

EGIS TECHNOLOGY INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Six Months Ended June 30, 2022 and 2021**

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

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Independent Auditors' Review Report

To the Board of Directors of Egis Technology Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Egis Technology Inc. and its subsidiaries as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months then ended as well as the changes in equity and cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As described in Note 6(g) to the consolidated financial statements, the investments accounted for using the equity method amounting to \$370,093 thousand as of June 30, 2022, and the share of profits (losses) of associates and joint ventures each amounting to \$(1,023) thousand for both three months and six months ended June 30, 2022, were based on the unreviewed financial statements of the investee companies.

Qualified Conclusion

Based on our reviews and the review reports of other auditors (please refer to Other Matter section), except for the adjustment, if any, as might have been determined to be necessary had the financial statements of certain non-significant equity-method investments described in the Basis for Qualified Conclusion paragraph been reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Egis Technology Inc. and its subsidiaries as of June 30, 2022 and 2021, and of their consolidated financial performance for the three months and six months then ended as well as their consolidated cash flows for the six months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of certain investments accounted for using the equity method of Egis Technology Inc. and its subsidiaries. Those financial statements were reviewed by other auditors, whose review reports have been furnished to us, and our conclusion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements relative to these investments, is based solely on the reports of other auditors. The financial statements of these investments reflect the total investments accounted for using the equity method amounting to \$1,913,489 thousand, constituting 22.75% of the consolidated total assets as of June 30, 2022, and the total share of profits (losses) of associates and joint ventures amounting to \$4,256 thousand and \$(6,971) thousand, constituting the absolute percentages of 2.15% and 3.42% of the consolidated net income (loss) before tax for the three months and six months ended June 30, 2022, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
August 10, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2022 and 2021

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31 and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2022		December 31, 2021		June 30, 2021				June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (notes 6(a) and 8)	\$ 1,069,205	13	2,325,144	26	5,902,243	61	2100	Short-term borrowings (notes 6(l)(z))	\$ 460,000	6	100,000	1	100,000	1
1110	Financial assets at fair value through profit or loss—current (notes 6(b) and 13)	609,770	7	798,248	9	634,903	6	2170	Notes and accounts payable	179,183	2	331,422	4	171,423	2
1170	Accounts receivable, net (notes 6(d)(s))	317,453	4	608,734	7	279,508	3	2216	Cash dividends payable (note 6(q))	692,718	8	-	-	-	-
1210	Other receivables from related parties (note 7)	33,000	-	-	-	-	-	2322	Current portion of long-term debt (note 6(m))	393,333	5	37,500	-	-	-
130X	Inventories (note 6(e))	826,257	10	606,684	7	473,748	5	2230	Current tax liabilities	127,158	2	603,949	7	647,007	7
1410	Prepaid expenses and other current assets	139,926	2	143,961	2	119,658	1	2280	Current lease liabilities (notes (n)(z))	40,250	-	33,951	-	41,694	1
1476	Other financial assets—current (note 6(f))	11,335	-	725,452	8	1,369,945	14	2365	Refund liabilities—current	63,449	1	75,139	1	22,546	-
	Total current assets	<u>3,006,946</u>	<u>36</u>	<u>5,208,223</u>	<u>59</u>	<u>8,780,005</u>	<u>90</u>	2399	Accrued expenses and other current liabilities (note 6(w))	385,390	5	464,850	6	323,387	3
Non-current assets:															
1510	Non-current financial assets at fair value through profit or loss (notes 6(b) and 13)	838,597	10	583,356	7	23,146	-	2540	Total current liabilities	<u>2,341,481</u>	<u>29</u>	<u>1,646,811</u>	<u>19</u>	<u>1,306,057</u>	<u>14</u>
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c), 8 and 13)	1,594,190	19	409,070	5	443,848	5	2570	Non-current liabilities:						
1550	Investments accounted for using equity method (notes 6(g) and 13)	2,283,582	27	1,444,578	16	-	-	2580	Long-term debt (notes 6(m)(z))	1,208,333	14	812,500	9	850,000	9
1600	Property, plant and equipment (note 6(i))	81,565	1	94,724	1	107,025	1	2570	Deferred income tax liabilities	1,995	-	1,995	-	-	-
1755	Right-of-use assets (note 6(j))	138,349	2	110,902	1	125,583	1	2580	Non-current lease liabilities (notes 6(n)(z))	104,924	1	85,738	1	91,486	1
1780	Intangible assets (note 6(k))	189,746	2	194,247	2	182,914	2		Total non-current liabilities	<u>1,315,252</u>	<u>15</u>	<u>900,233</u>	<u>10</u>	<u>941,486</u>	<u>10</u>
1840	Deferred income tax assets	146,444	2	146,444	2	94,218	1		Total liabilities	<u>3,656,733</u>	<u>44</u>	<u>2,547,044</u>	<u>29</u>	<u>2,247,543</u>	<u>24</u>
1915	Prepayments for equipment	3,995	-	2,623	-	6,885	-	Equity (notes 6(q)(r)):							
1920	Refundable deposits	12,695	-	13,027	-	12,571	-	3110	Common stock	692,718	8	692,718	8	707,758	7
1960	Prepayments for investments (note 6(h))	114,011	1	672,000	7	-	-	3200	Capital surplus	970,697	11	968,659	11	989,391	10
1980	Other financial assets—non-current (note 8)	393	-	400	-	424	-		Retained earnings:						
	Total non-current assets	<u>5,403,567</u>	<u>64</u>	<u>3,671,371</u>	<u>41</u>	<u>996,614</u>	<u>10</u>	3310	Legal reserve	725,338	9	284,300	3	224,069	2
								3320	Special reserve	75,368	1	-	-	81,463	1
								3350	Unappropriated earnings	2,913,252	35	4,450,106	50	5,638,334	58
									Other equity interest:						
								3411	Exchange differences on translation of foreign financial statements	2,338	-	(594)	-	1,132	-
								3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(633,303)	(8)	(74,774)	(1)	17,770	-
								3500	Treasury stock	-	-	-	-	(149,900)	(2)
									Equity attributable to shareholders of the Company	<u>4,746,408</u>	<u>56</u>	<u>6,320,415</u>	<u>71</u>	<u>7,510,017</u>	<u>76</u>
								36XX	Non-controlling interests	7,372	-	12,135	-	19,059	-
									Total equity	<u>4,753,780</u>	<u>56</u>	<u>6,332,550</u>	<u>71</u>	<u>7,529,076</u>	<u>76</u>
									Total liabilities and equity	<u>\$ 8,410,513</u>	<u>100</u>	<u>8,879,594</u>	<u>100</u>	<u>9,776,619</u>	<u>100</u>
	Total assets	<u>\$ 8,410,513</u>	<u>100</u>	<u>8,879,594</u>	<u>100</u>	<u>9,776,619</u>	<u>100</u>								

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2022 and 2021

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

	For the three months ended June 30				For the six months ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Revenue (note 6(t))	\$ 731,133	100	732,639	100	\$ 1,648,253	100	1,816,255	100
5000 Costs of revenue (notes 6(e)(i) and 12)	(492,711)	(67)	(448,016)	(61)	(1,040,511)	(63)	(1,104,454)	(61)
Gross profit	<u>238,422</u>	<u>33</u>	<u>284,623</u>	<u>39</u>	<u>607,742</u>	<u>37</u>	<u>711,801</u>	<u>39</u>
Operating expenses (notes 6(d)(i)(j)(k)(n)(o)(r)(u), 7 and 12):								
6100 Selling expenses	(29,662)	(4)	(31,533)	(4)	(57,157)	(4)	(63,803)	(4)
6200 Administrative expenses	(105,353)	(15)	(106,631)	(15)	(169,884)	(10)	(167,789)	(9)
6300 Research and development expenses	(317,184)	(43)	(285,059)	(39)	(646,416)	(39)	(631,503)	(34)
Total operating expenses	<u>(452,199)</u>	<u>(62)</u>	<u>(423,223)</u>	<u>(58)</u>	<u>(873,457)</u>	<u>(53)</u>	<u>(863,095)</u>	<u>(47)</u>
Operating loss	<u>(213,777)</u>	<u>(29)</u>	<u>(138,600)</u>	<u>(19)</u>	<u>(265,715)</u>	<u>(16)</u>	<u>(151,294)</u>	<u>(8)</u>
Non-operating income and loss:								
7100 Interest income (notes 6(v) and 7)	6,344	-	4,712	-	12,615	1	5,580	-
7010 Other income (note 6(v))	3,212	-	2,154	-	4,646	-	3,977	-
7020 Other gains and losses, net (note 6(v))	9,622	2	(110,510)	(15)	62,357	4	(16,793)	(1)
7050 Finance costs (notes 6(n)(v))	(6,168)	-	(3,596)	-	(9,552)	(1)	(7,990)	-
7060 Share of profits (losses) of associates and joint ventures accounted for using equity method (notes 6(g) and 13)	3,233	-	(1,164)	-	(7,994)	-	(3,725)	-
Total non-operating income and loss	<u>16,243</u>	<u>2</u>	<u>(108,404)</u>	<u>(15)</u>	<u>62,072</u>	<u>4</u>	<u>(18,951)</u>	<u>(1)</u>
Net loss before tax	<u>(197,534)</u>	<u>(27)</u>	<u>(247,004)</u>	<u>(34)</u>	<u>(203,643)</u>	<u>(12)</u>	<u>(170,245)</u>	<u>(9)</u>
7950 Income tax benefit (expenses) (note 6(p))	(128,958)	(18)	51,801	7	(128,165)	(8)	36,266	2
Net loss	<u>(326,492)</u>	<u>(45)</u>	<u>(195,203)</u>	<u>(27)</u>	<u>(331,808)</u>	<u>(20)</u>	<u>(133,979)</u>	<u>(7)</u>
Other comprehensive income (loss):								
8310 Items that will not be reclassified subsequently to profit or loss:								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes 6(q)(w))	(503,609)	(69)	606,963	83	(514,343)	(31)	3,600,856	198
8320 Share of other comprehensive income (loss) of associates (note 6(g))	(4,342)	(1)	-	-	(31,535)	(2)	-	-
8349 Income tax related to items that will not be reclassified to profit or loss (note 6(p))	-	-	(642,816)	(88)	-	-	(642,816)	(35)
	<u>(507,951)</u>	<u>(70)</u>	<u>(35,853)</u>	<u>(5)</u>	<u>(545,878)</u>	<u>(33)</u>	<u>2,958,040</u>	<u>163</u>
8360 Items that may be reclassified subsequently to profit or loss:								
8361 Exchange differences on translation of foreign operations (note 6(q))	(1,681)	-	(623)	-	689	-	(1,733)	-
8367 Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income (note 6(q))	(4,940)	-	(1,324)	-	(11,608)	(1)	(1,324)	-
8370 Share of other comprehensive income (loss) of associates and joint ventures (note 6(g)(q))	(96)	-	-	-	1,200	-	(9)	-
8399 Income tax related to items that may be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<u>(6,717)</u>	<u>-</u>	<u>(1,947)</u>	<u>-</u>	<u>(9,719)</u>	<u>(1)</u>	<u>(3,066)</u>	<u>-</u>
Other comprehensive income (loss), net	<u>(514,668)</u>	<u>(70)</u>	<u>(37,800)</u>	<u>(5)</u>	<u>(555,597)</u>	<u>(34)</u>	<u>2,954,974</u>	<u>163</u>
Comprehensive income (loss)	<u>\$ (841,160)</u>	<u>(115)</u>	<u>(233,003)</u>	<u>(32)</u>	<u>(887,405)</u>	<u>(54)</u>	<u>2,820,995</u>	<u>156</u>
Net income (loss) attributable to:								
8610 Shareholders of the Company	\$ (324,067)	(45)	(191,557)	(27)	(327,045)	(20)	(126,469)	(7)
8620 Non-controlling interests	(2,425)	-	(3,646)	-	(4,763)	-	(7,510)	-
	<u>\$ (326,492)</u>	<u>(45)</u>	<u>(195,203)</u>	<u>(27)</u>	<u>(331,808)</u>	<u>(20)</u>	<u>(133,979)</u>	<u>(7)</u>
Total comprehensive income (loss) attributable to:								
8710 Shareholders of the Company	\$ (838,735)	(115)	(229,357)	(32)	(882,642)	(54)	2,828,505	156
8720 Non-controlling interests	(2,425)	-	(3,646)	-	(4,763)	-	(7,510)	-
	<u>\$ (841,160)</u>	<u>(115)</u>	<u>(233,003)</u>	<u>(32)</u>	<u>(887,405)</u>	<u>(54)</u>	<u>2,820,995</u>	<u>156</u>
Loss per share (in New Taiwan Dollars) (note 6(s)) :								
9750 Basic loss per share	\$ (4.68)		(2.77)		(4.72)		(1.83)	
9850 Diluted loss per share	\$ (4.68)		(2.77)		(4.72)		(1.83)	

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2022 and 2021

(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	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	Treasury stock	Total			
Balance at January 1, 2021	\$ 713,758	1,057,960	224,069	81,463	1,057,629	2,112	1,775,108	(228,775)	4,683,324	23,921	4,707,245	
Retirement of treasury stock	(6,000)	(68,643)	-	-	(4,232)	-	-	78,875	-	-	-	
Disposal of investments accounted for using the equity method	-	-	-	-	-	762	-	-	762	-	762	
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	4,714,054	-	(4,714,054)	-	-	-	-	
Changes in ownership interests in subsidiaries	-	-	-	-	(2,648)	-	-	-	(2,648)	2,648	-	
Compensation cost arising from restricted shares of stock issued to employees	-	74	-	-	-	-	-	-	74	-	74	
Net loss for the period	-	-	-	-	(126,469)	-	-	-	(126,469)	(7,510)	(133,979)	
Other comprehensive income (loss) for the period	-	-	-	-	-	(1,742)	2,956,716	-	2,954,974	-	2,954,974	
Total comprehensive income (loss) for the period	-	-	-	-	(126,469)	(1,742)	2,956,716	-	2,828,505	(7,510)	2,820,995	
Balance at June 30, 2021	<u>\$ 707,758</u>	<u>989,391</u>	<u>224,069</u>	<u>81,463</u>	<u>5,638,334</u>	<u>1,132</u>	<u>17,770</u>	<u>(149,900)</u>	<u>7,510,017</u>	<u>19,059</u>	<u>7,529,076</u>	
Balance at January 1, 2022	\$ 692,718	968,659	284,300	-	4,450,106	(594)	(74,774)	-	6,320,415	12,135	6,332,550	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	441,038	-	(441,038)	-	-	-	-	-	-	
Special reserve	-	-	-	75,368	(75,368)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(692,718)	-	-	-	(692,718)	-	(692,718)	
Changes in equity of associates accounted for using the equity method	-	2,038	-	-	(685)	-	-	-	1,353	-	1,353	
Net loss for the period	-	-	-	-	(327,045)	-	-	-	(327,045)	(4,763)	(331,808)	
Other comprehensive income (loss) for the period	-	-	-	-	-	2,932	(558,529)	-	(555,597)	-	(555,597)	
Total comprehensive income (loss) for the period	-	-	-	-	(327,045)	2,932	(558,529)	-	(882,642)	(4,763)	(887,405)	
Balance at June 30, 2022	<u>\$ 692,718</u>	<u>970,697</u>	<u>725,338</u>	<u>75,368</u>	<u>2,913,252</u>	<u>2,338</u>	<u>(633,303)</u>	<u>-</u>	<u>4,746,408</u>	<u>7,372</u>	<u>4,753,780</u>	

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from operating activities:		
Loss before income taxes	\$ (203,643)	(170,245)
Adjustments for:		
Adjustments to reconcile profit (loss):		
Depreciation	47,189	48,180
Amortization	17,013	14,172
Net loss (gain) on financial assets at fair value through profit or loss	25,747	(3,675)
Interest expense	9,552	7,990
Interest income	(12,615)	(5,580)
Share-based payments	-	74
Share of loss of associates and joint ventures accounted for using equity method	7,994	3,725
Gain on disposal of property, plant and equipment	(275)	-
Gain on disposal of investments accounted for using equity method	-	(97,365)
Gain arising from lease modifications	-	(3)
Total adjustments to reconcile profit (loss)	94,605	(32,482)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	291,281	24,235
Inventories	(219,573)	(90,222)
Prepayments and other current assets	4,653	28,706
Total changes in operating assets	76,361	(37,281)
Changes in operating liabilities:		
Notes and accounts payable	(152,239)	(83,009)
Refund liabilities	(11,690)	(76,520)
Accrued expenses and other current liabilities	(79,973)	(113,081)
Total changes in operating liabilities	(243,902)	(272,610)
Total changes in operating assets and liabilities	(167,541)	(309,891)
Cash used in operations	(276,579)	(512,618)
Interest received	11,073	3,422
Interest paid	(9,039)	(6,763)
Income taxes paid	(605,574)	(4,596)
Net cash used in operating activities	(880,119)	(520,555)

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,711,245)	(49,537)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	6,766,454
Acquisition of financial assets at fair value through profit or loss	(536,109)	(705,803)
Proceeds from disposal of financial assets at fair value through profit or loss	145,519	107,076
Acquisition of investments accounted for using equity method	(73,300)	-
Proceeds from disposal of investments accounted for using equity method	-	97,825
Increase in prepayments for investments	(114,011)	-
Decrease in prepayments for investments	134,400	-
Acquisition of property, plant and equipment	(16,287)	(29,058)
Proceeds from disposal of property, plant and equipment	2,980	-
Acquisition of intangible assets	(12,512)	(3,932)
Decrease (increase) in other financial assets	715,834	(1,223,278)
Decrease (increase) in refundable deposits	332	380
Increase in prepayments for equipment	(1,372)	(6,885)
Net cash provided by (used in) investing activities	<u>(1,465,771)</u>	<u>4,953,242</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,390,000	100,000
Repayments of short-term borrowings	(1,030,000)	-
Proceeds from long-term debt	910,000	850,000
Repayments of long-term debt	(158,334)	(990,000)
Payment of lease liabilities	(20,916)	(22,097)
Net cash provided by (used in) financing activities	<u>1,090,750</u>	<u>(62,097)</u>
Effects of foreign exchange rate changes	<u>(799)</u>	<u>(1,658)</u>
Net increase (decrease) in cash and cash equivalents	(1,255,939)	4,368,932
Cash and cash equivalents at beginning of the period	<u>2,325,144</u>	<u>1,533,311</u>
Cash and cash equivalents at end of the period	<u><u>\$ 1,069,205</u></u>	<u><u>5,902,243</u></u>

See accompanying notes to consolidated financial statements.

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

EGIS TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(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 August 10, 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, 2022:

- 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”

- (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, 2023, would not have a significant impact on its consolidated financial statements:

- 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

- (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”

4. Summary of significant accounting policies

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2021. Please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021 for the related information.

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to 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 and IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(b) Basis of consolidation

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

Names of Investors	Names of Subsidiaries	Principal Activities	Shareholdings			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
The Company	Egis Technology (Japan) Inc.	Customer service, business promotion and technical service	100.00 %	100.00 %	100.00 %	-
The Company	Egis Technology Korea Inc.	Customer service, business promotion and technical service	100.00 %	100.00 %	100.00 %	-
The Company	Igistec Co., Ltd.	Technology development	74.69 %	74.69 %	74.69 %	-
The Company	Sense Investment and Consulting Inc.	Investment and holding activity	100.00 %	100.00 %	100.00 %	-
The Company	Luxsentek Microelectronics Corp.	Technology development	86.93 %	86.93 %	81.86 %	-
The Company	Egis Intelligent (Shanghai) Co., Ltd.	Customer service, business promotion and technical service	100.00 %	100.00 %	100.00 %	Note 1
The Company	Egis (Hong Kong) Limited	Investment and holding activity	100.00 %	100.00 %	100.00 %	Note 2
The Company	VASUBI Technology Inc.	Technology development	100.00 %	-	-	Note 3
The Company	NUI Technology Inc.	Technology development	100.00 %	-	-	Note 3
The Company	Taurus Wireless Inc.	Technology development	100.00 %	-	-	Note 3

Note 1: Egis Intelligent (Shanghai) Co., Ltd. was incorporated in December 2020 and the Group completed the capital injection in August 2021.

Note 2: Egis (Hong Kong) Limited was incorporated in August 2015 and the capital injection has not been completed by the Group.

Note 3: VASUBI Technology Inc., NUI Technology Inc. and Taurus Wireless Inc. were established in 2022.

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

(c) Income taxes

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

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

(Continued)

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

5. Critical accounting judgments and key sources of estimation uncertainty

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

6. Significant account disclosures

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 779	746	1,047
Bank deposits	596,626	589,278	881,154
Time deposits	471,800	1,535,120	4,816,664
Repurchase agreements – bond	-	200,000	203,378
	<u>\$ 1,069,205</u>	<u>2,325,144</u>	<u>5,902,243</u>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Current:			
Open-end mutual fund	\$ 591,432	763,422	600,064
Foreign common shares	18,338	34,826	34,839
Non-current:			
Privately offered fund	58,378	35,818	23,146
Convertible bonds	177,191	450,038	-
Open-end mutual fund	99,050	-	-
Domestic common shares	503,978	97,500	-
	<u>\$ 1,448,367</u>	<u>1,381,604</u>	<u>658,049</u>

(Continued)

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

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

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Debt instruments at fair value through other comprehensive income:			
Foreign unsecured bank bonds	\$ 41,853	46,536	48,213
Foreign unsecured corporate bonds	<u>94,292</u>	<u>5,263</u>	<u>-</u>
Subtotal	<u>136,145</u>	<u>51,799</u>	<u>48,213</u>
Equity instruments at fair value through other comprehensive income:			
Domestic listed common shares	\$ 1,106,140	-	-
Unlisted common shares	<u>351,905</u>	<u>357,271</u>	<u>395,635</u>
Subtotal	<u>1,458,045</u>	<u>357,271</u>	<u>395,635</u>
Total	<u>\$ 1,594,190</u>	<u>409,070</u>	<u>443,848</u>

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.

No strategic investments were disposed for the six months ended June 30, 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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 in the second quarter of 2021.

Please refer to note 8 for details of the financial assets at fair value through other comprehensive income pledged as collateral.

(d) Accounts receivable

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Accounts receivable	<u>\$ 317,453</u>	<u>608,734</u>	<u>279,508</u>

(Continued)

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

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. Forward looking information is taken into consideration as well. The loss allowance provision was determined as follows:

	June 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 317,453	0.0001%	-
	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 608,734	0.0001%	-
	June 30, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 279,508	0.0001%	-

(e) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 291,658	117,069	87,569
Work in process	533,285	489,615	385,990
Finished goods	1,314	-	189
	\$ 826,257	606,684	473,748

For the three months and six months ended June 30, 2022 and 2021, the cost of inventories sold, which were included in costs of revenue, amounted to \$463,494, \$422,200, \$965,455 and \$1,027,510, respectively, of which the write-downs of inventories to net realizable value amounted to \$21,227, \$2,566, \$23,596 and \$10,479, respectively.

(f) Other financial assets – current

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposit (with original maturities of between three months and one year)	\$ 7,000	677,300	1,323,380
Other receivables	4,335	48,152	46,565
	\$ 11,335	725,452	1,369,945

(Continued)

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

(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:

	June 30, 2022	December 31, 2021	June 30, 2021
Associates	\$ 2,283,582	1,444,578	-

(i) Associates

Name of associates	Business relations	Location	June 30, 2022		December 31, 2021	
			Percentage of voting rights	Carrying amount	Percentage of voting rights	Carrying amount
Alcor Micro, Corp. ("Alcor")	IC development and design, the Group's strategic partners	Taiwan	22.16 %	\$ 745,328	22.21 %	\$ 792,578
iCatch Technology Inc. ("iCatch")	Digital image and car recording development, the Group's strategic partners	Taiwan	21.05 %	1,168,161	11.83 %	652,000
SCT Holdings Ltd. ("SCT")	Development, design and sales of IC, module and system solution, the Group's strategic partners	Cayman	20.00 %	370,093	-	-
				\$ 2,283,582		\$ 1,444,578

In October 2021, the Group invested the amount of \$794,600 in Alcor and acquired 22.27% of its ownership. Since the Group has significant influence over Alcor, equity-method was used to account for its investment.

In December 2021, the Group invested the amount of \$652,000 in iCatch and acquired 11.83% of its ownership. In January 2022, the Group acquired an additional ownership of \$537,600 in iCatch through public tender offer, resulting in the Group's ownership in iCatch to increase to 21.30%, making the Group to have significant influence over iCatch; therefore, equity-method was used to account for its investment.

In April 2022, the Group invested the amount of \$73,300 in SCT and acquired 4% of its ownership. In addition, the convertible bonds held by the Group have been converted into SCT's common stock, resulting in the Group's ownership in SCT to increase to 20%, making the Group to have significant influence over SCT; therefore, equity-method was used to account for its investment.

The fair value of the investment in associates which are publicly traded was as follows:

	June 30, 2022	December 31, 2021
Alcor	\$ 680,000	1,208,000

(Continued)

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

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 :

	June 30, 2022	December 31, 2021
Current assets	\$ 3,779,327	2,611,131
Non-current assets	1,423,296	1,407,036
Current liabilities	(963,210)	(413,839)
Non-current liabilities	<u>(78,776)</u>	<u>(34,842)</u>
Equity	<u>\$ 4,160,637</u>	<u>3,569,486</u>
Equity attributable to non-controlling interests of Alcor	<u>\$ 1,365,081</u>	<u>574,249</u>
Equity attributable to shareholders of Alcor	<u>\$ 2,795,556</u>	<u>2,995,237</u>
	For the three months ended June 30, 2022	For the six months ended June 30, 2022
Net sales	<u>\$ 428,937</u>	<u>788,953</u>
Net income	\$ 95,838	129,226
Other comprehensive income (loss)	<u>(18,832)</u>	<u>(135,703)</u>
Total comprehensive income (loss)	<u>\$ 77,006</u>	<u>(6,477)</u>
Total comprehensive income attributable to non-controlling interests of Alcor	<u>\$ 32,310</u>	<u>49,786</u>
Total comprehensive income (loss) attributable to shareholders of Alcor	<u>\$ 44,696</u>	<u>(56,263)</u>
	For the three months ended June 30, 2022	For the six months ended June 30, 2022
The Group's share of equity of associate at beginning of period	\$ 734,742	792,578
Net income attributable to the Group	13,307	15,971
Other comprehensive income (loss) attributable to the Group	(4,174)	(30,071)
Retained earnings or capital surplus attributable to the Group	1,453	(150)
Dividends received from associates	<u>-</u>	<u>(33,000)</u>
The carrying amount of investments in the associate at end of period	<u>\$ 745,328</u>	<u>745,328</u>

(Continued)

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

2) The summarized financial information of iCatch :

	June 30, 2022	December 31, 2021
Current assets	\$ 1,698,489	1,704,866
Non-current assets	116,890	75,373
Current liabilities	(366,476)	(330,893)
Non-current liabilities	(65,464)	(147,041)
Equity	<u>\$ 1,383,439</u>	<u>1,302,305</u>
Equity attribute to non-controlling interests of iCatch	<u>\$ -</u>	<u>-</u>
Equity attribute to shareholders of iCatch	<u>\$ 1,383,439</u>	<u>1,302,305</u>
	For the three months ended June 30, 2022	For the six months ended June 30, 2022
Net sales	<u>\$ 354,585</u>	<u>617,324</u>
Net income	\$ 45,479	58,508
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 45,479</u>	<u>58,508</u>
Total comprehensive income attributable to non-controlling interests of iCatch	<u>\$ -</u>	<u>-</u>
Total comprehensive income attributable to shareholders of iCatch	<u>\$ 45,479</u>	<u>58,508</u>
	For the three months ended June 30, 2022	For the six months ended June 30, 2022
The Group's share of equity of associate at beginning of period	\$ 1,176,627	652,000
Additions	-	537,600
Net loss attributable to the Group	(9,051)	(22,942)
Retained earnings or capital surplus attributable to the Group	<u>585</u>	<u>1,503</u>
The carrying amount of investments in the associate at end of period	<u>\$ 1,168,161</u>	<u>1,168,161</u>

(Continued)

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

3) The summarized financial information of SCT :

	June 30, 2022	
Current assets	\$	655,870
Non-current assets		44,463
Current liabilities		(516,450)
Non-current liabilities		(613)
Equity	\$	<u>183,270</u>
Equity attribute to non-controlling interests of SCT	\$	<u>-</u>
Equity attribute to shareholders of SCT	\$	<u>183,270</u>
	For the three months ended June 30, 2022	For the six months ended June 30, 2022
Net sales	\$ <u>225,066</u>	<u>460,253</u>
Net income	\$ 30,884	14,742
Other comprehensive income	4,004	5,409
Total comprehensive income	\$ <u>34,888</u>	<u>20,151</u>
Total comprehensive income attributable to non-controlling interests of SCT	\$ <u>-</u>	<u>-</u>
Total comprehensive income attributable to shareholders of SCT	\$ <u>34,888</u>	<u>20,151</u>
	For the three months ended June 30, 2022	For the six months ended June 30, 2022
The Group's share of equity of associate at beginning of period	\$ -	-
Additions	371,380	371,380
Net loss attributable to the Group	(1,023)	(1,023)
Other comprehensive income (loss) attributable to the Group	(264)	(264)
The carrying amount of investments in the associate at end of period	\$ <u>370,093</u>	<u>370,093</u>

(Continued)

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

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).

(ii) Joint ventures

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.

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Attributable to the Group:				
Net loss	\$ -	-	-	(3,725)
Other comprehensive loss	-	(1,164)	-	(9)
Total comprehensive loss	<u>\$ -</u>	<u>(1,164)</u>	<u>-</u>	<u>(3,734)</u>

(iii) The unreviewed financial statements of investments accounted for using equity method

The Group's investment accounted for using the equity method, and the share of profit or loss and other comprehensive income of SCT were calculated based on the financial statements that have not been reviewed.

(h) Prepayments for investments

As of June 30, 2022, the Group invested the amounts of \$114,011 in advance for the development of optical sensors and fingerprint recognition technologies, and for strengthening the deployment of the intelligent Internet of Things and autonomous vehicles.

As of December 31, 2021, the Group had prepaid the amount of \$672,000 to the public tender offer account, which was classified as prepayments for investments, to acquire additional ownership of iCatch. In January 2022, the aforementioned prepayment for investment shares was obtained, totaling \$537,600, and the excess amount of \$134,400 was returned to the Group's bank account. Please refer to note 6(g) for the related information.

(Continued)

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

(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>
Carrying amounts:					
Balance at June 30, 2022	\$ <u>31,310</u>	<u>26,762</u>	<u>10,547</u>	<u>12,946</u>	<u>81,565</u>
Balance at January 1, 2022	\$ <u>34,891</u>	<u>33,787</u>	<u>11,592</u>	<u>14,454</u>	<u>94,724</u>
Balance at June 30, 2021	\$ <u>42,703</u>	<u>31,020</u>	<u>13,068</u>	<u>20,234</u>	<u>107,025</u>

There were no significant additions, disposals, or recognition and reversal of impairment losses of property, plant and equipment for the six months ended June 30, 2022 and 2021. Information on depreciation for the period is discussed in note 12. Please refer to note 6(i) of the 2021 annual consolidated financial statement for other related information.

(j) Right-of-use assets

	<u>Buildings</u>	<u>Research and development equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 174,113	-	174,113
Additions	46,484	1,500	47,984
Disposals	<u>(26,345)</u>	<u>-</u>	<u>(26,345)</u>
Balance at June 30, 2022	\$ <u>194,252</u>	<u>1,500</u>	<u>195,752</u>
Balance at January 1, 2021	\$ 195,450	-	195,450
Disposals	<u>(592)</u>	<u>-</u>	<u>(592)</u>
Balance at June 30, 2021	\$ <u>194,858</u>	<u>-</u>	<u>194,858</u>
Accumulated depreciation:			
Balance at January 1, 2022	\$ 63,211	-	63,211
Depreciation	20,372	83	20,455
Disposals	<u>(26,263)</u>	<u>-</u>	<u>(26,263)</u>
Balance at June 30, 2022	\$ <u>57,320</u>	<u>83</u>	<u>57,403</u>
Balance at January 1, 2021	\$ 47,363	-	47,363
Depreciation	22,200	-	22,200
Disposals	<u>(288)</u>	<u>-</u>	<u>(288)</u>
Balance at June 30, 2021	\$ <u>69,275</u>	<u>-</u>	<u>69,275</u>
Carrying amount:			
Balance at June 30, 2022	\$ <u>136,932</u>	<u>1,417</u>	<u>138,349</u>
Balance at January 1, 2022	\$ <u>110,902</u>	<u>-</u>	<u>110,902</u>
Balance at June 30, 2021	\$ <u>125,583</u>	<u>-</u>	<u>125,583</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>
Carrying amount:					
Balance at June 30, 2022	\$ <u>111,403</u>	<u>26,114</u>	<u>39,357</u>	<u>12,872</u>	<u>189,746</u>
Balance at January 1, 2022	\$ <u>111,403</u>	<u>21,362</u>	<u>46,361</u>	<u>15,121</u>	<u>194,247</u>
Balance at June 30, 2021	\$ <u>111,403</u>	<u>1,832</u>	<u>53,366</u>	<u>16,313</u>	<u>182,914</u>

There were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2022 and 2021. Information on amortization for the period is discussed in note 12. Please refer to note 6(k) of the 2021 annual consolidated financial statement for other related information.

(l) Short-term borrowings

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank loans	\$ <u>460,000</u>	<u>100,000</u>	<u>100,000</u>
Unused credit facilities	\$ <u>1,305,240</u>	<u>2,006,480</u>	<u>2,580,860</u>
Interest rate	<u>0.85%~1.25%</u>	<u>0.79%~0.85%</u>	<u>0.79%</u>

(m) Long-term debt

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank loans	\$ 941,666	850,000	850,000
Secured bank loans	660,000	-	-
Less: Current portion of long-term debt	<u>(393,333)</u>	<u>(37,500)</u>	<u>-</u>
Total	\$ <u>1,208,333</u>	<u>812,500</u>	<u>850,000</u>
Unused credit facilities	\$ <u>492,733</u>	<u>403,600</u>	<u>907,200</u>
Maturity year	<u>2022~2027</u>	<u>2023~2025</u>	<u>2023~2025</u>
Interest rate	<u>1.15%~1.68%</u>	<u>1.05%~1.54%</u>	<u>1.05%~1.54%</u>

(i) Covenants for bank borrowings

In 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 and disposed all its investments in FocalTech. Please refer to note 6(c) for the related information.

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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. If the Company fails to meet any of the financial ratios, the loan interest rate will be raised according to the loan agreement with the bank.

For the years ended December 31, 2021 and 2020, and for the six months ended June 30, 2021, the Company's financial ratios were either in compliance with the agreed-upon standards with the above-mentioned lending banks or waived despite of having failed to meet the standards. For the six months ended June 30, 2022, the Company's financial ratios failed to comply with the loan agreement ; hence, the Company plans to file an application to the bank for waiver.

(iii) Collateral for bank borrowings

For the collateral for bank borrowings, please refer to note 8.

(n) Lease liabilities

The Group's lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	\$ <u>40,250</u>	<u>33,951</u>	<u>41,694</u>
Non-current	\$ <u>104,924</u>	<u>85,738</u>	<u>91,486</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest expenses on lease liabilities	\$ <u>501</u>	<u>564</u>	<u>929</u>	<u>1,178</u>
Expenses relating to short-term leases	\$ <u>978</u>	<u>846</u>	<u>1,816</u>	<u>1,800</u>

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

	For the six months ended June 30	
	2022	2021
Total cash outflow for leases	\$ <u>23,661</u>	<u>25,075</u>

(Continued)

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

(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.

(o) Employee benefits

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

For the three months and six months ended June 30, 2022 and 2021, the Group recognized the pension expenses of \$7,470, \$8,032, \$14,864 and \$16,562, respectively, in relation to the defined contribution plans.

(p) Income taxes

(i) Income tax expense

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current income tax expense				
Current period	\$ (33,488)	(52,118)	(34,658)	(37,057)
Surtax on undistributed earnings	162,049	-	162,049	-
Withholding tax in foreign jurisdiction	397	317	774	791
Income tax expense (benefit)	<u>\$ 128,958</u>	<u>(51,801)</u>	<u>128,165</u>	<u>(36,266)</u>

(ii) The components of income tax expense recognized in equity or other comprehensive income were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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	\$ -	(642,816)	-	(642,816)

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(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.

(q) Capital and other equity

Except for the following disclosures, there was no significant change in capital and other equity for the six months ended June 30, 2022 and 2021. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2021.

(i) Common stock

As of June 30, 2022, December 31 and June 30, 2021, 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, 69,272 thousand shares and 70,776 thousand shares, respectively, were issued and outstanding.

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

	Ordinary shares	
	For the six months ended	
	June 30	
	2022	2021
Balance at January 1	69,272	69,269
Vested restricted stock issued to employees	-	3
Balance at June 30	69,272	69,272

(ii) Capital surplus

	June 30,	December 31,	June 30,
	2022	2021	2021
Paid-in capital in excess of par value	\$ 968,659	968,659	988,545
Changes in equity of associates accounted for using the equity method	2,038	-	-
Restricted stock issued to employees	-	-	846
	\$ 970,697	968,659	989,391

(iii) Retained earnings and dividend policy

The Company's Articles of Incorporation stipulate that if there is any profit in the annual final accounts, the Company shall first pay taxes to cover the accumulated deficit and set aside 10% of the remaining annual profit as legal reserve in accordance with the law, except when the accumulated legal reserve has reached the Company's total paid-in capital. The special reserve is appropriated or reversed as required by law or by the competent authorities. The remaining balance, together with the unappropriated earnings at the beginning of the period, shall be proposed by the Board of Directors to the stockholders meeting for resolution on the distribution of dividends to shareholders.

(Continued)

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Pursuant to the Company's articles of incorporation amended on July 12, 2021, if the proposal for distribution of earnings is made by issuing new shares, the distribution shall be approved by the shareholders' meeting; if the distribution is made in the form of cash, the Board of Directors shall be authorized to make the distribution by the presence of more than two-thirds of the Directors and a resolution approved by more than half of the Directors present, and reported to the shareholders' meeting in accordance with Article 240, Paragraph 5 of the Company Act.

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

The appropriation of 2020 earnings was resolved by the shareholders' meeting held on July 12, 2021 and the distributions to shareholders were as follows:

	2020
	Dividends per share (NT\$)
	Amount
Distribution to legal reserve	\$ <u><u>60,231</u></u>
Reversal of special reserve	\$ <u><u>(81,463)</u></u>
Cash dividends	\$ 15.00 <u><u>1,039,136</u></u>

The 2021 earnings distribution, by way of cash dividends, were resolved by the Board of Directors held on March 22, 2022, and other appropriations were resolved by the shareholders' meeting held on June 22, 2022, as follows:

	2021
	Dividends per share (NT\$)
	Amount
Distribution to legal reserve	\$ <u><u>441,038</u></u>
Distribution to special reserve	\$ <u><u>75,368</u></u>
Cash dividends	\$ 10.00 <u><u>692,718</u></u>

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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(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. As of June 30, 2021, the Company purchased 1,500 thousand of its own ordinary shares for an aggregate amount of \$149,900. The abovementioned repurchased ordinary shares were all retired in 2021.
- 2) The movements in treasury shares were as follows (in thousands of shares):

	For the six months ended 2022	
	2022	2021
Balance at January 1	-	2,100
Retirement	-	(600)
Balance at June 30	-	1,500

(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, 2022	\$ (594)	(74,774)
Foreign exchange difference arising from translation of foreign operations:		
The Group	689	-
Joint ventures and associates	2,243	-
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income:		
The Group	-	(514,343)
Associates	-	(31,535)
Unrealized gains (losses) from debt instruments at fair value through other comprehensive income:		
The Company	-	(11,608)
Associates	-	(1,043)
Balance at June 30, 2022	\$ 2,338	(633,303)

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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	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	(1,733)	-
Joint ventures and associates	(9)	-
Disposal 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	-	(4,714,054)
Unrealized gains (losses) from equity instruments at fair value through other comprehensive income	-	2,958,040
Unrealized gains (losses) from debt instruments at fair value through other comprehensive income	-	(1,324)
Balance at June 30, 2021	<u>\$ 1,132</u>	<u>17,770</u>

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

	For the six months ended June 30	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 12,135	23,921
Equity attributable to non-controlling interest:		
Net loss	(4,763)	(7,510)
Changes in ownership interests in subsidiaries	-	2,648
	<u>\$ 7,372</u>	<u>19,059</u>

(r) Share-based payment

(i) Employee stock options

There were no significant changes for employee stock options for the six months ended June 30, 2022 and 2021. Please refer to note 6(r) of the 2021 annual consolidated financial statement for the information on stock option plans and the assumptions adopted in the valuation model.

(ii) Restricted stock

There were no significant changes for restricted stock options for the six months ended June 30, 2022 and 2021. Please refer to note 6(q) of the 2021 annual consolidated financial statement for the information on restricted stock.

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	For the six months ended June 30	
	2022	2021
Balance at June 30 (same as balance at January 1)	-	551
Accumulated vested shares	-	(547)
Unvested shares	-	<u>4</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) Expenses resulted from share-based payments

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Restricted stock	\$ -	-	-	<u>74</u>

(s) Loss per share

(i) Basic loss per share

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Net loss attributable to the shareholders of the Company	\$ (324,067)	(191,557)	(327,045)	(126,469)
Weighted-average number of ordinary shares outstanding (in thousands)	<u>69,272</u>	<u>69,272</u>	<u>69,272</u>	<u>69,271</u>
Basic loss per share (in New Taiwan Dollars)	<u>\$ (4.68)</u>	<u>(2.77)</u>	<u>(4.72)</u>	<u>(1.83)</u>

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

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Net loss attributable to the shareholders of the Company	\$ (324,067)	(191,557)	(327,045)	(126,469)
Weighted-average number of ordinary shares outstanding (in thousands)	69,272	69,272	69,272	69,271
Effect of diluted potential ordinary shares:	-	-	-	-
Weighted-average shares of ordinary shares outstanding (in thousands) (including effect of dilutive potential ordinary shares)	69,272	69,272	69,272	69,271
Diluted loss per share (in New Taiwan Dollars)	<u>\$ (4.68)</u>	<u>(2.77)</u>	<u>(4.72)</u>	<u>(1.83)</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Primary geographical markets:				
Taiwan	\$ 396	1,346	789	2,136
Asia	730,737	730,302	1,647,464	1,809,208
United States	-	991	-	4,911
	<u>\$ 731,133</u>	<u>732,639</u>	<u>1,648,253</u>	<u>1,816,255</u>
Major products/ services line:				
Biometric authentication IC sensor and its application	\$ 730,740	730,302	1,647,467	1,809,208
Data security protection and its application	-	1	-	113
Engineering service revenue	393	2,336	786	6,934
	<u>\$ 731,133</u>	<u>732,639</u>	<u>1,648,253</u>	<u>1,816,255</u>

(Continued)

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

(ii) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	\$ 317,453	608,734	279,508
Less: Allowance for impairment	-	-	-
Total	<u>\$ 317,453</u>	<u>608,734</u>	<u>279,508</u>

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 three months and six months ended June 30, 2022 and 2021, the Company accrued its remuneration to employees amounting to \$0, \$(4,277), \$0 and \$0, respectively, and its remuneration to directors amounting to \$0, \$(855), \$0 and \$0, respectively, which were calculated by using the net profits before tax in the current period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's Article of Incorporation, and recognized them as operating expenses. The differences between the distributed and estimated amounts, if any, shall be accounted for as a change in accounting estimate and recognized as profit or loss in the distribution year.

For the years ended December 31, 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. 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.

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Notes to the Consolidated Financial Statements

(v) Non-operating income and loss

(i) Interest income

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest income from bank deposits	\$ 2,120	4,006	4,007	4,874
Others	4,224	706	8,608	706
	<u>\$ 6,344</u>	<u>4,712</u>	<u>12,615</u>	<u>5,580</u>

(ii) Other income

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Rent income	\$ 716	500	1,143	779
Dividend income	1,789	-	1,789	-
Others	707	1,654	1,714	3,198
	<u>\$ 3,212</u>	<u>2,154</u>	<u>4,646</u>	<u>3,977</u>

(iii) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Gains on disposal of property, plant and equipment	\$ 253	-	275	-
Gains (losses) on disposal of investments accounted for using equity method (note 6(g))	-	-	-	97,365
Transaction costs of disposal of financial assets at fair value through other comprehensive income	-	(75,813)	-	(75,813)
Foreign exchange gains (losses), net	50,017	(31,595)	88,932	(36,715)
Net gain (loss) on financial assets at fair value through profit or loss	(39,545)	2,203	(25,747)	3,675
Gain arising from lease modification	-	3	-	3
Others	(1,103)	(5,308)	(1,103)	(5,308)
	<u>\$ 9,622</u>	<u>(110,510)</u>	<u>62,357</u>	<u>(16,793)</u>

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

(iv) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
Interest expense on bank loans	\$ (5,667)	(3,032)	(8,623)	(6,812)
Lease liabilities	(501)	(564)	(929)	(1,178)
	<u>\$ (6,168)</u>	<u>(3,596)</u>	<u>(9,552)</u>	<u>(7,990)</u>

(w) Financial instruments

Except for the following disclosures, there was no significant change in the fair value of the Group's financial instruments and in the degree of exposure to credit risk and market risk arising from financial instruments. Please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2021 for the related information.

(i) Categories of financial instruments

1) Financial assets

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at fair value through profit or loss— current and non-current	\$ 1,448,367	1,381,604	658,049
Financial assets at fair value through other comprehensive income	1,594,190	409,070	443,848
Financial assets at amortized cost:			
Cash and cash equivalents	1,069,205	2,325,144	5,092,243
Accounts receivable, net	317,453	608,734	279,508
Other receivables from related parties	33,000	-	-
Other financial assets— current and non-current	11,728	725,852	1,370,369
Refundable deposits	12,695	13,027	12,571
Subtotal	<u>1,444,081</u>	<u>3,672,757</u>	<u>6,754,691</u>
Total	<u>\$ 4,486,638</u>	<u>5,463,431</u>	<u>7,856,588</u>

2) Financial liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Financial liabilities at amortized cost:			
Short-term borrowings	\$ 460,000	100,000	100,000
Notes and accounts payable	179,183	331,422	171,423
Cash dividends payable	692,718	-	-
Accrued expenses	372,360	450,690	311,434
Lease liabilities— current and non-current	145,174	119,689	133,180
Long-term debt (including current portion)	<u>1,601,666</u>	<u>850,000</u>	<u>850,000</u>
	<u>\$ 3,451,101</u>	<u>1,851,801</u>	<u>1,566,037</u>

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(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of loan agreements. As of June 30, 2022, December 31 and June 30, 2021 the Group had unused credit facilities of \$1,797,973, \$2,410,080 and \$3,488,060, respectively.

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

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>
June 30, 2022			
Short-term borrowings	\$ 460,967	460,967	-
Notes and accounts payable	179,183	179,183	-
Cash dividends payable	692,718	692,718	-
Accrued expenses	372,360	372,360	-
Lease liabilities	148,883	40,493	108,390
Long-term debt	<u>1,678,787</u>	<u>567,468</u>	<u>1,111,319</u>
	<u>\$ 3,532,898</u>	<u>2,313,189</u>	<u>1,219,709</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	122,719	34,146	88,573
Long-term debt	<u>875,554</u>	<u>48,753</u>	<u>826,801</u>
	<u>\$ 1,880,457</u>	<u>965,083</u>	<u>915,374</u>
June 30, 2021			
Short-term borrowings	\$ 100,067	100,067	-
Notes and accounts payable	171,423	171,423	-
Accrued expenses	311,434	311,434	-
Lease liabilities	137,337	42,006	95,331
Long-term debt	<u>884,177</u>	<u>12,187</u>	<u>871,990</u>
	<u>\$ 1,604,438</u>	<u>637,117</u>	<u>967,321</u>

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

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(iii) Foreign currency risk

1) Exposure to foreign currency risk

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable/payable, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income that are denominated in a currency other than the respective functional currencies.

The carrying amounts of the Group's significant financial assets and liabilities denominated in a currency, other than the respective functional currencies of Group entities, were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

June 30, 2022					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 33,427	29.720	993,450	1 %	9,935
<u>Non-Monetary items</u>					
USD	34,040	29.720	1,011,669	1 %	10,117
<u>Financial liabilities</u>					
USD	13,113	29.720	389,718	1 %	3,897
December 31, 2021					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 54,165	27.680	1,499,287	1 %	14,993
<u>Non-Monetary items</u>					
USD	46,873	27.680	1,297,445	1 %	12,974
<u>Financial liabilities</u>					
USD	20,570	27.680	569,378	1 %	5,694

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
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June 30, 2021					
	Foreign currency (in thousands)	Exchange rate	TWD (in thousands)	Change in magnitude of the exchange rate	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 50,367	27.860	1,403,225	1 %	14,032
<u>Non-Monetary items</u>					
USD	26,672	27.860	743,082	1 %	7,431
<u>Financial liabilities</u>					
USD	10,823	27.860	301,529	1 %	3,015

2) Gains or losses on monetary items

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

For the three months ended June 30				
2022		2021		
	Foreign exchange gains (losses)	Average exchange rate	Foreign exchange gains (losses)	Average exchange rate
<u>Financial assets</u>				
USD: TWD	\$ 29,941	29.4654	(32,618)	27.968
<u>Financial liabilities</u>				
USD: TWD	19,754	29.4654	1,273	27.968
For the six months ended June 30				
2022		2021		
	Foreign exchange gains (losses)	Average exchange rate	Foreign exchange gains (losses)	Average exchange rate
<u>Financial assets</u>				
USD:TWD	\$ 80,488	28.7553	(28,212)	28.1636
<u>Financial liabilities</u>				
USD:TWD	7,775	28.7553	(7,637)	28.1636

(Continued)

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

(iv) 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 six months ended June 30, 2022 and 2021, would have increased or decreased by \$79,710 and \$22,192, 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 loss before tax for the six months ended June 30, 2022 and 2021, would have decreased or increased by \$72,418 and \$32,902, respectively.

(v) Information on fair value

1) Financial instruments not measured at fair value

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

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
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	June 30, 2022				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss — current:					
Open-end mutual fund	\$ 591,432	591,432	-	-	591,432
Foreign common shares	18,338	-	-	18,338	18,338
Financial assets at fair value through profit or loss — non-current:					
Privately offered fund	58,378	-	-	58,378	58,378
Convertible bonds	177,191	-	-	177,191	177,191
Open-end mutual fund	99,050	99,050	-	-	99,050
Domestic emerging stocks	354,978	354,978	-	-	354,978
Domestic unlisted common shares	<u>149,000</u>	<u>-</u>	<u>-</u>	<u>149,000</u>	<u>149,000</u>
Subtotal	<u>1,448,367</u>	<u>1,045,460</u>	<u>-</u>	<u>402,907</u>	<u>1,448,367</u>
Financial assets at fair value through other comprehensive income — non-current:					
Domestic listed common shares	\$ 1,106,140	1,106,140	-	-	1,106,140
Unlisted common shares	351,905	-	-	351,905	351,905
Foreign unsecured bank bonds	41,853	41,853	-	-	41,853
Foreign unsecured corporate bonds	<u>94,292</u>	<u>94,292</u>	<u>-</u>	<u>-</u>	<u>94,292</u>
Subtotal	<u>1,594,190</u>	<u>1,242,285</u>	<u>-</u>	<u>351,905</u>	<u>1,594,190</u>
	<u>\$ 3,042,557</u>	<u>2,287,745</u>	<u>-</u>	<u>754,812</u>	<u>3,042,557</u>

(Continued)

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 (Level 3) used in fair value measurement

<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 (1.88~3.55, 2.21~4.86 and 1.87~4.77 on June 30, 2022, December 31 and June 30, 2021, 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 June 30, 2022 and 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:

	<u>Input</u>	<u>Change in assumptions</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
June 30, 2022						
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	-	-	4,073	(4,073)
Debt investments measured at fair value through profit or loss	Discount for lack of marketability	1%	1,772	(1,772)	-	-
December 31, 2021						
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	-	-	3,573	(3,573)
Debt investments measured at fair value through profit or loss	Discount for lack of marketability	1%	4,500	(4,500)	-	-
June 30, 2021						
Equity investments measured at fair value through other comprehensive income	Price-Book ratio	1%	-	-	3,524	(3,524)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. If the fair value of a financial instrument is subject to more than one inputs, the analysis above reflects only the effects of changes in a single input and does not include the interrelationships with another input.

- (vi) Transfer between fair value levels

There are no transfers between fair value levels for the six months ended June 30, 2022 and 2021.

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

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

	For the three months ended June 30			
	2022		2021	
	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	\$ 543,973	379,666	57,119	400,839
Total gains or losses:				
Recognized in profit or loss	470	-	2,131	-
Recognized in other comprehensive income	-	(72,402)	-	(5,204)
Additions	156,544	44,641	5,803	-
Disposals	(298,080)	-	(7,068)	-
Ending Balance	<u>\$ 402,907</u>	<u>351,905</u>	<u>57,985</u>	<u>395,635</u>
	For the six months ended June 30			
	2022		2021	
	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	\$ 520,682	357,271	13,045	382,085
Total gains or losses:				
Recognized in profit or loss	19,237	-	3,603	-
Recognized in other comprehensive income	-	(83,136)	-	13,550
Additions	161,657	77,770	48,405	-
Disposals	(298,669)	-	(7,068)	-
Ending Balance	<u>\$ 402,907</u>	<u>351,905</u>	<u>57,985</u>	<u>395,635</u>

(Continued)

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

(x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

(y) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2021 for further details.

(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, 2022	Cash flows	Non-cash changes Additions to lease liabilities	June 30, 2022
Long-term debt (including current portion)	\$ 850,000	751,666	-	1,601,666
Short-term borrowings	100,000	360,000	-	460,000
Lease liabilities	<u>119,689</u>	<u>(20,916)</u>	<u>46,401</u>	<u>145,174</u>
Total amount of liabilities from financing activities	<u>\$ 1,069,689</u>	<u>1,090,750</u>	<u>46,401</u>	<u>2,206,840</u>

	January 1, 2021	Cash flows	Non-cash changes Additions to lease liabilities	June 30, 2021
Long-term debt	\$ 990,000	(140,000)	-	850,000
Short-term borrowings	-	100,000	-	100,000
Lease liabilities	<u>155,587</u>	<u>(22,097)</u>	<u>(310)</u>	<u>133,180</u>
Total amount of liabilities from financing activities	<u>\$ 1,145,587</u>	<u>(62,097)</u>	<u>(310)</u>	<u>1,083,180</u>

(Continued)

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

7. Related-party transactions

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Alcor Micro, Corp.	Associates
iCatch Technology Inc.	Associates

(b) Significant transactions with related parties

(i) Other receivables — related parties

Other receivables from related parties arising from distribution of cash dividends were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>June 30, 2022</u>
Other receivables (dividends) from related parties	Associates — Alcor	\$ <u>33,000</u>

(ii) Technical services cost

The Company has authorized its associate, iCatch, to provide technical services. For both of the three months and six months ended June 30, 2022, the Company recognized the technical services cost of \$19,424, which was paid as of June 30, 2022.

(c) Compensation for key management personnel

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 49,698	16,672	69,788	37,901
Post-employment benefits	329	288	626	558
	<u>\$ 50,027</u>	<u>16,960</u>	<u>70,414</u>	<u>38,459</u>

8. Pledged assets

<u>Assets</u>	<u>Pledged to secure</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial assets at fair value through other comprehensive income—non-current	Credit lines of bank loans	\$ 633,254	-	-
Other financial assets — non-current (time deposits)	Performance guarantee	393	400	424
		<u>\$ 633,647</u>	<u>400</u>	<u>424</u>

(Continued)

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

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 on 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 submitted a request of patents invalidity to the China National Intellectual Property Administration (CNIPA). On May 6, 2022, 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. On May 10, 2022, the Company submitted a request of dismissal of the claim from Goodix to the Nanjing Intermediate People's Court and have received the notice of revocation from Nanjing Intermediate People's Court on May 26, 2022.
- (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 on 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.

10. Significant loss from casualty: None.

11. Significant subsequent events

The Group, being the largest shareholder of the investee, holding 22% ownership of Alcor and obtaining three seats of Alcor's Board, entered into an agreement with other major shareholders of Alcor on July 11, 2022, resulting in the Group to take control over Alcor. Thereafter, the Group has included Alcor in its consolidated financial statements.

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

12. Other

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

By item	By function	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:							
	Salaries	-	224,718	224,718	-	210,573	210,573
	Labor and health insurance	-	10,127	10,127	-	10,724	10,724
	Pension	-	7,470	7,470	-	8,032	8,032
	Other employees' benefits	-	6,316	6,316	-	6,525	6,525
	Depreciation	286	23,443	23,729	552	23,985	24,537
	Amortization	-	8,811	8,811	-	7,030	7,030

By item	By function	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:							
	Salaries	-	393,505	393,505	-	409,985	409,985
	Labor and health insurances	-	22,100	22,100	-	23,345	23,345
	Pension	-	14,864	14,864	-	16,562	16,562
	Other employees' benefits	-	12,785	12,785	-	13,933	13,933
	Depreciation	486	46,703	47,189	1,104	47,076	48,180
	Amortization	-	17,013	17,013	-	14,172	14,172

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

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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 six months ended June 30, 2022:

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

(In Thousands of New Taiwan 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	118,880 (USD 4,000)	-	-	-	2.50 %	2,373,204 (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 and shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Gingy Technology Inc.	-	Financial assets at fair value through other comprehensive income	131	270	1.57 %	270	
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	5,211	192,019	19.68 %	192,019	
The Company	MEMS DRIVE INC.	-	Financial assets at fair value through other comprehensive income	188	22,357	2.87 %	22,357	
The Company	ION ELECTRONIC MATERIALS CO.,LTD	-	Financial assets at fair value through other comprehensive income	1,000	50,000	6.06 %	50,000	
The Company	Astrogate Inc.	-	Financial assets at fair value through other comprehensive income	1,000	3,330	16.67 %	3,330	
The Company	MP High Tech Solutions Pty Ltd.	-	Financial assets at fair value through other comprehensive income	1,011	14,532	3.58 %	14,532	
The Company	Gallopwave Inc.	-	Financial assets at fair value through other comprehensive income	2,500	9,614	5.00 %	9,614	
The Company	xMEMS Labs, Inc.	-	Financial assets at fair value through other comprehensive income	1,003	15,143	1.00 %	15,143	

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Attopsemi Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	500	30,000	4.82 %	30,000	
The Company	CyteSi, Inc.	-	Financial assets at fair value through other comprehensive income	163	14,640	1.35 %	14,640	
The Company	Silicon Optronics, Inc.	-	Financial assets at fair value through other comprehensive income	12,499	1,106,140	15.99 %	1,106,140	
The Company	Bank of America Corporation USD Senior Unsecured	-	Financial assets at fair value through other comprehensive income	-	41,853	-	41,853	
The Company	SOFTBK 4 07/06/26 (XS2361252971)	-	Financial assets at fair value through other comprehensive income	-	4,818	-	4,818	
The Company	TSMC GLOBAL LTD.	-	Financial assets at fair value through other comprehensive income	-	44,496	-	44,496	
The Company	T-Mobile USA, Inc.	-	Financial assets at fair value through other comprehensive income	-	44,978	-	44,978	
The Company	BE Epitaxy Semiconductor Technology Co., Ltd.	-	Financial assets at fair value through profit or loss – non-current	13,333	80,000	8.89 %	80,000	
The Company	Dian-Te Gas Investment LP	-	Financial assets at fair value through profit or loss – non-current	-	69,000	67.32 %	69,000	
The Company	Airoha Technology Corp.	-	Financial assets at fair value through profit or loss – non-current	560	354,978	0.38 %	354,978	
The Company	Vertex Growth (SG) LP	-	Financial assets at fair value through profit or loss – non-current	-	43,256	-	43,256	
The Company	Vertex Growth II (SG) LP	-	Financial assets at fair value through profit or loss – non-current	-	7,351	-	7,351	
The Company	Vertex Venture (SG) SEA IV LP	-	Financial assets at fair value through profit or loss – non-current	-	7,771	-	7,771	
The Company	Shin Kong No.1 REIT	-	Financial assets at fair value through profit or loss – non-current	-	99,050	-	99,050	
The Company	Sirus Wireless Pte. Ltd.	-	Financial assets at fair value through profit or loss – current	10,020	18,338	8.01 %	18,338	
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	-	91,513	-	91,513	
The Company	Allianz Global Investors US Short Duration High Income Bond Fund B TWD	-	Financial assets at fair value through profit or loss – current	-	43,894	-	43,894	
The Company	JPMorgan Funds – Income Fund – JPM Income A (acc) – USD	-	Financial assets at fair value through profit or loss – current	-	97,368	-	97,368	
The Company	PineBridge Preferred Securities Income Fund A TWD	-	Financial assets at fair value through profit or loss – current	-	93,945	-	93,945	
The Company	Nomura Fallen Angel High Yield Bond Fund	-	Financial assets at fair value through profit or loss – current	-	87,468	-	87,468	
The Company	BlackRock Global Funds - Global High Yield Bond Fund	-	Financial assets at fair value through profit or loss – current	-	44,996	-	44,996	
The Company	Cathay US Asset Income Fund	-	Financial assets at fair value through profit or loss – current	-	115,992	-	115,992	
The Company	Cathay Real Estate Income Fund	-	Financial assets at fair value through profit or loss – current	-	16,256	-	16,256	
The Company	Netlink Communication Inc. Convertible Bonds	-	Financial assets at fair value through profit or loss – non-current	-	147,471	-	147,471	
The Company	Gear Radio Limited Convertible Bonds	-	Financial assets at fair value through profit or loss – non-current	-	29,720	-	29,720	

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Notes to the 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 and shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount (Note)
The Company	iCatch Technology Inc.	Investments accounted for using equity method			10,000	652,000	8,000	537,600	-	-	-	-	18,000	1,168,161
The Company	Silicon Optronics Inc.	Financial assets at fair value through other comprehensive income			-	-	12,499	1,537,347	-	-	-	-	12,499	1,106,140
The Company	Airoha Technology Corp.	Financial assets at fair value through profit or loss – non-current			-	-	560	374,452	-	-	-	-	560	354,978

Note: The ending balance includes adjustments of shares of profits/losses or fair value of investees.

- (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.
- (x) Business relationships and significant intercompany transactions: None.

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(b) Information on investees:

Names, locations, and related information of investees over which the Company exercises significant influence for the six months ended June 30, 2022 (excluding investee companies in Mainland China):

(In Thousands of New Taiwan Dollars and shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2022			Net Income (Losses) of the Investee	Share of Profit/(Losses) of the Investee	Note
				June 30, 2022	December 31, 2021	Shares	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 %	604	264	264	Parent/subsidiary
The Company	Egis Technology Korea Inc.	Korea	Customer service, business promotion and technical service	18,233	18,233	20	100.00 %	25,570	1,343	1,343	Parent/subsidiary
The Company	Igistec Co., Ltd.	Taiwan	Technology development	59,497	59,497	16,527	74.69 %	10,207	556	496	Parent/subsidiary
The Company	Sense Investment and Consulting Inc.	Taiwan	Investment and holding activity	1,880	1,880	167	100.00 %	6,599	10	10	Parent/subsidiary
The Company	Vitrio Technology	Taiwan	Technology development	4,970	4,970	142	50.00 %	-	(262)	-	Joint venture
The Company	Luxsentek Microelectronics Corp.	Taiwan	Technology development	140,000	140,000	14,000	86.93 %	36,339	(37,730)	(32,799)	Parent/subsidiary
The Company	Alcor Micro, Corp.	Taiwan	Design, development and sales of IC products	794,600	794,600	20,000	22.16 %	745,328	129,226	15,971	Associate
The Company	iCatch Technology Inc.	Taiwan	Design, development and sales of IC products	1,189,600	652,000	18,000	21.05 %	1,168,161	58,508	(22,942)	Associate
The Company	VASUBI Technology Inc.	Taiwan	Technology development	10,000	-	1,000	100.00 %	2,462	(7,538)	(7,538)	Parent/subsidiary
The Company	NUI Technology Inc.	Taiwan	Technology development	90,000	-	9,000	100.00 %	87,698	(2,302)	(2,302)	Parent/subsidiary
The Company	Taurus Wireless Inc.	Taiwan	Technology development	10,000	-	1,000	100.00 %	7,369	(2,631)	(2,631)	Parent/subsidiary
The Company	SCT Holdings Ltd.	Cayman	Design, development and sales of IC products	365,430	-	6,404	20.00 %	370,093	14,742	(1,023)	Associate

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

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the 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 and US 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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2022	Net income (losses) of the investee	% of Ownership of Direct or Indirect Investment	Investment income (losses)	Carrying Value as of June 30, 2022 (Note 2)	Accumulated Inward Remittance of Earnings as of June 30, 2022 (Note 2)
					Outflow	Inflow						
Egis Intelligent (Shanghai) Co., Ltd	Customer service, business promotion and technical service	55,521	(Note 1)	59,440 (USD 2,000)	-	-	59,440 (USD 2,000)	306	100.00%	306	56,166	-

Note 1: Direct investment in Mainland China.

Note 2: The above amount has been eliminated when preparing the consolidated financial statements.

Note 3: The above amounts were translated into New Taiwan Dollars at the exchange rate of US\$1=NT\$29.72.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
59,440 (USD 2,000)	59,440 (USD 2,000)	2,847,845

Note 1: The above amounts were translated into New Taiwan Dollars at the exchange rate of US\$1=NT\$29.72.

(iii) Significant transactions with investee companies in Mainland China: None.

(d) Information on major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Sen-Chou Lo		7,546,262	10.89 %

14. Segment information

The Group is mainly engaged in the research and development, design and sales of data security software and biometric identification software and hardware. The overall operating results are regularly reviewed by the Group's chief operating decision maker to assess its performance. Therefore, the Group has only one reportable segment. For the six months ended June 30, 2022 and 2021, there were no material inconsistency between the reportable segment profit or loss and the consolidated financial statements.