

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2024 and 2023**

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.

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

INDEPENDENT AUDITORS' REVIEW REPORT

To 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 September 30, 2024 and 2023, the related consolidated statements of comprehensive income for the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, the consolidated statements of changes in equity and of cash flows for the nine 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 the Standards on Review Engagements of the Republic of China "Review of Interim 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, 2024 and 2023, combined total assets of these non-significant subsidiaries were NT\$3,282,360 thousand and NT\$2,246,306 thousand, respectively, representing 17% and 12%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$1,080,910 thousand and NT\$973,382 thousand, respectively, representing 11% and 10%, respectively, of the consolidated total liabilities; for the three months ended and nine months ended September 30, 2024 and 2023, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$(105,903) thousand, NT\$(7,652) thousand respectively, NT\$(7,173) thousand and NT\$(3,631) thousand, representing (129)%, (3)%, (1)%, (1)% .

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, 2024 and 2023, its consolidated financial performance and its consolidated cash flows for the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023 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 Yu-Hong Kuo and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China
November 13, 2024

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2024 (Reviewed)		December 31, 2023 (Audited)		September 30, 2023 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 8,615,453	45	\$ 4,444,804	24	\$ 4,226,026	22
Financial assets at fair value through profit or loss (Note 7)	268,428	1	250,205	1	259,161	1
Financial assets at fair value through other comprehensive income (Note 8)	134,432	1	129,746	1	-	-
Accounts receivables, net (Note 10)	1,240,960	7	1,649,039	9	1,599,687	9
Inventories (Note 11)	2,563,616	13	2,675,092	15	3,297,716	17
Other financial assets (Note 9)	887,783	5	2,806,629	15	2,634,009	14
Other current assets	<u>263,787</u>	<u>1</u>	<u>227,685</u>	<u>1</u>	<u>205,177</u>	<u>1</u>
Total current assets	<u>13,974,459</u>	<u>73</u>	<u>12,183,200</u>	<u>66</u>	<u>12,221,776</u>	<u>64</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Note 7)	397,064	2	365,725	2	469,899	3
Financial assets at fair value through other comprehensive income (Note 8)	62,096	-	50,364	-	187,530	1
Property, plant and equipment (Note 13)	2,463,285	13	2,439,730	13	2,480,822	13
Goodwill (Notes 14)	1,237,268	6	1,237,268	7	1,237,268	7
Other intangible assets (Note 15)	95,759	1	114,519	1	60,147	-
Deferred tax assets	175,846	1	179,725	1	191,662	1
Refundable deposits (Note 16)	766,654	4	1,857,769	10	2,112,216	11
Other non-current assets (Note 31)	<u>13,179</u>	<u>-</u>	<u>26,997</u>	<u>-</u>	<u>17,707</u>	<u>-</u>
Total non-current assets	<u>5,211,151</u>	<u>27</u>	<u>6,272,097</u>	<u>34</u>	<u>6,757,251</u>	<u>36</u>
TOTAL	<u>\$ 19,185,610</u>	<u>100</u>	<u>\$ 18,455,297</u>	<u>100</u>	<u>\$ 18,979,027</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 1,283,453	7	\$ 860,242	5	\$ 875,631	5
Accounts payables (Note 18)	1,972,777	10	1,478,429	8	1,797,850	9
Other payables (Note 19)	1,599,850	8	1,456,384	8	1,355,644	7
Current tax liabilities (Notes 4)	246,371	1	387,792	2	415,556	2
Current position of long-term borrowings (Note 17)	108,986	1	198,493	1	144,594	1
Other current liabilities (Notes 23)	<u>230,771</u>	<u>1</u>	<u>78,002</u>	<u>-</u>	<u>188,681</u>	<u>1</u>
Total current liabilities	<u>5,442,208</u>	<u>28</u>	<u>4,459,342</u>	<u>24</u>	<u>4,777,956</u>	<u>25</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 17)	734,495	4	760,454	4	820,682	5
Deferred tax liabilities	217,623	1	219,167	2	217,065	1
Net defined benefit liabilities - non-current (Note 4)	13,586	-	13,955	-	13,213	-
Guarantee deposits received (Notes 21)	<u>3,010,421</u>	<u>16</u>	<u>3,688,279</u>	<u>20</u>	<u>3,814,421</u>	<u>20</u>
Total non-current liabilities	<u>3,976,125</u>	<u>21</u>	<u>4,681,855</u>	<u>26</u>	<u>4,865,381</u>	<u>26</u>
Total liabilities	<u>9,418,333</u>	<u>49</u>	<u>9,141,197</u>	<u>50</u>	<u>9,643,337</u>	<u>51</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 22 and 27)						
Share capital						
Ordinary shares	<u>2,192,709</u>	<u>11</u>	<u>2,178,900</u>	<u>12</u>	<u>2,158,720</u>	<u>11</u>
Capital surplus	<u>6,154,752</u>	<u>32</u>	<u>6,031,904</u>	<u>32</u>	<u>5,891,222</u>	<u>31</u>
Retained earnings						
Legal reserve	747,512	4	712,562	4	712,562	4
Undistributed earnings	<u>896,600</u>	<u>5</u>	<u>757,830</u>	<u>4</u>	<u>692,008</u>	<u>4</u>
Total retained earnings	<u>1,644,112</u>	<u>9</u>	<u>1,470,392</u>	<u>8</u>	<u>1,404,570</u>	<u>8</u>
Other equity	<u>(61,993)</u>	<u>-</u>	<u>(210,063)</u>	<u>(1)</u>	<u>35,582</u>	<u>-</u>
Treasury shares	<u>(163,060)</u>	<u>(1)</u>	<u>(163,060)</u>	<u>(1)</u>	<u>(163,060)</u>	<u>(1)</u>
Equity attributable to owners of the parent	<u>9,766,520</u>	<u>51</u>	<u>9,308,073</u>	<u>50</u>	<u>9,327,034</u>	<u>49</u>
NON-CONTROLLING INTERESTS (Note 22)	<u>757</u>	<u>-</u>	<u>6,027</u>	<u>-</u>	<u>8,656</u>	<u>-</u>
Total equity	<u>9,767,277</u>	<u>51</u>	<u>9,314,100</u>	<u>50</u>	<u>9,335,690</u>	<u>49</u>
TOTAL	<u>\$ 19,185,610</u>	<u>100</u>	<u>\$ 18,455,297</u>	<u>100</u>	<u>\$ 18,979,027</u>	<u>100</u>

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

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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 September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 23)	\$ 3,813,063	100	\$ 3,598,407	100	\$ 10,350,922	100	\$ 9,936,037	100
COSTS OF SALES (Note 11 and 24)	<u>(2,964,003)</u>	<u>(78)</u>	<u>(2,892,033)</u>	<u>(80)</u>	<u>(7,987,771)</u>	<u>(77)</u>	<u>(7,984,301)</u>	<u>(80)</u>
GROSS PROFIT	<u>849,060</u>	<u>22</u>	<u>706,374</u>	<u>20</u>	<u>2,363,151</u>	<u>23</u>	<u>1,951,736</u>	<u>20</u>
OPERATING EXPENSES (Note 24, 28 and 30)								
Selling and marketing expenses	(123,547)	(3)	(102,016)	(3)	(379,063)	(4)	(260,872)	(3)
General and administrative expenses	(120,171)	(3)	(105,181)	(3)	(333,651)	(3)	(320,075)	(3)
Research and development expenses	<u>(516,991)</u>	<u>(14)</u>	<u>(485,837)</u>	<u>(14)</u>	<u>(1,553,100)</u>	<u>(15)</u>	<u>(1,284,519)</u>	<u>(13)</u>
Total operating expenses	<u>(760,709)</u>	<u>(20)</u>	<u>(693,034)</u>	<u>(20)</u>	<u>(2,265,814)</u>	<u>(22)</u>	<u>(1,865,466)</u>	<u>(19)</u>
OPERATING INCOME	<u>88,351</u>	<u>2</u>	<u>13,340</u>	<u>-</u>	<u>97,337</u>	<u>1</u>	<u>86,270</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 24)	(15,651)	-	(10,636)	-	(43,850)	-	(43,045)	-
Interest income	97,223	2	69,413	2	273,090	3	180,671	2
Gain (loss) on financial assets and liabilities at fair value through profit or loss	1,230	-	4,171	-	6,616	-	35,643	-
Other gains and losses - net	16,047	-	15,908	-	55,981	-	33,277	-
Gain (loss) on foreign exchange	<u>(16,458)</u>	<u>-</u>	<u>58,689</u>	<u>2</u>	<u>(920)</u>	<u>-</u>	<u>57,125</u>	<u>1</u>
Total non-operating income and expenses	<u>82,391</u>	<u>2</u>	<u>137,545</u>	<u>4</u>	<u>290,917</u>	<u>3</u>	<u>263,671</u>	<u>3</u>
INCOME BEFORE INCOME TAX	170,742	4	150,885	4	388,254	4	349,941	4
INCOME TAX EXPENSE (Note 25)	<u>(3,045)</u>	<u>-</u>	<u>(26,480)</u>	<u>(1)</u>	<u>(2,669)</u>	<u>-</u>	<u>(72,824)</u>	<u>(1)</u>
NET INCOME (LOSS)	<u>167,697</u>	<u>4</u>	<u>124,405</u>	<u>3</u>	<u>385,585</u>	<u>4</u>	<u>277,117</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences from translating the financial statements of foreign operations	(87,800)	(2)	133,518	4	107,226	1	128,146	1

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	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized (loss) gain from debt instrument investments measured at fair value through other comprehensive income	<u>2,307</u>	<u>-</u>	<u>1,570</u>	<u>-</u>	<u>5,508</u>	<u>-</u>	<u>3,467</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss	<u>(85,493)</u>	<u>(2)</u>	<u>135,088</u>	<u>4</u>	<u>112,734</u>	<u>1</u>	<u>131,613</u>	<u>1</u>
Total other comprehensive income	<u>(85,493)</u>	<u>(2)</u>	<u>135,088</u>	<u>4</u>	<u>112,734</u>	<u>1</u>	<u>131,613</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 82,204</u>	<u>2</u>	<u>\$ 259,493</u>	<u>7</u>	<u>\$ 498,319</u>	<u>5</u>	<u>\$ 408,730</u>	<u>4</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	<u>\$ 168,067</u>	<u>4</u>	<u>\$ 126,963</u>	<u>3</u>	<u>\$ 390,871</u>	<u>4</u>	<u>\$ 283,682</u>	<u>3</u>
Non-controlling interests	<u>(370)</u>	<u>-</u>	<u>(2,558)</u>	<u>-</u>	<u>(5,286)</u>	<u>-</u>	<u>(6,565)</u>	<u>-</u>
	<u>\$ 167,697</u>	<u>4</u>	<u>\$ 124,405</u>	<u>3</u>	<u>\$ 385,585</u>	<u>4</u>	<u>\$ 277,117</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	<u>\$ 82,587</u>	<u>2</u>	<u>\$ 261,766</u>	<u>7</u>	<u>\$ 503,589</u>	<u>5</u>	<u>\$ 414,903</u>	<u>4</u>
Non-controlling interests	<u>(383)</u>	<u>-</u>	<u>(2,273)</u>	<u>-</u>	<u>(5,270)</u>	<u>-</u>	<u>(6,173)</u>	<u>-</u>
	<u>\$ 82,204</u>	<u>2</u>	<u>\$ 259,493</u>	<u>7</u>	<u>\$ 498,319</u>	<u>5</u>	<u>\$ 408,730</u>	<u>4</u>
EARNINGS PER SHARE								
(Note 26)								
Basic	<u>\$ 0.79</u>		<u>\$ 0.61</u>		<u>\$ 1.85</u>		<u>\$ 1.37</u>	
Diluted	<u>\$ 0.78</u>		<u>\$ 0.60</u>		<u>\$ 1.81</u>		<u>\$ 1.33</u>	

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

(Concluded)

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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			Other 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	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2023	\$ 2,161,107	\$ 6,041,988	\$ 712,562	\$ 211,479	\$ 196,847	\$ 52,472	\$ (13,138)	\$ (335,829)	\$ (196,057)	\$ 8,831,431	\$ 14,829	\$ 8,846,260
Appropriation of 2022 earnings												
Reversal of special reserve	-	-	-	(211,479)	211,479	-	-	-	-	-	-	-
Net income (loss) for the nine months ended September 30, 2023	-	-	-	-	283,682	-	-	-	-	283,682	(6,565)	277,117
Other comprehensive income (loss) for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	127,754	3,467	-	-	131,221	392	131,613
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	283,682	127,754	3,467	-	-	414,903	(6,173)	408,730
Cash distribution from additional paid-in capital	-	(108,000)	-	-	-	-	-	-	-	(108,000)	-	(108,000)
Changes in other additional paid-in capital	-	(2,079)	-	-	-	-	-	-	-	(2,079)	-	(2,079)
Compensation cost of employee share options	-	19,750	-	-	-	-	-	-	-	19,750	-	19,750
Issuance of ordinary shares from exercise of employee share options	463	508	-	-	-	-	-	-	-	971	-	971
Compensation cost of restricted stock to employees	-	-	-	-	-	-	-	139,911	-	139,911	-	139,911
Retirement of restricted stock employees	(2,850)	(60,945)	-	-	-	-	-	60,945	-	(2,850)	-	(2,850)
Treasury shares transferred to employees	-	-	-	-	-	-	-	-	32,997	32,997	-	32,997
BALANCE, SEPTEMBER 30, 2023	\$ 2,158,720	\$ 5,891,222	\$ 712,562	\$ -	\$ 692,008	\$ 180,226	\$ (9,671)	\$ (134,973)	\$ (163,060)	\$ 9,327,034	\$ 8,656	\$ 9,335,690
BALANCE, JANUARY 1, 2024	\$ 2,178,900	\$ 6,031,904	\$ 712,562	\$ -	\$ 757,830	\$ 11,178	\$ (6,519)	\$ (214,722)	\$ (163,060)	\$ 9,308,073	\$ 6,027	\$ 9,314,100
Appropriation of 2023 earnings												
Special reserve	-	-	34,950	-	(34,950)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(217,151)	-	-	-	-	(217,151)	-	(217,151)
Net income (loss) for the nine months ended September 30, 2024	-	-	-	-	390,871	-	-	-	-	370,871	(5,286)	385,585
Other comprehensive income (loss) for the nine months ended September 30, 2024, net of income tax	-	-	-	-	-	107,210	5,508	-	-	112,718	16	112,734
Total comprehensive income (loss) for the nine months ended September 30, 2024	-	-	-	-	390,871	107,210	5,508	-	-	503,589	(5,270)	498,319
Changes in other additional paid-in capital	-	(2,571)	-	-	-	-	-	-	-	(2,571)	-	(2,571)
Compensation cost of employee share options	-	6,153	-	-	-	-	-	-	-	6,153	-	6,153
Issuance of restricted stock employees	17,800	163,276	-	-	-	-	-	(163,276)	-	17,800	-	17,800
Compensation cost of restricted stock to employees	-	-	-	-	-	-	-	154,618	-	154,618	-	154,618
Retirement of restricted stock employees	(3,991)	(44,010)	-	-	-	-	-	44,010	-	(3,991)	-	(3,991)
BALANCE, SEPTEMBER 30, 2024	\$ 2,192,709	\$ 6,154,752	\$ 747,512	\$ -	\$ 896,600	\$ 118,388	\$ (1,011)	\$ (179,370)	\$ (163,060)	\$ 9,766,520	\$ 757	\$ 9,767,277

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

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 388,254	\$ 349,941
Adjustments for:		
Depreciation expenses	93,575	85,087
Amortization expenses	74,559	70,625
Net gain on financial assets at fair value through profit or loss	(6,616)	(35,643)
Finance costs	43,850	43,045
Interest income	(273,090)	(180,671)
Compensation cost of employee share options	6,153	19,750
Loss on disposal of property plant and equipment	176	170
Loss (gain) on disposal of investments	(3,350)	1,803
Reversal gain on write-down of inventories	(386,903)	(934,930)
Unrealized (gain) loss on foreign exchange	8,265	36,919
Compensation cost of restricted stock to employees	154,618	139,911
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	(27,447)	(209,873)
Accounts receivables	419,924	(446,601)
Inventories	544,928	3,415,398
Other current assets	(46,138)	64,175
Accounts payables	475,061	861,210
Other payables	102,485	(346,716)
Other current liabilities	150,145	107,195
Net defined benefit liabilities	(369)	(347)
Cash generated from operations	1,718,080	3,040,448
Interest paid	(44,019)	(44,040)
Income tax paid	(165,853)	(189,038)
Net cash inflow from operating activities	<u>1,508,208</u>	<u>2,807,370</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial asset at fair value through other comprehensive income	(9,750)	-
Acquisition of property, plant and equipment	(68,295)	(28,764)
Decrease in refundable deposits	1,091,318	542,373
Acquisition of intangible assets	(55,714)	(70,180)
Decrease (Increase) in other financial assets	1,959,011	(2,086,336)
Decrease in other non-current assets	14,747	7,905
Interest received	<u>306,537</u>	<u>179,723</u>
Net cash inflow (outflow) from investing activities	<u>3,237,854</u>	<u>(1,455,279)</u>

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) increase in short-term borrowings	\$ 386,344	\$ (2,212,504)
Decrease in long-term borrowings	(122,364)	(23,993)
Decrease in guarantee deposits	(678,175)	(555,130)
Dividends paid to owners of the Company	(217,151)	(108,000)
Exercise of employee share options	-	971
Treasury shares transferred to employees	-	32,997
Issuance of restricted stock employees	17,800	-
Retirement of restricted stock employees	(3,991)	(2,850)
Other	<u>(2,571)</u>	<u>(2,079)</u>
Net cash outflow financing activities	<u>(620,108)</u>	<u>(2,870,588)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>44,695</u>	<u>70,053</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,170,649	(1,448,444)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,444,804</u>	<u>5,674,470</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 8,615,453</u>	<u>\$ 4,226,026</u>

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

(Concluded)

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (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. 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 November 13, 2024.

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. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2025:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

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 International Accounting Standards Board (IASB), but not yet endorsed and issued into effect by the Financial Supervisory Commission (FSC):

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New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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 IFRS 17 “Initial Application of IFRS 9 and IFRS 17-Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

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 present Consolidated Financial Report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by Financial Supervisory Commission.

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 5 and TABLE 6.

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are

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consistent with those applied in the consolidated financial statements for the year ended December 31, 2023.

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, 2023.

6. CASH AND CASH EQUIVALENTS

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand	\$ 4,608	\$ 5,406	\$ 8,115
Checking accounts and demand deposits	4,193,741	1,286,961	1,776,132
Cash equivalent (time deposits with original maturities within three months)	<u>4,417,104</u>	<u>3,152,437</u>	<u>2,441,779</u>
	<u>\$ 8,615,453</u>	<u>\$ 4,444,804</u>	<u>\$ 4,226,026</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Mandatorily measured at fair value through profit or loss (FVTPL)			
Government bonds	\$ 262,936	\$ 246,194	\$ 255,008
Beneficiary Certificate	<u>5,492</u>	<u>4,011</u>	<u>4,153</u>
	<u>\$ 268,428</u>	<u>\$ 250,205</u>	<u>\$ 259,161</u>
<u>Non – Current</u>			
Mandatorily measured at fair value through profit or loss (FVTPL)			
Listed preferred shares	\$ 10,200	\$ 10,183	\$ 93,868
Private Funds	261,342	238,544	255,724
Structured Investments	<u>125,522</u>	<u>116,998</u>	<u>120,307</u>
	<u>\$ 397,064</u>	<u>\$ 365,725</u>	<u>\$ 469,899</u>

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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2024	December 31, 2023	September 30, 2023
Investments in debt instruments			
<u>Current</u>			
Foreign investments			
Fixed income bonds	\$ 134,432	\$ 129,746	\$ -
<u>Non – Current</u>			
Foreign investments			
Fixed income bonds	\$ 62,096	\$ 50,364	\$ 187,530

9. OTHER FINANCIAL ASSETS

	September 30, 2024	December 31, 2023	September 30, 2023
Time deposits with original maturities more than three months	\$ 887,783	\$ 2,806,629	\$ 2,634,009

10. ACCOUNTS RECEIVABLES, NET

	September 30, 2024	December 31, 2023	September 30, 2023
Accounts receivables	\$ 1,240,960	\$ 1,649,039	\$ 1,599,687

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 accounts 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 accounts receivables. The expected credit losses on accounts 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 accounts receivable.

The following table details the loss allowance of accounts receivables based on the Group's allowance matrix.

September 30, 2024

	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	<u>\$ 1,240,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,240,960</u>

December 31, 2023

	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	<u>\$ 1,649,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,649,039</u>

September 30, 2023

	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	<u>\$ 1,599,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,599,687</u>

11. INVENTORIES

	September 30, 2024	December 31, 2023	September 30, 2023
Finished goods	\$ 708,653	\$ 842,838	\$ 832,129
Work in process	1,066,077	980,224	1,441,468
Raw materials and supplies	<u>788,886</u>	<u>852,030</u>	<u>1,024,119</u>
	<u>\$ 2,563,616</u>	<u>\$ 2,675,092</u>	<u>\$ 3,297,716</u>

The cost of goods sold were including amounts of which write-down inventory cost to net realizable value and reverse of write-down inventories due to sales. The amounts are illustrated below:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Reversal gain on write-down of inventories	<u>\$ 83,662</u>	<u>\$ 318,321</u>	<u>\$ 386,903</u>	<u>\$ 934,930</u>

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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			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd.	Investment activity	100%	100%	100%	-
FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	Investment activity	100%	100%	100%	Note1
FocalTech Systems Co., Ltd. And FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Investment activity	66.45%	66.45%	66.45%	Note1
FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	100%	Note1
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	Investment activity	100%	100%	100%	-
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Investment activity	100%	100%	100%	Note1
FocalTech Systems, Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	-	-	100%	Note2
FocalTech Systems, Ltd.	FocalTech Electronics Co., Ltd.	Import and export of integrated circuits	100%	100%	100%	Note1
FocalTech Electronics, Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for affiliates' IC products	100%	100%	100%	Note1
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%	Note1&2
FocalTech Electronics (Shanghai) Co., Ltd.	Chengdu FocalTech Systems Co., Ltd.	Design and research of integrated circuits	100%	-	-	Note1&3
FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	100%	100%	-	Note2
FocalTech Electronics (Shenzhen) Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	Research, development and sale of integrated circuits	100%	100%	-	Note1&2

Note 1 : Immaterial subsidiaries of the Company, whose financial statements had not been reviewed by auditors.

Note 2 : The Group adjusted organizational structure under common control in October, 2023. All shares of FocalTech Systems (Shenzhen) Co., Ltd. and Hefei PineTech Electronics Co., Ltd., which owned by FocalTech Systems, Ltd. and FocalTech Electronics, Ltd. separately, were transferred to FocalTech Electronics (Shenzhen) Co., Ltd..

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Note 3 : Chengdu FocalTech Systems Co., Ltd. was established in August 2024.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Development Equipment	Office Equipment	Information Equipment	Leasehold Improvements	Construction In progress	Total
Cost								
Balance, January 1, 2023	\$ 557,110	\$ 1,856,612	\$ 476,829	\$ 60,977	\$ 43,345	\$ 21,869	\$ 56,640	\$ 3,073,382
Additions	-	-	11,616	17,120	28	-	-	28,764
Disposals	-	-	(5,466)	(182)	(1,225)	-	-	(6,873)
Reclassification	-	-	-	56,640	-	-	(56,640)	-
Effect of foreign currency exchange differences	-	25,483	10,121	176	726	273	-	36,779
Balance, September 30, 2023	<u>\$ 557,110</u>	<u>\$ 1,882,095</u>	<u>\$ 493,100</u>	<u>\$ 134,731</u>	<u>\$ 42,874</u>	<u>\$ 22,142</u>	<u>\$ -</u>	<u>\$ 3,132,052</u>
Accumulated depreciation								
Balance, January 1, 2023	\$ -	\$ 199,720	\$ 292,528	\$ 12,980	\$ 32,077	\$ 21,869	\$ -	\$ 559,174
Depreciation	-	27,634	45,109	10,502	1,842	-	-	85,087
Disposals	-	-	(5,424)	(177)	(1,102)	-	-	(6,703)
Effect of foreign currency exchange differences	-	3,986	8,728	139	546	273	-	13,672
Balance, September 30, 2023	<u>\$ -</u>	<u>\$ 231,340</u>	<u>\$ 340,941</u>	<u>\$ 23,444</u>	<u>\$ 33,363</u>	<u>\$ 22,142</u>	<u>\$ -</u>	<u>\$ 651,230</u>
Carrying amounts as of September 30, 2023	<u>\$ 557,110</u>	<u>\$ 1,650,755</u>	<u>\$ 152,159</u>	<u>\$ 111,287</u>	<u>\$ 9,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,480,822</u>
Cost								
Balance, January 1, 2024	\$ 557,110	\$ 1,834,420	\$ 491,480	\$ 149,461	\$ 41,406	\$ 21,632	\$ -	\$ 3,095,509
Additions	-	-	61,982	5,451	862	-	-	68,295
Disposals	-	-	(132)	(200)	(1,465)	-	-	(1,797)
Effect of foreign currency exchange differences	-	54,258	10,861	400	1,540	580	-	67,639
Balance, September 30, 2024	<u>\$ 557,110</u>	<u>\$ 1,888,678</u>	<u>\$ 564,191</u>	<u>\$ 155,112</u>	<u>\$ 42,343</u>	<u>\$ 22,212</u>	<u>\$ -</u>	<u>\$ 3,229,646</u>
Accumulated depreciation								
Balance, January 1, 2024	\$ -	\$ 232,937	\$ 341,371	\$ 27,010	\$ 32,829	\$ 21,632	\$ -	\$ 655,779
Depreciation	-	27,978	51,143	12,720	1,734	-	-	93,575
Disposals	-	-	(130)	(179)	(1,312)	-	-	(1,621)
Effect of foreign currency exchange differences	-	8,838	7,736	293	1,181	580	-	18,628
Balance, September 30, 2023	<u>\$ -</u>	<u>\$ 269,753</u>	<u>\$ 400,120</u>	<u>\$ 39,844</u>	<u>\$ 34,432</u>	<u>\$ 22,212</u>	<u>\$ -</u>	<u>\$ 766,361</u>
Carrying amounts as of December 31, 2023 and January 1, 2024	<u>\$ 557,110</u>	<u>\$ 1,601,483</u>	<u>\$ 150,109</u>	<u>\$ 122,451</u>	<u>\$ 8,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,439,730</u>
Carrying amounts as of September 30, 2024	<u>\$ 557,110</u>	<u>\$ 1,618,925</u>	<u>\$ 164,071</u>	<u>\$ 115,268</u>	<u>\$ 7,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,463,285</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	2-5 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.

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14. GOODWILL

	September 30, 2024	December 31, 2023	September 30, 2023
Ending balance	<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 consolidated financial statements in 2023 for related information.

15. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
<u>Cost</u>					
Balance, January 1, 2023	\$ 144,432	\$ 229,600	\$ 76,710	\$ 74,000	\$ 524,742
Additions	-	70,180	-	-	70,180
Disposal	(18,656)	(60,784)	-	-	(79,440)
Effect of foreign currency exchange differences	<u>6,163</u>	<u>6,875</u>	<u>5</u>	<u>-</u>	<u>13,043</u>
Balance, September 30, 2023	<u>\$ 131,939</u>	<u>\$ 245,871</u>	<u>\$ 76,715</u>	<u>\$ 74,000</u>	<u>\$ 528,525</u>
<u>Accumulated amortization</u>					
Balance, January 1, 2023	\$ 142,207	\$ 200,676	\$ 62,110	\$ 59,200	\$ 464,193
Amortization expenses	2,225	57,375	5,475	5,550	70,625
Disposal	(18,656)	(60,784)	-	-	(79,440)
Effect of foreign currency exchange differences	<u>6,163</u>	<u>6,832</u>	<u>5</u>	<u>-</u>	<u>13,000</u>
Balance, September 30, 2023	<u>\$ 131,939</u>	<u>\$ 204,099</u>	<u>\$ 67,590</u>	<u>\$ 64,750</u>	<u>\$ 468,378</u>
Carrying amounts as of September 30, 2023	<u>\$ -</u>	<u>\$ 41,772</u>	<u>\$ 9,125</u>	<u>\$ 9,250</u>	<u>\$ 60,147</u>
<u>Cost</u>					
Balance, January 1, 2024	\$ 125,757	\$ 314,510	\$ 76,706	\$ 74,000	\$ 590,973
Additions	-	55,714	-	-	55,714
Disposal	-	(24,084)	-	-	(24,084)
Effect of foreign currency exchange differences	<u>3,733</u>	<u>4,346</u>	<u>10</u>	<u>-</u>	<u>8,089</u>
Balance, September 30, 2024	<u>\$ 129,490</u>	<u>\$ 350,486</u>	<u>\$ 76,716</u>	<u>\$ 74,000</u>	<u>\$ 630,692</u>

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Accumulated amortization

Balance, January 1, 2024	\$ 125,757	\$ 214,691	\$ 69,406	\$ 66,600	\$ 476,454
Amortization expenses	-	63,534	5,475	5,550	74,559
Disposal	-	(24,084)	-	-	(24,084)
Effect of foreign currency exchange differences	<u>3,733</u>	<u>4,261</u>	<u>10</u>	<u>-</u>	<u>8,004</u>
Balance, September 30, 2024	<u>\$ 129,490</u>	<u>\$ 258,402</u>	<u>\$ 74,891</u>	<u>\$ 72,150</u>	<u>\$ 534,933</u>
Carrying amounts as of December 31, 2023 and January 1, 2024	<u>\$ -</u>	<u>\$ 99,819</u>	<u>\$ 7,300</u>	<u>\$ 7,400</u>	<u>\$ 114,519</u>
Carrying amounts as of September 30, 2024	<u>\$ -</u>	<u>\$ 92,084</u>	<u>\$ 1,825</u>	<u>\$ 1,850</u>	<u>\$ 95,759</u>

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

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

16. REFUNDABLE DEPOSITS

	September 30, 2024	December 31, 2023	September 30, 2023
Capacity guarantee deposits and others	<u>\$ 766,654</u>	<u>\$ 1,857,769</u>	<u>\$ 2,112,216</u>

Guarantee deposits mainly consists of cash paid to suppliers to ensure stable foundry capacity.

17. BORROWINGS

a. Short-term borrowings

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank loans	<u>\$1,283,453</u>	<u>\$ 860,242</u>	<u>\$ 875,631</u>
Annual interest rate			
Unsecured bank loans	2.10-3.35%	3.10~3.60%	2.80-3.80%

b. Long-term borrowings

	September 30, 2024	December 31, 2023	September 30, 2023
Secured bank loans (1)	\$ 776,635	\$ 786,840	\$ 786,840
Unsecured bank loans (2)	<u>66,846</u>	<u>172,107</u>	<u>178,436</u>
	843,481	958,947	965,276

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Less: reclassification to Current position of
long-term borrowings

(108,986)	(198,493)	(144,594)
<u>\$ 734,495</u>	<u>\$ 760,454</u>	<u>\$ 820,682</u>

Annual interest rate

Secured bank loans	1.875~2.00%	1.75~1.875%	1.75-1.875%
Unsecured bank loans	3.00~3.10%	3.30~3.65%	3.30%-3.65%

(1) For secured bank loans, the principals will be paid monthly or quarterly after three years from drawdown date. The period of borrowings is from September, 2021 to September, 2036. Commercial building is pledged as collateral for the long-term loans, please refer to Note 31.

(2) For unsecured bank loans, the principals will be paid according to the contract. The period of borrowings is from August, 2023 to September, 2025.

18. ACCOUNTS PAYABLES

	September 30, 2024	December 31, 2023	September 30, 2023
Accounts payables	<u>\$ 1,972,777</u>	<u>\$ 1,478,429</u>	<u>\$ 1,797,850</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

	September 30, 2024	December 31, 2023	September 30, 2023
Payable for rebates	\$ 938,563	\$ 849,398	\$ 798,353
Payable for salaries and bonus	416,622	380,430	319,819
Payable for labor, health and social insurance	14,966	15,320	15,269
Reserve for litigations	53,652	53,473	54,315
Payable for professional services and others	<u>176,047</u>	<u>157,763</u>	<u>167,888</u>
	<u>\$1,599,850</u>	<u>\$1,456,384</u>	<u>\$1,355,644</u>

20. RETIREMENT BENEFIT

Pension expenses under the defined benefit plans, calculated using the actuarially determined pension cost rate as of December 31, 2023 and 2022, were NT\$43 thousand, NT\$42 thousand, NT\$132 thousand and NT\$124 thousand for the three months ended and the nine months ended September 30, 2024 and 2023, respectively.

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21. GUARANTEE DEPOSITS RECEIVED

	September 30, 2024	December 31, 2023	September 30, 2023
Capacity guarantee deposits and others	<u>\$ 3,010,421</u>	<u>\$3,688,279</u>	<u>\$ 3,814,421</u>

Guarantee deposit mainly consists of cash received from customers to ensure they have access to the Group's specified capacity

22. EQUITY

a. Share capital

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

	September 30, 2024	December 31, 2023	September 30, 2023
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>219,271</u>	<u>217,890</u>	<u>215,872</u>
Shares issued	<u>\$ 2,192,709</u>	<u>\$ 2,178,900</u>	<u>\$ 2,158,720</u>

b. Capital surplus

The categories of uses and the sources of capital surplus based on regulations were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Additional paid-in capital	\$5,441,090	\$5,159,995	\$5,159,415
Treasury stock	210,887	167,900	167,549
Employee share options-expired	34,448	34,448	34,448
May be used to offset a deficit only			
Other – unclaimed dividend	14	6	6
May not be used for any purpose			
Restricted stock for employees	461,256	625,664	490,752
Employee share options	<u>7,057</u>	<u>43,891</u>	<u>39,052</u>
	<u>\$6,154,752</u>	<u>\$ 6,031,904</u>	<u>\$5,891,222</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

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certain percentage of the Company's capital surplus annually).

c. Retained earnings and dividend policy

Under the Company's Article of Incorporation, 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.

See Note 24(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 is required to set aside additional special capital reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from prior-year earnings.

The annual shareholders' meeting on May 30, 2023 resolved to distribute the additional paid-in capital in the amount of \$108,000 thousand, or \$0.5 per share.

The appropriations of earnings for 2023 and 2022 were resolved by the annual shareholders' meeting on June 7, 2024, and May 30, 2023, respectively. The details of the distribution are as follows:

	2023	2022
Legal reserve	\$ 34,950	\$ -
Special reserve reversed	\$ -	\$ 211,479
Cash dividends	\$ 217,151	\$ -
Cash dividends per share	\$ 1.00	\$ -

d. Special reserve

	For the Nine Months Ended September 30	
	2024	2023
Balance, beginning	\$ -	\$ 211,479
Special reserve (reversed)	-	(211,479)
Balance, ending	\$ -	\$ -

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e. Treasury stock

	Shares (In Thousands)
Number of shares on January 1, 2023	1,545
Decrease during the period	<u>(260)</u>
Number of shares on September 30, 2023	<u>1,285</u>
Number of shares on January 1, 2024 and September 30, 2024	<u>1,285</u>

The detailed information for other treasure stock transferred to employee programs could be found in Note 27 (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

	For the Nine Months Ended September 30	
	2024	2023
Balance, beginning	(\$ 214,722)	(\$ 335,829)
Issuance of shares	(163,276)	-
Retirement of shares	44,010	60,945
Share-based payment expenses recognized	<u>154,618</u>	<u>139,911</u>
Balance, ending	(\$ <u>179,370</u>)	(\$ <u>134,973</u>)

The detailed information for restricted share for employees program referred to Note 27 (c).

g. Non-controlling interests

	For the Nine Months Ended September 30	
	2024	2023
Balance, beginning	\$ 6,027	\$ 14,829
Net loss	(5,286)	(6,565)
Other comprehensive income (loss)		
Exchange differences from translating the financial statements of foreign operations	<u>16</u>	<u>392</u>
Balance, ending	<u>\$ 757</u>	<u>\$ 8,656</u>

23. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
IC for human and machine interface devices	<u>\$ 3,813,063</u>	<u>\$ 3,598,407</u>	<u>\$ 10,350,922</u>	<u>\$ 9,936,037</u>

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Contract balances

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Contract liabilities (classified as current liabilities)			
Sales of goods	<u>\$ 164,991</u>	<u>\$ 24,732</u>	<u>\$ 152,436</u>

24. NET INCOME (LOSS)

a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Interest on bank loans	\$ 15,651	\$ 10,636	\$ 43,850	\$ 42,978
Interest on deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>67</u>
	<u>\$ 15,651</u>	<u>\$ 10,636</u>	<u>\$ 43,850</u>	<u>\$ 43,045</u>

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Property, plant and equipment	\$ 34,503	\$ 27,842	\$ 93,575	\$ 85,087
Intangible assets	<u>25,729</u>	<u>32,732</u>	<u>74,559</u>	<u>70,625</u>
	<u>\$ 60,232</u>	<u>\$ 60,574</u>	<u>\$ 168,134</u>	<u>\$ 155,712</u>

An analysis of
depreciation by
function

Operating costs	\$ 6,628	\$ 6,332	\$ 19,474	\$ 18,927
Operating expenses	<u>53,604</u>	<u>54,242</u>	<u>148,660</u>	<u>136,785</u>
	<u>\$ 60,232</u>	<u>\$ 60,574</u>	<u>\$ 168,134</u>	<u>\$ 155,712</u>

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Post-employment benefits				
Defined contribution plans	\$ 8,594	\$ 7,968	\$ 25,282	\$ 24,365
Defined benefit plans (Note 20)	43	42	132	124

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Share-based payments (Note 27)				
Cash-settled	792	-	1,579	-
Equity-settled	40,655	34,177	160,771	159,661
Other employee benefits	<u>515,672</u>	<u>426,170</u>	<u>1,466,483</u>	<u>1,071,878</u>
Total employee benefits expense	<u>\$ 565,756</u>	<u>\$ 468,357</u>	<u>\$ 1,654,247</u>	<u>\$ 1,256,028</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 42,798	\$ 29,880	\$ 131,386	\$ 92,016
Operating expenses	<u>522,958</u>	<u>438,477</u>	<u>1,522,861</u>	<u>1,164,012</u>
	<u>\$ 565,756</u>	<u>\$ 468,357</u>	<u>\$ 1,654,247</u>	<u>\$ 1,256,028</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. The accrued employees' compensation and remuneration of directors for the three months and nine months ended September 30, 2024 and 2023 are as follows:

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Employees' compensation	<u>\$ 1,615</u>	<u>\$ 1,662</u>	<u>\$ 3,800</u>	<u>\$ 3,649</u>
Remuneration of directors	<u>\$ 85</u>	<u>\$ 88</u>	<u>\$ 200</u>	<u>\$ 183</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 for 2023 on February 23, 2024. There is no difference between the actual amount of remuneration to employees and directors resolved and the amount of remuneration to employees and directors accounted for in 2023 consolidated financial statements. There were no employees' compensation and remuneration of directors accrued due to loss before income tax for the year ended December 31, 2022.

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.

25. INCOME TAXES

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Current income tax expense				
In respect of the current year	\$ 57	\$ -	\$ 334	\$ 239
Other income tax adjustments	<u>-</u>	<u>(5,109)</u>	<u>-</u>	<u>(4,846)</u>
	<u>57</u>	<u>(5,109)</u>	<u>334</u>	<u>(4,607)</u>
Deferred income tax expense				
In respect of the current year	<u>2,988</u>	<u>31,589</u>	<u>2,335</u>	<u>77,431</u>
Income tax expense recognized in profit or loss	<u>\$ 3,045</u>	<u>\$ 26,480</u>	<u>\$ 2,669</u>	<u>\$ 72,824</u>

b. Income tax assessments

The Company, FocalTech Smart Sensors Co., Ltd., and FocalTech Electronics Co., Ltd.'s tax returns through 2022 have been examined by the tax authorities.

26. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Basic earnings per share	<u>\$ 0.79</u>	<u>\$ 0.61</u>	<u>\$ 1.85</u>	<u>\$ 1.37</u>
Diluted earnings per share	<u>\$ 0.78</u>	<u>\$ 0.60</u>	<u>\$ 1.81</u>	<u>\$ 1.33</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 September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Earnings used in the computation of basic earnings per share	<u>\$ 168,067</u>	<u>\$ 126,963</u>	<u>\$ 390,871</u>	<u>\$ 283,682</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Weighted average number of ordinary shares in computation of basic earnings per share	213,022	209,240	211,499	207,198
Effect of potentially dilutive ordinary shares:				
Treasure share issued to employee	386	2,942	1,468	4,026
Employees stock options (share)	54	85	54	60
Restricted stock for employees (share)	1,856	491	2,547	1,419
The compensation to employees	<u>12</u>	<u>22</u>	<u>198</u>	<u>46</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>215,330</u>	<u>212,780</u>	<u>215,766</u>	<u>212,749</u>

27. SHARE-BASED PAYMENT ARRANGEMENTS

The Group did not have new share option plan issued for employees for the nine months ended September 30, 2024 and 2023. The detailed information could be found in Note 27 of the consolidated financial statements of the year ended December 31, 2023.

a. Employee share option plan

Information on outstanding options for the nine months ended September 30, 2024 and 2023 were as follows:

September 30, 2024

	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\$)
Employee Stock Option Plan								
2015	63,000	12.80	-	-	-	-	63,000	12.80

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September 30, 2023

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	22,399	\$29.68	(22,399)	\$29.68	-	\$ -	-	\$ -
2015	87,000	12.80	(24,000)	12.80	-	-	63,000	12.80

b. Treasure stock transferred to employees

Information about treasure stock transferred to employee are as follows:

Items	The date of board of directors approved	Buyback shares (In thousand share)	Transferred shares (In thousand share)	Transferred price (in dollar)
The 6th treasure stock transferred to employee program	2022/2/23	4,000	2,715	126.91

Information about treasure stock transferred to employee as of September 30, 2024 are as follows:

The 6th treasury stock transferred to employee program		
Employee subscription base date	Shares transferred (In Thousands)	The fair value of the right to subscribe (NT\$)
2022/06/21	2,315	\$ -
2022/11/11	140	-
2023/02/23	260	-
Total	2,715	

c. Restricted stock for employees

The Company's shareholders' meeting resolved to issue restricted stocks for employees up to 6,000 thousand shares on May 30, 2023, and the issued price is NT\$10 per share. The restricted stocks plan was approved by Financial Supervisory Commission on July 25, 2023.

The information of the issued restricted stock for employees as of September 30, 2024 are as follows:

Items	Grant date	Fair value per share (in dollar)	Actual shares of issued (in thousand)
2020 restricted stocks for employees plan	2021/04/07	\$ 205.00	5,749
2020 restricted stocks for employees plan	2021/07/29	265.00	236
2023 restricted stocks for employees plan	2023/09/26	67.40	2,033
2023 restricted stocks for employees plan	2024/02/23	94.00	1,597
2023 restricted stocks for employees plan	2024/08/09	67.30	183

2020 restricted stocks for employees plan

From the date when employees are granted restricted stock units, they have to fulfill the service code, and should not violate the company's labor contract, work rules or the company's employee management measures, etc. The vesting condition are as follows:

- 1) Upon service for two years. the shares vested in 50% to employees.
- 2) Upon service for three years. the shares vested in 25% to employees.
- 3) Upon service for four years. the shares vested in 25% to employees.

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2023 restricted stocks for employees plan

From the date when employees are granted restricted stock units, they have to fulfill the service code, and should not violate the company's labor contract, work rules or the company's employee management measures, etc. One third of granted shares can be vested after every one year of employment, total for three years.

The constraints of restricted stock are as follows:

- 1) Employees are restricted to sell, pledge, transfer, and give to another, create any encumbrance on, or otherwise dispose of, any shares before vested.
- 2) The rights of restricted stock are same as ordinary share including attendance, propose, speak, voting right and so on at the Company's shareholders' meeting. The exercise of such rights shall be performed in accordance with the trust agreement or the securities custodies by the Company's prescribed.
- 3) Stock dividends and cash dividends yielding from restricted stock will be distributed to employees in the current year, and will not be restricted.
- 4) 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's 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.

For the restricted share plan for employees with a purchase price, which was granted before October 10, 2024, the Group did not retrospectively apply the Q&A "Accounting Treatment for Restricted Share Plan for Employees" issued by the Accounting Research and Development Foundation (ARDF) on October 11, 2024 in accordance with the Q&A issued by the FSC. Therefore, the Group continuously measured the liabilities of the expected repayments to the employees leaving during the vesting period based on its estimated turnover rate.

- d. Compensation cost of aforementioned share-based payments for the nine months ended September 30, 2024 and 2023 are as follows:

	For the Nine Months Ended September 30	
	2024	2023
Shares buyback programs	\$ 6,153	\$ 19,750
Restricted stock for employees	<u>154,618</u>	<u>139,911</u>
	<u>\$ 160,771</u>	<u>\$ 159,661</u>
Adjustment account:		
Capital surplus - employee stock options	\$ 6,153	\$ 19,750
Other equity - unearned employee compensation	<u>154,618</u>	<u>139,911</u>
	<u>\$ 160,771</u>	<u>\$ 159,661</u>

- e. Cash-settled share-base payment agreements of subsidiaries

Focaltech Electronics (Shenzhen) Co., Ltd. granted its specific employees and employees in its subsidiaries 1,500,000 units cash-settled stock appreciation rights. The expected option life of the stock appreciation rights is 8 years. The employees could exercise the stock appreciation rights they were granted in 12 months, 24 months, 36 months and 48 months separately, and the subsidiaries will pay cash when its employees exercise the stock appreciation rights according to the agreement.

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The fair value of cash-settled share-base payment use the Black-Scholes Option Pricing Model, and assumption used in calculating the fair value are disclosed as follows:

	September 30, 2024
Stock price at measurement date (in dollars)	RMB 2.50
Exercise Price per share	-
Expected price volatility	36.48~37.34%
Expected option life	8 years
Expected dividend yield	-
Risk-free interest rate	2.31~2.38%

The compensation cost of the cash-settled share-base payment was NT\$792 thousand and NT\$1,579 thousand for the three months ended and the nine months ended September 30, 2024.

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, 2025. 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 \$3,352 thousand and \$2,782 thousand as of September 30, 2024 and 2023.

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	
	2024	2023	2024	2023
Lease payment	<u>\$ 2,605</u>	<u>\$ 2,233</u>	<u>\$ 7,299</u>	<u>\$ 7,421</u>

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, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Listed preferred shares	\$ 10,200	\$ -	\$ -	\$ 10,200
Private funds	-	-	261,342	261,342
Beneficiary certificate	5,492	-	-	5,492
Government bonds	-	262,936	-	262,936
Structured Investments	-	125,522	-	125,522
Total	<u>\$ 15,692</u>	<u>\$ 388,458</u>	<u>\$ 261,342</u>	<u>\$ 665,492</u>
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 196,528</u>	<u>\$ -</u>	<u>\$ 196,528</u>

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Listed preferred shares	\$ 10,183	\$ -	\$ -	\$ 10,183
Private funds	-	-	238,544	238,544
Beneficiary certificate	4,011	-	-	4,011
Government bonds	-	246,194	-	246,194
Structured Investments	-	116,998	-	116,998
Total	<u>\$ 14,194</u>	<u>\$ 363,192</u>	<u>\$ 238,544</u>	<u>\$ 615,930</u>
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 180,110</u>	<u>\$ -</u>	<u>\$ 180,110</u>

September 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Listed preferred shares	\$ 93,868	\$ -	\$ -	\$ 93,868
Private funds	-	-	255,724	255,724
Beneficiary certificate	4,153	-	-	4,153
Government bonds	-	255,008	-	255,008
Structured Investments	-	120,307	-	120,307
Total	<u>\$ 98,021</u>	<u>\$ 375,315</u>	<u>\$ 255,724</u>	<u>\$ 729,060</u>
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 187,530</u>	<u>\$ -</u>	<u>\$ 187,530</u>

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2024 and 2023.

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

	For the Nine Months Ended September 30	
	2024	2023
<u>Financial assets at FVTPL</u>		
Balance, beginning	\$ 238,544	\$ 207,977
Purchases	28,155	17,500
Disposals	(11,366)	(9,313)
Recognized in profit or loss (other income or loss)	4,975	37,929
Effect of foreign currency exchange differences	1,034	1,631
Balance, ending	<u>\$ 261,342</u>	<u>\$ 255,724</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 and government 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

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	\$ 665,492	\$ 615,930	\$ 729,060
Amortized cost (Note 1)	11,510,850	10,758,241	10,571,938
Financial assets at FVTOCI			
Investments in debt instruments	196,528	180,110	187,530
<u>Financial liabilities</u>			
Amortized cost (Note 2)	8,709,982	8,442,281	\$ 8,808,822

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 borrowings, accounts payables, other payables, current position of long-term borrowings, long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, accounts receivable, other financial assets, financial assets at FVTPL, financial assets at FVTOCI, accounts payables and other payables. The Group's Corporate Treasury function provides services to the business, coordinates

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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 currency 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 33.

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 Nine Months Ended September 30	
	2024	2023
Profit or loss/ equity	\$ 12,865 (i)	\$ 77,267 (i)

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

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b) Interest rate risk

The Group was exposed to interest rate risk primarily related to its investments in time deposits with fixed-rate interest, bonds investment, short-term borrowings, demand deposits with floating-rate interest, structured investments, current position of long-term borrowings and long-term borrowings. The time deposits were at fixed interest rates, and bonds investment were at fixed rates or with guaranteed minimal interest rates and carried. Therefore, changes in interest rates would not affect the future cash flows.

The carrying amount of the Group's financial assets and financial liabilities exposed to interest rates at the end of the reporting period were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Fair value interest rate risk			
Financial assets	\$ 5,764,351	\$ 6,385,370	\$ 5,518,326
Financial liabilities	\$ 1,283,453	\$ 860,242	\$ 875,631
Cash flow interest rate risk			
Financial assets	\$ 4,315,830	\$ 1,400,499	\$ 1,892,979
Financial liabilities	\$ 843,481	\$ 958,947	\$ 965,276

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 nine months ended September 30, 2024 and 2023 would increase/ decrease by NT\$6,511 thousand and NT\$1,739 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 Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group 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 Group's major credit risk of accounts receivables mainly came from its top 5 customers. Ongoing credit evaluation of the financial condition of the customers is performed.

As of September 30, 2024, accounts receivables from top 5 customers represented 56% of total accounts receivables. The credit concentration risk of other accounts 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

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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:

Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio	Carrying Amount as of September 30, 2024
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 459,464</u>

Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio	Carrying Amount as of December 31, 2023
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 426,304</u>

Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio	Carrying Amount as of September 30, 2023
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 442,538</u>

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3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate cash and cash equivalents to fund its operations and mitigate the impacts of fluctuations in cash flows. The Group relies on bank borrowings as a significant source of liquidity.

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, 2024

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 3,571,380	\$ 3,010,421	\$ -
Fixed interest rate liabilities	1,284,700	-	-
Floating interest rate liabilities	<u>108,986</u>	<u>281,477</u>	<u>453,018</u>
	<u>\$ 4,965,066</u>	<u>\$ 3,291,898</u>	<u>\$ 453,018</u>

December 31, 2023

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 2,933,439	\$ 3,688,279	\$ -
Fixed interest rate liabilities	861,616	-	-
Floating interest rate liabilities	<u>198,493</u>	<u>258,893</u>	<u>501,561</u>
	<u>\$ 3,993,548</u>	<u>\$ 3,947,172</u>	<u>\$ 501,561</u>

September 30, 2023

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 3,153,139	\$ 3,814,421	\$ -
Fixed interest rate liabilities	875,986	-	-
Floating interest rate liabilities	<u>144,594</u>	<u>302,940</u>	<u>517,742</u>
	<u>\$ 4,173,719</u>	<u>\$ 4,117,361</u>	<u>\$ 517,742</u>

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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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Long-term employee benefits	\$ -	\$ -	\$ -	\$ 19,705
Short-term employee benefits	9,814	12,202	31,441	41,591
Post-employment benefits	153	135	477	405
Share-based payments	<u>8,908</u>	<u>9,576</u>	<u>24,109</u>	<u>28,728</u>
	<u>\$ 18,875</u>	<u>\$ 21,913</u>	<u>\$ 56,027</u>	<u>\$ 90,429</u>

31. PLEDGED ASSETS

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

	September 30, 2024	December 31, 2023	September 30, 2023
Property, plant and equipment – Net of buildings	\$ 477,675	\$ 485,178	\$ 487,678
Properties, plants and equipment – Land	557,110	557,110	557,110
Pledge deposits (categorized in other non-current assets)	<u>4,000</u>	<u>12,670</u>	<u>4,000</u>
	<u>\$ 1,038,785</u>	<u>1,054,958</u>	<u>\$ 1,048,788</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

ELAN MICROELECTRONICS CORPORATION. (“ELAN”) filed patent infringement actions with Intellectual Property and Commercial Court on March 20, 2024. The lawsuit alleges that the Company infringed on an invention patent and demands the destruction or other necessary disposal of the specific infringing product already manufactured, as well as the raw materials and tools used in the infringing activities. They are also asking compensation for damages. Currently, the case is undergoing a document review by the Intellectual Property and Commercial Court and has not yet been assigned to a specific division for processing. It does not have material impact on the Company’s operation and finance.

33. 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 are as follows:

September 30, 2024

	Foreign Currencies (thousand)	Exchange Rate	NT\$(thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 164,466	31.65 (USD:NTD)	\$ 5,205,354
USD	41,200	7.0074 (USD:RMB)	1,303,990
<u>Financial liabilities</u>			
Monetary items			
USD	155,697	31.65 (USD:NTD)	4,927,810
USD	41,840	7.0074 (USD:RMB)	1,324,237

December 31, 2023

	Foreign Currencies (thousand)	Exchange Rate	NT\$(thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 184,442	30.705 (USD:NTD)	\$ 5,663,308
USD	19,801	7.0827 (USD:RMB)	607,980
<u>Financial liabilities</u>			
Monetary items			
USD	168,856	30.705 (USD:NTD)	5,184,737
USD	47,177	7.0827 (USD:RMB)	1,448,583

September 30, 2023

	Foreign Currencies (thousand)	Exchange Rate	NT\$(thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 228,457	32.27 (USD:NTD)	\$ 7,372,310
USD	22,843	7.1798 (USD:RMB)	737,130
<u>Financial liabilities</u>			
Monetary items			
USD	180,944	32.27 (USD:NTD)	5,839,061
USD	22,468	7.1798 (USD:RMB)	725,030

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34. ADDITIONAL DISCLOSURES

- a. Information about significant transactions and investees:
 - 1) Financings provided to others: See Table 1 attached;
 - 2) Endorsement/guarantee provided: See Table 2 attached;
 - 3) Marketable securities held (excluding investments in subsidiaries and associates): See Table 3 attached;
 - 4) Marketable securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate property at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate property at prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - 9) Information about the derivative financial instrument transaction: None;
 - 10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: See Table 4 attached;
- b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in mainland China): See Table 5 attached;
- c. 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 6 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 4 attached.
- d. Information of major shareholders
List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: None.

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.

TABLE 1

FocalTech Systems Co., Ltd. and Subsidiaries
FINANCINGS PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(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	\$ 949,500 (USD 30,000)	\$ 949,500 (USD 30,000)	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	-	\$ 2,350,418	\$ 2,350,418	Note 3
1	FocalTech Systems, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	Other receivables from related parties	Yes	316,500 (USD 10,000)	316,500 (USD 10,000)	-	-	The need for short-term financing	-	Operating capital	-	-	-	2,350,418	2,350,418	Note 3
2	FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	Other receivables from related parties	Yes	791,250 (USD 25,000)	791,250 (USD 25,000)	-	-	The need for short-term financing	-	Operating capital	-	-	-	1,598,517	1,598,517	Note 3
3	FocalTech Electronics (Shenzhen) Co., Ltd.	Chengdu FocalTech Systems Co., Ltd.	Other receivables from related parties	Yes	158,250 (USD 5,000)	158,250 (USD 5,000)	-	-	The need for short-term financing	-	Operating capital	-	-	-	535,143	535,143	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: 31.65 NTD as of September 30, 2024.

TABLE 2

FocalTech Systems Co., Ltd. and Subsidiaries
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(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	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Property	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.	Hefei PineTech Electronics Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	\$ 4,833,260	\$ 854,550 (USD 27,000)	\$ 854,550 (USD 27,000)	\$ 73,324	\$	8.75%	\$ 4,833,260	Yes	No	Yes	(Note 3) and 4)
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.	4,833,260	1,234,350 (USD 39,000)	1,234,350 (USD 39,000)	14,704		12.64%	4,833,260	Yes	No	Yes	(Note 3 and 4)
0	FocalTech Systems Co., Ltd.	Chengdu FocalTech Systems Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,833,260	316,500 (USD 10,000)	316,500 (USD 10,000)			3.24%	4,833,260	Yes	No	Yes	(Note 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: 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 guarantee 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.

Note 3: FocalTech Systems Co., Ltd. provided USD 15,000 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\$ 0 and 14,704 thousand.

Note 4: Using the exchange rate of 1 USD: 31.65 NTD as of September 30, 2024.

TABLE 3

FocalTech Systems Co., Ltd. and Subsidiaries
MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2024
(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, 2024				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
FocalTech Systems Co., Ltd.	<u>Stock</u> Class B Preferred Stock of Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - non current	170,000	NT\$ 10,200	0.03	NT\$ 10,200	-
	<u>Privately Offered Fund</u> CDIB Capital Healthcare Ventures II Limited Partnership	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 32,044	0.96	NT\$ 32,044	-
	CDIB Capital Growth Partners L.P.	-	"	-	NT\$ 27,628	0.66	NT\$ 27,628	-
	CDIB-Innolux Fund Limited Partnership	-	"	-	NT\$ 64,820	4.37	NT\$ 64,820	-
	CDIB-Innolux Fund II Limited Partnership	-	"	-	NT\$ 20,699	1.93	NT\$ 20,699	-
	Cathay Private Equity Smart Tech Limited Partnership	-	"	-	NT\$ 90,562	22.16	NT\$ 90,562	-
	<u>Fixed income bonds</u> First Commercial Bank, Ltd. Maturity Date : December 08, 2026	-	Financial assets at fair value through other comprehensive income - non current		NT\$ 9,740		NT\$ 9,740	-
	<u>Structured product</u> CLN Link HSBC SUB	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 62,561 (USD 1,977)		NT\$ 62,561 (USD 1,977)	-
	CLN Link Barclays SUB	-	"	-	NT\$ 62,961 (USD 1,989)		NT\$ 62,961 (USD 1,989)	-
	<u>Beneficiary certificate</u> UBS Monetary Fund	-	Financial assets at fair value through profit or loss - current		NT\$ 5,492 (USD 173)		NT\$ 5,492 (USD 173)	-
FocalTech Systems, Ltd.	<u>Government bonds</u> United States Department of The Treasury Maturity Date : October 03,2024 ~ September 04, 2025	-	Financial assets at fair value through profit or loss - current		NT\$ 262,936 (USD 8,308)		NT\$ 262,936 (USD 8,308)	-
	<u>Fixed income bonds</u> Bank of China Limited Maturity Date : November 13, 2024	-	Financial assets at fair value through other comprehensive income - current	-	NT\$ 134,432 (USD 4,247)		NT\$ 134,432 (USD 4,247)	-
	Industrial and Commercial Bank of China Limited Maturity Date : September 21, 2025	-	Financial assets at fair value through other comprehensive income - non current	-	NT\$ 53,356 (USD 1,654)		NT\$ 53,356 (USD 1,654)	-
	<u>Privately Offered Fund</u> TIEF Fund, L.P.	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 25,589 (USD 808)	4.83	NT\$ 25,589 (USD 808)	-

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: 31.65 NTD as of September 30, 2024.

FocalTech Systems Co., Ltd. and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(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 Electronics, Ltd.	1	Accounts Payables	\$ 470,248	Note 2	2.45%
0	FocalTech Systems Co., Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	1	Cost of revenue	36,016	Note 2	0.35%
1	FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	2	Other Receivables	162,611	Note 2	0.85%
2	FocalTech Systems, Ltd	FocalTech Electronics (Shenzhen) Co., Ltd.	2	Other Receivables	569,985	Note 2	2.97%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	2	Accounts Payables	312,747	Note 2	1.63%
			2	Research and development expenses	72,739	Note 2	0.70%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	2	Other Prepayment	450,947	Note 2	2.35%
			2	Research and development expenses	405,579	Note 2	3.92%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	2	Other Payables	27,042	Note 2	0.14%
			2	Selling and marketing expenses	80,159	Note 2	0.77%

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 5

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 THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(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, 2024			Net Income (Losses) of the Investee (Note 4)	Share of Profits/Losses of Investee (Note 4)	Note
				September 30,2024 (Note 2)	December 31,2023 (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\$ 2,469,462 (USD 78,024)	NT\$ 46,610 (USD 1,455)	NT\$ 46,610 (USD 1,455)	Subsidiary
FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	Cayman Islands	Investment activity	NT\$ 3,165 (USD 100)	NT\$ 3,071 (USD 100)	2	100%	NT\$ 1,598,517 (USD 50,506)	NT\$ 322,060 (USD 10,054)	NT\$ 322,060 (USD 10,054)	Subsidiary
FocalTech Systems Co., Ltd.	FocalTech Smart Sensors, Ltd.	Cayman Islands	Investment activity	NT\$ 85,350	NT\$ 85,350	3,000,000	9.14%	NT\$ 206 (USD 7)	(NT\$ 15,759) (USD 492)	(NT\$ 1,440) (USD 45)	Subsidiary
FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Cayman Islands	Investment activity	NT\$ 238,821	NT\$ 238,821	18,813,050	57.31%	NT\$ 1,293 (USD 41)	(NT\$ 15,759) (USD 492)	(NT\$ 9,031) (USD 282)	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\$ 845	(NT\$ 15,505)	(NT\$ 15,505)	Subsidiary
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	U.S.A	Investment activity	NT\$ 3,237,569 (USD 102,293)	NT\$ 3,140,902 (USD 102,293)	100	100%	NT\$ 2,272,801 (USD 71,810)	NT\$ 46,790 (USD 1,461)	NT\$ 46,790 (USD 1,461)	Subsidiary
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Cayman Islands	Investment activity	NT\$ 739,029 (USD 23,350)	NT\$ 716,964 (USD 23,350)	2	100%	NT\$ 2,350,418 (USD 74,263)	NT\$ 60,588 (USD 1,891)	NT\$ 60,588 (USD 1,891)	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\$ 88,257 (USD 2,789)	(NT\$ 5,070) (USD 158)	(NT\$ 5,070) (USD 158)	Subsidiary

Note 1: Please refer to the table 6 for the information on investment in Mainland China.
Note 2: Using the exchange rate of 1 USD: 31.65 NTD as of September 30, 2024.
Note 3: Using the exchange rate of 1 USD: 30.705 NTD as of December 31, 2023.
Note 4: Using the average exchange rate of 1 USD: 32.034 NTD for the nine months ended September 30, 2024.

TABLE 6

FocalTech Systems Co., Ltd. and Subsidiaries
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024
(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, 2023 (Note 1)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2024 (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, 2024 (Note 1)	Accumulated inward remittance of earnings as of September 30, 2024	Note
					Outflow	Inflow							
FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for affiliates' IC products	NT\$ 91,785 (USD 2,900)	(Note 3 and 4)	NT\$ 31,650 (USD 1,000)	\$ -	\$ -	NT\$ 31,650 (USD 1,000)	NT\$ 3,124 (USD 98)	100%	NT\$ 3,124 (USD 98)	NT\$ 71,289 (USD 2,252)	\$ -	-
FocalTech Electronics (Shenzhen) Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	NT\$ 294,345 (USD 9,300)	(Note 3)	NT\$ 31,650 (USD 1,000)	-	-	NT\$ 31,650 (USD 1,000)	NT\$ 321,655 (USD 10,041)	100%	NT\$ 321,655 (USD 10,041)	NT\$ 535,143 (USD 16,908)	-	-
FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	NT\$ 1,171,055 (USD 37,000)	(Note 4)	-	-	-	-	(NT\$ 36,980) (USD 1,154)	100%	(NT\$ 36,980) (USD 1,154)	NT\$ 621,566 (USD 19,639)	-	-
Hefei PineTech Electronics Co., Ltd.	Research, development and sale of integrated circuits	NT\$ 135,498 (RMB 30,000)	(Note 4)	-	-	-	-	NT\$ 20,991 (USD 655)	100%	NT\$ 20,991 (USD 655)	NT\$ 256,137 (USD 8,093)	-	-
Chengdu FocalTech Systems Co., Ltd.	Research, development and sale of integrated circuits	NT\$ 2,258 (RMB 500)	(Note 4)	-	-	-	-	(NT\$ 8) (USD -)	100%	(NT\$ 8) (USD -)	NT\$ 2,250 (USD 71)	-	-

Accumulated Investment in Mainland China as of September 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$63,300 (USD2,000)	\$1,962,269 (USD61,367)	\$5,859,912

Note 1: Using the exchange rate of 1 USD: 31.65 NTD and 1 RMB :4.5166 NTD as of September 30, 2024.
Note 2: Using the average exchange rate of 1 USD: 32.034 NTD and 1 RMB :4.5064 NTD for nine months ended September 30, 2024.
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.