

# **FocalTech Systems Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2021 and 2020**

## Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## **Independent Accountants' Review Report**

To the Board of Directors of FocalTech Systems Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of FocalTech Systems Co., Ltd. and its subsidiaries (collectively, "the Company") as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and 2020, as well as the consolidated statements of changes in equity and cash flows for the nine months period ended September 30, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". 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 disclosed in Note 12 to the consolidated financial statements, the financial statements of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$427,255 thousand and NT\$547,314 thousand, respectively, representing 2% and 5%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$68,590 thousand and NT\$173,810 thousand, respectively, representing 1% and 4%, respectively, of the consolidated total liabilities; for the three months and nine months ended September 30, 2021 and 2020, the amounts of combined comprehensive loss of these subsidiaries were NT\$43,894 thousand, NT\$51,964 thousand, NT\$159,576 thousand and NT\$136,016 thousand, respectively, representing (2%), (22%), (3%), (41%).

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2021 and 2020, its consolidated financial performance and its consolidated cash flows for the for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Shiow-Ming Shue and Chih-Ming Shao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
November 10, 2021

# FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 8,028,997	37	\$ 4,011,682	33	\$ 3,535,594	30
Financial assets at fair value through profit or loss - current (Note 7)	118,195	1	-	-	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	56,302	-	-	-	17,587	-
Accounts receivables, net (Note 10)	2,575,410	12	1,633,900	13	1,486,527	12
Inventories (Note 11)	2,493,821	12	1,755,142	14	2,266,684	19
Other financial assets (Note 9)	963,546	5	1,385,936	11	1,260,351	11
Other current assets	486,573	2	184,262	2	246,938	2
Total current assets	14,722,844	69	8,970,922	73	8,813,681	74
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss - non-current (Note 7)	336,632	2	234,662	2	55,481	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	181,941	1	247,974	2	197,314	2
Investments accounted for using equity method	-	-	-	-	4,970	-
Property, plant and equipment (Note 13)	1,325,179	6	1,321,940	11	1,310,337	11
Goodwill (Notes 14)	1,237,268	6	1,237,268	10	1,237,268	10
Other intangible assets (Note 15)	51,214	-	63,202	-	67,117	1
Deferred tax assets	42,188	-	85,154	1	105,947	1
Defundable deposits	2,481,317	11	172,465	1	137,634	1
Other non-current assets (Note 16 and 31)	1,089,813	5	11,466	-	12,968	-
Total non-current assets	6,745,552	31	3,374,131	27	3,129,036	26
<b>TOTAL</b>	<b>\$ 21,468,396</b>	<b>100</b>	<b>\$ 12,345,053</b>	<b>100</b>	<b>\$ 11,942,717</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 17)	\$ 859,664	4	\$ 523,648	4	\$ -	-
Accounts payables (Note 18)	2,166,241	10	1,731,109	14	1,832,027	15
Other payables (Note 19)	1,319,945	6	1,037,431	8	1,836,772	16
Dividends payables	700,000	3	-	-	-	-
Current tax liabilities (Notes 4)	1,327,561	6	433,121	4	399,501	3
Other current liabilities (Notes 22)	117,312	1	230,944	2	144,672	1
Total current liabilities	6,490,723	30	3,956,253	32	4,212,972	35
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 17)	786,840	4	-	-	-	-
Deferred tax liabilities	59,531	-	53,213	1	30,897	-
Net defined benefit liabilities - non-current (Note 4)	23,015	-	23,366	-	23,796	-
Guarantee deposits received	1,902,874	9	490,361	4	407,754	4
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	2,782,660	13	577,340	5	472,847	4
Total liabilities	9,273,383	43	4,533,593	37	4,685,819	39
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 21 and 26)</b>						
Share capital						
Ordinary shares	2,165,215	10	2,103,532	17	2,100,456	18
Capital surplus						
Additional paid-in capital	4,736,211	22	4,725,445	38	4,714,996	39
Treasury shares	79,963	1	69,361	1	68,133	1
Employee stock options	45,871	-	14,903	-	15,249	-
Restricted stock for employees	1,212,385	6	-	-	-	-
Employee share options – expired	34,134	-	33,933	-	33,933	-
Total capital surplus	6,108,564	29	4,843,642	39	4,832,311	40
Retained earnings						
Legal reserve	101,230	-	-	-	-	-
Special reserve	122,316	1	-	-	-	-
Undistributed earnings	4,873,886	23	1,012,301	8	448,132	4
Total retained earnings	5,097,432	24	1,012,301	8	448,132	4
Other equity						
Exchange differences from translating the financial statements of foreign operations	(217,608)	(1)	(125,038)	(1)	(90,032)	(1)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	1,844	-	2,722	-	497	-
Unearned employee compensation	(977,385)	(5)	-	-	-	-
Total other equity	(1,193,149)	(6)	(122,316)	(1)	(89,535)	(1)
Treasury shares	(371)	-	(24,316)	-	(43,074)	-
Equity attributable to owners of the parent	12,177,691	57	7,812,843	63	7,248,290	61
<b>NON-CONTROLLING INTERESTS (Note 21)</b>	<b>17,322</b>	<b>-</b>	<b>(1,383)</b>	<b>-</b>	<b>8,608</b>	<b>-</b>
Total equity	12,195,013	57	7,811,460	63	7,256,898	61
<b>TOTAL</b>	<b>\$ 21,468,396</b>	<b>100</b>	<b>\$ 12,345,053</b>	<b>100</b>	<b>\$ 11,942,717</b>	<b>100</b>

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

## FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 22)	\$ 6,272,422	100	\$ 3,815,809	100	\$ 16,394,543	100	\$ 9,493,042	100
COST OF REVENUE (Note 11 and 23)	<u>(2,857,205)</u>	<u>(46)</u>	<u>(3,001,044)</u>	<u>(79)</u>	<u>(8,442,986)</u>	<u>(51)</u>	<u>(7,425,266)</u>	<u>(78)</u>
GROSS PROFIT	<u>3,415,217</u>	<u>54</u>	<u>814,765</u>	<u>21</u>	<u>7,951,557</u>	<u>49</u>	<u>2,067,776</u>	<u>22</u>
OPERATING EXPENSES (Note 23, 26, 28 and 30)								
Selling and marketing expenses	(153,340)	(3)	(87,234)	(2)	(398,136)	(2)	(257,800)	(3)
General and administrative expenses	(190,348)	(3)	(97,449)	(3)	(449,917)	(3)	(267,130)	(3)
Research and development expenses	<u>(654,004)</u>	<u>(10)</u>	<u>(391,046)</u>	<u>(10)</u>	<u>(1,721,637)</u>	<u>(11)</u>	<u>(1,125,648)</u>	<u>(12)</u>
Total operating expenses	<u>(997,692)</u>	<u>(16)</u>	<u>(575,729)</u>	<u>(15)</u>	<u>(2,569,690)</u>	<u>(16)</u>	<u>(1,650,578)</u>	<u>(18)</u>
OPERATING INCOME	<u>2,417,525</u>	<u>38</u>	<u>239,036</u>	<u>6</u>	<u>5,381,867</u>	<u>33</u>	<u>417,198</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Finance costs(Note 23)	(2,724)	-	-	-	(7,481)	-	(1,078)	-
Interest income	9,069	-	8,980	-	23,647	-	44,658	1
Gain on financial assets and liabilities at fair value through profit or loss	(179,102)	(3)	2,973	-	80,219	-	(1,619)	-
Other gains and losses - net	151,615	3	24,273	1	347,445	2	43,594	-
(Loss) gain on foreign exchange	<u>8,719</u>	<u>-</u>	<u>2,461</u>	<u>-</u>	<u>(41,160)</u>	<u>-</u>	<u>13,738</u>	<u>-</u>
Total non-operating income and expenses	<u>(12,423)</u>	<u>-</u>	<u>38,687</u>	<u>1</u>	<u>402,670</u>	<u>2</u>	<u>99,293</u>	<u>1</u>
INCOME BEFORE INCOME TAX	2,405,102	38	277,723	7	5,784,537	35	516,491	5
INCOME TAX EXPENSE (Note 24)	<u>(577,633)</u>	<u>(9)</u>	<u>(10,014)</u>	<u>-</u>	<u>(1,021,027)</u>	<u>(6)</u>	<u>(88,300)</u>	<u>(1)</u>
NET INCOME	<u>1,827,469</u>	<u>29</u>	<u>267,709</u>	<u>7</u>	<u>4,763,510</u>	<u>29</u>	<u>428,191</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences from translating the financial statements of foreign operations	(7,945)	-	(26,216)	(1)	(95,003)	(1)	(96,232)	(1)

(Continued)

## FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized gain(loss) from debt instrument investments measured at fair value through other comprehensive loss	(1,082)	-	(1,793)	-	(878)	-	(1,253)	-
Items that may be reclassified subsequently to profit or loss	(9,027)	-	(28,009)	(1)	(95,881)	(1)	(97,485)	(1)
Total other comprehensive income	(9,027)	-	(28,009)	(1)	(95,881)	(1)	(97,485)	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>\$ 1,818,442</u>	<u>29</u>	<u>\$ 239,700</u>	<u>6</u>	<u>\$ 4,667,629</u>	<u>28</u>	<u>\$ 330,706</u>	<u>3</u>
<b>NET INCOME</b>								
ATTRIBUTABLE TO:								
Owners of the Parent	\$ 1,833,297	29	\$ 275,308	7	\$ 4,785,388	29	\$ 448,132	4
Non-controlling interests	(5,828)	-	(7,599)	-	(21,878)	-	(19,941)	-
	<u>\$ 1,827,469</u>	<u>29</u>	<u>\$ 267,709</u>	<u>7</u>	<u>\$ 4,763,510</u>	<u>29</u>	<u>\$ 428,191</u>	<u>4</u>
<b>TOTAL COMPREHENSIVE INCOME</b>								
ATTRIBUTABLE TO:								
Owners of the Parent	\$ 1,824,311	29	\$ 248,577	6	\$ 4,691,940	28	\$ 352,790	3
Non-controlling interests	(5,869)	-	(8,877)	-	(24,311)	-	(22,084)	-
	<u>\$ 1,818,442</u>	<u>29</u>	<u>\$ 239,700</u>	<u>6</u>	<u>\$ 4,667,629</u>	<u>28</u>	<u>\$ 330,706</u>	<u>3</u>
<b>EARNINGS PER SHARE</b>								
(Note 25)								
Basic	<u>\$ 9.02</u>		<u>\$ 1.06</u>		<u>\$ 23.73</u>		<u>\$ 1.64</u>	
Diluted	<u>\$ 8.58</u>		<u>\$ 1.00</u>		<u>\$ 22.52</u>		<u>\$ 1.55</u>	

The accompanying notes are an integral part of the consolidated financial statements

(Concluded)

**FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent											
	Share Capital		Retained Earnings			Other Equity			Treasury Shares	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences from Translating the Financial Statement of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unearned employee compensation				
BALANCE, JANUARY 1, 2020	\$ 2,996,759	\$ 5,145,377	\$ -	\$ -	\$ (183,307)	\$ 4,057	\$ 1,750	\$ -	\$ (267,158)	\$ 7,697,478	\$ 30,692	\$ 7,728,170
Reduction on capital surplus to offset accumulated deficits	-	(183,307)	-	-	183,307	-	-	-	-	-	-	-
Cash distribution from additional paid-in capital	-	(150,000)	-	-	-	-	-	-	-	(150,000)	-	(150,000)
Net income for the nine months ended September 30, 2020	-	-	-	-	448,132	-	-	-	-	448,132	(19,941)	428,191
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	(94,089)	(1,253)	-	-	(95,342)	(2,143)	(97,485)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	448,132	(94,089)	(1,253)	-	-	352,790	(22,084)	330,706
Reduction of capital (Note 21)	(899,721)	-	-	-	-	-	-	-	-	(899,721)	-	(899,721)
Compensation cost of employee share options (Note 21 and 26)	-	16,049	-	-	-	-	-	-	-	16,049	-	16,049
Treasury shares transferred to employees (Note 21 and 26)	-	-	-	-	-	-	-	-	224,084	224,084	-	224,084
Issuance of ordinary shares from exercise of employee share options (Note 21 and 26)	3,418	4,192	-	-	-	-	-	-	-	7,610	-	7,610
BALANCE, SEPTEMBER 30, 2020	\$ 2,100,456	\$ 4,832,311	\$ -	\$ -	\$ 448,132	\$ (90,032)	\$ 497	\$ -	\$ (43,074)	\$ 7,248,290	\$ 8,608	\$ 7,256,898
BALANCE, JANUARY 1, 2021	\$ 2,103,532	\$ 4,843,642	\$ -	\$ -	\$ 1,012,301	\$ (125,038)	\$ 2,722	\$ -	\$ (24,316)	\$ 7,812,843	\$ (1,383)	\$ 7,811,460
Appropriation of 2020 earnings												
Legal reserve	-	-	101,230	-	(101,230)	-	-	-	-	-	-	-
Special reserve	-	-	-	122,316	(122,316)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(700,000)	-	-	-	-	(700,000)	-	(700,000)
Net income for the nine months ended September 30, 2021	-	-	-	-	4,785,388	-	-	-	-	4,785,388	(21,878)	4,763,510
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	(92,570)	(878)	-	-	(93,448)	(2,433)	(95,881)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	4,785,388	(92,570)	(878)	-	-	4,691,940	(24,311)	4,667,629
Compensation cost of employee share options (Note 21 and 26)	-	45,261	-	-	-	-	-	-	-	45,261	-	45,261
Treasury shares transferred to employees (Note 21 and 26)	-	1,948	-	-	-	-	-	-	23,945	25,893	-	25,893
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	42,759	42,759
Changes in ownership interests in subsidiaries	-	-	-	-	(257)	-	-	-	-	(257)	257	-
Issuance of ordinary shares from exercise of employee share options (Note 21 and 26)	3,233	5,328	-	-	-	-	-	-	-	8,561	-	8,561
Issuance of restricted stock employees (Note 4, 21 and 26)	58,450	1,212,385	-	-	-	-	-	(1,212,385)	-	58,450	-	58,450
Compensation cost of restricted stock to employees (Note 4, 21 and 26)	-	-	-	-	-	-	-	235,000	-	235,000	-	235,000
BALANCE, SEPTEMBER 30, 2021	\$ 2,165,215	\$ 6,108,564	\$ 101,230	\$ 122,316	\$ 4,873,886	\$ (217,608)	\$ 1,844	\$ (977,385)	\$ (371)	\$ 12,177,691	\$ 17,322	\$ 12,195,013

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

# FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 5,784,537	\$ 516,491
Adjustments for:		
Depreciation expenses	59,929	58,368
Amortization expenses	11,933	32,087
Net (gain) loss on financial assets at fair value through profit or loss	(80,219)	1,619
Finance costs	7,481	1,078
Interest income	(23,647)	(44,658)
Compensation cost of employee share options	45,261	16,049
Compensation cost of restricted stock to employees	235,000	-
(Gain) loss on disposal of investments	(183,272)	40,928
Reversal gain on write-off of inventories	(177,808)	-
Unrealized (gain) loss on foreign exchange	(20,626)	(26,705)
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	40,286	(42,487)
Trade receivables	(947,252)	(72,688)
Inventories	(577,197)	(711,684)
Other current assets	(304,763)	105,715
Trade payables	443,052	(142,024)
Other payables	299,999	4,680
Other current liabilities	(111,372)	38,068
Net defined benefit liabilities	(351)	(282)
Cash generated from operations	4,500,971	(225,445)
Interest paid	(7,378)	(1,078)
Income tax paid	(70,484)	(29,919)
Net cash inflow (outflow) from operating activities	<u>4,423,109</u>	<u>(256,442)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(142,888)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	101,378
Acquisition of investments accounted for using equity method	-	(4,970)
Acquisition of property, plant and equipment	(83,728)	(15,907)
Acquisition of intangible assets	-	(147)
Decrease in other financial assets	401,101	302,476
Increase in refundable deposits	(2,309,367)	-
Increase in other non-current assets	(1,078,451)	(15,648)
Interest received	26,384	52,540
Net cash (outflow) inflow from investing activities	<u>(3,044,061)</u>	<u>276,834</u>

(Continued)

# FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	\$ 339,139	\$ -
Increase in long-term borrowings	786,840	-
Increase in guarantee deposits	1,412,648	14,959
Issuance of restricted stock employees	58,450	-
Dividends paid to owners of the Company	-	(150,000)
Exercise of employee share options	8,561	7,610
Treasury shares transferred to employees	25,893	224,084
Increase in non-controlling interests	<u>42,759</u>	<u>-</u>
Net cash inflow financing activities	<u>2,674,290</u>	<u>96,653</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(36,023)</u>	<u>(42,954)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,017,315	74,091
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>4,011,682</u>	<u>3,461,503</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 8,028,997</u>	<u>\$ 3,535,594</u>

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

(Concluded)



# FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

---

### 1. GENERAL INFORMATION

FocalTech Systems Co., Ltd. (“FocalTech” or “the Company”), formerly named as Orise Technology Co., Ltd., was incorporated in the Republic of China (“ROC”) in January 2006 and moved to Hsinchu Science Park in April in the same year. The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since July 2007. On January 2, 2015, the Company acquired FocalTech Corporation, Ltd. through a share swap and renamed on January 17, 2015. This acquisition was comprehensively considered as a reverse merger, where FocalTech Corporation, Ltd. was treated as the acquirer in the financial statements. The Company mainly engages in the research, development, design, manufacturing, and sales of Human-Machine Interface solutions, such as Display Driver IC, Touch Control IC and so on.

The consolidated financial statements are presented in the Company’s functional currency of New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on October 28, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 (Interest Rate Benchmark Reform-Phase 2 and Covid-19-Related Rent Concessions beyond 30 June 2021) endorsed and issued in to effect by the FSC did not have a significant impact on the Group’s accounting policies.

b.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications or exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have impact on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. The IFRSs issued by IASB, but not yet endorsed and issued into effect by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</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 IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have impact on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments measured at fair value and the net defined benefit liabilities recognized in the amount of the present value of defined benefit obligation less the fair value of any plan assets.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The detail information, holding percentages, and main business of the subsidiaries could be found in Note 12, TABLE 6 and TABLE 7.

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, and adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income and the tax rate that would be applicable to expected total annual earnings.

3) Share-based payment arrangements

Restricted shares for employees

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgments, estimations and assumptions applied in these consolidated financial statements are consistent with those in the consolidated financial statements for the year ended December 31, 2020.

## 6. CASH AND CASH EQUIVALENTS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand	\$ 3,401	\$ 2,182	\$ 6,727
Checking accounts and demand deposits	5,329,409	3,668,013	2,847,233
Cash equivalent (time deposits with original maturities within three months)	<u>2,696,187</u>	<u>341,487</u>	<u>681,634</u>
	<u>\$ 8,028,997</u>	<u>\$ 4,011,682</u>	<u>\$ 3,535,594</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Mandatorily measured at fair value through profit or loss (FVTPL)			
Listed ordinary shares	<u>\$ 118,195</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Non – Current</u>			
Mandatorily measured at fair value through profit or loss (FVTPL)			
Listed preferred shares	\$ 149,088	\$ 72,186	\$ 10,625
Private Funds	80,002	52,579	44,856
Structured Investments	<u>107,542</u>	<u>109,897</u>	<u>-</u>
	<u>\$ 336,632</u>	<u>\$ 234,662</u>	<u>\$ 55,481</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Investments in debt instruments			
<u>Current</u>			
Foreign investments			
Fixed income bonds	\$ 56,302	\$ -	\$ 17,587
<u>Non – Current</u>			
Foreign investments			
Fixed income bonds	\$ 181,941	\$ 247,974	\$ 197,314

## 9. OTHER FINANCIAL ASSETS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Time deposits with original maturities more than three months	\$ 963,546	\$ 1,385,936	\$ 1,260,351

## 10. ACCOUNTS RECEIVABLES, NET

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivables	\$ 2,575,410	\$ 1,633,900	\$ 1,486,527

The average credit term for sales of goods was 30-120 days. In order to minimize credit risk, management of the Group has delegated a team responsible for determining line of credit, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the Group's management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach prescribed by IFRS 9, which permits the use of allowances of expected credit losses over the lifetime for all trade receivables. The expected credit losses on trade receivables are estimated by using an allowance matrix with references to past customer default records, customer's current financial position, and general economic conditions of the industry. Due to the past experiences, there is no significant difference in the loss patterns of different customer groups. Therefore, the allowance matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of trade receivable.

The following table details the loss allowance of trade receivables based on the Group's allowance matrix.  
September 30, 2021

	Non Past Due	Overdue 1-60 Days	Overdue 61-180 Days	Overdue Over 180 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	\$ 2,481,578	\$ 93,832	\$ -	\$ -	\$ 2,575,410

December 31, 2020

	Non Past Due	Overdue 1-60 Days	Overdue 61-180 Days	Overdue Over 180 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	\$ 1,593,485	\$ 40,401	\$ 14	\$ -	\$ 1,633,900

September 30, 2020

	Non Past Due	Overdue 1-60 Days	Overdue 61-180 Days	Overdue Over 180 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	\$ 1,476,532	\$ 9,980	\$ 15	\$ -	\$ 1,486,527

## 11. INVENTORIES

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Finished goods	\$ 747,063	\$ 418,694	\$ 481,383
Work in process	1,194,552	1,025,201	1,201,434
Raw materials and supplies	552,206	311,247	583,867
	\$ 2,493,821	\$ 1,755,142	\$ 2,266,684

The cost of goods sold were NT\$2,857,205 thousand and NT\$3,001,044 thousand, including reverse of write-off of inventories of NT\$84,207 thousand and NT\$0 thousand for the three months ended September 30, 2021 and 2020. The cost of goods sold were NT\$8,442,986 thousand and NT\$7,425,266 thousand, including the reverse of write-off of inventories NT\$177,808 thousand and NT\$0 thousand for the nine months ended September 30, 2021 and 2020. Above mentioned gains from price recovery of inventory are resulted from sales of slow moving inventory.

## 12. SUBSIDIARIES

Details of the Company's subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd.	Investment activity	100%	100%	100%	-
FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	Investment activity	100%	100%	100%	-
FocalTech Systems Co., Ltd. And FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Investment activity	66.45%	67.15%	67.15%	Note1.2
FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	100%	Note2
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	Investment activity	100%	100%	100%	-
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Investment activity	100%	100%	100%	-
FocalTech Systems, Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	100%	100%	100%	-
FocalTech Systems, Ltd.	FocalTech Electronics Co., Ltd.	Import and export of integrated circuits	100%	100%	100%	Note2
FocalTech Electronics, Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for affiliates' IC products	100%	100%	100%	Note2
FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	100%	-
FocalTech Electronics, Ltd.	Hefei PineTech Electronics Co., Ltd.	Research, development and sale of integrated circuits	100%	100%	100%	Note2

Note1: The changes in the shareholding ratio of FocalTech Smart Sensors, Ltd. is due to the Group did not subscribe proportionally when its cash capital was increased.

Note2: Immaterial subsidiaries of the Company, whose financial statements had not been reviewed by auditors.

### 13. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Development Equipment</u>	<u>Office Equipment</u>	<u>Information Equipment</u>	<u>Leasehold Improve- ments</u>	<u>Total</u>
<u>Cost</u>						
Balance, January 1, 2020	\$ 1,322,961	\$ 285,660	\$ 15,548	\$ 42,621	\$ 38,388	\$ 1,705,178
Additions	-	12,769	2,154	984	-	15,907
Reclassification	-	(258)	(76)	334	-	-
Effect of foreign currency exchange differences	(7,298)	(4,438)	(61)	(215)	(77)	(12,089)
Balance, September 30, 2020	<u>\$ 1,315,663</u>	<u>\$ 293,733</u>	<u>\$ 17,565</u>	<u>\$ 43,724</u>	<u>\$ 38,311</u>	<u>\$ 1,708,996</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2020	\$ 84,761	\$ 174,368	\$ 12,431	\$ 33,752	\$ 38,388	\$ 343,700
Depreciation	26,155	29,624	727	1,862	-	58,368
Reclassification	-	-	10	(10)	-	-
Effect of foreign currency exchange differences	(402)	(2,726)	(43)	(161)	(77)	(3,409)
Balance, September 30, 2020	<u>\$ 110,514</u>	<u>\$ 201,266</u>	<u>\$ 13,125</u>	<u>\$ 35,443</u>	<u>\$ 38,311</u>	<u>\$ 398,659</u>
Carrying amounts as of September 30, 2020	<u>\$ 1,205,149</u>	<u>\$ 92,467</u>	<u>\$ 4,440</u>	<u>\$ 8,281</u>	<u>\$ -</u>	<u>\$ 1,310,337</u>
<u>Cost</u>						
Balance, January 1, 2021	\$ 1,343,090	\$ 292,977	\$ 11,557	\$ 38,869	\$ 38,604	\$ 1,725,097
Additions	-	77,932	731	5,065	-	83,728
Disposals	-	(5,041)	-	-	-	(5,041)
Reclassification	-	(158)	105	53	-	-
Effect of foreign currency exchange differences	(21,116)	(4,209)	(138)	(606)	(226)	(26,295)
Balance, September 30, 2021	<u>\$ 1,321,974</u>	<u>\$ 361,501</u>	<u>\$ 12,255</u>	<u>\$ 43,381</u>	<u>\$ 38,378</u>	<u>\$ 1,777,489</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2021	\$ 121,696	\$ 203,722	\$ 9,574	\$ 29,561	\$ 38,604	\$ 403,157
Depreciation	26,598	30,952	431	1,948	-	59,929
Disposals	-	(5,041)	-	-	-	(5,041)
Effect of foreign currency exchange differences	(2,144)	(2,841)	(101)	(423)	(226)	(5,735)
Balance, September 30, 2021	<u>\$ 146,150</u>	<u>\$ 226,792</u>	<u>\$ 9,904</u>	<u>\$ 31,086</u>	<u>\$ 38,378</u>	<u>\$ 452,310</u>
Carrying amounts as of December 31, 2020 and January 1, 2021	<u>\$ 1,221,394</u>	<u>\$ 89,255</u>	<u>\$ 1,983</u>	<u>\$ 9,308</u>	<u>\$ -</u>	<u>\$ 1,321,940</u>
Carrying amounts as of September 30, 2021	<u>\$ 1,175,824</u>	<u>\$ 134,709</u>	<u>\$ 2,351</u>	<u>\$ 12,295</u>	<u>\$ -</u>	<u>\$ 1,325,179</u>

Property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	45-50 years
Development equipment	3-5 years
Office equipment	3-5 years
Information equipment	3-5 years
Leasehold improvements	1-5 years

Property, plant and equipment were pledged as collateral. Refer to Note 31.



## 14. GOODWILL

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Ending balance	\$ 1,237,268	\$ 1,237,268	\$ 1,237,268

Considering the synergy of integration of LCD driver and touch controller under the industry trend, the reverse merger was triggered by FocalTech Corporation, Ltd. on January 2, 2015, accounted for goodwill according to business combination. The Group estimated cash flows from sales of IDC (Integrated Driver Controller) based on smartphone market growth rate and market share. Refer to Note 14 in financial statements in 2020 for related information.

## 15. OTHER INTANGIBLE ASSETS

	<u>Licenses and Franchises</u>	<u>Software</u>	<u>Patents</u>	<u>Trademark</u>	<u>Total</u>
<u>Cost</u>					
Balance, January 1, 2020	\$ 127,719	\$ 154,970	\$ 76,704	\$ 74,000	\$ 433,393
Additions	-	147	-	-	147
Effect of foreign currency exchange differences	(3,201)	(4,121)	-	-	(7,322)
Balance, September 30, 2020	<u>\$ 124,518</u>	<u>\$ 150,996</u>	<u>\$ 76,704</u>	<u>\$ 74,000</u>	<u>\$ 426,218</u>
<u>Accumulated amortization</u>					
Balance, January 1, 2020	\$ 109,676	\$ 148,376	\$ 39,152	\$ 37,000	\$ 334,204
Amortization expenses	17,778	2,920	5,839	5,550	32,087
Effect of foreign currency exchange differences	(3,107)	(4,083)	-	-	(7,190)
Balance, September 30, 2020	<u>\$ 124,347</u>	<u>\$ 147,213</u>	<u>\$ 44,991</u>	<u>\$ 42,550</u>	<u>\$ 359,101</u>
Carrying amounts as of September 30, 2020	<u>\$ 171</u>	<u>\$ 3,783</u>	<u>\$ 31,713</u>	<u>\$ 31,450</u>	<u>\$ 67,117</u>
<u>Cost</u>					
Balance, January 1, 2021	\$ 122,262	\$ 148,247	\$ 76,708	\$ 74,000	\$ 421,217
Effect of foreign currency exchange differences	(2,293)	(3,023)	(4)	-	(5,320)
Balance, September 30, 2021	<u>\$ 119,969</u>	<u>\$ 145,224</u>	<u>\$ 76,704</u>	<u>\$ 74,000</u>	<u>\$ 415,897</u>

	<b>Licenses and Franchises</b>	<b>Software</b>	<b>Patents</b>	<b>Trademark</b>	<b>Total</b>
<u>Accumulated amortization</u>					
Balance, January 1, 2021	\$ 122,130	\$ 144,543	\$ 46,942	\$ 44,400	\$ 358,015
Amortization expenses	119	425	5,839	5,550	11,933
Effect of foreign currency exchange differences	(2,293)	(2,968)	(4)	-	(5,265)
Balance, September 30, 2021	<u>\$ 119,956</u>	<u>\$ 142,000</u>	<u>\$ 52,777</u>	<u>\$ 49,950</u>	<u>\$ 364,683</u>
Carrying amounts as of December 31, 2020 and January 1, 2021	<u>\$ 132</u>	<u>\$ 3,704</u>	<u>\$ 29,766</u>	<u>\$ 29,600</u>	<u>\$ 63,202</u>
Carrying amounts as of September 30, 2021	<u>\$ 13</u>	<u>\$ 3,224</u>	<u>\$ 23,927</u>	<u>\$ 24,050</u>	<u>\$ 51,214</u>

(concluded)

Other intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Licenses and franchises	3-5 years
Software	1-5 years
Patents	7-10 years
Trademark	10 years

## 16. OTHER NON-CURRENT ASSETS

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Prepayments on commercial building	\$ 1,080,130	\$ -	\$ -
Pledge deposits	4,000	4,000	4,000
Other	5,683	7,466	8,968
	<u>\$ 1,089,813</u>	<u>\$ 11,466</u>	<u>\$ 12,968</u>

Other non-current assets are pledged as collateral for the bank loans and import customs duties, please refer to Note 31.

## 17. BORROWINGS

### a. Short-term borrowings

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Unsecured bank loans	\$ 580,000	\$ 480,000	\$ -
Secured bank loans	279,664	43,648	-
	<u>\$ 859,664</u>	<u>\$ 523,648</u>	<u>\$ -</u>
Annual interest rate			
Unsecured bank loans	0.88-0.92%	0.88-1.06%	
Secured bank loans	1.73-4.52%	4.1%	

Properties, plants and equipment are pledged as collateral for the bank loans, please refer to Note 31.

### b. Long-term borrowings

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Secured bank loans	<u>\$ 786,840</u>	<u>\$ -</u>	<u>\$ -</u>
Annual interest rate			
Secured bank loans	1.00%	-	-

The Company increased 786,840 thousand long-term loans in August, 2021 to acquire the commercial building. Properties, plants and equipment are pledged as collateral for long-term loans, please refer to Note 31.

## 18. ACCOUNTS PAYABLES

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Accounts payables	<u>\$ 2,166,241</u>	<u>\$ 1,731,109</u>	<u>\$ 1,832,027</u>

The average credit period on purchases was 30-60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 19. OTHER PAYABLES

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Payable for rebates	\$ 549,142	\$ 423,800	\$ 447,450
Payable for salaries and bonuses	590,683	467,979	356,477
Payable for labor, health and social insurance	13,592	13,977	14,613
Reserve for litigations	46,545	47,598	48,634
Payable for professional services and others	119,983	84,077	69,877
Payable for cash reduction of capital	-	-	899,721
	<u>\$ 1,319,945</u>	<u>\$ 1,037,431</u>	<u>\$ 1,836,772</u>

## 20. RETIREMENT BENEFIT

Pension expenses under the defined benefit plans, calculated using the actuarially determined pension cost rate as of December 31, 2020 and 2019, were NT\$46 thousand, NT\$90 thousand, NT\$138 thousand and NT\$272 thousand for the three months ended September 30, 2021 and 2020, and nine months ended September 30, 2021 and 2020, respectively.

## 21. EQUITY

### a. Share capital

#### Ordinary shares (par value at NT\$10 per share)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Numbers of shares authorized (in thousands)	500,000	500,000	500,000
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	216,522	210,353	210,046
Shares issued	<u>\$ 2,165,215</u>	<u>\$ 2,103,532</u>	<u>\$ 2,100,456</u>

The company has redeemed 140 thousand shares of issued restricted stocks for employees as of September 30, 2021. The registration processes have not been completed until September 30, 2021.

### b. Capital surplus

	Additional Paid-in Capital (1)	Treasury Shares (1)	Restricted stock for employees (3)	Employee Share Options (3)	Employee Share Options -Expired (2)	Total
BALANCE, JANUARY 1, 2020	\$ 5,037,671	\$ 48,662	\$ -	\$ 25,510	\$ 33,534	\$5,145,377
Capital surplus used to cover accumulated deficits	(183,307)	-	-	-	-	(183,307)
Cash distribution from additional paid-in capital	(150,000)	-	-	-	-	(150,000)
Treasury shares transferred to employees	-	19,471	-	(19,471)	-	-
Compensation cost of employee share options	-	-	-	16,049	-	16,049
Issuance of ordinary shares from exercise of employee share options	10,632	-	-	(6,440)	-	4,192
Employee share options expired	-	-	-	(399)	399	-
BALANCE, SEPTEMBER 30, 2020	<u>\$ 4,714,996</u>	<u>\$ 68,133</u>	<u>\$ -</u>	<u>\$ 15,249</u>	<u>\$ 33,933</u>	<u>\$ 4,832,311</u>

	Additional Paid-in Capital (1)	Treasury Shares (1)	Restricted stock for employees (3)	Employee Share Options (3)	Employee Share Options -Expired (2)	Total
BALANCE, JANUARY 1, 2021	\$ 4,725,445	\$ 69,361	\$ -	\$ 14,903	\$ 33,933	\$ 4,843,642
Treasury shares transferred to employees	-	1,948	-	-	-	1,948
Employee treasury share vested	-	8,654	-	(8,654)	-	-
Compensation cost of employee share options	-	-	-	45,261	-	45,261
Issuance of ordinary shares from exercise of employee share options	10,766	-	-	(5,438)	-	5,328
Employee share options expired	-	-	-	(201)	201	-
Issuance of restricted stock for employees	-	-	1,212,385	-	-	1,212,385
BALANCE, SEPTEMBER 30, 2021	<u>\$ 4,736,211</u>	<u>\$ 79,963</u>	<u>\$ 1,212,385</u>	<u>\$ 45,871</u>	<u>\$ 34,134</u>	<u>\$ 6,108,564</u>

- 1) This type of capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (at a certain percentage of the Company's capital surplus annually).
  - 2) This type of capital surplus may be used to offset a deficit.
  - 3) This type of capital surplus cannot be used for any purposes.
- c. Retained earnings and dividend policy

The amendments to the Company's Articles of Incorporation had been approved by the Company's shareholders' meeting held on June 20, 2019, which stipulate that earnings distribution may be made on a quarterly basis after the close of each quarter.

According to The Company's amended Articles of Incorporation, when the Company distributed earnings belonging to the first three quarters, it shall first estimate and reserve taxes to be paid, offset its deficits, estimate and reserve employees' compensation and remuneration to directors. Second, the Company set aside a legal capital reserve at 10% of the remaining earnings and set aside or reverse special reserve in accordance with the laws and regulations. Third any remaining profit along with any undistributed retained earnings at the beginning shall be used by the Company's board of directors. The board of directors shall propose the distribution of retained earnings after considering operational situations. When the retained earnings are distributed in form of stock, the resolution shall be approved by the shareholders' meeting. When the retained earnings are distributed in form of cash, the resolution shall be approved by the board of directors.

When the Company has earnings at the end of the year, it shall pay taxes, offset its losses, set aside 10% as legal reserve, then set aside or reverse a special reserve in accordance with relevant laws or regulations. The Board of Directors shall propose a distribution for the remaining earnings, along with the unappropriated retained earnings of previous years. Earnings distribution may be made in the form of shares after an approved resolution made by the shareholders' meeting. Pursuant to the Company Act, the distributable dividends and bonuses or the legal reserve and the capital reserve (stipulated in Article 241, Paragraph 1 of the Company Act) in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition to a report of such distribution shall be submitted to the shareholders' meeting.

Before the amendment of the Company's Articles of Incorporation on shareholders' meeting on June 20, 2019, the earning distribution is only allowed after yearly closing by the approval of the shareholders' meeting. The remaining retained earnings and dividends policy are consistent.

On June 20, 2020, the shareholders' meeting resolved that the Company's Articles of Incorporation amended on June 20, 2019 shall be revised back to the previous version.

See Note 23(d) for policy stipulated in the Articles of Incorporation regarding to the remuneration for employees and directors.

Considering current and future development plans, investment conditions, capital requirements, and market competition situations and shareholder benefits, the Company would appropriate the dividends to the shareholders not less than 10% of the current year's earnings. The dividends could be paid in cash or shares. The cash portion should be equal or more than 10% of the total dividends. It is allowed not to distribute any cash dividend if the cash amount per share is less than NT 0.5.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company's shareholders' meeting was held on June 20, 2020. The resolution was as follows. The Company offset the loss of NT\$183,307 thousand from additional paid-in capital and the cash distribution of NT\$150,000 thousand, i.e. NT\$0.50291032 per share, from additional paid-in capital of share issue premium.

To increase the return on shareholders' equity, the Company was approved for reduction of capital in the Company's shareholders' meeting on June 20, 2020. Company's share capital was reduced by \$899,721 thousand, and estimated to eliminate 89,972 thousand shares of the Company. Each share will be returned by \$3 and the ratio of capital reduction is 30%. The reduction of capital was approved by Financial Supervisory Commission on September 2, 2020. The record date of capital reduction was September 8, 2020, and the date of completion of capitalization change registration was on September 14, 2020. The fund of capital reduction was returned to the company's shareholders on October 28<sup>th</sup>, 2020.

The appropriation of earnings for 2020 was approved by the shareholders' meeting held on August 19<sup>th</sup>, 2021. The details of distribution are as follows:

	<u>2020</u>
Legal reserve	\$ 101,230
Special reserve	\$ 122,316
Cash dividends	\$ 700,000
Cash dividends per share	\$ 3.32

d. Special reserve

	<u>For the Nine Months Ended September 30</u>
Balance, beginning	\$ -
Special reserve appropriated	122,316
Balance, ending	\$ 122,316

e. Treasury stock

	<b>Shares (In Thousands)</b>
Number of shares on January 1, 2020	10,978
Decrease during the period	(9,247)
Decrease due to capital reduction	(519)
Number of shares on September 30, 2020	<u>1,212</u>
Number of shares on January 1, 2021	778
Decrease during the period	(766)
Number of shares on September 30, 2021	<u>12</u>

The detailed information for other treasury stock transferred to employees programs could be found in Note 26 (b).

The treasury shares held by the company cannot be pledged and no dividend and voting right is attached in accordance with the Regulations of Securities and Exchange Act.

f. Unearned employee compensation

	<b>For the Nine Months Ended September 30</b>
Balance, beginning	\$ -
Issuance of shares	( 1,212,385)
Share-based payment expenses recognized	235,000
Balance, ending	<u>(\$ 977,385)</u>

The issuance of employee restricted share plan has been approved by shareholders' meeting held on June 20, 2020. The board of directors approved to issue 5,749 and 236 thousand shares on April 7 2021 and July 29 2021 respectively. Please refer Note 26 (c) for the detailed information.

g. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning	(\$ 1,383)	\$ 30,692
Net loss	(21,878)	(19,941)
Other comprehensive income (loss)		
Exchange differences from translating the financial statements of foreign operations	(2,433)	(2,143)
Non-controlling interests subscribing subsidiary new shares issuing for cash	42,759	-
Changes in ownership interests in subsidiaries	257	-
Balance, ending	<u>\$ 17,322</u>	<u>\$ 8,608</u>

## 22. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
IC for Human-Machine Interface solutions	\$ 6,272,422	\$ 3,815,809	\$ 16,394,543	\$ 9,493,042
<u>Contract balances</u>				
		<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Contract liabilities				
Sales of goods		\$ 46,386	\$ 149,430	\$ 90,452

## 23. NET INCOME

### a. Financial costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 2,724	\$ -	\$ 7,041	\$ -
Interest on deposits	-	-	440	1,078
	<u>\$ 2,724</u>	<u>\$ -</u>	<u>\$ 7,481</u>	<u>\$ 1,078</u>

### b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Property, plant and equipment	\$ 21,446	\$ 19,379	\$ 59,929	\$ 58,368
Intangible assets	3,941	3,959	11,933	32,087
	<u>\$ 25,387</u>	<u>\$ 23,338</u>	<u>\$ 71,862</u>	<u>\$ 90,455</u>
An analysis of depreciation by function				
Operating costs	\$ 2,012	\$ 173	\$ 2,280	\$ 548
Operating expenses	23,375	23,165	69,582	89,907
	<u>\$ 25,387</u>	<u>\$ 23,338</u>	<u>\$ 71,862</u>	<u>\$ 90,455</u>



c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Post-employment benefits				
Defined contribution plans	\$ 8,483	\$ 7,027	\$ 22,689	\$ 20,925
Defined benefit plans (Note 20)	46	90	138	272
Share-based payments (Note 26)	155,644	6,088	280,261	16,049
Other employee benefits	617,038	357,837	1,590,232	1,029,532
<b>Total employee benefits expense</b>	<b>\$ 781,211</b>	<b>\$ 371,042</b>	<b>\$ 1,893,320</b>	<b>\$ 1,066,778</b>
An analysis of employee benefits expense by function				
Operating costs	\$ 68,646	\$ 31,390	\$ 156,268	\$ 90,547
Operating expenses	712,565	339,652	1,737,052	976,231
	<b>\$ 781,211</b>	<b>\$ 371,042</b>	<b>\$ 1,893,320</b>	<b>\$ 1,066,778</b>

d. The remuneration of employees and directors

According to the Company's Articles of Incorporation, the distributable compensation to employees and remuneration to directors shall not be less than 1% and not more than 1.5%, respectively, of net profit before income tax. The accrued employees' compensation and remuneration of directors for the three months and nine months ended September 30, 2021 and 2020 are as follows:

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Employees' compensation	\$ 22,778	\$ 28,371	\$ 126,292	\$ 52,873
Remuneration of directors	\$ 1,199	\$ 3,153	\$ 7,223	\$ 5,875

If there is any change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The board of directors resolved the remuneration of employees and directors on February 4<sup>th</sup>, 2021 as follows:

	Cash
Employees' compensation	\$ 123,450
Remuneration of directors	\$ 7,214

There is no difference between the actual amount of remuneration of employees and directors paid and that accounted for in 2020 financial statements.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAXES

a. Major components of tax expense recognized in profit or loss:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current income tax expense recognized in the current period	\$ 558,953	\$ 14,694	\$ 971,866	\$ 76,184
Deferred income tax expense recognized in the current period	18,680	(4,680)	49,161	10,782
Other income tax adjustments	-	-	-	1,334
	<u>18,680</u>	<u>(4,680)</u>	<u>49,161</u>	<u>12,116</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 577,633</u>	<u>\$ 10,014</u>	<u>\$ 1,021,027</u>	<u>\$ 88,300</u>

b. Income tax assessments

The Company's tax returns through 2018, FocalTech Smart Sensors Co., Ltd., and FocalTech Electronics Co., Ltd.'s tax returns through 2019 have been examined by the tax authorities.

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Basic earnings per share	\$ 9.02	\$ 1.06	\$ 23.73	\$ 1.64
Diluted earnings per share	\$ 8.58	\$ 1.00	\$ 22.52	\$ 1.55

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

### Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$ 1,833,297</u>	<u>\$ 275,308</u>	<u>\$ 4,785,388</u>	<u>\$ 448,132</u>

## Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	203,235	260,614	201,648	273,253
Effect of potentially dilutive ordinary shares:				
Treasure share issued to employee	7,376	15,153	8,604	14,687
Employees stock options (share)	438	542	507	557
Restricted stock for employees( share)	2,498	-	780	-
The compensation to employees	147	-	999	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>213,694</u>	<u>276,309</u>	<u>212,538</u>	<u>288,497</u>

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

The Group did not have stock option plan issued for employees and share buyback program for the nine months ended September 30, 2021 and 2020. The detailed information could be found in Note 25 of the consolidated financial statements of the year ended December 31, 2020.

### a. Employee stock option plan

Information on outstanding options for the nine months ended September 30, 2021 and 2020 is as follows:

#### September 30, 2021

Employee Stock Option Plan	Beginning Balance		Options exercised		Options expired		Ending Balance	
	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)
2006	398,199	\$26.25	(199,800)	\$33.04	-	\$ -	198,399	\$19.86
2015	397,500	15.90	(123,500)	15.86	(12,000)	15.90	262,000	15.60

September 30, 2020

Employee Stock Option Plan	Beginning Balance		Options exercised		Options expired		Ending Balance	
	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)	Units of Option	Weighted-Average Exercise Price (NT\$)
2006	805,599	\$ 23.49	(238,800)	\$ 26.60	-	\$ -	566,799	\$ 22.18
2015	677,500	12.20	(103,000)	12.20	(24,000)	12.20	550,500	12.20

b. Treasure stock transferred to employees

Information about treasure stock transferred to employees as follows:

Items	The date of board of directors approved	Buyback shares (In thousand share)	Transferred shares (In thousand share)	Adjustment due to capital reduction (In thousand share)	Shares not transferred yet (In thousand share)	Transferred price (in dollar)
The 4th treasure stock transferred to employee Program	2018/7/26	8,000	7,952	(46)	2	\$33.69 (Adjusted)
The 5th treasure stock transferred to employee Program	2018/8/23	7,689	7,206	(473)	10	\$32.93 (Adjusted)

Information about treasure stock transferred to employees for the nine months ended September 30, 2021 is as follows:

The 4th Shares Buy Back Program			The 5th Shares Buy Back Program		
Employee subscription base date	Shares transferred (In Thousands)	The fair value of the right to subscribe (NT\$)	Employee subscription base date	Shares transferred (In Thousands)	The fair value of the right to subscribe (NT\$)
2020/03/20	7,848	\$ 3.30	2019/05/07	4,651	\$ -
2021/04/07	104	181.40	2019/11/08	60	-
			2020/03/20	1,399	3.70
			2020/11/16	434	1.90
			2021/04/07	572	181.70
			2021/07/29	90	242.20
Total	<u>7,952</u>		Total	<u>7,206</u>	

c. Restricted stock for employees

The Company's shareholders' meeting resolved to issue restricted stocks for employees up to 6,000 thousand shares on June 20, 2020, and the issued price is NT\$10 per share. The restricted stocks plan was approved by Financial Supervisory Commission on August 12, 2020. The information of the issued resolved by board of directors is as follow:

Grant date	Fair value per share (in dollar)	Actual shares of issued (in thousand)
2021/04/07	\$ 205	5,749
2021/07/29	265	236

After the employees were granted restricted stock, the employees will be vested in the stocks if they fulfill both service period and performance condition. The vesting condition are as follows:

- a. Upon service for two years. the shares vested in 50% to employees.
- b. Upon service for three years. the shares vested in 25% to employees.
- c. Upon service for four years. the shares vested in 25% to employees.

The constraints of restricted stock are as follows:

- a. Employees can not dispose, pledged, transferred, and give to others the granted shares until they are vested.
- b. The rights of restricted stock is same as ordinary share including attendance, propose, speak, voting right and so on.
- c. Stock dividends and cash dividends yielding from restricted stock will be distributed to employees in the current year, and will not be restricted.
- d. National employee should transfer the granted shares to trustee appointed by the Company immediately. Before they are vested, the restricted should be kept in trustee. Non-national employee' granted share should be kept by bank appointed by the Company.

The Company will buy back the restricted shares at issued price and write off the shares if employees do not fulfill the vesting condition.

Compensation cost of aforementioned share-based payments for the nine months ended September 30, 2021 and 2020 was as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Shares buyback programs	\$ 45,261	\$ 16,049
Restricted stock for employees	235,000	-
	<b>\$280,261</b>	<b>\$ 16,049</b>
Adjustment account:		
Capital surplus - employee stock options	\$ 45,261	\$ 16,049
Other equity - unearned employee compensation	235,000	-
	<b>\$280,261</b>	<b>\$ 16,049</b>

## 27. NON-CASH TRANSACTIONS

The cash dividends of 2020 resolved by the shareholder's meeting was NT\$700,000 thousand and was not distributed as of September 30, 2020. (Referring to Note 21)

## 28. OPERATING LEASE ARRANGEMENTS

### The Group as Lessee

The Company and its subsidiaries have lease contracts in relation to office, plant and part of office equipment, and they would expire by September, 2022. Those agreements are short-term leases and qualified for the recognition exemption to leases so the Company does not recognize right-of-use assets and lease liabilities for these leases. The committed payments for the short-term leases were \$16,405 thousand and \$4,398 thousand as of September 30, 2021 and 2020.

The lease payments recognized in profit or loss were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
lease payment	\$ 8,811	\$ 8,363	\$ 25,763	\$ 26,079

## 29. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The Group's management believes the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy  
September 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed ordinary shares	\$ 267,283	\$ -	\$ -	\$ 267,283
Private funds	-	-	80,002	80,002
Structured Investments	-	107,542	-	107,542
Total	\$ 267,283	\$ 107,542	\$ 80,002	\$ 454,827

Financial assets at FVTOCI				
Investments in debt instruments				
Fixed income bonds	\$ -	\$ 238,243	\$ -	\$ 238,243

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed ordinary shares	\$ 72,186	\$ -	\$ -	\$ 72,186
Private funds	-	-	52,579	52,579
Structured Investments	-	109,897	-	109,897
Total	\$ 72,186	\$ 109,897	\$ 52,579	\$ 234,662

Financial assets at FVTOCI				
Investments in debt instruments				
Fixed income bonds	\$ -	\$ 247,974	\$ -	\$ 247,974

September 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed ordinary shares	\$ 10,625	\$ -	\$ -	\$ 10,625
Private funds	-	-	44,856	44,856
Total	\$ 10,625	\$ -	\$ 44,856	\$ 55,481

Financial assets at FVTOCI				
Investments in debt instruments				
Fixed income bonds	\$ -	\$ 214,901	\$ -	\$ 214,901

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets at FVTPL</u>		
Balance, beginning of period	\$ 52,579	\$ 45,423
Purchases	24,937	2,046
Disposals	(181)	-
Recognized in profit or loss (other income or loss)	3,274	(1,800)
Effect of foreign exchange differences	(607)	(813)
Balance, end of period	<u>\$ 80,002</u>	<u>\$ 44,856</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

The fair values of foreign fixed income bonds are determined by quoted market prices provided by the independent third party. The fair values of structured investments are determined by quoted prices provided by the seller.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair values of non-publicly traded equity investments are mainly determined by using the market approach, with reference to the recent financing activities of investees or the market transaction prices and status of the similar instruments. The Group evaluated and selected the suitable valuation method with discretion, but the use of different valuation models or fair values may result in different valuation results.

c. Categories of financial instruments

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	\$ 454,827	\$ 234,662	\$ 55,481
Amortized cost (Note 1)	14,049,270	7,203,983	6,420,106
Financial assets at FVTOCI			
Investments in debt instruments	238,243	247,974	214,901
<u>Financial liabilities</u>			
Amortized cost (Note 2)	7,735,564	3,782,549	4,076,553

1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivables, other financial assets and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowing, accounts payables, other payables, dividends payables and guaranteed deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, trade receivable, other financial assets, financial assets at FVTPL, financial assets at FVTOCI, trade and other payables. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations

of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk.

The board of directors is solely responsible for establishing and monitoring the framework of risk management of the Group. The chairman is authorized by the board of directors to develop and monitor the risk management policy of the Group with the operation center of the Group, and regularly reported the situation to the board of directors.

The Group's financial risk management policies are established for identifying and analyzing the financial risks to the Group, evaluating the impacts of the financial risks, and conducting the financial-risk aversion policies. The financial risk management policies are periodically reviewed to reflect changes in the market and the operations. The Group devotes to build a disciplined and constructive control environment through proper internal controls, such as training and establishing managerial principles and operation procedures in order to have all employees aware of their own roles and responsibilities.

The Group's management oversees the Group operation in compliance with financial risk management policies and reviews the appropriateness of risk management structure under supervision of the board of directors. Internal auditors, in assistance to the board of directors, perform periodical and exceptional reviews on the controls and procedures of financial risk management and report the results of review to the board of directors.

1) Market risk

The major financial risks from the Group's operations were foreign exchange risk (referred to a) and interest rate risk (referred to b).

a) Foreign exchange risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currency at the end of the reporting period are shown in Note 32.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar. The following table details the Group's sensitivity to a 5% appreciate and depreciate in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation value at the end of the reporting period by a 5% change in foreign currency rates. A positive number in below table indicates an increase in pre-tax profit or equity associated with a 5% depreciation of the New Taiwan Dollar against the U.S. dollar.

	<b>USD Impact</b>	
	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss/ equity	\$ 289,333	\$ 17,065
	(i)	(i)

- i. This was mainly attributable to the outstanding balances of USD deposits, trade receivables, bank loans, accounts payables, other payables, other current assets, other non-current assets, refundable deposits, other current liabilities and other non-current liabilities.



b) Interest rate risk

The Group was exposed to interest rate risk primarily related to its investments in fixed-rate time deposits, bonds, floating-rate demand deposits and structured investments. The time deposits were at fixed interest rates, and bonds were at fixed rates or with guaranteed minimal interest rates and carried. Therefore, changes in interest rates would not affect estimated profit or loss regarding to the financial instruments above.

Financial assets exposed to interest rates at the end of the reporting period were as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Fair value interest rate risk			
Financial assets	\$ 3,897,976	\$ 1,975,397	\$ 2,156,886
Financial liabilities	\$ 1,646,504	\$ 523,648	\$ -
Cash flow interest rate risk			
Financial assets	\$ 5,431,511	\$ 3,777,910	\$ 2,847,233

Sensitivity analysis

The below sensitivity analysis was determined based on the Company's exposure to interest rates for non-derivative instruments as of the end of the reporting period. An increase or a decrease of 25 basis points was used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/ lower and all other variables were held constant, the Company's pre-tax profit for the nine months ended September 30, 2021 and 2020 would increase/ decrease by NT\$10,184 thousand and NT\$5,339 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation could arise from the carrying amounts of the financial assets as recognized in the balance sheets.

The Company's major credit risk of trade receivables mainly came from its top 5 customers. Ongoing credit evaluation of the financial condition of the customers is performed.

As of September 30, 2021, trade receivables from top 5 customers are 65% of total trade receivables. The credit concentration risk of other trade receivables was insignificant.

Credit risk management for investments in debt instruments

The Company's investments in debt instruments are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company's policy allows it only to invest in those with credit ratings equal to or higher than the investment grade and with low credit risk after the impairment assessment. Credit rating information is provided by independent rating institutions. The Company continuously tracks external rating information to monitor changes in credit risk of the invested debt instruments, and also examines other information such as the bond yield curve and material information concerning the debtors to assess whether the credit risk of the debt instrument investment has increased significantly after the original recognition.

The Company assesses the 12-month expected credit loss based on the probability of default and loss given default provided by external credit rating agencies. The current credit risk assessment policies and carrying amount of investments in debt instruments for each credit rating are as follows:

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Loss</b>	<b>Expected Credit Loss Ratio</b>	<b>Carrying Amount as of September 30, 2021</b>
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 238,243</u>

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Loss</b>	<b>Expected Credit Loss Ratio</b>	<b>Carrying Amount as of December 31, 2020</b>
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 247,974</u>

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Loss</b>	<b>Expected Credit Loss Ratio</b>	<b>Carrying Amount as of September 30, 2020</b>
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 214,901</u>

### 3) Liquidity risk

The Company manages its liquidity risk by monitoring and maintaining adequate cash and cash equivalents to fund its operations and mitigate the impacts of fluctuations in cash flows.

#### Liquidity and interest rate risk tables for non-derivative financial liabilities

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

September 30, 2021

	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
Non-interest bearing	\$ 4,185,866	\$ 1,902,874	\$ -
Fixed interest rate liabilities	859,984	140,083	646,757
	<u>\$ 5,045,850</u>	<u>\$ 2,042,957</u>	<u>\$ 646,757</u>

December 31, 2020

	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
Non-interest bearing	\$ 2,768,322	\$ 490,361	\$ -
Fixed interest rate liabilities	523,866	-	-
	<u>\$ 3,292,188</u>	<u>\$ 490,361</u>	<u>\$ -</u>

September 30, 2020

	<b>On Demand or Less than 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
Non-interest bearing	<u>\$ 3,668,799</u>	<u>\$ 407,754</u>	<u>\$ -</u>

**30. TRANSACTIONS WITH RELATED PARTIES**

- a. Balances, transactions, revenue and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.
- b. Compensation of key management personnel

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Long-term employee benefits	\$ (31)	\$ -	\$ 12,682	\$ 21,870
Short-term employee benefits	7,767	10,910	61,363	34,270
Post-employment benefits	92	135	353	405
Share-based payments	15,665	1,111	35,854	3,271
	<u>\$ 23,493</u>	<u>\$ 12,156</u>	<u>\$ 110,252</u>	<u>\$ 59,816</u>

### 31. PLEDGED ASSETS

The following assets were provided as collateral for bank loans and import customs duties:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Properties, plants and equipment – net of buildings	\$ 507,524	\$ 524,487	\$ -
Prepayments on commercial building (categorized in other non-current assets)	1,080,130	-	-
Pledge deposits (categorized in other non-current assets)	4,000	4,000	4,000
	<u>\$ 1,591,654</u>	<u>\$ 528,487</u>	<u>\$ 4,000</u>

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

September 30, 2021

	<u>Foreign Currencies (thousand)</u>	<u>Exchange Rate</u>	<u>NT\$(thousand)</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 394,682	27.85(USD:NTD)	\$ 10,991,894
USD	16,728	6.4854 (USD:RMB)	465,863
<u>Financial liabilities</u>			
Monetary items			
USD	171,186	27.85 (USD:NTD)	4,767,528
USD	32,444	6.4854 (USD:RMB)	903,562

December 31, 2020

	<u>Foreign Currencies (thousand)</u>	<u>Exchange Rate</u>	<u>NT\$(thousand)</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 147,429	28.48 (USD: NTD)	\$ 4,198,767
USD	2,459	6.5249 (USD:RMB)	70,018
RMB	12,369	0.1533 (RMB:USD)	53,988
<u>Financial liabilities</u>			
Monetary items			
USD	105,765	28.48 (USD: NTD)	3,012,178
USD	2,354	6.5249 (USD:RMB)	67,049

September 30, 2020

	<b>Foreign Currencies (thousand)</b>	<b>Exchange Rate</b>	<b>NT\$(thousand)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 114,746	29.10 (USD: NTD)	\$ 3,339,118
USD	2,284	6.8101 (USD:RMB)	66,471
RMB	31,218	0.1468 (RMB:USD)	133,396
 <u>Financial liabilities</u>			
Monetary items			
USD	102,331	29.10 (USD: NTD)	2,977,824
USD	2,971	6.8101 (USD:RMB)	86,465

### 34. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company:

- a. Financings provided to others: See Table 1 attached;
- b. Endorsement/guarantee provided: See Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries and associates): See Table 3 attached;
- d. Marketable securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital: None;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: See Table 4 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- i. Information about the derivative financial instruments transaction: None;
- j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: See Table 5 attached;
- k. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in mainland China): See Table 6 attached;
- l. Information on investment in Mainland China:
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 7 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 5 attached.
- m. Information of major shareholders: There are no shareholders holding more than 5% of the Company's shares for the nine months ended September 30, 2021.

### 35. SEGMENT INFORMATION

Segment information is provided to business decision makers to allocate resources and assess segment performance. The Company operates the business of the sales and development of Human-Machine Interface solutions related IC under a single operation unit. Thus, the information of separate operating segments is not applicable.

FocalTech Systems Co., Ltd. and Subsidiaries

FINANCINGS PROVIDED TO OTHERS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(Amount in thousand; Currency denomination in NTD or in foreign currencies)

No (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Amount Actually Drawn (Note 4)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	FocalTech Systems, Ltd.	FocalTech Systems Co., Ltd.	Other receivables from related parties	Yes	\$ 1,671,000 (USD 60,000)	\$ 1,671,000 (USD 60,000)	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	-	\$ 2,467,011	\$ 2,467,011	Note 3

Note 1: The parent company and its subsidiaries are coded as follows:

- 1) The parent company is coded "0".
- 2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The lending limits:

- 1) The total amount available for lending purpose shall not exceed 20% of the net worth of the Company.
- 2) The lending limits for any borrowers are set forth as below:
  - A. The total amount for lending to a company having a business relationship with the company shall not exceed the total transaction amount between the parties during the period of twelve months prior to the time of lending (the transaction amount shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed 20% of the net worth of the financing company or 30% of the net worth of the counterparty, whichever is lower.
  - B. The total amount for lending to a company in need of funds for a short-term period shall not exceed 20% of the net worth of the financing company. The lending limits for any borrower shall not exceed 10% of the net worth of the creditor or 30% of the net worth of the borrower, whichever is lower.
- 3) For financing needs between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, or financing needs to the Company by offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such fund-lending shall not be subject to the limit of 100% of the net worth of the creditor
- 4) Where the Company's financial reports are prepared in accordance with the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to shareholders of the parent in the balance sheet.

Note 3: The balances have been eliminated on consolidation.

Note 4: Using the exchange rate of 1 USD: 27.85 NTD as of September 30, 2021.

TABLE 2

FocalTech Systems Co., Ltd. and Subsidiaries  
 ENDORSEMENTS/GUARANTEES PROVIDED  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
 (Amount in thousand; Currency denomination in NTD or in foreign currencies)

No. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period (Note 5)	Ending Balance (Note 5)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements(%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	FocalTech Systems Co., Ltd.	FocalTech Systems, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	\$ 6,088,846	\$ 1,253,250 ( USD 45,000 )	\$ 1,253,250 ( USD 45,000 )	\$ -	\$ -	10.29%	\$ 6,088,846	Y	N	N	(Note 3)
0	FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	6,088,846	1,270,079 ( USD 45,604 )	1,270,079 ( USD 45,604 )	-	-	10.43%	6,088,846	Y	N	N	(Note 3)
0	FocalTech Systems Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	6,088,846	1,587,450 ( USD 57,000 )	1,587,450 ( USD 57,000 )	17,081	-	13.04%	6,088,846	Y	N	Y	(Note 3 and 6)
0	FocalTech Systems Co., Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	6,088,846	1,838,100 ( USD 66,000 )	1,838,100 ( USD 66,000 )	76,095	-	15.09%	6,088,846	Y	N	Y	(Note 3 and 6)
0	FocalTech Systems Co., Ltd.	FocalTech Smart Sensors Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	6,088,846	197,475	197,475	714	-	1.62%	6,088,846	Y	N	N	(Note 4 and 5)
0	FocalTech Systems Co., Ltd.	FocalTech Smart Sensors, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	6,088,846	97,475 ( USD 3,500 )	97,475 ( USD 3,500 )	-	-	0.8%	6,088,846	Y	N	N	(Note 4)
1	FocalTech Systems (Shenzhen) Co., Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	The endorser/ guarantor parent company owns directly and indirectly 100% voting shares of the endorsed/guaranteed company.	1,282,303	429,420 ( CNY 100,000 )	429,420 ( CNY 100,000 )	279,667	429,420	33.49%	1,282,303	N	N	Y	-

Note 1: Number should be input in the remark column for intercompany transactions. Here illustrate how to assign numbers to transaction

1) 0 for parent company.

2) Subsidiaries are given a number in sequence starting with No. 1.

Note 2: Limits on Endorsement/ Guarantee Amount

1) The ceilings on the amount of endorsements/guarantees due to business transaction are as below:

2) The total amount of endorsements/guarantees and the amount of endorsements/guarantees for any single entity shall not exceed 50% of the net worth of the Company.

3) The total amount of endorsements/guarantees between the Company owns directly or indirectly 100% voting shares shall not exceed 100% of the net worth of the Company.

4) The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries shall not exceed 50% of the net worth of the Company. The total amount of the endorsement/guarantee provided by the Company and the subsidiaries to any individual entity shall not exceed 50% of the net worth of the Company.

5) The net worth referred to above are based on the latest reviewed financial statements. Where the Company's financial reports are prepared in accordance with the International Financial Reporting Standards, "net worth" in the Procedures means the equity attributable to shareholders of the parent in the balance sheet.

TABLE 2

Note 3: FocalTech Systems Co., Ltd. provided USD 45,000 thousand of endorsements/guarantees for FocalTech Electronics Ltd., FocalTech Systems, Ltd., Hefei PineTech Electronics Co., Ltd. and FocalTech Electronics (Shenzhen) Co., Ltd. for the purchases, the amount actually drawn during the period is NT\$0, NT\$0, NT\$0, and NT\$ 28,915 thousand respectively.

Note 4: FocalTech Systems Co., Ltd. provided USD 3,500 thousand of endorsements/guarantees for FocalTech Smart Sensors Ltd. and FocalTech Smart Sensors Co., Ltd. for the purchases, the amount actually drawn during the period is NT\$0 and NT\$ 714 thousand respectively.

Note 5: FocalTech Systems Co., Ltd. provided NT\$ 100,000 thousand of endorsements/guarantees for FocalTech Smart Sensors Co., Ltd..

Note 6: FocalTech Systems Co., Ltd. provided USD 5,000 thousand of endorsements/guarantees for Hefei PineTech Electronics Co., Ltd. and FocalTech Electronics (Shenzhen) Co., Ltd. for the purchases, the amount actually drawn during the period is NT\$11,772 and NT\$ 0 thousand respectively.

Note 7: Using the exchange rate of 1 USD: 27.85 NTD and 1 RMB: 4.2942 NTD as of September 30, 2021.



TABLE 3

FocalTech Systems Co., Ltd. and Subsidiaries  
MARKETABLE SECURITIES HELD  
SEPTEMBER 30, 2021

(Amount in thousand; Currency denomination in NTD or in foreign currencies)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2021				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
FocalTech Systems Co., Ltd.	<u>Stock</u>							
	Common stock of Wisdom Marine Lines Co., Ltd. (CAYMAN)	-	Financial assets at fair value through profit or loss - current	1,461,000	NT\$ 118,195	0.20	NT\$ 118,195	
	Class B Preferred Stock of Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - non current	170,000	NT\$ 10,608	0.03	NT\$ 10,608	
	Class A Preferred Stock of WT Microelectronics Co., Ltd.	-	"	2,882,000	NT\$ 138,480	2.13	NT\$ 138,480	
	<u>Privately Offered Fund</u>							
	CDIB Capital Healthcare Ventures II Limited Partnership	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 12,727	0.96	NT\$ 12,727	
FocalTech Systems, Ltd.	<u>Structured product</u>							
	CLN Link HSBC SUB	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 53,486 ( USD 1,921 )		NT\$ 53,486 ( USD 1,921 )	
	CLN Link Barclays SUB	-	"	-	NT\$ 54,056 ( USD 1,941 )		NT\$ 54,056 ( USD 1,941 )	
	<u>Fixed income bond</u>							
	Azure Nova International Finance Limited Maturity Date : March 21, 2022	-	Financial assets at fair value through other comprehensive income - current	-	NT\$ 56,302 ( USD 2,022 )		NT\$ 56,302 ( USD 2,022 )	
	Bank of China Limited Maturity Date : November 13, 2024	-	Financial assets at fair value through other comprehensive income - non current	-	NT\$ 130,927 ( USD 4,701 )		NT\$ 130,927 ( USD 4,701 )	
	Industrial and Commercial Bank of China Limited Maturity Date : September 21, 2025	-	"	-	NT\$ 51,014 ( USD 1,832 )		NT\$ 51,014 ( USD 1,832 )	
	<u>Privately Offered Fund</u>							
	TIEF Fund, L.P.	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 26,605 ( USD 955 )	4.83	NT\$ 26,605 ( USD 955 )	

Note 1 : The percentage of ownership for preferred stock is the held shares divided by the number of outstanding shares.

Note 2 : Using the exchange rate of 1 USD: 27.85 NTD as of September 30, 2021.

FocalTech Systems Co., Ltd. and Subsidiaries  
 ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR NINE MONTHS ENDED SEPTEMBER 30, 2021  
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Types of Property	Date of the Event	Transaction Amount	Status of payment	Counterparty	Relationship	Information on prior transaction if the counterparty is a related party				Basis or reference used in setting the price	Purpose of acquisition and utilization	Other Terms
							Owner	Relationship with the company	Date of transfer	Amount			
FocalTech Systems Co., Ltd.	Commercial building	May 28, 2021	\$1,071,400	Based on the terms in the contract	MADISON ASSET MANAGEMENT CORP.	-	Not applicable	Not applicable	Not applicable	Not applicable	Market price and real estate assessment report	Office building for own-use	None

Note 1: Fill in the column the “Basis or reference used in setting the price” if an appraisal report issued by a professional appraiser shall be obtained.

Note 2: Pain-in capital means the shares that the Company issued and fully paid. In the case of the company whose shares have no par value or a par value other than NT\$10, the term “20% of the company’s paid-in capital” used herein shall be calculated based on the equity attributable to shareholders of the parent in the balance sheet.

Note 3: “Date of the Event” used herein means, the contract date, the payment date, the transaction date, the title transfer date, the date of relevant board resolutions or other dates in which the transaction parties and the transaction amount can be ascertained (whichever is earlier).

FocalTech Systems Co., Ltd. and Subsidiaries  
 INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR NINE MONTHS ENDED SEPTEMBER 30, 2021  
 (Amount in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
				Financial Statements Item	Amount (Note 4)	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	FocalTech Systems Co., Ltd.	FocalTech Systems, Ltd.	1	Unearned Receipts- related parties	\$ 241,793	Note 2	1.13%
0	FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	1	Accounts Payables	509,002	Note 2	2.37%
0	FocalTech Systems Co., Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	1	Cost of Revenue	23,319	Note 2	0.14%
1	FocalTech Electronics, Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	2	Research and development expenses	58,850	Note 2	0.36%
1	FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	2	Other Receivables	63,484	Note 2	0.3%
			2	Cost of Revenue	29,159	Note 2	0.18%
2	FocalTech Systems, Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	2	Research and development expenses	65,601	Note 2	0.4%
2	FocalTech Systems, Ltd.	Hefei PineTech Electronics Co., Ltd.	2	Research and development expenses	24,626	Note 2	0.15%
2	FocalTech Systems, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	2	Other Receivables	271,327	Note 2	1.26%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	2	Accounts Payables	83,782	Note 2	0.39%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	2	Other Payables	99,022	Note 2	0.46%
			2	Research and development expenses	397,190	Note 2	2.42%
4	FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	2	Other Receivables	301,493	Note 2	1.4%

Note 1: Number should be input in the remark column for intercompany transactions. Here illustrate how to assign numbers to transaction

1) 0 for parent company.

2) Subsidiaries are given a number in sequence starting with No. 1.

Note 2: The services of production management, sales, research and development are provided between the Company and its subsidiaries. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Note 3: The transaction relationships with the counterparties are as follows:

1) The Company to the consolidated subsidiary.

2) The consolidated subsidiary to another consolidated subsidiary.

Note 4: Balances, transactions, revenue and expenses between the Company and its subsidiaries have been eliminated on consolidation.

TABLE 6

## FocalTech Systems Co., Ltd. and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) (Note 1)  
FOR NINE MONTHS ENDED SEPTEMBER 30, 2021

(Amount in thousand; Currency denomination in NTD or in foreign currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2021			Net Income (Losses) of the Investee (Note 4)	Share of Profits/Losses of Investee (Note 4)	Note
				September 30,2021 (Note 2)	December 31,2020 (Note 3)	Shares	Percentage of Ownership	Carrying Value (Note 2)			
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd.	Cayman Islands	Investment activity	NT\$ 7,059,264	NT\$ 7,059,264	5,491,200	100%	NT\$ 2,497,203 (USD 89,666)	(NT\$ 531,575 ) (USD 18,939)	(NT\$ 531,575 ) (USD 18,939 )	Subsidiary
FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	Cayman Islands	Investment activity	NT\$ 2,785 (USD 100 )	NT\$ 2,848 (USD 100 )	2	100%	NT\$ 1,809,988 (USD 64,991 )	NT\$ 282,953 USD 10,081	NT\$ 282,953 USD 10,081	Subsidiary
FocalTech Systems Co., Ltd.	FocalTech Smart Sensors, Ltd.	Cayman Islands	Investment activity	NT\$ 85,350	NT\$ -	3,000,000	9.14%	NT\$ 4,719 (USD 169 )	(NT\$ 65,209 ) (USD 2,323 )	(NT\$ 5,960 ) (USD 212 )	Subsidiary
FocalTech Systems Co., Ltd.	Vitrio Technology Corporation	Taiwan	Research, development, manufacturing and sale of integrated circuits	NT\$ 4,970	NT\$ 4,970	142,000	50.00%	NT\$ -	(NT\$ 3,238 )	NT\$ -	Joint Venture
FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Cayman Islands	Investment activity	NT\$ 238,821	NT\$ 238,821	18,813,050	57.31%	NT\$ 29,589 (USD 1,062 )	(NT\$ 65,209 ) (USD 2,323 )	(NT\$ 37,371 ) (USD 1,331 )	Subsidiary
FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	Taiwan	Research, development, manufacturing and sale of integrated circuits	NT\$ 11,990	NT\$ 11,990	17,417,000	100%	(NT\$ 264,717 )	(NT\$ 62,677 )	(NT\$ 62,677 )	Subsidiary
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	U.S.A	Investment activity	NT\$ 2,848,856 (USD 102,293 )	NT\$ 2,913,300 (USD 102,293 )	100	100%	NT\$ 2,379,341 (USD 85,434 )	(NT\$ 526,995 ) (USD 18,776 )	(NT\$ 526,995 ) (USD 18,776 )	Subsidiary
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Cayman Islands	Investment activity	NT\$ 650,299 (USD 23,350 )	NT\$ 665,010 (USD 23,350 )	2	100%	NT\$ 2,467,011 (USD 88,582 )	(NT\$ 510,703 ) (USD 18,196 )	(NT\$ 510,703 ) (USD 18,196 )	Subsidiary
FocalTech Systems, Ltd.	FocalTech Electronics Co., Ltd.	Taiwan	Import and export of integrated circuits	NT\$ 20,000	NT\$ 20,000	2,000,000	100%	NT\$ 100,891 (USD 3,623 )	(NT\$ 40,064 ) (USD 1,427 )	(NT\$ 40,064 ) (USD 1,427 )	Subsidiary

Note 1: Please refer to the table 7 for the information on investment in Mainland China.

Note 2: Using the exchange rate of 1 USD: 27.85 NTD as of September 30, 2021.

Note 3: Using the exchange rate of 1 USD: 28.48 NTD as of December 31, 2020.

Note 4: Using the average exchange rate of 1 USD: 28.0672 NTD for nine months ended September 30, 2021.

**TABLE 7**

FocalTech Systems Co., Ltd. and Subsidiaries  
 INFORMATION ON INVESTMENT IN MAINLAND CHINA  
 FOR NINE MONTHS ENDED SEPTEMBER 30, 2021  
 (Amount in thousand; Currency denomination in NTD or in foreign currencies)

Investee company	Main businesses and products	Total amount of paid-in capital (Note 1)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021 (Note 1)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021 (Note 1)	Net income (loss) of investee company (Note 2)	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of September 30, 2021 (Note 1)	Accumulated inward remittance of earnings as of September 30, 2021	Note
					Outflow	Inflow							
FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for affiliates' IC products	NT\$ 55,700 (USD 2,000)	(Note 3 and 4)	NT\$ 27,850 (USD 1,000)	\$ -	\$ -	NT\$ 27,850 (USD 1,000)	(NT\$ 4,835) (USD 172)	100%	(NT\$ 4,835) (USD 172)	NT\$ 30,386 (USD 1,091)	\$-	
FocalTech Electronics (Shenzhen) Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	NT\$ 64,055 (USD 2,300)	(Note 3)	NT\$ 27,850 (USD 1,000)	-	-	NT\$ 27,850 (USD 1,000)	NT\$ 392,988 (USD 14,002)	100%	NT\$ 392,988 (USD 14,002)	NT\$ 446,347 (USD 16,027)	-	
FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	NT\$ 1,030,454 (USD 37,000)	(Note 4)	-	-	-	-	(NT\$ 84,218) (USD 3,001)	100%	(NT\$ 84,218) (USD 3,001)	NT\$ 1,282,303 (USD 46,043)	-	
Hefei PineTech Electronics Co., Ltd.	Research, development and sale of integrated circuits	NT\$ 128,826 (RMB 30,000)	(Note 4)	-	-	-	-	NT\$ 8,636 (USD 308)	100%	NT\$ 8,636 (USD 308)	NT\$ 222,182 (USD 7,978)	-	

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$55,700 (USD2,000)	\$1,684,009 (USD60,467)	\$7,306,615

Note 1: Using the exchange rate of 1 USD: 27.85 NTD and 1 RMB :4.2942 NTD as of September 30, 2021.  
 Note 2: Using the average exchange rate of 1 USD: 28.0672 NTD and 1 RMB :4.3381 NTD for nine months ended September 30, 2021.  
 Note 3: Indirect investment in Mainland China through a holding company established in other countries.  
 Note 4: The investment is through the foreign subsidiaries, has not been remitted from Taiwan.