,005	Nil
Bank of America Corporation USD Senior Unsecured	-	-	-	49,537	-	-	(3,001)	-	46,536	Nil
PEMEX 6.5 03/13/27	-	-	-	47,884	-	(47,884)	-	-	-	Nil
SOFTBK 4 07/06/26 (XS2361252971)	-	-	-	5,598	-	-	(335)	-	5,263	Nil
		\$ 3,557,960		156,149		(6,807,232)	3,502,193		409,070	

Note: Other adjustments include valuation gains or losses, etc.

(Continued)

Egis Technology Inc.
Statement of Changes in Investments Accounted for Using Equity Method
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Name of investees	Beginning balance		Addition		Decrease		Investment	Other	Ending balance			Market value or Net equity value		
	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	income (loss)	adjustments (Note)	Shares (Thousand)	%	Amount	Unit price (in Dollars)	Total amount	Collateral
	Egis Technology (Japan) Inc.	7,680	\$ (239)	-	-	-	-	700	(66)	7,680	100%	395	-	395
Egis Technology Korea Inc.	20	27,626	-	-	-	-	273	(3,228)	20	100.00%	24,671	-	24,671	Nil
Igistec Co., Ltd.	16,527	21,885	-	-	-	-	(12,174)	-	16,527	74.69%	9,711	-	9,711	Nil
Sirius Wireless Pte. Ltd.	40,080	43,948	-	-	(40,080)	(42,300)	(1,639)	(9)	-	- %	-	-	-	Nil
Sense Investment and Consulting Inc.	167	3,423	-	-	-	-	2	3,164	167	100.00%	6,589	-	6,589	Nil
Vitrio Technology Corporation	142	2,086	-	-	-	-	(2,086)	-	142	50.00%	-	-	-	Nil
Luxsentek Microelectronics Corp.	4,500	38,599	9,500	95,000	-	-	(60,079)	(4,383)	14,000	86.93%	69,137	-	69,137	Nil
Egis Intelligent (Shanghai) Co., Ltd	-	-	-	56,000	-	-	(1,354)	27	-	100.00%	54,673	-	54,673	Nil
Alcor Micro, Corp.	-	-	20,000	794,600	-	-	2,383	(4,405)	20,000	22.21%	792,578	60.40	1,208,000	Nil
iCatch Technology Inc.	-	-	10,000	652,000	-	-	-	-	10,000	11.83%	652,000	86.66	866,600	Nil
		<u>\$ 137,328</u>		<u>1,597,600</u>		<u>(42,300)</u>	<u>(73,974)</u>	<u>(8,900)</u>			<u>1,609,754</u>		<u>2,239,776</u>	

Note: Other adjustments include:

Foreign currency translation differences	\$ (3,468)
Unrealized gain (loss) from investments in equity instruments measured at FVOCI	4,161
Changes in equity of associates (retained earnings)	(5,210)
Changes in ownership interests in subsidiaries	(4,383)
	<u>\$ (8,900)</u>

(Continued)

Egis Technology Inc.
Statement of Notes and Accounts Payable
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Vendor name</u>	<u>Amount</u>
Vendor A	\$ 130,103
Vendor B	88,214
Vendor C	71,659
Others (the amount of individual vendor does not exceed 5% of the account balance)	<u>41,446</u>
	<u>\$ 331,422</u>

(Continued)

Egis Technology Inc.
Statement of long-term debt
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Loan</u>	<u>Contract</u>	<u>Interest rates</u>	<u>Collateral</u>
Chang Hwa Bank	4 years loan	\$ 200,000	2021.04~ 2025.04		Nil
Entie Bank	3 years loan	200,000	2021.04~ 2024.04		Nil
DBS Bank	2 years loan	300,000	2021.04~ 2023.04		Nil
HSBC Bank	3 years loan	150,000	2021.04~ 2024.04		Nil
Less: Current portion of long-term debt		<u>(37,500)</u>			
		<u>\$ 812,500</u>		1.05%~1.54%	

(Continued)

Egis Technology Inc.
Statement of Accrued Expenses and Other Current
Liabilities
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Accrued salaries and bonus	\$ 180,441
Accrued software royalties	77,723
Accrued research and testing expenses	40,210
Accrued product design and development expenses	60,669
Others (the amount of each item does not exceed 5% of the account balance)	<u>70,722</u>
	<u>\$ 429,765</u>

Statement of Revenue
For the year ended December 31, 2021

<u>Item</u>	<u>Amount</u>
Products :	
Biometric authentication IC sensor and its application	\$ 3,433,295
Data security and its application	113
Engineering service revenue	<u>4,911</u>
	<u>\$ 3,438,319</u>

(Continued)

Egis Technology Inc.
Statement of Cost of Revenue
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Raw materials, beginning of year	\$ 255,309
Add: Purchase of raw materials	1,846,999
Less: Transferred to R&D expenses	1,818
Cost of sales on raw materials	532,744
Raw materials, end of year	295,711
Loss on scrap of raw materials	<u>26,986</u>
Raw materials used	1,245,049
Manufacturing overhead and outsourced cost	<u>273,843</u>
Manufacturing cost	1,518,892
Add: Work in process, beginning of year	512,758
Less: Transferred to R&D expenses	1,058
Cost of sales on work in process	1,030,609
Loss on scrap of work in process	2,479
Work in process, end of year	<u>676,222</u>
Cost of goods manufactured	321,282
Add: Finished goods, beginning of year	23,204
Less: Transferred to R&D expenses	426
Loss on scrap of finished goods	277
Finished goods, end of year	<u>3,869</u>
Cost of sales	339,914
Cost of sales on raw materials and work in process	1,563,353
Reversal of write-down of inventories	(38,627)
Loss on scrap of inventories	29,742
Others	<u>178,578</u>
Cost of revenue	<u><u>\$ 2,072,960</u></u>

(Continued)

Egis Technology Inc.
Statement of Operating Expenses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Wages and salaries	\$ 43,597	181,320	488,063
Pension	975	3,200	22,979
Depreciation	1,630	26,976	61,536
Amortization	215	2,143	25,631
Professional service fee	17	21,319	40,882
Commission expense	57,689	-	-
Technical service fee	-	-	204,196
Research and experimental cost	-	-	198,156
Information service fee	129	36,406	38,363
Others (the amount of each item does not exceed 5% of the account balance)	17,671	48,475	63,019
	<u>\$ 121,923</u>	<u>319,839</u>	<u>1,142,825</u>

For details on statement of changes in property, plant and equipment, please refer to note 6(h).

For details on statement of changes in right-of-use assets, please refer to note 6(i).

For details on statement of changes in intangible assets, please refer to note 6(j).

For details on statement of deferred income tax assets, please refer to note 6(o).

For details on statement of other income, please refer to note 6(u).

For details on statement of other gains and losses, please refer to note 6(u).

For details on statement of finance costs, please refer to note 6(u).