

**EGIS TECHNOLOGY INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2023 AND 2022**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Egis Technology Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Egis Technology Inc. and subsidiaries (the "Group") as at March 31, 2023 and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these 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" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our reviews and the review reports of other independent auditors.

Scope of Review

Except as explained in the Basis for Qualified Conclusion, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of 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 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 explained in Note 6(7), the financial statements of certain investments accounted for using the equity method were not reviewed by independent auditors. The balance of these investments accounted for using the equity method amounted to NT\$382,391 thousand, constituting 3% of the consolidated total assets as at March 31, 2023, and the share of comprehensive loss of associates accounted for using equity method amounted to (NT\$3,441) thousand, constituting (4%) of the consolidated total comprehensive loss for the three months then ended.

Qualified Conclusion

Based on our reviews and the review reports of other independent auditors as described in the Other Matter – Review Reports By Other Independent Auditors section of our report, except for the possible effects of the matter described in the Basis for Qualified Conclusion section of our report, 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 the Group as at March 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the three months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Other Matter – Review Reports By Other Independent Auditors

We did not review the financial statements of certain investments accounted for using the equity method which were reviewed by other independent auditors. Therefore, our report expressed herein, insofar as it relates to the amounts and the information disclosed in Note 13 included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using equity method amounted to NT\$1,144,794 thousand, constituting 10% of the consolidated total assets as at March 31, 2023, and the share of comprehensive loss recognised from these investees accounted for using the equity method amounted to (NT\$25,351) thousand, constituting (28%) of the consolidated total comprehensive loss for the three months then ended.

Other Matter – Reference to the Audits of Other Auditors

The consolidated financial statements of the Group as at and for the three months ended March 31, 2022 were reviewed by other auditors, whose report dated May 12, 2022 expressed a qualified conclusion on those statements as the financial statements of certain investees accounted for using the equity method included in the consolidated financial statements were not reviewed by independent auditors.

Huang, Pei-Chuan

Chen, Ching Chang

For and on Behalf of PricewaterhouseCoopers, Taiwan

May 10, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,303,729	11	\$ 1,544,842	13	\$ 2,533,390	28
1110	Financial assets at fair value through profit or loss - current	6(2)	1,037,472	9	978,914	8	647,350	7
1120	Current financial assets at fair value through other comprehensive income	6(3)	26,746	-	26,223	-	-	-
1136	Current financial assets at amortised cost	6(4) and 8	692,259	6	698,116	6	550,625	6
1170	Accounts receivable, net	6(5)	569,248	5	600,870	5	540,407	6
1180	Accounts receivable due from related parties, net	7	1,110	-	4,098	-	-	-
1200	Other receivables		21,627	-	24,068	-	63,277	1
1210	Other receivables due from related parties	7	116,697	1	82,360	1	33,000	-
1220	Current tax assets		3,577	-	3,173	-	-	-
130X	Inventory	6(6)	1,499,794	12	1,633,962	14	683,042	8
1410	Prepayments		120,168	1	133,136	1	144,456	2
1470	Other current assets	6(6) and 8	15,325	-	33,344	-	2,829	-
11XX	Total current assets		<u>5,407,752</u>	<u>45</u>	<u>5,763,106</u>	<u>48</u>	<u>5,198,376</u>	<u>58</u>
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)	1,057,061	9	921,242	8	607,646	7
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8	2,191,323	18	1,934,377	16	520,852	6
1535	Non-current financial assets at amortised cost	6(4) and 8	6,447	-	35,486	-	405	-
1550	Investments accounted for using equity method	6(7)	1,749,737	15	1,771,707	15	1,911,369	21
1600	Property, plant and equipment	6(8)	116,276	1	129,750	1	84,761	1
1755	Right-of-use assets	6(9)	178,846	2	180,606	2	146,768	2
1780	Intangible assets	6(10)	895,304	7	882,999	7	195,045	2
1840	Deferred income tax assets		289,342	2	287,056	2	146,444	2
1960	Non-current prepayments for investments	6(11)	-	-	-	-	114,011	1
1990	Other non-current assets		124,118	1	119,661	1	16,073	-
15XX	Total non-current assets		<u>6,608,454</u>	<u>55</u>	<u>6,262,884</u>	<u>52</u>	<u>3,743,374</u>	<u>42</u>
1XXX	Total assets		<u>\$ 12,016,206</u>	<u>100</u>	<u>\$ 12,025,990</u>	<u>100</u>	<u>\$ 8,941,750</u>	<u>100</u>

(Continued)

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(12)	\$ 1,347,500	11	\$ 1,238,584	10	\$ 260,000	3
2170	Accounts payable		257,843	2	243,915	2	259,328	3
2200	Other payables	6(13)	768,305	6	690,293	6	1,054,833	12
2220	Other payables to related parties	7	1,675	-	7,364	-	-	-
2230	Current income tax liabilities		85,948	1	100,695	1	601,496	7
2280	Current lease liabilities	6(9)	68,315	1	66,552	1	41,315	-
2320	Long-term liabilities, current portion	6(14)	435,568	4	423,636	3	70,833	1
2365	Current refund liabilities		58,175	-	89,376	1	54,609	-
2399	Other current liabilities	6(21) and 7	24,416	-	17,890	-	11,342	-
21XX	Total current liabilities		<u>3,047,745</u>	<u>25</u>	<u>2,878,305</u>	<u>24</u>	<u>2,353,756</u>	<u>26</u>
Non-current liabilities								
2540	Non-current portion of non-current borrowings	6(14)	1,259,949	11	1,273,700	11	879,167	10
2570	Deferred tax liabilities		96,580	1	102,971	1	1,995	-
2580	Non-current lease liabilities	6(9)	120,101	1	124,043	1	113,930	1
2600	Other non-current liabilities		15,448	-	15,451	-	-	-
25XX	Total non-current liabilities		<u>1,492,078</u>	<u>13</u>	<u>1,516,165</u>	<u>13</u>	<u>995,092</u>	<u>11</u>
2XXX	Total liabilities		<u>4,539,823</u>	<u>38</u>	<u>4,394,470</u>	<u>37</u>	<u>3,348,848</u>	<u>37</u>
Equity								
Share capital								
3110	Common stock	6(17)	692,718	6	692,718	6	692,718	8
Capital surplus								
3200	Capital surplus	6(18)	1,019,510	8	1,005,857	8	968,659	11
Retained earnings								
3310	Legal reserve	6(19)	725,338	6	725,338	6	284,300	3
3320	Special reserve		75,368	1	75,368	1	-	-
3350	Unappropriated retained earnings		2,062,453	17	2,358,198	19	3,753,725	42
Other equity interest								
3400	Other equity interest	6(20)	(612,600)	(5)	(857,729)	(7)	(116,297)	(1)
31XX	Equity attributable to owners of parent		<u>3,962,787</u>	<u>33</u>	<u>3,999,750</u>	<u>33</u>	<u>5,583,105</u>	<u>63</u>
36XX	Non-controlling interests	6(29)	<u>3,513,596</u>	<u>29</u>	<u>3,631,770</u>	<u>30</u>	<u>9,797</u>	<u>-</u>
3XXX	Total equity		<u>7,476,383</u>	<u>62</u>	<u>7,631,520</u>	<u>63</u>	<u>5,592,902</u>	<u>63</u>
Significant contingent liabilities								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		<u>\$ 12,016,206</u>	<u>100</u>	<u>\$ 12,025,990</u>	<u>100</u>	<u>\$ 8,941,750</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(21) and 7	\$ 929,658	100	\$ 917,120	100
5000	Operating costs	6(6)(26)	(620,243)	(67)	(547,800)	(60)
5900	Net operating margin		309,415	33	369,320	40
	Operating expenses	6(26) and 7				
6100	Selling expenses		(73,020)	(8)	(27,495)	(3)
6200	General and administrative expenses		(102,753)	(11)	(64,531)	(7)
6300	Research and development expenses		(401,987)	(43)	(329,232)	(36)
6450	Impairment loss determined in accordance with IFRS 9	6(5)	(21)	-	-	-
6000	Total operating expenses		(577,781)	(62)	(421,258)	(46)
6900	Operating loss		(268,366)	(29)	(51,938)	(6)
	Non-operating income and expenses					
7100	Interest income	6(22)	10,271	1	6,271	1
7010	Other income	6(23)	2,619	-	1,434	-
7020	Other gains and losses	6(24)	115,964	13	52,735	6
7050	Finance costs	6(25)	(14,979)	(1)	(3,384)	(1)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	(33,526)	(4)	(11,227)	(1)
7000	Total non-operating income and expenses		80,349	9	45,829	5
7900	Loss before income tax		(188,017)	(20)	(6,109)	(1)
7950	Income tax benefit	6(27)	22,125	2	793	-
8200	Loss for the period		(\$ 165,892)	(18)	(\$ 5,316)	(1)

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 257,018	28	(\$ 10,734) (1)
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(20)	-	-	(27,193) (3)
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		257,018	28	(37,927) (4)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(20)(29)	(1,332)	-	2,370 -
8367	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	806	-	(6,668) -
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(20)	(381)	-	1,296 -
8360	Other comprehensive loss that will be reclassified to profit or loss		(907)	-	(3,002) -
8300	Other comprehensive income (loss) for the period, net of tax		\$ 256,111	28	(\$ 40,929) (4)
8500	Total comprehensive income (loss) for the period		\$ 90,219	10	(\$ 46,245) (5)
Loss attributable to:					
8610	Owners of parent		(\$ 87,317) (9)	(\$ 2,978) (1)	
8620	Non-controlling interests		(78,575) (9)	(2,338) -	
			(\$ 165,892) (18)	(\$ 5,316) (1)	
Comprehensive income (loss) attributable to:					
8710	Owners of parent		\$ 157,812	17	(\$ 43,907) (5)
8720	Non-controlling interests		(67,593) (7)	(2,338) -	
			\$ 90,219	10	(\$ 46,245) (5)
Loss per share (in dollars)					
9750	Basic loss per share	6(28)	(\$ 1.26)	(\$ 0.04)	
9850	Diluted loss per share		(\$ 1.26)	(\$ 0.04)	

The accompanying notes are an integral part of these consolidated financial statements.

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

Equity attributable to owners of the parent												
Notes	Retained Earnings					Other Equity Interest			Treasury shares	Total	Non-controlling interests	Total
	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total				
<u>Three months ended March 31, 2022</u>												
	\$ 692,718	\$ 968,659	\$ 284,300	\$ -	\$ 4,450,106	(\$ 594)	(\$ 74,774)	\$ -	\$ 6,320,415	\$ 12,135	\$ 6,332,550	
	-	-	-	-	(2,978)	-	-	-	(2,978)	(2,338)	(5,316)	
	-	-	-	-	-	3,666	(44,595)	-	(40,929)	-	(40,929)	
	-	-	-	-	(2,978)	3,666	(44,595)	-	(43,907)	(2,338)	(46,245)	
Appropriation and distribution of 2021 earnings	6(19)											
Cash dividends	-	-	-	-	(692,718)	-	-	-	(692,718)	-	(692,718)	
Changes in equity of associates accounted for using equity method	-	-	-	-	(685)	-	-	-	(685)	-	(685)	
Balance at March 31, 2022	<u>\$ 692,718</u>	<u>\$ 968,659</u>	<u>\$ 284,300</u>	<u>\$ -</u>	<u>\$ 3,753,725</u>	<u>\$ 3,072</u>	<u>(\$ 119,369)</u>	<u>\$ -</u>	<u>\$ 5,583,105</u>	<u>\$ 9,797</u>	<u>\$ 5,592,902</u>	
<u>Three months ended March 31, 2023</u>												
	\$ 692,718	\$ 1,005,857	\$ 725,338	\$ 75,368	\$ 2,358,198	\$ 43	(\$ 857,772)	\$ -	\$ 3,999,750	\$ 3,631,770	\$ 7,631,520	
	-	-	-	-	(87,317)	-	-	-	(87,317)	(78,575)	(165,892)	
	-	-	-	-	-	(1,346)	246,475	-	245,129	10,982	256,111	
	-	-	-	-	(87,317)	(1,346)	246,475	-	157,812	(67,593)	90,219	
Appropriation and distribution of 2022 earnings	6(19)											
Cash dividends	-	-	-	-	(207,815)	-	-	-	(207,815)	-	(207,815)	
Changes in ownership interests in subsidiaries	-	1,232	-	-	-	-	-	-	1,232	15,998	17,230	
Changes in equity of associates accounted for using equity method	-	12,421	-	-	(613)	-	-	-	11,808	-	11,808	
Decrease in non-controlling interests	6(29)	-	-	-	-	-	-	-	-	(66,579)	(66,579)	
Balance at March 31, 2023	<u>\$ 692,718</u>	<u>\$ 1,019,510</u>	<u>\$ 725,338</u>	<u>\$ 75,368</u>	<u>\$ 2,062,453</u>	<u>(\$ 1,303)</u>	<u>(\$ 611,297)</u>	<u>\$ -</u>	<u>\$ 3,962,787</u>	<u>\$ 3,513,596</u>	<u>\$ 7,476,383</u>	

The accompanying notes are an integral part of these consolidated financial statements.

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 188,017)	(\$ 6,109)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(26)	44,604	23,460
Amortisation	6(10)(26)	63,249	8,202
Impairment loss	6(5)	21	-
Interest income	6(22)	(10,271)	(6,271)
Interest expense	6(25)	14,979	3,384
Gains on disposals of property, plant and equipment	6(24)	-	(22)
Gains on financial assets at fair value through profit or loss, net	6(2)(24)	(145,989)	(13,798)
Share of loss of associates accounted for using equity method	6(7)	33,526	11,227
Share-based payments	6(16)	12,026	-
Losses on refundable deposits		18,836	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable (including due from related parties)		34,589	68,327
Other receivables (including due from related parties)		(31,304)	7,963
Inventories		134,168	(76,358)
Prepayments		14,664	(29,909)
Other current assets		(817)	(1,953)
Changes in operating liabilities			
Accounts payable		13,928	(72,094)
Other payables (including payables to related parties)		(209,368)	(89,507)
Current refund liabilities		(31,201)	(20,530)
Other current liabilities		6,367	(1,906)
Cash outflow generated from operations		(226,010)	(195,894)
Interest received		9,679	5,261
Income taxes paid		(1,963)	(1,864)
Interest paid		(15,481)	(3,364)
Net cash flows used in operating activities		(233,775)	(195,861)

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EGIS TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 48,388)	(\$ 5,113)
Proceeds from disposal of financial assets at fair value through profit or loss		-	145,519
Acquisition of financial assets at fair value through other comprehensive income		-	(129,259)
Proceeds from disposal of financial assets at amortised cost		34,896	133,413
Acquisition of property, plant and equipment	6(30)	(9,994)	(3,435)
Proceeds from disposal of property, plant and equipment		-	63
Acquisition of intangible assets	6(30)	(53,886)	(9,000)
Increase in prepayments for investments	6(11)	-	(114,011)
Collection of prepayments for investments	6(11)	-	134,400
Cash flows generated from acquisition of subsidiaries		(11,835)	-
Increase in other non-current assets		(4,651)	(423)
Net cash flows (used in) from investing activities		(93,858)	152,154
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(31)	1,347,500	460,000
Decrease in short-term loans	6(31)	(1,238,584)	(300,000)
Proceeds from long-term debt	6(31)	-	100,000
Repayments of long-term debt	6(31)	(1,819)	-
Payments of lease liabilities	6(31)	(24,331)	(10,413)
Decrease in other non-current liabilities	6(31)	(3)	-
Issuance of treasury shares by subsidiaries		5,204	-
Net cash flows from financing activities		87,967	249,587
Effect of exchange rate changes		(1,447)	2,366
Net (decrease) increase in cash and cash equivalents		(241,113)	208,246
Cash and cash equivalents at beginning of period		1,544,842	2,325,144
Cash and cash equivalents at end of period		\$ 1,303,729	\$ 2,533,390

The accompanying notes are an integral part of these consolidated financial statements.

EGIS TECHNOLOGY INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. History and Organisation

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 the research, development, and sales of data security software, biometric identification software and hardware, wholesale of electronic material, development and design of IC and international trading.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on May 10, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss and financial assets at fair value through other comprehensive income.
 - (b) Defined benefit assets recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for the preparation of these consolidated financial statements is the same as the consolidated financial statements for the year ended December 31, 2022.

- B. Subsidiaries included in the consolidated financial statements:

No.	Investor	Name of subsidiary	Main business activities	March 31, 2023	December 31, 2022	March 31, 2022	Description
1	Egis Technology Inc.	Egis Technology (Japan) Inc. (Japan)	Customer service, business promotion and technical service	100.00	100.00	100.00	
2	"	Egis Technology Korea Inc. (Korea)	Customer service, business promotion and technical service	100.00	100.00	100.00	
3	"	Igistec Co., Ltd.	Technology development	-	-	74.69	Note 1
4	"	Sense Investment and Consulting Inc.	Holding activity	100.00	100.00	100.00	
5	"	Luxsentek Microelectronics Corp.	Technology development	86.93	86.93	86.93	
6	"	Egis Intelligent (Shanghai) Co., Ltd.	Customer service, business promotion and technical service	100.00	100.00	100.00	
7	"	Egis (Hong Kong) Limited	Holding activity	100.00	100.00	100.00	Note 2

No.	Investor	Name of subsidiary	Main business activities	March 31, 2023	December 31, 2022	March 31, 2022	Description
8	Egis Technology Inc.	VASUBI Technology Inc.	Technology development	100.00	100.00	100.00	Note 3
9	"	NUI Technology Inc.	Technology development	100.00	100.00	-	"
10	"	Taurus Wireless Inc.	Technology development	100.00	100.00	-	"
11	"	Transducer Star Technology INC. (Transducer Star)	Technology development	85.58	-	-	Note 4
12	"	Alcor Micro, Corp. (Alcor)	Wholesale of electronic materials, development and design of IC and international trading, etc.	22.01	22.01	-	Note 5
13	Alcor	Alcor Micro Technology, Inc. (AMTI)	Investment and holding activity	100.00	100.00	-	"
14	"	Syncomm Technology Corp. (Syncomm)	Development, design and sales of IC	26.47	26.72	-	Notes 5, 6 and 7
15	"	Alcorlink Corp. (Alcorlink)	Development, design and sales of IC	49.82	49.99	-	Notes 5, 6 and 8
16	"	Chun-Feng Investment Limited (Chun-Feng)	General investment business	100.00	100.00	-	Note 5
17	"	ENE Technology Inc. (ENE)	Development, design and sales of IC	17.66	17.65	-	Notes 5, 6 and 9
18	AMTI	Alcor Micro Tech. (ShenZhen) Ltd.	After sales service and collection of business intelligence	100.00	100.00	-	Note 5
19	"	Alcor Micro Technology (H.K.) Limited (AMTHK)	Management and sales of electronic products	100.00	100.00	-	"
20	Chun-Feng	Syncomm Technology Corp.(Syncomm)	Development, design and sales of IC	5.39	5.44	-	Notes 5, 6 and 7
21	ENE	ENE Touch Technology Co., Ltd. (ENE Touch)	Wholesale of electronic materials	100.00	100.00	-	Note 5

Note 1: It was a company which was liquidated in 2022.

Note 2: Egis (Hong Kong) Limited was incorporated on August 17, 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.

Note 4: The Group merged with Transducer Star Technology Inc. in 2023. Refer to Note 6(32) for details.

Note 5: Alcor was a subsidiary which was acquired on July 11, 2022. Although the Group's shareholding ratio in Alcor was less than 50%, the Group obtained the majority voting rights in the Board of Directors through effective agreements with other shareholders. Thus, Alcor was included in the consolidated financial statements. Refer to Note 6(7)C. for details.

Note 6: The Group's subsidiary, Alcor, was the single major shareholder of Syncomm, Alcorlink and ENE. Although the direct shareholding ratio did not reach 50%, Alcor had substantial decision-making power on each companies' finance, operations and personnel administration, and in the conduct of their main business activities. Further, during the shareholders' meeting of each company, Alcor has obtained the majority voting right, and has substantial control power. Thus, they were included in the consolidated financial statements.

Note 7: Since Syncomm issued and retired restricted stocks, the Group's total shareholding ratio as at March 31, 2023 and December 31, 2022 was changed to 31.86% and 32.16%, respectively.

Note 8: Since Alcorlink increased its cash capital, repurchased treasury shares and transferred certain treasury shares to employees, and issued and retired restricted stocks, the Group's shareholding ratio as at March 31, 2023 and December 31, 2022 was changed to 49.82% and 49.99%, respectively.

Note 9: Since ENE retired restricted stocks, the Group's total shareholding ratio as at March 31, 2023 and December 31, 2022 was changed to 17.66% and 17.65%, respectively.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of March 31, 2023, December 31, 2022 and March 31, 2022, the non-controlling interest amounted to \$3,513,596, \$3,631,770 and \$9,797, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest	
		March 31, 2023	
Name of subsidiary	Principal place of business	Amount	Ownership (%)
Alcor and its subsidiaries	Taiwan	\$ 3,513,816	77.99%

		Non-controlling interest	
		December 31, 2022	
Name of subsidiary	Principal place of business	Amount	Ownership (%)
Alcor and its subsidiaries	Taiwan	\$ 3,631,019	77.99%

Balance sheets

	March 31, 2023	December 31, 2022
	Alcor and its subsidiaries	Alcor and its subsidiaries
Current assets	\$ 3,355,910	\$ 3,457,179
Non-current assets	1,600,067	1,569,011
Current liabilities	(619,903)	(627,779)
Non-current liabilities	(153,811)	(154,284)
Total net assets	<u>\$ 4,182,263</u>	<u>\$ 4,244,127</u>

Statement of comprehensive income

	Three months ended March 31, 2023
	Alcor and its subsidiaries
Revenue	<u>\$ 387,946</u>
Loss before income tax	(\$ 100,164)
Income tax benefit	8,671
Loss, net of tax	(91,493)
Other comprehensive income	14,094
Total comprehensive loss	<u>(\$ 77,399)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 65,299)</u>
Dividends paid to non-controlling interest	<u>\$ 67,902</u>

Statement of cash flows

	Three months ended March 31, 2023	From July 11, 2022 to December 31, 2022
	Alcor and its subsidiaries	Alcor and its subsidiaries
Net cash used in operating activities	(\$ 69,913)	(\$ 128,876)
Net cash flows from (used in) investing activities	9,817	(167,437)
Net cash flows from (used in) financing activities	893	(225,721)
Effect of exchange rate changes on cash and cash equivalents	(481)	(511)
Decrease in cash and cash equivalents	(59,684)	(522,545)
Cash and cash equivalents, beginning of period	819,418	1,341,963
Cash and cash equivalents, end of period	<u>\$ 759,734</u>	<u>\$ 819,418</u>

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

There was no significant change in the reporting period. Refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand and revolving funds	\$ 1,457	\$ 1,569	\$ 783
Checking accounts and demand deposits	1,034,393	1,283,118	890,982
Time deposits	267,879	260,155	1,641,625
	<u>\$ 1,303,729</u>	<u>\$ 1,544,842</u>	<u>\$ 2,533,390</u>

- A. The above time deposits pertain to high liquidity investments with a maturity of less than 3 months.
- B. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- C. The Group has no cash and cash equivalents pledged to others.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 900,824	\$ 845,340	\$ 611,523
Principal protected note	120,483	120,249	-
Foreign unlisted stocks	16,165	13,325	35,827
	<u>\$ 1,037,472</u>	<u>\$ 978,914</u>	<u>\$ 647,350</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Convertible bonds	\$ 175,971	\$ 177,473	\$ 459,632
Beneficiary certificates	118,623	115,360	99,500
Unlisted private placement funds	62,838	61,056	48,514
Domestic listed stocks	524,860	409,247	-
Domestic unlisted stocks	174,769	158,106	-
	<u>\$ 1,057,061</u>	<u>\$ 921,242</u>	<u>\$ 607,646</u>

- A. For the three months ended March 31, 2023 and 2022, the Group recognised gain on financial assets at fair value through profit or loss in the amount of \$145,989 and \$13,798, respectively.
- B. The Group has no financial assets at fair value through profit or loss pledged to others.
- C. Information relating to fair value of financial assets at fair value through profit or loss is provided in Note 12(3).

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Debt instrument			
Bonds	\$ 22,118	\$ 21,556	\$ -
Equity instrument			
Listed stocks	4,628	4,667	-
	<u>\$ 26,746</u>	<u>\$ 26,223</u>	<u>\$ -</u>
Non-current items:			
Debt instrument			
Bonds	\$ 5,152	\$ 5,143	\$ 141,186
Equity instrument			
Listed stocks	1,136,364	970,606	-
Unlisted stocks	1,049,807	958,628	379,666
	<u>\$ 2,191,323</u>	<u>\$ 1,934,377</u>	<u>\$ 520,852</u>

- A. The Group designated the investments shown above as debt instruments as financial assets 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 financial assets.
- B. The Group has elected to classify equity investments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,190,799, \$1,933,901 and \$379,666 as at March 31, 2023, December 31, 2022 and March 31, 2022, respectively.
- C. No strategic investments were disposed in the first quarter of 2023 and 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.
- D. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 257,018	(\$ 10,734)
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 806	(\$ 6,668)
Interest income recognised in profit or loss	\$ 292	\$ 879

- E. As at March 31, 2023, December 31, 2022 and March 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was the recognised carrying amount of financial assets.
- F. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.
- G. Information relating to the fair value of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Financial assets at amortised cost

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Time deposits with maturity over three months	\$ 410,942	\$ 426,614	\$ 550,625
Pledged time deposits	254,283	256,454	-
Bonds	27,034	15,048	-
	<u>\$ 692,259</u>	<u>\$ 698,116</u>	<u>\$ 550,625</u>
Non-current items:			
Pledged time deposits	\$ 6,447	\$ 8,144	\$ 405
Bonds	-	27,342	-
	<u>\$ 6,447</u>	<u>\$ 35,486</u>	<u>\$ 405</u>

- A. As at March 31, 2023, December 31, 2022 and March 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was the recognised carrying amount of financial assets.
- B. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 4,361</u>	<u>\$ 580</u>

- C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Accounts receivable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable	\$ 569,392	\$ 600,876	\$ 540,407
Less: Allowance for uncollectible accounts	(144)	(6)	-
	<u>\$ 569,248</u>	<u>\$ 600,870</u>	<u>\$ 540,407</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Not past due	\$ 568,822	\$ 597,496	\$ 540,407
Up to 30 days	87	3,303	-
31 to 90 days	483	77	-
Over 91 days	-	-	-
	<u>\$ 569,392</u>	<u>\$ 600,876</u>	<u>\$ 540,407</u>

The above ageing analysis was based on past due date.

B. As of March 31, 2023, December 31, 2022 and March 31, 2022, accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$608,734.

C. The Group had no accounts receivable pledged to others as collateral.

D. As at March 31, 2023, December 31, 2022 and March 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable held by the Group was the carrying amount of the financial assets.

E. The Group comprehensively considered the geographic area, product types and credit rating of each customer. The Group applies the modified approach using a provision matrix to estimate the expected credit loss. The Group used the consideration of forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group's expected credit loss rates were not significant.

F. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2023</u>
	<u>Accounts receivable</u>
At January 1	\$ 6
Impairment loss	21
Others	117
At March 31	<u>\$ 144</u>

G. Information relating to credit risk of accounts receivable is provided in Note 12(2).

H. Transferred financial assets that are not derecognised in their entirety

(a) The Group's subsidiary, ENE Technology Inc., entered into an accounts receivable factoring contract with ChinaTrust Commercial Bank, and pledged promissory note amounting to \$80,000 as collateral. Under the contract, ENE Technology Inc. provided guarantees for all accounts receivable which could be collected within a certain period (whatever delay or default), almost all risks and returns of the accounts receivable were retained itself. Therefore, the accounts receivable did not meet the condition of derecognition from financial assets. As of March 31, 2023 and December 31, 2022, there were no transferred financial assets which were not derecognised as a whole.

(b) There was no such circumstances as at March 31, 2022.

I. The Group has obtained collaterals, including time deposits, promissory notes, and fixed assets, from some customers based on credit terms as guarantees for credit enhancement of accounts receivable.

(6) Inventories

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Raw materials	\$ 800,748	\$ 790,425	\$ 195,714
Work in progress	554,488	664,691	485,679
Finished goods	144,558	178,147	1,649
Goods in transit	-	699	-
	<u>\$ 1,499,794</u>	<u>\$ 1,633,962</u>	<u>\$ 683,042</u>

A. For the three months ended March 31, 2023 and 2022, the inventory costs which were recognised as cost of goods sold were \$615,688 and \$544,043, respectively. Further, certain inventories were written off to net realisable value, and the Company recognised inventories valuation loss amounting to \$45,440 and \$2,369 for the three months ended March 31, 2023 and 2022, respectively.

B. The Group has no inventories pledged to others.

C. To secure the steady supply of wafer capacity, in June 2021, the Group's subsidiary signed a purchase agreement for pre-order capacity with a supplier, and paid guarantee of US\$1,000, of which US\$675 thousand was recognised as a loss in 2023 since the subsidiary did not meet the purchase quantity requirement under the contract, and the remaining balance of US\$325 was accounted as other current assets as of March 31, 2023.

D. ENE Technology Inc. signed a long-term contract with its supplier, indicating its commitment to outsource a minimum quantity to the supplier. Any loss from non-fulfillment of the contract was recognised as current cost.

(7) Investments accounted for using equity method

A. Details of investments accounted for using equity method are as follows:

Company name	March 31, 2023		December 31, 2022	
	Shareholding ratio	Amount	Shareholding ratio	Amount
Vitrio Technology Corporation	50.00%	\$ -	50.00%	\$ -
iCatch Technology, Inc. (iCatchtek)	18.91%	1,144,794	18.91%	1,169,344
SCT Holdings Ltd. (SCT)	19.51%	374,904	20.00%	367,339
Egis Innovation Fund G.P., Ltd.	50.00%	7,487	50.00%	7,487
AlgolTek, Inc. (AlgolTek)	20.13%	222,552	20.13%	227,537
		<u>\$ 1,749,737</u>		<u>\$ 1,771,707</u>

Company name	March 31, 2022	
	Shareholding ratio	Amount
Alcor Micro, Corp. (Alcor)	22.16%	\$ 734,742
Vitrio Technology Corporation	50.00%	-
iCatch Technology, Inc. (iCatchtek)	21.11%	1,176,627
		<u>\$ 1,911,369</u>

B. Share of profit (loss) of associates accounted for using equity method are as follows:

Company name	Three months ended March 31,	
	2023	2022
Alcor Micro, Corp. (Alcor)	\$ -	\$ 2,664
iCatch Technology, Inc. (iCatchtek) (Note 1)	(25,351)	(13,891)
SCT Holdings Ltd. (SCT) (Note 2)	(3,060)	-
Egis Innovation Fund G.P., Ltd. (Egis Innovation) (Note 2)	-	-
AlgolTek, Inc. (AlgolTek)	(5,115)	-
	<u>(\$ 33,526)</u>	<u>\$ 11,227</u>

Note 1: Share of loss of iCatchtek was recognised based on the financial statements reviewed by other auditors.

Note 2: The financial information for the first quarter of 2023 of SCT and Egis Innovation was recognised based on the financial statements that were not reviewed by auditors.

- C. The Group held 22.01% equity interest in Alcor, and was the single major shareholder of Alcor. Based on the attendance in the shareholders' meeting and the result of reelection of directors of Alcor on June 15, 2022, as well as the effective agreements obtained from other shareholders on July 11, 2022, the Group has obtained majority voting rights in the Board of Directors of Alcor. As the Group was assessed to have the ability to exercise significant influence over Alcor's operations, Alcor was included in the Group's consolidated financial statements starting from July 11, 2022. Refer to Note 6(32) for details.
- D. In December 2021, the Group invested the amount of \$652,000 in iCatchtek and acquired 11.83% equity interest. In January 2022, the Group acquired an additional ownership of \$537,600 in iCatchtek through public offering, resulting in the Group's ownership in iCatchtek to increase to 21.03%. As the Group has significant influence over iCatchtek, the investment was accounted for using equity method. Additionally, on November 2, 2022, iCatchtek processed a cash capital increase by issuing new shares, and the Group did not subscribe to the capital increase proportionately to its ownership, resulting in the decrease in the Group's ownership to 18.91%. However, the Group still held 3 board seats and accordingly, has significant influence over iCatchtek.
- E. In April 2022, the Group invested the amount of \$73,300 in SCT and acquired 4% equity interest. In addition, the convertible bonds held by the Group have been converted into common stock of SCT's, resulting in the Group's ownership in SCT to increase to 20%. As the Group has significant influence over SCT, the investment was accounted for using equity method. Additionally, on February 3, 2023, SCT processed a cash capital increase by issuing new shares, and the Group did not subscribe to the capital increase proportionately to its ownership, resulting in the decrease in the Group's ownership to 19.51%.
- F. The Group was the single major shareholder of AlgolTek. As of March 31, 2023, the Group had no definitely significant influence and does not hold over half of the seats in the Board of Directors base on the assessment of the degree of active participation of other shareholders in AlgolTek's past shareholders' meetings. Accordingly, the Group had no majority voting rights. These factors showed that the Group did not have the actual ability to unilaterally control the related activities of AlgolTek, therefore, the Group only had significant influence on but not control over AlgolTek.

G. The summarised financial information of the associates that are material to the Group is as follows:

Balance sheets

	<u>Alcor</u>		
	<u>March 31, 2022</u>		
Current assets			\$ 2,556,631
Non-current assets			1,306,380
Current liabilities			(497,736)
Non-current liabilities			(24,904)
Non-controlling interest			(596,065)
Total net assets			<u>\$ 2,744,306</u>
Share in associate's net assets			\$ 608,138
Excess of investments accounted for using equity method			<u>126,604</u>
Carrying amount of the associate			<u>\$ 734,742</u>
	<u>iCatchtek</u>		
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current assets	\$ 1,693,189	\$ 1,801,284	\$ 1,629,175
Non-current assets	139,810	129,531	93,672
Current liabilities	(90,935)	(155,656)	(258,928)
Non-current liabilities	(29,903)	(31,749)	(132,614)
Total net assets	<u>\$ 1,712,161</u>	<u>\$ 1,743,410</u>	<u>\$ 1,331,305</u>
Share in associate's net assets	\$ 323,770	\$ 329,679	\$ 281,038
Goodwill	166,580	166,580	166,580
Excess of investments accounted for using equity method	<u>654,444</u>	<u>673,085</u>	<u>729,009</u>
Carrying amount of the associate	<u>\$ 1,144,794</u>	<u>\$ 1,169,344</u>	<u>\$ 1,176,627</u>

	SCT	
	March 31, 2023	December 31, 2022
Current assets	\$ 705,593	\$ 762,561
Non-current assets	62,336	66,412
Current liabilities	(513,289)	(630,928)
Non-current liabilities	(7,451)	(7,484)
Total net assets	<u>\$ 247,189</u>	<u>\$ 190,561</u>
Share in associate's net assets	\$ 48,227	\$ 38,112
Goodwill	240,838	240,838
Excess of investments accounted for using equity method	85,839	88,389
Carrying amount of the associate	<u>\$ 374,904</u>	<u>\$ 367,339</u>

	AlgolTek	
	March 31, 2023	December 31, 2022
Current assets	\$ 742,917	\$ 804,682
Non-current assets	144,792	150,412
Current liabilities	(62,848)	(100,698)
Non-current liabilities	(20,910)	(26,482)
Total net assets	<u>\$ 803,951</u>	<u>\$ 827,914</u>
Share in associate's net assets	\$ 161,794	\$ 166,779
Goodwill	58,985	58,985
Excess of investments accounted for using equity method	1,890	1,890
Unrealised gain	(117)	(117)
Carrying amount of the associate	<u>\$ 222,552</u>	<u>\$ 227,537</u>

Statement of comprehensive income

	Alcor
	Three months ended March 31, 2022
Revenue	<u>\$ 360,016</u>
Profit for the period	33,388
Other comprehensive loss	(116,871)
Total comprehensive loss	<u>(\$ 83,483)</u>
Share of income for the period	<u>\$ 2,664</u>

	<u>iCatchtek</u>	
	<u>Three months ended March 31, 2023</u>	<u>Three months ended March 31, 2022</u>
Revenue	\$ 243,365	\$ 262,739
(Loss) profit for the period	(\$ 35,487)	\$ 13,029
Other comprehensive income	-	-
Total comprehensive (loss) income	(\$ 35,487)	\$ 13,029
Share of loss for the period	(\$ 25,351)	(\$ 13,891)

	<u>SCT</u>	
	<u>Three months ended March 31, 2023</u>	
Revenue	\$ 206,218	
Profit for the period	\$ 573	
Other comprehensive loss	(279)	
Total comprehensive income	\$ 294	
Share of loss for the period	(\$ 3,060)	

	<u>AlgoTek</u>	
	<u>Three months ended March 31, 2023</u>	
Revenue	\$ 55,353	
Loss for the period	(\$ 25,408)	
Other comprehensive income	645	
Total comprehensive loss	(\$ 24,763)	
Share of loss for the period	(\$ 5,115)	

- I. The Group's material associates, iCatchtek and AlgoTek, have quoted market prices. As of March 31, 2023 and December 31, 2022, the fair value was \$783,900, \$308,764, and \$720,000, \$242,445, respectively.

J. Considering AlgoTek’s and Alcorlink’s future long-term development needs, in accordance with the regulations of the Enterprise Merger and Acquisition Act, AlgoTek exchanged shares with the shareholders of Alcorlink by issuing new shares as consideration, and acquired 100% equity interest of Alcorlink. The effective date was set on April 1, 2023, and the relevant transaction had been completed. The Group held 31.81% equity interest in AlgoTek after the transaction, and was the single major shareholder of AlgoTek. The Group had the ability to exercise significant influence over AlgoTek’s operations and had substantial control based on the assessment of the degree of active participation of other shareholders in AlgoTek’s past shareholders’ meetings. Thus, AlgoTek was included in the Group’s consolidated financial statements since April 1, 2023.

(8) Property, plant and equipment

	2023				
	Information equipment	Development equipment	Leasehold improvements	Others	Total
At January 1					
Cost	\$ 92,215	\$ 190,775	\$ 33,398	\$ 100,475	\$ 416,863
Accumulated depreciation	(70,474)	(136,503)	(23,448)	(56,688)	(287,113)
	<u>\$ 21,741</u>	<u>\$ 54,272</u>	<u>\$ 9,950</u>	<u>\$ 43,787</u>	<u>\$ 129,750</u>
At January 1	\$ 21,741	\$ 54,272	\$ 9,950	\$ 43,787	\$ 129,750
Additions	698	3,698	157	2,018	6,571
Acquired from business combinations	68	244	-	-	312
Depreciation charge	(5,009)	(7,991)	(1,648)	(5,705)	(20,353)
Net exchange differences	(4)	(3)	1	2	(4)
At March 31	<u>\$ 17,494</u>	<u>\$ 50,220</u>	<u>\$ 8,460</u>	<u>\$ 40,102</u>	<u>\$ 116,276</u>
At March 31					
Cost	\$ 91,129	\$ 192,730	\$ 29,100	\$ 98,288	\$ 411,247
Accumulated depreciation	(73,635)	(142,510)	(20,640)	(58,186)	(294,971)
	<u>\$ 17,494</u>	<u>\$ 50,220</u>	<u>\$ 8,460</u>	<u>\$ 40,102</u>	<u>\$ 116,276</u>

	2022				
	Information equipment	Development equipment	Leasehold improvements	Others	Total
At January 1					
Cost	\$ 83,167	\$ 79,275	\$ 21,122	\$ 38,479	\$ 222,043
Accumulated depreciation	(48,276)	(45,488)	(9,530)	(24,025)	(127,319)
	<u>\$ 34,891</u>	<u>\$ 33,787</u>	<u>\$ 11,592</u>	<u>\$ 14,454</u>	<u>\$ 94,724</u>
At January 1	\$ 34,891	\$ 33,787	\$ 11,592	\$ 14,454	\$ 94,724
Additions	3,435	-	-	-	3,435
Disposals	-	-	-	(41)	(41)
Depreciation charge	(5,595)	(5,038)	(1,353)	(1,373)	(13,359)
Net exchange differences	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>2</u>
At March 31	<u>\$ 32,732</u>	<u>\$ 28,750</u>	<u>\$ 10,239</u>	<u>\$ 13,040</u>	<u>\$ 84,761</u>
At March 31					
Cost	\$ 86,501	\$ 79,194	\$ 21,135	\$ 38,376	\$ 225,206
Accumulated depreciation	(53,769)	(50,444)	(10,896)	(25,336)	(140,445)
	<u>\$ 32,732</u>	<u>\$ 28,750</u>	<u>\$ 10,239</u>	<u>\$ 13,040</u>	<u>\$ 84,761</u>

The Group has no pledged property, plant and equipment.

(9) Lease transactions — lessee

	March 31, 2023	December 31, 2022	March 31, 2022
Right-of-use assets:			
Buildings and structures	\$ 175,359	\$ 176,606	\$ 146,768
Transportation equipment (Business vehicles)	2,232	2,440	-
Machinery and equipment	1,042	1,167	-
Other equipment	<u>213</u>	<u>393</u>	<u>-</u>
	<u>\$ 178,846</u>	<u>\$ 180,606</u>	<u>\$ 146,768</u>
Lease liability:			
Current	\$ 68,315	\$ 66,552	\$ 41,315
Non-current	<u>120,101</u>	<u>124,043</u>	<u>113,930</u>
	<u>\$ 188,416</u>	<u>\$ 190,595</u>	<u>\$ 155,245</u>

A. The Group leases various assets including building, business vehicles, machinery and equipment and parking spaces. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The depreciation charge of right-of-use assets are as follows:

	Three months ended March 31	
	2023	2022
Buildings and structures	\$ 23,289	\$ 10,101
Transportation equipment (Business vehicles)	493	-
Machinery and equipment	125	-
Other equipment	344	-
	<u>\$ 24,251</u>	<u>\$ 10,101</u>

C. For the three months ended March 31, 2023 and 2022, the additions to right-of-use assets were \$22,569 and \$45,895, respectively.

D. Short-term leases with a lease term of 12 months or less comprise parking spaces and warehouse. Low-value assets comprise multifunction printers and drinking fountain.

E. The information on profit or loss accounts relating to lease contracts is as follows:

	Three months ended March 31	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 907	\$ 428
Expense on short-term lease contracts	1,555	838
Expense on leases of low-value assets	152	-
Expense on variable lease payments	82	-

F. For the three months ended March 31, 2023 and 2022, the Group's total cash outflow for leases were \$27,027 and \$11,679, respectively.

(10) Intangible assets

	2023					
	<u>Goodwill</u>	<u>Patents</u>	<u>Acquired special technology</u>	<u>Customer relationship</u>	<u>Software cost</u>	<u>Total</u>
At January 1						
Cost	\$ 181,949	\$ 218,828	\$ 97,355	\$ 395,199	\$ 251,272	\$ 1,144,603
Accumulated amortisation	-	(57,428)	(69,520)	(33,370)	(101,286)	(261,604)
	<u>\$ 181,949</u>	<u>\$ 161,400</u>	<u>\$ 27,835</u>	<u>\$ 361,829</u>	<u>\$ 149,986</u>	<u>\$ 882,999</u>
At January 1	\$ 181,949	\$ 161,400	\$ 27,835	\$ 361,829	\$ 149,986	\$ 882,999
Additions - acquired separately	-	-	-	-	61,967	61,967
Additions - acquired through business combinations (Note 1)	14,056	-	-	-	-	14,056
Reclassification (Note 2)	-	-	-	-	(470)	(470)
Amortisation charge	-	(12,887)	(3,272)	(17,557)	(29,533)	(63,249)
Net exchange differences	-	-	-	-	1	1
At March 31	<u>\$ 196,005</u>	<u>\$ 148,513</u>	<u>\$ 24,563</u>	<u>\$ 344,272</u>	<u>\$ 181,951</u>	<u>\$ 895,304</u>
At March 31						
Cost	\$ 196,005	\$ 232,724	\$ 110,263	\$ 398,934	\$ 325,549	\$ 1,263,475
Accumulated amortisation	-	(84,211)	(85,700)	(54,662)	(143,598)	(368,171)
	<u>\$ 196,005</u>	<u>\$ 148,513</u>	<u>\$ 24,563</u>	<u>\$ 344,272</u>	<u>\$ 181,951</u>	<u>\$ 895,304</u>
	2022					
	<u>Goodwill</u>	<u>Patents</u>	<u>Acquired special technology</u>	<u>Software cost</u>	<u>Total</u>	
At January 1						
Cost	\$ 111,403	\$ 47,886	\$ 112,078	\$ 92,085	\$ 363,452	
Accumulated amortisation	-	(26,524)	(65,716)	(76,965)	(169,205)	
	<u>\$ 111,403</u>	<u>\$ 21,362</u>	<u>\$ 46,362</u>	<u>\$ 15,120</u>	<u>\$ 194,247</u>	
At January 1	\$ 111,403	\$ 21,362	\$ 46,362	\$ 15,120	\$ 194,247	
Additions - acquired separately	-	9,000	-	-	9,000	
Amortisation charge	-	(1,936)	(3,502)	(2,764)	(8,202)	
At March 31	<u>\$ 111,403</u>	<u>\$ 28,426</u>	<u>\$ 42,860</u>	<u>\$ 12,356</u>	<u>\$ 195,045</u>	
At March 31						
Cost	\$ 111,403	\$ 56,886	\$ 112,078	\$ 92,085	\$ 372,452	
Accumulated amortisation	-	(28,460)	(69,218)	(79,729)	(177,407)	
	<u>\$ 111,403</u>	<u>\$ 28,426</u>	<u>\$ 42,860</u>	<u>\$ 12,356</u>	<u>\$ 195,045</u>	

Note 1: It was generated from the Group's merger with Transducer Star. The allocation duration of the acquisition price for Transducer Star will be completed in one year. Refer to Note 6(32) for details of business combination.

Note 2: Pertains to a reclassification of prepayments.

A. Details of amortisation on intangible assets are as follows:

	Three months ended March 31	
	2023	2022
Operating costs	\$ 29	\$ -
Selling expenses	17,622	-
Administrative expenses	1,154	1,774
Research and development expenses	44,444	6,428
	<u>\$ 63,249</u>	<u>\$ 8,202</u>

B. The Group has no intangible assets pledged to others.

C. Goodwill is allocated as follows to the Group's cash-generating units:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Biometric sensor chip and its application	<u>\$ 106,827</u>	<u>\$ 106,827</u>	<u>\$ 111,403</u>
USB control chip and its application	<u>\$ 75,122</u>	<u>\$ 75,122</u>	<u>\$ -</u>
Wearable electroacoustic products and their applications	<u>\$ 14,056</u>	<u>\$ -</u>	<u>\$ -</u>

The Group tested impairment for the cash-generating units of goodwill at the end of the annual financial reporting period and used value-in-use as the basis for calculating the recoverable amount.

(11) Prepayments for investments

As of March 31, 2022, in order to develop optical sensors and fingerprint recognition technologies, strengthen the layout of the smart Internet of Things and smart driving markets, the Group prepaid the investment amount for ION ELECTRONIC MATERIALS CO., LTD. and Augentix Inc. amounting to \$30,011 and \$84,000, respectively.

As of December 31, 2021, the Group has applied to the public tender offer for the acquisition of shares of iCatch Technology Inc. amounting to \$672,000 which was recorded as prepayment for investment. Of the total amount, \$537,600 worth of shares has been subscribed in January 2022. The excess amount of \$134,000 had been returned to the Group's bank account. Refer to Note 6(7) for details.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Bank borrowings			
Unsecured borrowings	\$ 1,140,000	\$ 1,042,584	\$ 260,000
Secured borrowings	207,500	196,000	-
	<u>\$ 1,347,500</u>	<u>\$ 1,238,584</u>	<u>\$ 260,000</u>
Undrawn facilities	<u>\$ 1,253,260</u>	<u>\$ 1,677,596</u>	<u>\$ 2,040,500</u>
Interest rate range	<u>1.59% ~ 2.28%</u>	<u>1.39% ~ 2.68%</u>	<u>0.85% ~ 1.05%</u>

Information about the collateral that was pledged for short-term borrowings is provided in Note 8.

(13) Other payables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Dividends payable	\$ 275,717	\$ -	\$ 693,155
Payable on wages, salaries and bonuses	118,709	310,239	104,025
Payable on software licensing fees	151,640	117,570	102,520
Payable on acquisition of intangible assets	55,225	47,344	-
Payable on royalties	46,019	46,195	17,360
Payable on research, development and testing expenses	11,147	44,818	30,260
Payable on employees' compensation and directors' remuneration	28,955	37,726	1,270
Payable on technical service expenditures	16,991	13,537	55,288
Payable on professional service fees	9,882	20,767	3,770
Payable on machinery and equipment	1,253	4,340	97
Others	<u>52,767</u>	<u>47,757</u>	<u>47,088</u>
	<u>\$ 768,305</u>	<u>\$ 690,293</u>	<u>\$ 1,054,833</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Long-term bank borrowings			
Unsecured borrowings	\$ 785,605	\$ 785,878	\$ 950,000
Secured borrowings	909,912	911,458	-
	<u>1,695,517</u>	<u>1,697,336</u>	<u>950,000</u>
Less: Current portion	(435,568)	(423,636)	(70,833)
	<u>\$ 1,259,949</u>	<u>\$ 1,273,700</u>	<u>\$ 879,167</u>
Undrawn facilities	\$ 366,300	\$ 366,300	\$ 522,500
Maturity year	<u>2023-2027</u>	<u>2023-2027</u>	<u>2023-2025</u>
Interest rate range	<u>1.27%~2.82%</u>	<u>1.27%~2.69%</u>	<u>1.05%~1.40%</u>

A. Compliance with borrowing contracts

In accordance with the regulations of the borrowing contracts between the Group and certain creditor banks, the Company shall prepare consolidated financial statements semiannually during the term of the borrowings and maintain the financial ratios agreed by both parties. If the agreed ratios are not met, the borrowing interest rate shall be raised as specified in the contracts.

Based on the Group's consolidated financial statements for the second quarter of 2022, the Group was not able to meet the required financial ratios agreed with certain creditor banks and accordingly, the creditor banks had to increase the borrowing interest rate in accordance with the contracts. Abovementioned matters have no significant impact to the Group. For the fourth quarter of 2022, the Group was not able to meet the required interest coverage ratio as agreed with certain creditor banks and accordingly, the creditor banks had to increase the borrowing interest rate in accordance with the contracts. Abovementioned matters have no significant impact to the Group.

B. Information about the collateral that was pledged for long-term borrowings is provided in Note 8.

(15) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for

the deficit by next March.

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$0 for the three months ended March 31, 2023 and 2022.
- (c) As of March 31, 2023, the Group did not make contributions to the retirement fund as the balance of the retirement fund had exceeded the present value of defined benefit obligation.
- B. (a) The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Other overseas entities have established a defined contribution plan under the local regulations and contribute a certain percentage of the salaries and wages of the local employees to the endowment insurance or pension fund. Other than the annual contributions, the entities have no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2023 and 2022 were \$12,455 and \$7,394, respectively.

(16) Share-based payment

A. As of March 31, 2023, the Group’s share-based payment arrangements were as follows:

Issuing entity	Type of arrangement	Grant date	Quantity granted (unit in thousand)	Number of shares available for subscription per unit	Contract period	Vesting conditions
Luxsentek	Employee stock options	2022.01.21 ~ 2022.02.25 (Note 1)	2,586	1	3 years	Three years of service (Note 2)
Alcor	Restricted stocks to employees	2023.03.20	723	1	3 years	Graded vesting at a certain percentage upon one year of service and achieving the required KPI (Note 3)
"	"	2022.01.03	477	1	3 years	Graded vesting at a certain percentage upon one year of service and achieving the required KPI (Note 4)
ENE	"	2022.05.10	20	1	3 years	Graded vesting at a certain percentage upon one year of service and achieving the required KPI (Note 5)
"	"	2022.03.16	980	1	3 years	Graded vesting at a certain percentage upon one year of service and achieving the required KPI (Note 5)
Syncomm	"	2023.02.01	300	1	3 years	Graded vesting at a certain percentage upon one year of service and achieving the required KPI (Note 6)
"	"	2022.03.17	700	1	3 years	Graded vesting at a certain percentage upon one year of service and achieving the required KPI (Note 6)
Alcorlink	"	2021.11.05	1,000	1	3 years	Graded vesting at a certain percentage upon one year of service and achieving the required KPI (Note 7)
"	Treasury shares transferred to employees	2023.01.13	274	N/A	N/A	Vested immediately

- (a) The employee stock options issued by Luxsentek Microelectronics Corp. cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method during the vesting period.
- (b) The restricted stocks issued by Alcor and Alcorlink cannot be sold, pledged, transferred, gifted, collateralised or disposed in any other method and have no rights to participate in the allocation (subscription) of dividends to original shareholders before meeting the vesting conditions.
- (c) The restricted stocks issued by Syncomm and ENE cannot be sold, pledged, transferred, gifted, collateralised or disposed in any other method before meeting the vesting conditions.

The share-based payment arrangements above are settled by equity.

Note 1: Grant date was set between January 21, 2022 to February 25, 2022 based on the date signing stock reward agreement with employees.

Note 2: After working for 3 years from the date of grant, employees may exercise the options in accordance with certain schedules as prescribed in the option plan.

Note 3: Whether the vesting conditions have been met will be determined on March 31 each year and the restrictions on rights will be lifted from January 31 each year (postponed when the day falls on a public holiday).

Note 4: Whether the vesting conditions have been met will be determined on December 31 each year and the restrictions on rights will be lifted from January 31 each year (postponed when the day falls on a public holiday).

Note 5: Restricted stocks granted will be available to employees who meet certain performance requirements and are still employed after one year, two years and three years after the grant date at the rate of 20%, 30% and 50%, respectively.

Note 6: Restricted stocks granted will be available to employees who meet certain performance requirements and are still employed after one year, two years and three years after the grant date at the rate of 30%, 35% and 35%, respectively.

Note 7: Restricted stocks granted will be available to employees who meet certain performance requirements and are still employed after one year, two years and three years after the grant date at the rate of 30%, 30% and 40%, respectively.

B. Details of the restricted stocks to employees are as follows:

(a) Alcor:

	<u>Three months ended</u> <u>March 31, 2023</u>
	<u>Number (in thousands)</u>
Beginning balance of restricted stocks	274
Stocks issued	723
Stocks retired	(110)
Ending balance of restricted stocks	<u>887</u>

(b) Alcorlink:

	<u>Three months ended</u> <u>March 31, 2023</u>
	<u>Number (in thousands)</u>
Beginning balance of restricted stocks	1,000
Stocks vested	(217)
Stocks retired	(174)
Ending balance of restricted stocks	<u>609</u>

(c) Syncomm:

	<u>Three months ended</u> <u>March 31, 2023</u>
	<u>Number (in thousands)</u>
Beginning balance of restricted stocks	700
Stocks issued	300
Ending balance of restricted stocks	<u>1,000</u>

(d) ENE:

	<u>Three months ended</u> <u>March 31, 2023</u>
	<u>Number (in thousands)</u>
Beginning balance of restricted stocks	1,000
Stocks vested	(194)
Stocks retired	(10)
Ending balance of restricted stocks	<u>796</u>

C. Details of the restricted stocks to employees of Luxsentek Microelectronics Corp. are as follows:

	Three months ended March 31, 2023	
	Number (in thousands)	Weighted-average exercise price
Beginning (end) balance of restricted stocks	2,141	\$ 10

On March 31, 2023, the exercise prices of stock options outstanding was \$10; the weighted-average remaining contractual period was 11 months.

D. The fair value of restricted stocks to employees, treasury shares transferred to employees and employee stock options is measured using the Black-Scholes model. Relevant input information is as follows:

Issuing entity	Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note 1)	Expected option life	Expected dividend rate	Risk-free interest rate
Alcor	Restricted stocks to employees	2023.03.20	34.85	-		Note 2		
"	"	2022.01.03	60.50	-		Note 2		
ENE	"	2022.05.10	40.25	-		Note 3		
"	"	2022.03.16	41.50	-		Note 3		
Syncomm	"	2023.02.01	22.62	-		Note 3		
"	"	2022.03.17	25.49	-	57.15%	1 year	0%	0.36%
Alcorlink	"	2021.11.05	34.70	-		Note 2		
"	Treasury shares transferred to employees	2023.01.13	26.30	19	46.78%	0.063 year	0%	0.78%
Luxsentek	Employee stock options	2022.01.21~ 2022.02.25	10.00	10.00		Note 4		

Note 1: Expected price volatility rate was estimated by using the average price volatility of similar listed entities within the appropriate period and the historical common stock price volatility within a year from the date of the Company's assessment.

Note 2: The restricted stocks were issued at a price of NT\$0 (in dollars) (i.e. without consideration) with a par value of \$10 (in dollars) per share and measured at fair value based on the closing price on the grant date and taking into account restrictions on dividend collection.

Note 3: The restricted stocks were issued at a price of NT\$0 (in dollars) (i.e. without consideration) with a par value of \$10 (in dollars) per share and measured at fair value based on the closing price on the grant date.

Note 4: The employee stock options were issued at par value of NT\$10 per share, the issuance price was NT\$10 per share, and the fair value was measured at the latest price of cash capital increase of Luxsenteck Microelectronics Corp.

E. Compensation cost that the Group recognised for the abovementioned share-based payment transactions for the three months ended March 31, 2023 and 2022 amounted to \$12,026 and \$0, respectively.

(17) Share capital

As of March 31, 2023, the Company's authorised capital was \$1,000,000, consisting of 100,000 thousand shares of ordinary stock, and the paid-in capital was \$692,718 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(18) Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
Share premium	\$ 968,659	\$ 968,659	\$ 968,659
Changes in ownership interests in subsidiaries	1,727	495	-
Changes in associates accounted for using the equity method	49,124	36,703	-
	<u>\$ 1,019,510</u>	<u>\$ 1,005,857</u>	<u>\$ 968,659</u>

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

A. The current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After that, a special reserve shall be set aside or reverse in accordance with the related laws or regulations made by the regulatory authority. The remainder along with the opening balance of unappropriated earnings shall be proposed by the Board of Directors and submitted to the shareholders during their meeting for resolution when they are distributed in the form of new shares; and resolved by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors then reported to the shareholders during their meeting according to Paragraph 5 of Article 240 of the Company Act when they are distributed in the form of cash.

- B. The Company's dividend policy is adopted by taking into consideration current and future development plans, investment environment, capital needs, domestic and foreign competitors, shareholders' interests and the general standards of dividend distribution in the industry and capital market. The dividends to shareholders can be distributed in the form of cash or shares and cash dividends shall account for at least 20% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of 2021 earnings as resolved by the shareholders at their meeting on June 22, 2022 are as follows:

	2021	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 441,038	
Special reserve	75,368	
Cash dividends	692,718	\$ 10.00
	\$ 1,209,124	

- F. The appropriations of 2022 earnings as resolved by the Board of Directors during its meeting on March 29, 2023 are as follows:

	2022	
	Amount	Dividends per share (in dollars)
Special reserve	\$ 782,361	
Cash dividends	207,815	\$ 3.00
	\$ 990,176	

Abovementioned distribution of 2022 earnings has not yet been resolved by the shareholders.

(20) Other equity items

	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1, 2023	\$ 43	(\$ 857,772)	(\$ 857,729)
Currency translation differences			
- Group	(965)	-	(965)
- Associates	(381)	-	(381)
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income			
- Group	-	246,288	246,288
Unrealised losses from investments in debt instruments measured at fair value through other comprehensive income			
- Group	-	187	187
At March 31, 2023	<u>(\$ 1,303)</u>	<u>(\$ 611,297)</u>	<u>(\$ 612,600)</u>

	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1, 2022	(\$ 594)	(\$ 74,774)	(\$ 75,368)
Currency translation differences			
- Group	2,370	-	2,370
- Associates	1,296	-	1,296
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income			
- Group	-	(10,734)	(10,734)
- Associates	-	(27,193)	(27,193)
Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income			
- Group	-	(6,668)	(6,668)
At March 31, 2022	<u>\$ 3,072</u>	<u>(\$ 119,369)</u>	<u>(\$ 116,297)</u>

(21) Operating revenue

A. The Group derives revenue from the transfer of goods and services at a point in time and over time in the following major geographical regions:

	Three months ended March 31, 2023		
	Egis and its subsidiaries	Alcor and its subsidiaries	Total
Major geographical regions:			
Taiwan	\$ 582	\$ 153,379	\$ 153,961
Asia	541,130	234,463	775,593
Others	-	104	104
	<u>\$ 541,712</u>	<u>\$ 387,946</u>	<u>\$ 929,658</u>

	Three months ended March 31, 2022	
	Egis and its subsidiaries	
Major geographical regions:		
Taiwan	\$	393
Asia		916,727
	\$	<u>917,120</u>

	Three months ended March 31, 2023		
	Egis and its subsidiaries	Alcor and its subsidiaries	Total
Major product/service lines:			
Sales revenue	\$ 541,327	\$ 386,047	\$ 927,374
Service revenue	385	1,899	2,284
	<u>\$ 541,712</u>	<u>\$ 387,946</u>	<u>\$ 929,658</u>

	Three months ended March 31, 2022	
	Egis and its subsidiaries	
Major product/service lines:		
Sales revenue	\$	916,727
Service revenue		393
	\$	<u>917,120</u>

B. The Group has recognised the revenue-related contract liabilities - advance receipts shown as other current liabilities amounting to \$17,123, \$7,652, \$1,756 and \$1,257 on March 31, 2023, December 31, 2022, March 31, 2022 and January 1, 2022, respectively.

C. The revenue recognised that was included in the contract liability balance at the beginning of the three months ended March 31, 2023 and 2022 were \$4,968 and \$0, respectively.

(22) Interest income

	Three months ended March 31	
	2023	2022
Interest income from bank deposits	\$ 5,011	\$ 1,887
Other interest income	5,260	4,384
	<u>\$ 10,271</u>	<u>\$ 6,271</u>

(23) Other income

	Three months ended March 31	
	2023	2022
Rent income	\$ 706	\$ 427
Others	1,913	1,007
	<u>\$ 2,619</u>	<u>\$ 1,434</u>

(24) Other gains and losses

	Three months ended March 31	
	2023	2022
Gains on disposal of property, plant and equipment	\$ -	\$ 22
Foreign exchange (losses) gains	(10,970)	38,915
Gains on financial assets at fair value through profit or loss	145,989	13,798
Other losses (Note)	(19,055)	-
	<u>\$ 115,964</u>	<u>\$ 52,735</u>

Note: Mainly pertains to guarantee deposits paid which were recognised as losses. Refer to Note 6(6) for details.

(25) Finance costs

	Three months ended March 31	
	2023	2022
Interest expense on bank borrowings	\$ 14,072	\$ 2,956
Lease liability	907	428
	<u>\$ 14,979</u>	<u>\$ 3,384</u>

(26) Expenses by nature

	Three months ended March 31, 2023		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 2,878	\$ 266,716	\$ 269,594
Share-based payments	178	11,848	12,026
Labour and health insurance fees	297	18,864	19,161
Pension costs	155	12,300	12,455
Other personnel expenses	95	9,505	9,600
	<u>\$ 3,603</u>	<u>\$ 319,233</u>	<u>\$ 322,836</u>
Depreciation charges	<u>\$ 3,514</u>	<u>\$ 41,090</u>	<u>\$ 44,604</u>
Amortisation charges	<u>\$ 29</u>	<u>\$ 63,220</u>	<u>\$ 63,249</u>

Three months ended March 31, 2022			
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ -	\$ 168,787	\$ 168,787
Labour and health insurance fees	-	11,973	11,973
Pension costs	-	7,394	7,394
Other personnel expenses	-	6,469	6,469
	<u>\$ -</u>	<u>\$ 194,623</u>	<u>\$ 194,623</u>
Depreciation charges	<u>\$ 200</u>	<u>\$ 23,260</u>	<u>\$ 23,460</u>
Amortisation charges	<u>\$ -</u>	<u>\$ 8,202</u>	<u>\$ 8,202</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 1% for directors' remuneration. However, if the Company has accumulated losses, earnings should be reserved to cover losses first. The aforementioned employees' compensation can be distributed in the form of shares or cash. The employees that the Company shall distribute employees' compensation include the employees of subsidiaries who meet the requirements prescribed by the Board of Directors. The directors' remuneration can only be distributed in the form of cash.
- B. For the three months ended March 31, 2023 and 2022, the Company incurred loss before tax and thus did not accrue and distribute employees' compensation and directors' remuneration.
- C. In accordance with the Articles of Incorporation, on March 29, 2023, the Board of Directors resolved not to distribute directors' remuneration and employees' compensation due to the loss for the year ended December 31, 2022.
- D. Information about directors' remuneration and employees' compensation of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Components of income tax expense:

	Three months ended March 31	
	2023	2022
Current tax:		
Current tax on profits for the period	(\$ 13,140)	(\$ 793)
Prior year income tax over estimation	(308)	-
Total current tax	(13,448)	(793)
Deferred tax:		
Origination and reversal of temporary differences	(8,677)	-
Total deferred tax	(8,677)	-
Income tax benefit	(\$ 22,125)	(\$ 793)

B. The assessed and approved status of the Company's income tax returns is as follows:

	Assessed and approved status
EGIS TECHNOLOGY INC.	Assessed and approved through 2020

(28) Loss per share

	Three months ended March 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 87,317)	69,272	(\$ 1.26)
	Three months ended March 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 2,978)	69,272	(\$ 0.04)

Note: The calculation of diluted loss per share was the same as the calculation of basic loss per share as the Company has incurred losses for the three months ended March 31, 2023 and 2022 and due to the anti-dilutive effect of potential ordinary shares.

(29) Non-controlling interest

	<u>2023</u>	<u>2022</u>
At January 1	\$ 3,631,770	\$ 12,135
Share attributable to non-controlling interest:		
Loss	(78,575)	(2,338)
Currency translation differences	(367)	-
Unrealised gains on valuation of financial assets measured at fair value through other comprehensive income	11,349	-
Increase in non-controlling interests (Note 1)	17,321	-
Decrease in non-controlling interests (Note 2)	(67,902)	-
At March 31	<u>\$ 3,513,596</u>	<u>\$ 9,797</u>

Note 1: The increase in non-controlling interest mainly pertains to the merger with Transducer Star, the Company acquiring restricted stocks issued by the subsidiaries, Syncomm, Alcorlink and ENE, proportionally to its interest and recognising the relevant compensation cost and the compensation cost of treasury shares repurchased and transferred to employees.

Note 2: The decrease in non-controlling interest mainly pertains to the distribution of cash dividends by the subsidiaries, Alcor and Syncomm, for the three months ended March 31, 2023.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Purchase of property, plant and equipment	\$ 6,571	\$ 3,435
Add: Opening balance of payable on equipment	4,340	-
Ending balance of prepayments	336	-
Less: Ending balance of payable on equipment	(1,253)	-
Cash paid during the period	<u>\$ 9,994</u>	<u>\$ 3,435</u>

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Purchase of intangible assets	\$ 61,967	\$ 9,000
Add: Opening balance of payables	47,344	-
Ending balance of prepayments	27,656	-
Less: Opening balance of prepayments	(27,856)	-
Ending balance of prepayments	(55,225)	-
Cash paid during the period	<u>\$ 53,886</u>	<u>\$ 9,000</u>

B. Financing activities with no cash flow effects

	Three months ended March 31	
	2023	2022
Cash dividends declared but yet to be paid	\$ 275,717	\$ 693,155

(31) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Other non- current liabilities
At January 1, 2023	\$ 1,238,584	\$ 1,697,336	\$ 190,595	\$ 15,451
Changes in cash flow from financing activities	108,916	(1,819)	(24,331)	(3)
Changes in other non-cash items	-	-	22,152	-
At March 31, 2023	<u>\$ 1,347,500</u>	<u>\$ 1,695,517</u>	<u>\$ 188,416</u>	<u>\$ 15,448</u>

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities
At January 1, 2022	\$ 100,000	\$ 850,000	\$ 119,689
Changes in cash flow from financing activities	160,000	100,000	(10,413)
Changes in other non-cash items	-	-	45,969
At March 31, 2022	<u>\$ 260,000</u>	<u>\$ 950,000</u>	<u>\$ 155,245</u>

(32) Business combinations

A. On February 24, 2023, the Group acquired 85.58% equity interest in Transducer Star Technology Inc. by \$21,900 in cash, and obtained control over Transducer Star.

(a) The following table summarises the fair values of the assets acquired and liabilities assumed from the combination of Transducer Star at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>February 24, 2023</u>
Purchase consideration	
Cash	\$ 21,900
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>1,323</u>
	<u>23,223</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	10,065
Prepayments	625
Property, plant and equipment	312
Other non-current assets	6
Other payables	(1,682)
Other current liabilities	(159)
Total identifiable net assets	<u>9,167</u>
Goodwill	<u>\$ 14,056</u>

- (b) The operating revenue included in the consolidated statement of comprehensive income since February 24, 2023 contributed by Transducer Star was \$0. Transducer Star also contributed loss before income tax of (\$982) over the same period. Had Transducer Star been consolidated from January 1, 2023, the consolidated statement of comprehensive income would show operating revenue of \$929,658 and loss before income tax of (\$190,872) for the three months ended March 31, 2023.
- B. The Group is the single largest shareholder of Alcor with a 22.16% equity interest. Based on the Group's attendance at the shareholders' meeting of Alcor on June 15, 2022, the result of the reelection of Alcor's board of directors and given that the Group entered into an effective agreement with other major shareholders of Alcor on July 11, 2022, the Group has obtained a majority of voting rights in its Board of Directors. As the Group was assessed to have the ability to direct the relevant activities of Alcor, the Group included Alcor in its consolidated financial statements from July 11, 2022.
- (a) The following table summarises the fair values of the assets acquired and liabilities assumed from the combination of Alcor at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>July 11, 2022</u>
Purchase consideration	
Fair value of equity interest in Alcor held before the business combination	\$ 707,000
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>3,662,988</u>
	<u>4,369,988</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,261,522
Current financial assets at fair value through profit or loss	861,751
Current financial assets at fair value through other comprehensive income	29,957
Current financial assets at amortised cost	599,138
Accounts receivable, net	326,290
Other receivables, net	29,288
Inventories	634,430
Prepayments	70,815
Other current assets	3,929
Non-current financial assets at fair value through other comprehensive income	490,999
Non-current financial assets at amortised cost	22,929
Investments accounted for using the equity method	239,867
Property, plant and equipment	58,171
Right-of-use assets	67,953
Intangible assets	581,098
Deferred tax assets	16,792
Other non-current assets	109,312
Short-term borrowings	(150,000)
Notes payable	(20,721)
Accounts payable	(324,373)
Other payables	(409,797)
Other current liabilities	(27,286)
Deferred tax liabilities	(109,329)
Lease liabilities	<u>(67,869)</u>
Total identifiable net assets	<u>4,294,866</u>
Goodwill	<u>\$ 75,122</u>

Note: The allocation of acquisition price was completed in the fourth quarter of 2022.

- (b) The Group recognised a loss of \$35,563 shown as 'other gains and losses' as a result of measuring at fair value its 22.16% equity interest in Alcor held before the business combination.

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Alcor Micro,Corp. (Alcor)	Associate - investee company accounted for using the equity method (Note)
iCatch Technology Inc. (iCatchtek)	Associate - investee company accounted for using the equity method
AlgoITek, Inc. (AlgoITek)	"
SCT Holdings Ltd. (SCT Ltd.)	"
Mr. MING-DUO, YU	The director of the Company

Note: It became a subsidiary from an associate since July 11, 2022.

(2) Significant related party transactions

A. Operating revenue

	<u>Three months ended March 31, 2023</u>
Sales of service:	
AlgoITek	\$ 1,811
SCT Ltd.	<u>386</u>
	<u>\$ 2,197</u>

For the sales of services to related parties, the transaction prices were negotiated by both parties and the collection terms were the same as those of non-related parties.

B. Technical service expenditures

	<u>Three months ended March 31, 2023</u>
Purchases of services:	
iCatchtek	\$ <u>1,517</u>

For the purchases of services from related parties, the transaction prices were negotiated by both parties and the payment term was 30 days.

C. Accounts receivable due from related parties

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable:			
SCT Ltd.	\$ 386	\$ -	\$ -
AlgolTek	724	4,098	-
	<u>1,110</u>	<u>4,098</u>	<u>-</u>
Other receivables:			
Alcor	-	-	33,000
SCT Ltd.	116,697	82,360	-
	<u>116,697</u>	<u>82,360</u>	<u>33,000</u>
	<u>\$ 117,807</u>	<u>\$ 86,458</u>	<u>\$ 33,000</u>

The receivables from related parties arise mainly from provision of services, dividends receivable and purchasing inventories on behalf of associates. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Other payables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
iCatchtek	\$ 1,592	\$ 7,320	\$ -
AlgolTek	83	44	-
	<u>\$ 1,675</u>	<u>\$ 7,364</u>	<u>\$ -</u>

The other payables to related parties arise mainly from technical service expenditures.

E. Receipt in advance (shown as ‘other current liabilities’)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
AlgolTek	\$ 2,334	\$ 3,243	\$ -

F. Property transactions - acquisition of subsidiaries’ equity interest

On February 24, 2023, the Group purchased 200 thousand shares of Transducer Star from Mr. MING-DUO, YU with a price of NT\$10 (in dollars) per share. The transaction price was \$2,000.

(3) Key management compensation

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 24,713	\$ 20,090
Post-employment benefits	555	297
Share-based payments	604	-
	<u>\$ 25,872</u>	<u>\$ 20,387</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value			Purpose
	March 31, 2023	December 31, 2022	March 31, 2022	
Pledged time deposits (recorded as current financial assets at amortised cost)	\$ 254,283	\$ 256,454	\$ -	Note 1
Pledged time deposits (recorded as non-current financial assets at amortised cost)	6,447	8,144	405	Note 2
Non-current financial assets at fair value through other comprehensive income	1,061,116	893,637	-	Note 3
Guarantee deposits paid (shown as other non-current assets)	9,896	30,710	-	Note 4
	<u>\$ 1,331,742</u>	<u>\$ 1,188,945</u>	<u>\$ 405</u>	

Note 1: Guarantee for short-term bank borrowings.

Note 2: Guarantee for bank performance and customs duties on imported raw materials.

Note 3: Guarantee for long-term bank borrowings.

Note 4: As of March 31, 2023, December 31, 2022 and March 31, 2022, the balance of guarantee for pre-order capacity was \$9,896, \$30,710 and \$0, respectively, which was shown as other current assets. Refer to Note 6(6) for details.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

- A. Shenzhen Goodix Technology Co., Ltd. (Goodix) has filed a complaint for patent infringement with the Beijing Intellectual Property Court against the Company in July 2020, wherein it requested the Company to pay compensation amounting to RMB 50.5 million. The Company received the complaint on July 21, 2020 and has engaged a legal counsel to take further action. The ultimate outcome of the complaint is presently undeterminable. Management is of the opinion that the complaint will have no immediate material negative effect on the Group's operating and finance activities.
- B. Goodix has filed a complaint for patent infringement with the Fuzhou Intermediate People's Court against the Company in March 2021, wherein it requested the Company to pay compensation amounting to RMB 50.5 million. The Company received the complaint on June 10, 2021 and has engaged a legal counsel to take further action. The ultimate outcome of the complaint is presently undeterminable. Management is of the opinion that the complaint will have no immediate material negative effect on the Group's operating and finance activities.

(2) Commitments

- A. A subsidiary of the Group, ENE Technology Inc., entered into contracts for the licensing of software with another company. As of March 31, 2023, the purchases contracted but not yet paid amounted to \$37,921.
- B. The Group entered into a long-term contract with suppliers which stipulates the related periods covered and minimum amount or quantity that the Group needs to purchase from suppliers.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- A. Considering AlgolTek's and Alcorlink's future long-term development needs, in accordance with the regulations of the Enterprise Merger and Acquisition Act, AlgolTek exchanged shares with the shareholders of Alcorlink by issuing new shares as consideration. Refer to Note 6(7) J for details.
- B. On April 14, 2023, the Group signed an equity sale contract with non-related parties, and agreed to sell all equity interest of ENE Touch for a consideration of US\$1,000 (in dollars) with the effective date set on April 20, 2023.
- C. On June 22, 2022, the Company's shareholders resolved to raise additional cash through private placement in order to cooperate with the business development, strengthen long-term cooperative relationship with strategic partners and the competitiveness of the Company. The maximum number of shares to be issued through the private placement is 10,000 thousand shares. On May 10, 2023, the Board of Directors resolved to raise additional cash amounting to 5,000 thousand shares through private placement. The effective date was set on May 16, 2023. If there are any movements in the objective environment, the chairman has been authorised to make adjustments.

12. Others

(1) Capital management

There was no significant change in the reporting period. Refer to Note 12 in the consolidated financial statements for the year ended December 31, 2022.

(2) Financial instruments

- A. Financial instruments by category

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial assets</u>			
Financial assets at fair value through profit or loss (Note 1)	\$ 2,094,533	\$ 1,900,156	\$ 1,254,996
Financial assets at fair value through other comprehensive income (Note 2)	\$ 2,218,069	\$ 1,960,600	\$ 520,852
Financial assets at amortised cost			
Cash and cash equivalents	\$ 1,303,729	\$ 1,544,842	\$ 2,533,390
Financial assets at amortised cost (Note 3)	698,706	733,602	551,030
Accounts receivable (including related parties)	570,358	604,968	540,407
Other receivables (including related parties)	126,020	93,058	75,498
Guarantee deposits paid	32,845	54,435	13,058
	<u>\$ 2,731,658</u>	<u>\$ 3,030,905</u>	<u>\$ 3,713,383</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,347,500	\$ 1,238,584	\$ 260,000
Accounts payable	257,843	243,915	259,328
Long-term borrowings (including current portion)	1,695,517	1,697,336	950,000
Other payables (including related parties)	769,980	697,657	1,052,294
Guarantee deposits received	718	724	770
	<u>\$ 4,071,558</u>	<u>\$ 3,878,216</u>	<u>\$ 2,522,392</u>
Lease liabilities	<u>\$ 188,416</u>	<u>\$ 190,595</u>	<u>\$ 155,245</u>

Note 1: Refers to financial assets mandatorily measured at fair value through profit or loss.

Note 2: Refers to investments in equity and debt instruments (including non-current).

Note 3: Refers to financial assets at amortised cost (including non-current).

B. Financial risk management policies

There was no significant change in the reporting period. Refer to Note 12 in the consolidated financial statements for the year ended December 31, 2022.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currency: NTD, RMB, KRW and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2023				
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 44,282	30.45	\$ 1,348,387	1%	\$ 13,484
<u>Non-monetary items</u>					
USD:NTD	32,899	30.45	1,001,781		
SEK:NTD	21,484	2.94	63,164		
<u>Effect from net assets of consolidated entities measured at foreign currency</u>					
USD:NTD	4,716	30.45	143,608		
RMB:USD	10,569	4.43	46,819		
RMB:USD	11,517	6.87	51,030		
KRW:NTD	1,314,300	0.02	26,286		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	17,026	30.45	518,442	1%	5,184

December 31, 2022					
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 50,104	30.71	\$ 1,538,694	1%	\$ 15,387
<u>Non-monetary items</u>					
USD:NTD	31,422	30.71	964,965		
SEK:NTD	22,718	2.98	66,792		
<u>Effect from net assets of consolidated entities measured at foreign currency</u>					
USD:NTD	4,800	30.71	147,396		
RMB:USD	11,487	6.97	50,634		
KRW:NTD	1,358,550	0.02	27,171		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	16,705	30.71	513,011	1%	5,130
March 31, 2022					
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 57,264	28.63	\$ 1,639,182	1%	\$ 16,392
<u>Non-monetary items</u>					
USD:NTD	49,299	28.63	1,411,184		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	17,681	28.63	506,119	1%	5,061

The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the three months ended March 31, 2023 and 2022, amounted to (\$10,970) and \$38,915, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise open-end funds. The prices of equity securities would change due to the change of the future value of investee companies. Additionally, the unlisted equity securities and convertible bonds were held

for strategic investment, thus the Company did not actively transact such investments. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the three months ended March 31, 2023 and 2022 would have increased/decreased by \$83,781 and \$50,200, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$88,723 and \$20,834, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. On March 31, 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in New Taiwan Dollars and US Dollars.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, loss, net of tax for the three months ended March 31, 2023 and 2022 would have increased/decreased by \$24,344 and \$9,680, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a certain grade are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- iv. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customer's accounts receivable in consideration of credit risk on trade. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.
- vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- viii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- ix. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, which was insignificant as of March 31, 2023 and 2022.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's covenant compliance and compliance with internal balance sheet ratio targets.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	March 31, 2023	
	Less than a year	Over a year
<u>Non-derivative financial liabilities:</u>		
Short-term borrowings	\$ 1,349,818	\$ -
Accounts payable	257,843	-
Other payables (including related parties)	769,980	-
Lease liabilities	68,592	122,277
Long-term borrowings (including current portion)	465,647	1,327,018
	December 31, 2022	
	Less than a year	Over a year
<u>Non-derivative financial liabilities:</u>		
Short-term borrowings	\$ 1,238,584	\$ -
Accounts payable	243,915	-
Other payables (including related parties)	697,657	-
Lease liabilities	66,794	126,634
Long-term borrowings (including current portion)	457,466	1,342,489

	March 31, 2022	
	Less than a year	Over a year
<u>Non-derivative financial liabilities:</u>		
Short-term borrowings	\$ 260,000	\$ -
Accounts payable	259,328	-
Other payables (including related parties)	1,052,294	-
Lease liabilities	34,146	88,573
Long-term borrowings (including current portion)	48,753	826,801

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in certain beneficiary certificates, certain financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in principal guaranteed notes and bank debentures is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in certain beneficiary certificates, hybrid instrument, certain financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is included in Level 3.

B. Financial instruments not measured at fair value:

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, accounts payable, short-term borrowings, other payables (including related parties), lease liabilities, long-term borrowings (including current portion) and guarantee deposits received) are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Beneficiary certificates	\$ 940,684	\$ -	\$ 78,763	\$ 1,019,447
Equity instruments	524,860	-	190,934	715,794
Principal guaranteed notes	-	120,483	-	120,483
Convertible bonds	-	-	175,971	175,971
Unlisted private equity fund	-	-	62,838	62,838
Financial assets at fair value				
through other comprehensive				
income				
Equity instruments	1,140,992	-	1,049,807	2,190,799
Debt instruments	27,270	-	-	27,270
	<u>\$ 2,633,806</u>	<u>\$ 120,483</u>	<u>\$ 1,558,313</u>	<u>\$ 4,312,602</u>
December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Beneficiary certificates	\$ 886,820	\$ -	\$ 73,880	\$ 960,700
Equity instruments	409,247	-	171,431	580,678
Principal guaranteed notes	-	120,249	-	120,249
Convertible bonds	-	-	177,473	177,473
Unlisted private equity fund	-	-	61,056	61,056
Financial assets at fair value				
through other comprehensive				
income				
Equity instruments	975,273	-	958,628	1,933,901
Debt instruments	26,699	-	-	26,699
	<u>\$ 2,298,039</u>	<u>\$ 120,249</u>	<u>\$ 1,442,468</u>	<u>\$ 3,860,756</u>

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Beneficiary certificates	\$ 611,523	\$ -	\$ -	\$ 611,523
Equity instruments	-	-	35,827	35,827
Convertible bonds	-	-	-	-
Financial assets at fair value				
through other comprehensive				
income				
Equity instruments	99,500	-	428,180	527,680
Debt instruments	141,186	-	459,632	600,818
	<u>\$ 852,209</u>	<u>\$ -</u>	<u>\$ 923,639</u>	<u>\$ 1,775,848</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Stocks</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>	<u>Corporate bond</u>
Market quoted price	Closing price	Closing price	Net asset value	Ex-dividend quoted price

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by reference to counterparty quotes.

(c) If one or more of the significant inputs are not obtained based on observable market data, the financial instruments are included in level 3.

E. The fair value of the Group's principal guaranteed notes and bank debentures is included in Level 2.

F. For the three months ended March 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the three months ended March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	Non-derivative instrument	Non-derivative instrument
At January 1	\$ 1,442,468	\$ 877,953
Gains recognised in profit or loss	21,370	18,767
Gains (losses) recognised in other comprehensive income	91,300 (10,734)
Acquired during the period	3,296	38,242
Disposed during the period	-	(589)
Effect of exchange rate changes	(121)	-
At March 31	<u>\$ 1,558,313</u>	<u>\$ 923,639</u>

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at March 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 764,607	Market comparable companies	Price to book ratio multiple	1.77-28.36	The higher the multiple and control premium, the higher the fair value.
		Discounted cash flow/Option pricing model	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
"	80,768	Discounted cash flow	Discount for lack of marketability	15%~30.43%	The higher the discount for lack of marketability, the lower the fair value.
			Discount for lack of control	32.11%	The higher the discount for lack of control, the lower the fair value.
"	74,102	Most recent non-active market price	Not applicable	Not applicable	Not applicable.
Venture capital shares	321,264	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value.
Private equity fund investment	13,423	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value.
Private equity fund	128,178	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value.
Convertible bonds	175,971	Discounted cash flow	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 667,614	Discounted cash flow/Option pricing model	Discount for lack of marketability and price to book ratio multiple	30%	The higher the discount for lack of marketability, the lower the fair value.
		Market comparable companies	Price to book ratio multiple	1.64~23.21	The higher the multiple and control premium, the higher the fair value.
"	81,457	Discounted cash flow	Discount for lack of marketability	15%-30.43%	The higher the discount for lack of marketability, the lower the fair value.
			Discount for lack of control	32.11%	The higher the discount for lack of control, the lower the fair value.
"	74,223	Most recent non-active market price	Not applicable	Not applicable	Not applicable.
Venture capital shares	306,765	Net asset value	Net asset value	"	The higher the net asset value, the higher the fair value.
Private equity fund	12,460	"	"	"	"
Private placement shares	122,476	"	"	"	"
Convertible bonds	177,473	Discounted cash flow	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at March 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 415,493	Market comparable companies	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value.
			Price to book ratio multiple	2.09~4.93	The higher the multiple, the higher the fair value.
Private equity fund	48,514	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value.
Convertible bonds	459,632	Discounted cash flow	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.

- J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		March 31, 2023					
		Input		Recognised in profit or loss		Recognised in other comprehensive income	
		Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument	Price to book ratio multiple	±1%	\$ 1,909	(\$ 1,909)	\$ 5,737	(\$ 5,737)	
Equity instrument	Discount for lack of marketability	±1%	-	-	316	(314)	
Equity instrument	Discount for lack of control	±1%	-	-	383	(381)	
Debt instrument	Discount for lack of marketability	±1%	1,760	(1,760)	-	-	

			December 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ 1,714	(\$ 1,714)	\$ 4,962	(\$ 4,962)
Equity instrument	Discount for lack of marketability	±1%	-	-	319	(317)
Equity instrument	Discount for lack of control	±1%	-	-	386	(384)
Debt instrument	Discount for lack of marketability	±1%	1,775	(1,775)	-	-
			March 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	-	-	\$ 3,797	(\$ 3,797)
Debt instrument	Discount for lack of marketability	±1%	4,596	(4,596)	-	-

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting period: Refer to table 2.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Refer to table 5.

14. Segment Information

(1) General information

The Group has two reportable operating segments: Egis and its subsidiaries are primarily engaged in the research, development, design and sales of biometric application software and hardware; and Alcor and its subsidiaries are primarily engaged in the research, development, design and sales of USB control chip. The chief operating decision-maker of the Group uses overall operating results as the basis of performance assessment and identified that the Group has two reportable operating segments.

Three months ended March 31, 2023	Egis and its subsidiaries	Alcor and its subsidiaries	Total
Total segment revenue	\$ 541,712	\$ 387,946	\$ 929,658
Segment loss	(\$ 105,501)	(\$ 82,516)	(\$ 188,017)

Three months ended March 31, 2022	Egis and its subsidiaries	Alcor and its subsidiaries	Total
Total segment revenue	\$ 917,120	\$ -	\$ 917,120
Segment loss	(\$ 6,109)	\$ -	(\$ 6,109)

(2) Measurement of segment information

A. Segment income (loss) of the Group is measured using the pre-tax operating margin and is used as a basis for performance assessment. The accounting policies and accounting estimates of operating segment are in agreement with the summary of significant accounting policies and the critical accounting estimates and assumptions described in Notes 4 and 5.

B. The revenue (excluding revenue from transactions of other operating segments in the entities), income (loss) and financial information from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

C. The amounts provided to the chief operating decision maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
March 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Name of securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023				Footnote
					No. of shares (in thousands)	Book value	Ownership (%)	Fair value	
EGIS TECHNOLOGY INC.	Stock	Gingy Technology Inc.	None	Note 4	33	\$ 192	0.64%	\$ 192	
"	"	Integrated Digital Technologies, Inc.	"	"	4,000	-	13.96%	-	
"	"	AIS Storm, Inc.	"	"	5,211	201,862	19.46%	201,862	
"	"	MEMS DRIVE INC.	"	"	188	13,329	2.87%	13,329	
"	"	ION ELECTRONIC MATERIALS CO., LTD.	"	"	1,600	96,969	4.85%	96,969	
"	"	Astrogate Inc.	"	"	1,000	3,608	15.63%	3,608	
"	"	Calumino Pty Ltd.	"	"	1,011	14,197	3.52%	14,197	
"	"	Gallopwave Inc.	"	"	2,500	5,705	5.00%	5,705	
"	"	xMEMS Labs, Inc.,	"	"	1,003	15,667	0.84%	15,667	
"	"	Attopsemi Technology Co., Ltd.	"	"	500	138,468	4.64%	138,468	
"	"	CyteSi, Inc.,	"	"	163	6,345	1.40%	6,345	
"	"	Silicon Optronics, Inc.	"	"	12,641	1,073,200	16.11%	1,073,200	
"	"	Augentix Inc.	"	"	1,050	1,292	6.93%	1,292	
"	Bonds	SOFTBK 4 07/06/26 (XS2361252971)	"	"	-	5,152	-	5,152	
"	Stock	BE Epitaxy Semiconductor Technology Co., Ltd.	"	Note 2	5,153	88,233	8.89%	88,233	
"	"	Dian-Te Gas Investment LP	"	"	-	76,336	67.32%	76,336	
"	"	Airoha Technology Corp.	"	"	560	376,348	0.38%	376,348	
"	"	JET OPTOELECTRONICS CO., LTD.	"	"	2,400	148,512	4.71%	148,512	
"	"	StarRiver Semiconductor Corp.	"	Note 4	120	76,039	2.16%	76,039	
"	"	Precise Biometrics AB	"	"	5,609	63,164	12.08%	63,164	
"	Funds	Vertex Growth (SG) LP	"	Note 2	-	45,180	-	45,180	
"	"	Vertex Growth II (SG) LP	"	"	-	9,500	-	9,500	
"	"	Vertex Venture (SG) SEA IV LP	"	"	-	8,158	-	8,158	
"	"	Shin Kong No.1 REIT	"	"	5,000	105,200	-	105,200	
"	Stock	Sirius Wireless Pte. Ltd.	"	Note 1	10,020	16,165	8.01%	16,165	
"	Funds	Nomura Fallen Angel High Yield Bond Fund	"	"	9,897	92,900	-	92,900	
"	Convertible bonds	Netlink Communication Inc. Convertible bonds	"	Note 2	-	145,521	-	145,521	
"	"	Gear Radio Limited. Convertible bonds	"	"	-	30,450	-	30,450	
"	Stock	Linkou Golf Club	"	"	-	10,200	0.10%	10,200	
Alcor Micro, Corp.	Funds	Taishin 1699 Money Market Fund	"	Note 1	4,413	60,944	-	60,944	
"	"	PGIM Money Market Fund	"	"	1,879	30,266	-	30,266	
"	"	FSITC Taiwan Money Market Fund	"	"	2,268	35,366	-	35,366	
"	"	Eastspring Investments Well Pool Money Market Fund	"	"	1,097	15,182	-	15,182	
"	"	Allianz Global Investors Taiwan Money Market Fund	"	"	3,152	40,252	-	40,252	
"	"	CTBC Hwa-win Money Market Fund	"	"	3,581	40,144	-	40,144	

EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
March 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Name of securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023				Footnote
					No. of shares (in thousands)	Book value	Ownership (%)	Fair value	
Alcor Micro, Corp.	Funds	KGI Victory Money Market Fund	None	Note 1	2,554	\$ 30,108	-	\$ 30,108	
"	"	Yuanta De-Li Money Market Fund	"	"	3,020	50,175	-	50,175	
"	"	PGIM Return Fund	"	"	631	9,862	-	9,862	
"	"	Cathay US Premium Bond Fund	"	"	300	3,013	-	3,013	
"	"	Yuanta 2-10 Year Investment Grade Corporate Bond	"	"	606	6,053	-	6,053	
"	"	Nomura Global Financial Bond Fund	"	"	509	4,946	-	4,946	
"	"	Cathay 4-Year Maturity Developed Market Investment Grade Bond Fund	"	"	3,000	30,343	-	30,343	
"	"	Allianz Global Investors US Short Duration High Income Bond Fund	"	"	941	9,766	-	9,766	
"	"	PGIM USD High Yield Bond Fund	"	"	524	4,933	-	4,933	
"	"	CTBC ESG Financial Multi-Asset Fund	"	"	1,000	9,907	-	9,907	
"	"	Eastspring Investments Optm Inc FoFsAUDS	"	"	1,346	15,023	-	15,023	
"	"	KGI LOHAS Multi-Asset Fund -ZAR NB	"	"	300	2,999	-	2,999	
"	"	Yuanta Global Leaders Balanced Fund-USD (I)	"	"	500	5,250	-	5,250	
"	"	CTBC ESG Carbon Transition Multi-Asset Fund	"	"	600	5,946	-	5,946	
"	"	PGIM Global Eco-Friendly ESG Multi-Asset Fund Inc TWD	"	"	600	6,097	-	6,097	
"	"	CTBC Global Tech Trends Multi-Asset Fund-USD NB	"	"	1,300	13,038	-	13,038	
"	"	TCB GAMMA Quantitative Multi-Asset Fund	"	"	2,151	32,430	-	32,430	
"	"	Nomura Global Infrastructure Megatrend Fund USD	"	"	489	4,843	-	4,843	
"	"	PGIM Global New Supply Chain Fund-TWD(A)	"	"	200	1,774	-	1,774	
"	Principal protected note	President Securities Corporation Principal Guaranteed Note NO.2283	"	"	-	30,195	-	30,195	
"	"	President Securities Corporation Principal Guaranteed Note NO.2327	"	"	-	30,135	-	30,135	
"	"	President Securities Corporation Principal Guaranteed Note NO.2349	"	"	-	30,129	-	30,129	
"	"	President Securities Corporation Principal Guaranteed Note NO.75	"	"	-	30,024	-	30,024	
"	Stock	Shin Kong Financial Holding Co.,Ltd. Preferred Shares A	"	Note 3	130	4,628	0.17%	4,628	
"	"	HUA VI VENTURE CAPITAL CORPORATION	"	Note 4	11	2,373	2.11%	2,373	

EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
March 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Name of securities	Relationship with the securities issuer	General ledger account	As of March 31, 2023				Footnote
					No. of shares (in thousands)	Book value	Ownership (%)	Fair value	
Alcor Micro, Corp.	Stock	WK Venture Capital XI	None	Note 4	15,380	\$ 286,525	15.38%	\$ 286,525	
"	"	FOXFORTUNE TECHNOLOGY II VENTURES LIMITED	"	"	1,000	32,366	5.80%	32,366	
"	"	Koodata Inc. Preferred Stock	"	"	2,375	14,531	2.73%	14,531	
"	"	Koodata Inc. Common Stock	"	"	10,088	66,237	11.60%	66,237	
"	"	Helios Bioelectronics Inc.	"	"	14,300	60,000	10.77%	60,000	
"	Bonds	AT&T Inc.	"	Note 3	-	2,218	-	2,218	
"	Beneficiary	Fuyou Venture Capital Co., Ltd	"	Note 2	-	13,423	-	13,423	
Alcorlink Corp.	Funds	Fuh Hwa Fund	"	Note 1	2,896	32,910	-	32,910	
"	Bonds	STANDARD CHARTERED PLC.	"	Note 5	-	27,034	-	27,034	
Alcor Micro Tech. (ShenZhen) Ltd.	Funds	CR Yuanta Cash Income Money Market Fund B	"	Note 1	7,280	32,256	-	32,256	
Syncomm Technology Corp.	"	PGIM Money Market Fund	"	"	4,126	66,476	-	66,476	
"	"	Mega Diamond Money Market Fund	"	"	3,203	40,938	-	40,938	
"	"	JIH SUN MONEY MARKET FUND	"	"	2,675	40,423	-	40,423	
"	"	Allianz Global Investors Taiwan Money Market Fund	"	"	1,574	20,102	-	20,102	
Alcor Micro Technology, Inc.	Stock	NGD Systems Inc.	"	Note 4	8,705	14,102	3.45%	14,102	
Alcor Micro Technology, (H.K.) Limited	Bonds	HP Inc.	"	Note 3	-	2,407	-	2,407	
"	"	Power Finance Corp. Ltd.	"	"	-	5,701	-	5,701	
"	"	Natwest Group Plc.	"	"	-	3,018	-	3,018	
"	"	TSMC Arizona Corp.	"	"	-	5,913	-	5,913	
"	"	AT&T Inc. 5.35% Global Notes due 2066 (TBB)	"	Note 1	4	2,861	-	2,861	
Chun-Feng Investment Limited	Funds	Allianz Global Investors Taiwan Money Market Fund	"	"	4,746	60,611	-	60,611	
"	"	PGIM Money Market Fund	"	"	636	10,240	-	10,240	
"	"	Eastspring Investments Well Pool Money Market	"	"	733	10,150	-	10,150	
"	"	Nomura Taiwan Money Market Fund	"	"	612	10,156	-	10,156	
ENE Technology Inc.	"	JIH SUN MONEY MARKET FUND	"	"	993	15,002	-	15,002	

Note 1: Current financial assets at fair value through profit or loss.

Note 2: Non-current financial assets at fair value through profit or loss.

Note 3: Current financial assets at fair value through other comprehensive income.

Note 4: Non-current financial assets at fair value through other comprehensive income.

Note 5: Current financial assets at amortised cost.

EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES
Significant inter-company transactions during the reporting period
Three months ended March 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	Egis Technology Korea Inc.	Egis Technology Inc.	2	Service revenue (Note 6)	\$ 9,879	Transaction prices and terms were similar to non- related party	1.06%
2	Alcor Micro, Corp.	Alcor Micro Technology (H.K.) Limited	3	Sales revenue (Note 6)	36,472		3.92%
3	Alcor Micro Tech. (ShenZhen) Ltd.	"	3	Service revenue (Note 6)	14,610		1.57%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Individual transaction amount less than 1% of total assets or consolidated income will not be disclosed.

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES

Information on investees

Three months ended March 31, 2023

Table 3

Unit: Thousands of NTD/shares

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net income (loss) of investee for the three months ended March 31, 2023	Investment income (loss) recognised by the Company for the three months ended March 31, 2023	Footnote
				Balance as at March 31, 2023	Balance as at December 31, 2022	No. of shares	Ownership (%)	Book value			
The Company	Egis Technology (Japan) Inc.	Japan	Customer service, business promotion and technical service	\$ 109,279	\$ 109,279	7,680	100.00%	\$ 1,549	\$ 711	\$ 711	
"	Egis Technology (Korea) Inc.	Korea	Customer service, business promotion and technical service	18,233	18,233	20	100.00%	26,286	237	237	
"	Sense Investment and Consulting Inc.	Taiwan	Holding company	1,880	1,880	167	100.00%	2,202	4	4	
"	Luxsentek Microelectronics Corp.	Taiwan	Technology development	140,000	140,000	14,000	86.93%	(9,315)	(16,460)	(14,309)	
"	Alcor Micro, Corp.	Taiwan	Technology development	707,000	707,000	20,000	22.01%	668,443	(54,725)	(15,212)	
"	VASUBI Technology Inc.	Taiwan	Technology development	40,000	40,000	4,000	100.00%	16,727	(5,326)	(5,326)	
"	NUI Technology Inc.	Taiwan	Technology development	90,000	90,000	9,000	100.00%	68,334	(6,086)	(6,086)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net income (loss) of investee for the three months ended March 31, 2023	Investment income (loss) recognised by the Company for the three months ended March 31, 2023	Footnote
				Balance as at March 31, 2023	Balance as at December 31, 2022	No. of shares	Ownership (%)	Book value			
The Company	Taurus Wireless Inc.	Taiwan	Technology development	\$ 10,000	10,000	1,000	100.00%	\$ 149	(\$ 1,998)	(\$ 1,998)	
"	Transducer Star Technology INC.	Taiwan	Technology development	21,900	-	1,780	85.58%	21,060	(1,453)	(840)	
"	Vitrio Technology Corporation	Taiwan	Technology development	4,970	4,970	142	50.00%	-	-	-	
"	iCatch Technology Inc.	Taiwan	Technology development	1,189,600	1,189,600	18,000	18.91%	1,144,794	(35,487)	(25,351)	
"	SCT Holdings Ltd.	Cayman Islands	Design, development and sales of IC	371,380	371,380	6,404	19.51%	374,904	573	(3,060)	
"	Egis Innovation Fund G.P., Ltd.	Taiwan	General investment business	7,500	7,500	750	50.00%	7,487	-	-	
Alcor Micro, Corp.	Alcor Micro Technology, Inc. (AMTI)	Cayman Islands	Investment holding company	932,166	850,378	30,613,000	100.00%	143,608	(13,828)	(13,828)	
"	AlgoTek, Inc.	Taiwan	Development, design and sales of IC	73,782	73,782	5,256,631	19.47%	215,383	(25,408)	(4,947)	
"	Syncomm Technology Corp.	Taiwan	Development, design and sales of IC	133,578	133,578	8,444,245	26.47%	114,687	761	188	
"	Alcorlink Corp.	Taiwan	Development, design and sales of IC	259,214	259,214	14,640,133	49.82%	284,045	(61,460)	(30,702)	
"	Chun-Feng Investment Limited	Taiwan	General investment business	90,000	90,000	9,000,000	100.00%	112,322	2,817	109	
"	ENE Technology Inc.	Taiwan	Development, design and sales of IC	252,800	252,800	8,000,000	17.66%	268,804	16,560	1,625	

Table 3, Page 2

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net income (loss) of investee for the three months ended March 31, 2023	Investment income (loss) recognised by the Company for the three months ended March 31, 2023	Footnote
				Balance as at March 31, 2023	Balance as at December 31, 2022	No. of shares	Ownership (%)	Book value			
Chun-Feng Investment Limited	AlgoTek, Inc.	Taiwan	Development, design and sales of IC	\$ 5,814	\$ 22,344	179,353	0.66%	\$ 7,169	(\$ 25,408)	[
//	Syncomm Technology Corp.	Taiwan	Development, design and sales of IC	17,943	17,943	1,719,642	5.39%	19,598	761	39	
Alcor Micro Technology, Inc. (AMTI)	Alcor Micro Technology, (H.K.) Limited (AMTHK)	Hong Kong	Management and sales of electronic products	633,056	520,107	20,790,000	100.00%	74,447	(13,850)	(13,850)	

Note 1: The accounts of the Company are expressed in New Taiwan dollars. Income statement accounts denominated in foreign currencies are translated into New Taiwan dollars at the weighted average exchange rates prevailing at the transaction dates and balance sheet accounts at spot exchange rates prevailing at the transaction dates.

Note 2: The transactions were eliminated when preparing the consolidated financial statements.

EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES

Information on investments in Mainland China
Three months ended March 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Net income of investee for the three months ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2023	Book value of investments in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	Footnote
					Remitted to Mainland	Remitted back to Taiwan							
Egis Intelligent (Shanghai) Co., Ltd.	Customer service, business promotion and technical service	\$ 55,521	Note 2	\$ 60,900	\$ -	\$ -	\$ 60,900	(\$ 4,881)	100%	(\$ 4,881)	\$ 46,819	\$ -	Note 3
Alcor Micro Tech., (ShenZhen) Ltd.	After sales service and collection of business intelligence	56,960	Note 1	56,960	-	-	56,960	133	100%	133	51,030	-	"
ENE Touch Technology Co., Ltd. (ENE Touch)	Wholesale of electronic materials	9,047	Note 2	9,047	-	-	9,047	(546)	100%	(546)	(753)	-	Note 3, Note 6

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Egis Technology Inc.	\$ 60,900	\$ 60,900	\$ 4,485,830
Alcor Micro Tech. (ShenZhen) Ltd.	56,960	56,960	4,485,830
ENE Touch Technology Co., Ltd. (ENE Touch)	9,047	9,047	4,485,830

Note 1: Reinvested in Mainland China company through Alcor Micro Technology, Inc. in the third area.

Note 2: Directly invest in a company in Mainland China.

Note 3: Investment income (loss) was recognised based on the financial reports that were reviewed by CPA.

Note 4: The accounts of the Company are expressed in New Taiwan dollars. Income statement accounts denominated in foreign currencies are translated into New Taiwan dollars at the weighted average exchange rates prevailing at the transaction dates and balance sheet accounts at spot exchange rates prevailing at the transaction dates.

Note 5: Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA is the higher of the consolidated net assets or net assets of each company.

Note 6: Listed in accordance with the financial statements of subsidiaries.

EGIS TECHNOLOGY INC. AND ITS SUBSIDIARIES

Major shareholders information

March 31, 2023

Table 5

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Sen-Chou Lo	9,006,262	13.00%