

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
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 March 31, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended March 31, 2021 and 2020 and for the three months ended March 31, 2021 and 2020, the consolidated statements of changes in equity and of cash flows for the three months then ended, 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 March 31, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$503,098 thousand and NT\$588,619 thousand, respectively, representing 4% and 5%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$35,648 thousand and NT\$98,299 thousand, respectively, representing 1% and 2%, respectively, of the consolidated total liabilities; for the three months and three months ended March 31, 2021 and 2020, the amounts of combined comprehensive income(loss) of these subsidiaries were NT\$(48,101) thousand, NT\$(25,489) thousand respectively, representing (6%) (33%).

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 March 31, 2021 and 2020, its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 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 Shioh-Ming Shue and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China
May 7, 2021

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 5,186,951	37	\$ 4,011,682	33	\$ 3,559,430	29
Financial assets at fair value through other comprehensive income - current (Note 8)	58,314	-	-	-	112,347	1
Trade receivables, net (Note 10)	1,823,036	13	1,633,900	13	1,527,095	13
Inventories (Note 11)	2,020,602	14	1,755,142	14	2,347,041	19
Other financial assets (Note 9)	1,209,703	9	1,385,936	11	1,281,055	11
Other current assets	251,788	2	184,262	2	261,628	2
Total current assets	10,550,394	75	8,970,922	73	9,088,596	75
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	466,535	3	234,662	2	54,182	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	188,938	1	247,974	2	62,560	1
Property, plant and equipment (Note 13)	1,302,523	9	1,321,940	11	1,337,986	11
Goodwill (Notes 14)	1,237,268	9	1,237,268	10	1,237,268	10
Other intangible assets (Note 15)	59,188	1	63,202	-	76,406	1
Deferred tax assets	80,379	1	85,154	1	107,145	1
Other non-current assets (Note 29)	181,947	1	183,931	1	131,631	1
Total non-current assets	3,516,778	25	3,374,131	27	3,007,178	25
TOTAL	\$ 14,067,172	100	\$ 12,345,053	100	\$ 12,095,774	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ 566,848	4	\$ 523,648	4	\$ -	-
Trade payables (Note 17)	2,062,737	15	1,731,109	14	2,212,002	18
Other payables (Note 18)	1,197,490	8	1,037,431	8	828,816	7
Current tax liabilities (Notes 4)	565,114	4	433,121	4	395,188	3
Other current liabilities (Notes 21)	289,162	2	230,944	2	180,040	2
Total current liabilities	4,681,351	33	3,956,253	32	3,616,046	30
NON-CURRENT LIABILITIES						
Deferred tax liabilities	56,665	1	53,213	1	32,331	1
Net defined benefit liabilities - non-current (Note 4)	23,251	-	23,366	-	23,976	-
Guarantee deposits received	600,153	4	490,361	4	375,637	3
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	690,469	5	577,340	5	442,344	4
Total liabilities	5,371,820	38	4,533,593	37	4,058,390	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 20 and 25)						
Share capital						
Ordinary shares	2,105,279	15	2,103,532	17	2,999,069	25
Capital surplus						
Additional paid-in capital	4,731,161	34	4,725,445	38	5,045,484	42
Treasury shares	78,015	1	69,361	1	48,662	-
Employee share options	8,001	-	14,903	-	24,096	-
Employee share options – expired	33,933	-	33,933	-	33,534	-
Total capital surplus	4,851,110	35	4,843,642	39	5,151,776	42
Retained earnings (accumulated deficits)	1,857,784	13	1,012,301	8	(117,121)	(1)
Other equity						
Exchange differences from translating the financial statements of foreign operations	(130,195)	(1)	(125,038)	(1)	19,292	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	2,659	-	2,722	-	2,915	-
Total other equity	(127,536)	(1)	(122,316)	(1)	22,207	-
Treasury shares	(24,316)	-	(24,316)	-	(43,074)	-
Equity attributable to owners of the parent	8,662,321	62	7,812,843	63	8,012,857	66
NON-CONTROLLING INTERESTS (Note 20)	33,031	-	(1,383)	-	24,527	-
Total equity	8,695,352	62	7,811,460	63	8,037,384	66
TOTAL	\$ 14,067,172	100	\$ 12,345,053	100	\$ 12,095,774	100

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)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
REVENUE (Note 21)	\$ 4,349,854	100	\$ 2,909,637	100
COSTS OF SALES (Notes 11 and 22)	<u>(2,721,270)</u>	<u>(63)</u>	<u>(2,269,808)</u>	<u>(78)</u>
GROSS PROFIT	<u>1,628,584</u>	<u>37</u>	<u>639,829</u>	<u>22</u>
OPERATING EXPENSES (Notes 22,25, 26 and 28)				
Selling and marketing expenses	(113,511)	(3)	(94,154)	(3)
General and administrative expenses	(112,679)	(2)	(87,317)	(3)
Research and development expenses	<u>(476,900)</u>	<u>(11)</u>	<u>(387,653)</u>	<u>(13)</u>
Total operating expenses	<u>(703,090)</u>	<u>(16)</u>	<u>(569,124)</u>	<u>(19)</u>
OPERATIONS INCOME	<u>925,494</u>	<u>21</u>	<u>70,705</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs(Note 22)	(2,351)	-	(1,078)	-
Interest income	7,619	-	19,520	1
Gain on financial assets and liabilities at fair value through profit or loss	37,761	1	(2,762)	-
Other gains and losses - net	16,622	-	13,652	-
(Loss) gain on foreign currency exchange	<u>(6,732)</u>	<u>-</u>	<u>2,771</u>	<u>-</u>
Total non-operating income and expenses	<u>52,919</u>	<u>1</u>	<u>32,103</u>	<u>1</u>
INCOME BEFORE INCOME TAX	978,413	22	102,808	4
INCOME TAX EXPENSE (Notes 23)	<u>(141,462)</u>	<u>(3)</u>	<u>(43,410)</u>	<u>(2)</u>
NET INCOME	<u>836,951</u>	<u>19</u>	<u>59,398</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences from translating the financial statements of foreign operations	(4,970)	-	15,858	1
Unrealized gain(loss) from debt instrument investments measured at fair value through other comprehensive loss	<u>(63)</u>	<u>-</u>	<u>1,165</u>	<u>-</u>

(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 March 31			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss	\$ (5,033)	-	\$ 17,023	1
Total other comprehensive Loss	(5,033)	-	17,023	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 831,918	19	\$ 76,421	3
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 845,740	19	\$ 66,186	2
Non-controlling interests	(8,789)	-	(6,788)	-
	\$ 836,951	19	\$ 59,398	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 840,520	19	\$ 82,586	3
Non-controlling interests	(8,602)	-	(6,165)	-
	\$ 831,918	19	\$ 76,421	3
EARNINGS PER SHARE (Note 24)				
Basic	\$ 4.24		\$ 0.24	
Diluted	\$ 4.01		\$ 0.23	

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)

	Equity Attributable to Owners of the Parent								
	Share Capital		Retained Earnings (Accumulated deficits)	Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus		Exchange Differences from Translating the Financial Statement of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income				
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
Net income for the three months ended March 31, 2020	-	-	66,186	-	-	-	66,186	(6,788)	59,398
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	15,235	1,165	-	16,400	623	17,023
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	66,186	15,235	1,165	-	82,586	(6,165)	76,421
Compensation cost of employee share options (Note 20 and 25)	-	2,978	-	-	-	-	2,978	-	2,978
Treasury shares transferred to employees (Note 20 and 25)	-	-	-	-	-	224,084	224,084	-	224,084
Issuance of ordinary shares from exercise of employee share options (Note 20 and 25)	2,310	3,421	-	-	-	-	5,731	-	5,731
BALANCE, MARCH 31, 2020	<u>\$ 2,999,069</u>	<u>\$ 5,151,776</u>	<u>\$ (117,121)</u>	<u>\$ 19,292</u>	<u>\$ 2,915</u>	<u>\$ (43,074)</u>	<u>\$ 8,012,857</u>	<u>\$ 24,527</u>	<u>\$ 8,037,384</u>
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
Net income for the three months ended March 31, 2021	-	-	845,740	-	-	-	845,740	(8,789)	836,951
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	(5,157)	(63)	-	(5,220)	187	(5,033)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	845,740	(5,157)	(63)	-	840,520	(8,602)	831,918
Compensation cost of employee share options (Note 20 and 25)	-	4,838	-	-	-	-	4,838	-	4,838
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 20 and 25)	1,747	2,630	-	-	-	-	4,377	-	4,377
BALANCE, MARCH 31, 2021	<u>\$ 2,105,279</u>	<u>\$ 4,851,110</u>	<u>\$ 1,857,784</u>	<u>\$ (130,195)</u>	<u>\$ 2,659</u>	<u>\$ (24,316)</u>	<u>\$ 8,662,321</u>	<u>\$ 33,031</u>	<u>\$ 8,695,352</u>

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)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 978,413	\$ 102,808
Adjustments for:		
Depreciation expenses	19,160	19,659
Amortization expenses	3,997	22,991
Net (gain) loss on financial assets at fair value through profit or loss	(37,761)	2,762
Finance costs	2,351	1,078
Interest income	(7,619)	(19,520)
Compensation costs of employee share options	4,838	2,978
Loss on disposal of investments	-	40,928
Reversal gain on write-off of inventories	(15,743)	-
Unrealized (gain) loss on foreign exchange	4,625	5,216
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	(193,845)	(41,290)
Trade receivables	(189,087)	(102,534)
Inventories	(254,392)	(770,588)
Other current assets	(66,843)	101,592
Trade payables	333,600	219,745
Other payables	157,977	(130,782)
Other current liabilities	59,042	71,277
Net defined benefit liabilities	(115)	(102)
Cash generated from operations	798,598	(473,782)
Interest paid	(2,466)	(1,078)
Income tax paid	(1,978)	(1,913)
Net cash inflow (outflow) from operating activities	<u>794,154</u>	<u>(476,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial asset at fair value through other comprehensive income	-	9,032
Acquisition of property, plant and equipment	(5,937)	(4,620)
Acquisition of intangible assets	-	(149)
Decrease in other financial assets	176,099	324,028
Decrease in other non-current assets	1,974	3,901
Interest received	7,444	18,539
Net cash inflow from investing activities	<u>179,580</u>	<u>350,731</u>

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 43,766	\$ -
Increase (decrease) in guarantee deposits	109,821	(20,123)
Exercise of employee share options	4,377	5,731
Increase in non-controlling interests	42,759	-
Treasury shares transferred to employees	<u>-</u>	<u>224,084</u>
Net cash inflow financing activities	<u>200,723</u>	<u>209,692</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>812</u>	<u>14,277</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,175,269	97,927
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,011,682</u>	<u>3,461,503</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 5,186,951</u>	<u>\$ 3,559,430</u>

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

(Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

FocalTech Systems Co., Ltd. (the “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 (“TSE”) 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 solutions regarding human and machine interface devices, 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 April 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 IFRSs endorsed and issued in to effect by the FSC did not have a significant impact on the Group’s accounting policies.

- b. New IFRSs in issue 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>
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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 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 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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

This is the translation of the financial statements. CPAs do not audit or review on this translation.

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.

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.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 2,991	\$ 2,182	\$ 11,562
Checking accounts and demand deposits	3,686,153	3,668,013	2,198,323
Cash equivalent (time deposits with original maturities within three months)	<u>1,497,807</u>	<u>341,487</u>	<u>1,349,545</u>
	<u>\$ 5,186,951</u>	<u>\$ 4,011,682</u>	<u>\$ 3,559,430</u>

The interest rate intervals at the end of the reporting period were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Demand deposits	0.001%-0.35%	0.001%-0.35%	0.001%-0.35%
Time deposits	0.05%-0.33%	0.1%-0.35%	0.7%-2.5%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT

	March 31, 2021	December 31, 2020	March 31, 2020
Mandatorily measured at fair value through profit or loss (FVTPL)			
Listed preferred shares	\$ 303,266	\$ 72,186	\$ 10,336
Private Funds	52,291	52,579	43,846
Structured Investments	<u>110,978</u>	<u>109,897</u>	<u>-</u>
	<u>\$466,535</u>	<u>\$234,662</u>	<u>\$ 54,182</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2021	December 31, 2020	March 31, 2020
Investments in debt instruments			
<u>Current</u>			
Foreign investments			
Fixed income bonds	<u>\$ 58,314</u>	<u>\$ -</u>	<u>\$ 112,347</u>
<u>Non – Current</u>			
Foreign investments			
Fixed income bonds	<u>\$188,938</u>	<u>\$247,974</u>	<u>\$ 62,560</u>
Yield rates	1.801%-4.117%	1.801%-4.117%	2.307%-4.117%

9. OTHER FINANCIAL ASSETS

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits with original maturities more than three months	<u>\$ 1,209,703</u>	<u>\$ 1,385,936</u>	<u>\$ 1,281,055</u>
Interest rate intervals	0.1%-4.18%	0.2%-4.18%	1.5%-4.18%

10. TRADE RECEIVABLES, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Trade receivables	<u>\$ 1,823,036</u>	<u>\$ 1,633,900</u>	<u>\$ 1,527,095</u>

The average credit term for sales of goods was 60-120 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

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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.
March 31, 2021

	<u>Non Past Due</u>	<u>Overdue 1-60 Days</u>	<u>Overdue 61-180 Days</u>	<u>Overdue Over 180 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	<u>\$ 1,682,026</u>	<u>\$ 141,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,823,036</u>

December 31, 2020

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

March 31, 2020

	<u>Non Past Due</u>	<u>Overdue 1-60 Days</u>	<u>Overdue 61-180 Days</u>	<u>Overdue Over 180 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	<u>\$ 1,292,282</u>	<u>\$ 223,934</u>	<u>\$ 879</u>	<u>\$ -</u>	<u>\$ 1,527,095</u>

11. INVENTORIES

	March 31, 2021	December 31, 2020	March 31, 2020
Finished goods	\$ 505,004	\$ 418,694	\$ 790,604
Work in process	890,915	1,025,201	1,054,133
Raw materials and supplies	<u>624,683</u>	<u>311,247</u>	<u>502,304</u>
	<u>\$ 2,020,602</u>	<u>\$ 1,755,142</u>	<u>\$ 2,347,041</u>

The cost of goods sold were NT\$2,721,270 thousand and NT\$2,269,808 thousand, including reverse of write-off of inventories of NT\$15,743 thousand and NT\$ 0 thousand for the three months ended March 31, 2021 and 2020, respectively. Abovementioned reversals are resulted from sales of slow moving inventory.

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12. SUBSIDIARIES

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

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

- a. FocalTech Smart Sensors, Ltd. issued its ordinary shares but the Group did not subscribe according to the shareholding ratio causing changes in the shareholding ratio. The transaction did not change the control over subsidiary, the group regarded it as equity transaction.

As of March 31, 2021 and 2020, the immaterial subsidiaries of the Company included FocalTech Smart Sensors, Ltd. FocalTech Smart Sensors Co., Ltd., FocalTech Systems (Shenzhen) Co., Ltd., FocalTech Electronics Co., Ltd., FocalTech Electronics (Shanghai) Co., Ltd., FocalTech Electronics (Shenzhen) Co., Ltd., Hefei PineTech Electronics Co., Ltd..

The financial statements of part of the immaterial subsidiaries had not been reviewed by auditors. As of March 31, 2021 and 2020, the total amounts of assets of the immaterial subsidiaries were NT\$503,098 thousand, and NT\$588,619 thousand, respectively, accounted for 4% and 5% of total consolidated assets, respectively. The total amounts of liabilities were NT\$35,648 thousand, and NT\$98,299 thousand, respectively, accounted for 1% and 2% of total consolidated liabilities, respectively. For the three months ended March 31, 2021 and 2020, and for the three months ended March 31, 2021 and 2020, the total

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immaterial subsidiaries comprehensive income (loss) has been recognized at NT\$(48,101) thousand, NT\$(25,489) thousand, respectively, accounted for (6%), and (33%) of the comprehensive income (loss), respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Development Equipment	Office Equipment	Information Equipment	Leasehold Improve- ments	Total
<u>Cost</u>						
Balance, January 1, 2020	\$ 1,322,961	\$ 285,660	\$ 15,548	\$ 42,621	\$ 38,388	\$ 1,705,178
Additions	-	4,442	-	178	-	4,620
Reclassification	-	(261)	-	261	-	-
Effect of foreign currency exchange differences	(9,422)	(718)	(84)	(284)	(100)	(9,172)
Balance, March 31, 2020	<u>\$ 1,313,539</u>	<u>\$ 290,559</u>	<u>\$ 15,464</u>	<u>\$ 42,776</u>	<u>\$ 38,288</u>	<u>\$ 1,700,626</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2020	\$ 84,761	\$ 174,368	\$ 12,431	\$ 33,752	\$ 38,388	\$ 343,700
Depreciation	8,824	9,936	232	667	-	19,659
Effect of foreign currency exchange differences	(689)	354	(63)	(221)	(100)	(719)
Balance, March 31, 2020	<u>\$ 92,896</u>	<u>\$ 184,658</u>	<u>\$ 12,600</u>	<u>\$ 34,198</u>	<u>\$ 38,288</u>	<u>\$ 362,640</u>
Carrying amounts as of March 31, 2020	<u>\$ 1,220,643</u>	<u>\$ 105,901</u>	<u>\$ 2,864</u>	<u>\$ 8,578</u>	<u>\$ -</u>	<u>\$ 1,337,986</u>
<u>Cost</u>						
Balance, January 1, 2021	\$ 1,343,090	\$ 292,977	\$ 11,557	\$ 38,869	\$ 38,604	\$ 1,725,097
Additions	-	5,232	88	617	-	5,937
Reclassification	-	(158)	105	53	-	-
Effect of foreign currency exchange differences	(6,700)	(122)	(43)	(182)	(71)	(7,118)
Balance, March 31, 2021	<u>\$ 1,336,390</u>	<u>\$ 297,929</u>	<u>\$ 11,707</u>	<u>\$ 39,357</u>	<u>\$ 38,533</u>	<u>\$ 1,723,916</u>
<u>Accumulated depreciation</u>						
Balance, January 1, 2021	\$ 121,696	\$ 203,722	\$ 9,574	\$ 29,561	\$ 38,604	\$ 403,157
Depreciation	8,943	9,436	142	639	-	19,160
Effect of foreign currency exchange differences	(666)	(21)	(33)	(133)	(71)	(924)
Balance, March 31, 2021	<u>\$ 129,973</u>	<u>\$ 213,137</u>	<u>\$ 9,683</u>	<u>\$ 30,067</u>	<u>\$ 38,533</u>	<u>\$ 421,393</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 March 31, 2021	<u>\$ 1,206,417</u>	<u>\$ 84,792</u>	<u>\$ 2,024</u>	<u>\$ 9,290</u>	<u>\$ -</u>	<u>\$ 1,302,523</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 29.

14. GOODWILL

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

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

	Licenses and Franchises	Software	Patents	Trademark	Total
<u>Cost</u>					
Balance, January 1, 2020	\$ 127,719	\$ 154,970	\$ 76,704	\$ 74,000	\$ 433,393
Additions	-	149	-	-	149
Effect of foreign currency exchange differences	<u>891</u>	<u>1,093</u>	<u>(1)</u>	<u>-</u>	<u>1,983</u>
Balance, March 31, 2020	<u>\$ 128,610</u>	<u>\$ 156,212</u>	<u>\$ 76,703</u>	<u>\$ 74,000</u>	<u>\$ 435,525</u>
<u>Accumulated amortization</u>					
Balance, January 1, 2020	\$ 109,676	\$ 148,376	\$ 39,152	\$ 37,000	\$ 334,204
Amortization expenses	17,690	1,505	1,946	1,850	22,991
Effect of foreign currency exchange differences	<u>817</u>	<u>1,108</u>	<u>(1)</u>	<u>-</u>	<u>1,924</u>
Balance, March 31, 2020	<u>\$ 128,183</u>	<u>\$ 150,989</u>	<u>\$ 41,097</u>	<u>\$ 38,850</u>	<u>\$ 359,119</u>
Carrying amounts as of March 31, 2020	<u>\$ 427</u>	<u>\$ 5,223</u>	<u>\$ 35,606</u>	<u>\$ 35,150</u>	<u>\$ 76,406</u>

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Cost

Balance, January 1, 2021	\$ 122,262	\$ 148,247	\$ 76,708	\$ 74,000	\$ 421,217
Effect of foreign currency exchange differences	<u>200</u>	<u>224</u>	<u>(1)</u>	<u>-</u>	<u>423</u>

Balance, March 31, 2021	<u>\$ 122,462</u>	<u>\$ 148,471</u>	<u>\$ 76,707</u>	<u>\$ 74,000</u>	<u>\$ 421,640</u>
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Accumulated amortization

Balance, January 1, 2021	\$ 122,130	\$ 144,543	\$ 46,942	\$ 44,400	\$ 358,015
Amortization expenses	40	161	1,946	1,850	3,997
Effect of foreign currency exchange differences	<u>200</u>	<u>241</u>	<u>(1)</u>	<u>-</u>	<u>440</u>

Balance, March 31, 2021	<u>\$ 122,370</u>	<u>\$ 144,945</u>	<u>\$ 48,887</u>	<u>\$ 46,250</u>	<u>\$ 362,452</u>
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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>
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Carrying amounts as of March 31, 2021	<u>\$ 92</u>	<u>\$ 3,526</u>	<u>\$ 27,820</u>	<u>\$ 27,750</u>	<u>\$ 59,188</u>
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(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. SHORT-TERM BORROWINGS

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans	\$ 480,000	\$ 480,000	\$ -
Secured bank loans	<u>86,848</u>	<u>43,648</u>	<u>-</u>
	<u>\$ 566,848</u>	<u>\$ 523,648</u>	<u>\$ -</u>
Annual interest rate			
Unsecured bank loans	0.88-1.16%	0.88-1.06%	
Secured bank loans	4.1-4.3%	4.1%	

Properties, plants and equipments is pledged as collateral for the bank loans, please refer to Note 29.

17. TRADE PAYABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Trade payables	<u>\$ 2,062,737</u>	<u>\$ 1,731,109</u>	<u>\$ 2,212,002</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.

18. OTHER PAYABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Payable for rebates	\$ 495,044	\$ 423,800	\$ 406,112
Payable for salaries and bonuses	554,900	467,979	285,137
Payable for labor, health and social insurance	13,423	13,977	25,901
Reserve for litigations	47,690	47,598	50,514
Payable for professional services and others	<u>86,433</u>	<u>84,077</u>	<u>61,152</u>
	<u>\$1,197,490</u>	<u>\$1,037,431</u>	<u>\$ 828,816</u>

19. 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 and NT\$91 thousand for the three months ended March 31, 2021 and 2020, respectively.

20. EQUITY

a. Share capital

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

	March 31, 2021	December 31, 2020	March 31, 2020
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
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)	<u>210,528</u>	<u>210,353</u>	<u>299,907</u>
Shares issued	<u>\$ 2,105,279</u>	<u>\$ 2,103,532</u>	<u>\$ 2,999,069</u>

b. Capital surplus

	Additional Paid-in Capital (1)	Treasury Shares (1)	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
Compensation cost of employee share options	-	-	2,978	-	2,978
Issuance of ordinary shares from exercise of employee share options	7,813	-	(4,392)	-	3,421
BALANCE, MARCH 31, 2020	<u>\$5,045,484</u>	<u>\$ 48,662</u>	<u>\$ 24,096</u>	<u>\$ 33,534</u>	<u>\$5,151,776</u>
BALANCE, JANUARY 1, 2021	\$4,725,445	\$ 69,361	\$ 14,903	\$ 33,933	\$4,843,642
Employee treasury share vested	-	8,654	(8,654)	-	-
Compensation cost of employee share options	-	-	4,838	-	4,838
Issuance of ordinary shares from exercise of employee share options	5,716	-	(3,086)	-	2,630
BALANCE, MARCH 31, 2021	<u>\$4,731,161</u>	<u>\$ 78,015</u>	<u>\$ 8,001</u>	<u>\$ 33,933</u>	<u>\$4,851,110</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 in its meeting held on June 20, 2019, which stipulate that earnings distribution may be made on a quarterly basis after the close of each quarter.

The Company's amended Articles of Incorporation provides that, when distributing earnings belonging to the first three quarter, the Company shall first estimate and reserve taxes to be paid, offset its deficits, estimate and reserve employees' compensation and remuneration to directors, then set aside a legal capital reserve at 10% of the remaining earnings and set aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings at the beginning shall be used by the Company's board of directors as the basis for proposing a distribution plan after the Company's board of directors consider operational situation and retain proper amount. By the way of stock dividends, it shall be approved by the Company's shareholders in its meeting; by the way of cash dividends, it shall be approved by the Company's board of directors.

When distributing annual earnings, the Company 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 prepare a distribution proposal for the remaining earnings plus 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 earing distribution is only allowed after yearly closing by the approval of the shareholders' meeting. The rest 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 22(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.

NT\$183,307 thousand from additional paid-in capital for loss offsetting as well as the cash distribution of NT\$150,000 thousand, i.e. NT\$0.50291032 per share, from additional paid-in capital of share issue premium had been approved in the Company's shareholders' meeting on June 20, 2020.

To increase the return on shareholders' equity, it 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 28th, 2020.

The board of directors proposed the earnings distribution on April, 4, 2021 as follows;

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

The earnings distribution will be resolved in annual shareholders' meeting on June, 24, 2021.

d. Treasury stock

	Shares (In Thousands)
Number of shares on January 1, 2020	10,978
Decrease during the period	<u>(9,247)</u>
Number of shares on March 31, 2021	<u>1,731</u>
Number of shares on January 1, 2020 and March 31, 2021	<u>778</u>

The detailed information for other Shares Buy Back Programs could be found in Note 25 (b).

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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.

e. Non-controlling interests

	For the Three Months Ended March 31	
	2021	2020
Balance, beginning	(\$ 1,383)	\$ 30,692
Net loss	(8,789)	(\$ 6,788)
Other comprehensive income (loss)		
Exchange differences from translating the financial statements of foreign operations	187	623
Non-controlling interests subscribing subsidiary new shares issuing for cash	42,759	-
Changes in ownership interests in subsidiaries	<u>257</u>	<u>-</u>
Balance, ending	<u>33,031</u>	<u>24,527</u>

21. REVENUE

	For the Three Months Ended March 31	
	2021	2020
IC for portable devices	<u>\$ 4,349,854</u>	<u>\$ 2,909,637</u>

Contract balances

	March 31, 2021	December 31, 2020	March 31, 2020
Contract liabilities			
Sales of goods	<u>\$ 249,907</u>	<u>\$ 149,430</u>	<u>\$ 128,154</u>

22. NET INCOME

a. Finance costs

	For the Year Ended March 31	
	2021	2020
Interest on bank loans	\$ 1,911	\$ -
Interest on deposits	<u>440</u>	<u>1,078</u>
	<u>\$ 2,351</u>	<u>\$ 1,078</u>

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2021	2020
Property, plant and equipment	\$ 19,160	\$ 19,659
Intangible assets	<u>3,997</u>	<u>22,991</u>
	<u>\$ 23,157</u>	<u>\$ 42,650</u>
 An analysis of deprecation by function		
Operating costs	\$ 135	\$ 196
Operating expenses	<u>23,022</u>	<u>42,454</u>
	<u>\$ 23,157</u>	<u>\$ 42,650</u>

c. Employee benefits expense

	For the Three Months Ended March 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 6,994	\$ 7,013
Defined benefit plans (Note 19)	46	91
Share-based payments (Note 25)	4,838	2,978
Other employee benefits	<u>493,822</u>	<u>356,565</u>
Total employee benefits expense	<u>\$ 505,700</u>	<u>\$ 366,647</u>

	For the Three Months Ended March 31	
	2020	2019
 An analysis of employee benefits expense by function		
Operating costs	\$ 37,817	\$ 29,245
Operating expenses	<u>467,883</u>	<u>337,402</u>
	<u>\$ 505,700</u>	<u>\$ 366,647</u>

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. Due to the net loss before tax for the three months ended March 31, 2020, there was no accrual for any remuneration of employees and directors. The accrued employees' compensation and remuneration of directors for the three months and three months ended March 31, 2021 are as follows:

Accrual rate

	For the Three Months Ended March 31,2021
Employees' compensation	9.45%
Remuneration of directors	0.55%

Amount

	For the Three Months Ended March 31,2021
	Cash
Employees' compensation	<u>\$ 103,514</u>
Remuneration of directors	<u>\$ 6,024</u>

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 4th, 2021 as follows;

	Cash
Employees' compensation	<u>\$ 123,450</u>
Remuneration of directors	<u>\$ 7,214</u>

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.

23. INCOME TAXES

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

	For the Three Months Ended March 31	
	2021	2020
Current tax		
In respect of the current year	<u>\$ 133,308</u>	<u>\$ 31,081</u>
Deferred tax		
In respect of the current year	<u>8,154</u>	<u>12,329</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 141,462</u>	<u>\$ 43,410</u>

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b. Income tax assessments

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

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2021	2020
Basic earnings per share	<u>\$ 4.24</u>	<u>\$ 0.24</u>
Diluted earnings per share	<u>\$ 4.01</u>	<u>\$ 0.23</u>

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 March 31	
	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$ 845,740</u>	<u>\$ 66,186</u>

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

	For the Three Months Ended March 31	
	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	199,649	278,833
Effect of potentially dilutive ordinary shares:		
Employee share option	10,047	10,921
Employees' compensation or bonus issue to employees	551	484
The remuneration to employees	<u>572</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>210,819</u>	<u>290,238</u>

25. SHARE-BASED PAYMENT ARRANGEMENTS

The Group did not have new share option plan issued for employees for the three months ended March 31, 2021 and 2020. The detailed information could be found in Note 25 of the consolidated financial statements of the year ended December 31, 2020.

The Company's shareholders' meeting resolved to issue restricted stocks for employees up to 6,000 thousand shares on June 20, 2020. There was no restricted stock granted to employees by the end of March, 2021 while the restricted stocks plan was approved by Financial Supervisory Commission on August 12, 2020.

a. Employee share option plan

Information on outstanding options for the three months ended March 31, 2021 and 2020 is as follows:
March 31, 2021

	Beginning Balance		Options exercised		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\$)
2006	398,199	\$ 26.25	(81,200)	\$ 35.59	316,999	\$ 24.36
2015	397,500	15.90	(93,500)	15.90	304,000	15.90

March 31, 2020

	Beginning Balance		Options exercised		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\$)
2006	805,599	\$ 23.49	(196,000)	\$ 27.06	609,599	\$ 22.35
2015	677,500	12.20	(35,000)	12.20	642,500	12.20

b. Shares Buyback Program

Information about the Company buyback its shares 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 Shares Buy Back Program	2018/7/26	8,000	7,848	(46)	106	33.81 (Adjusted)
The 5th Shares Buy Back Program	2018/8/23	7,689	6,544	(473)	672	34.09 (Adjusted)

Information about Shares Buy Back Programs for the three months ended March 31, 2021s 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	\$ -
			2019/11/08	60	-
			2020/03/20	1,399	3.70
			2020/11/16	434	1.90
Total	7,848		Total	6,544	

Compensation cost of aforementioned share-based payments for the three months ended March 31, 2021 and 2020 was as follows:

This is the translation of the financial statements. CPAs do not audit or review on this translation.

	For the Three Months Ended March 31	
	2021	2020
Shares buyback programs	<u>\$ 4,838</u>	<u>\$ 2,978</u>
Adjustment account:		
Capital surplus - employee share options	<u>\$ 4,838</u>	<u>\$ 2,978</u>

26. 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 February, 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 \$16,169 thousand and \$17,060 thousand as of March 31, 2021 and 2020.

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

	For the Three Months Ended March 31	
	2021	2020
lease payment	<u>\$ 8,530</u>	<u>\$ 8,743</u>

27. 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

March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed preferred shares	\$ 303,266	\$ -	\$ -	\$ 303,266
Private funds	-	-	52,291	52,291
Structured Investments	-	110,978	-	110,978
Total	<u>\$ 303,266</u>	<u>\$ 110,978</u>	<u>\$ 52,291</u>	<u>\$ 466,535</u>
Financial assets at FVTOCI				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 247,252</u>	<u>\$ -</u>	<u>\$ 247,252</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed preferred shares	\$ 72,186	\$ -	\$ -	\$ 72,186
Private funds	-	-	52,579	52,579
Structured Investments	-	109,897	-	109,897
Total	<u>\$ 72,186</u>	<u>\$ 109,897</u>	<u>\$ 52,579</u>	<u>\$ 234,662</u>
Financial assets at FVTOCI				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 247,974</u>	<u>\$ -</u>	<u>\$ 247,974</u>

March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed preferred shares	\$ 10,336	\$ -	\$ -	\$ 10,336
Private funds	-	-	43,846	43,846
Total	<u>\$ 10,336</u>	<u>\$ -</u>	<u>\$ 43,846</u>	<u>\$ 54,182</u>
Financial assets at FVTOCI				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 174,907</u>	<u>\$ -</u>	<u>\$ 174,907</u>

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2021 and 2020.

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

	For the Three Months Ended March 31	
	2021	2020
<u>Financial assets at FVTPL</u>		
Balance, beginning of period	\$ 52,579	\$ 45,423
Purchases	522	362
Disposals	(181)	-
Recognized in profit or loss (other income or loss)	(679)	(2,166)
Effect of foreign currency exchange differences	50	227
Balance, end of period	<u>\$ 52,291</u>	<u>\$ 43,846</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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	\$ 466,535	\$ 234,662	\$ 54,182
Amortized cost (Note 1)	8,391,202	7,203,983	6,487,846
Financial assets at FVTOCI			
Investments in debt instruments	247,252	247,974	174,907
<u>Financial liabilities</u>			
Amortized cost (Note 2)	4,427,228	3,782,549	3,416,455

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other financial assets and refundable deposits (categorized in other non-current assets).
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowing, trade payables, other payables and guarantee 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 operates 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 currency exchange risk (referred to a) and interest rate risk (referred to b).

a) Foreign currency 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 30.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar. The following table details the Group's sensitivity to a 5% increase and decrease 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.

	USD Impact	
	For the Three Months Ended March 31	
	2021	2020
Profit or loss/ equity	<u>\$ 61,724</u> (i)	<u>\$ (18,831)</u> (i)

i. This was mainly attributable to the outstanding balances of USD time deposits, trade receivables, trade payables, other payables, other current assets and other 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:

	March 31, 2021	December 31, 2020	March 31, 2020
Fair value interest rate risk			
Financial assets	<u>\$ 2,954,762</u>	<u>\$ 1,975,397</u>	<u>\$ 2,805,507</u>
Financial liabilities	<u>\$ 566,848</u>	<u>\$ 523,648</u>	<u>\$ -</u>
Cash flow interest rate risk			
Financial assets	<u>\$ 3,796,191</u>	<u>\$ 3,777,910</u>	<u>\$ 2,198,323</u>

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 personnel 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 three months ended March 31, 2021 and 2020 would increase/ decrease by NT\$2,373 thousand and NT\$1,374 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 March 31, 2021, trade receivables from top 5 customers represented 62% 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 institute. 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:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Loss</u>	<u>Expected Credit Loss Ratio</u>	<u>Carrying Amount as of March 31, 2021</u>
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 247,252</u>

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Loss</u>	<u>Expected Credit Loss Ratio</u>	<u>Carrying Amount as of December 31, 2020</u>
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 247,252</u>

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Loss</u>	<u>Expected Credit Loss Ratio</u>	<u>Carrying Amount as of March 31, 2020</u>
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 174,907</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.

As of March 31, 2021, December 31, 2020, and March 31, 2020, the available unused short-term bank loan facilities were set out in (b) Financing credit line.

a) 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.

March 31, 2021

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	\$ 3,260,124	\$ 600,153
Fixed interest rate liabilities	<u>566,951</u>	<u>-</u>
	<u>\$ 3,827,075</u>	<u>\$ 600,153</u>

December 31, 2020

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

March 31, 2020

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	<u>\$ 3,040,818</u>	<u>\$ 357,637</u>

b)Financing credit line

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank line of credit			
Amount used	\$ 495,665	\$ 495,665	\$ -
Amount unused	<u>204,335</u>	<u>204,335</u>	<u>800,000</u>
	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 800,000</u>
Secured bank loans credits			
Amount used	\$ 86,848	\$ 43,648	\$ -
Amount unused	<u>347,392</u>	<u>392,832</u>	<u>-</u>
	<u>\$ 434,240</u>	<u>\$ 436,480</u>	<u>\$ -</u>

28. 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

	For the Three Months Ended March 31	
	2020	2019
Long-term employee benefits	\$ 12,771	\$ 21,870
Short-term employee benefits	14,001	10,774
Post-employment benefits	126	135
Share-based payments	<u>700</u>	<u>777</u>
	<u>\$ 27,598</u>	<u>\$ 33,556</u>

29. PLEDGED ASSETS

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

	March 31, 2021	December 31, 2020	March 31, 2020
Properties, plants and equipments – net of buildings	\$ 518,937	\$ 524,487	\$ -
Pledge deposits (categorized in other non-current assets)	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	<u>\$ 522,937</u>	<u>\$ 528,487</u>	<u>\$ 4,000</u>

30. 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:

March 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 172,762	28.535(USD:NTD)	\$ 4,929,769
USD	9,618	6.5713 (USD:RMB)	274,451
<u>Financial liabilities</u>			
Monetary items			
USD	121,302	28.535 (USD:NTD)	3,461,352
USD	17,817	6.5713 (USD:RMB)	508,392

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<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

March 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 87,902	30.225(USD:NTD)	\$ 2,656,834
USD	5,246	7.0851 (USD:RMB)	158,562
<u>Financial liabilities</u>			
Monetary items			
USD	101,135	30.225 (USD:NTD)	3,056,805
USD	4,473	7.0851 (USD:RMB)	135,211

32. 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 and machine interface devices related IC under a single operation unit. Thus, the information of separate operating segments is not applicable.