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FocalTech Systems Co., Ltd.

2023 Annual Report

Prepared by FocalTech Systems Co., Ltd.

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FocalTech Systems Co., Ltd.

2023 Annual Report

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I. Letter to Shareholders

Dear shareholders:

The global economics just improved slightly in 2023 compared to 2022. Almost all countries around the world faced the inflation and U.S. dollar appreciation, coupled with the post-pandemic slowdown of economic growth in mainland China, the demand for smartphones, tablets, and laptops in end-consumer markets remained slow. FocalTech's employees remained cautious and conscientious even under this backdrop period. By the effective marketing strategies and launch of competitive new products, we not only solved our inventory problem but also increased our market share, and eventually turned FocalTech from loss to profit in 2023.

Research firms say that the global shipments of smartphones and tablets dropped by 3.2% and 10%, in 2023, respectively. Bucking this trend, FocalTech's annual volume shipments increased significantly by 26% compared to the previous year, resulting in a 5% growth in revenue to NT\$13.57 billion despite of fierce price competition in the market. The gross margin increased to 20% in average for the whole year, with gross profit jumped to NT\$2.71 billion, more than double that of the previous year. Net profit after tax in 2023 was NT\$353 million, and earnings per share was NT\$1.74, showing a substantial improvement in operating results compared to the loss in 2022.

Innovation in technology and new products is the growth engine for FocalTech. In particular, as the world's leading company in human-machine interface products for mobile devices, FocalTech has been actively focused on the consumer electronics market and aggressively expanded into other fields such as automotive electronics and industrial control markets, with the goal of diversifying our product offerings. We spent NT1.79 billion in R&D cost in 2023. We have developed and launched bunch of new products and resulted in 42 new patents filed and 54 patent certificates obtained. Furthermore, FocalTech was honored as the "2023 Most Influential IC Enterprise Design Award in the Hardcore China Chip Campaign" by the media in mainland China.

We insist on realizing the value of innovation and R&D through pragmatic means. FocalTech has long been committed to develop display, touch, and fingerprint technologies and products. Harnessing our outstanding design capabilities, FocalTech developed high value-added and innovative products while keeping abreast of market trends to create steady upward momentum in our operations. For display driver products, we optimized product costs through design innovation in order to minimize the negative impact of price declines on gross margin. As the specifications of commercial flat panels and other industrial panels advanced, the requirements for higher refresh rate and higher resolution increased accordingly, and FocalTech developed corresponding solutions to meet these needs. In the automotive electronics field, FocalTech became a pioneer for LCD IDC (TDDI) products—after years of effort to introduce these products into a wide range of conventional and battery powered vehicles, we've shipped more than 18 million units in total to-date. Recently, we've successfully launched next-generation products that surpass their predecessors in terms of performance and cost competitiveness; these products are expected to be the major drivers of the company's future growth.

FocalTech has always maintained a leading position in touch products. Due to increasing number of AMOLED panels used in mobile devices, shipments of our AMOLED touch products have risen significantly. Additionally, FocalTech is actively introducing new products to medium and large-sized AMOLED products in areas requiring high value-added applications, such as high-end battery powered vehicles, industrial control products, laptops, and tablets. We aim to capitalize on this business opportunity that AMOLED panel applications continue to diversify into new areas. In the future, FocalTech will continue to launch cost-effective products in existing and new markets, and to increase our market share to keep our leading position in the touch panel industry.

In pursuit of high operation performance, FocalTech also adheres to the business principle of corporate sustainability. By balancing the development of business operations and ESG goals, FocalTech emphasizes communication with stakeholders, and enhances information transparency. FocalTech has maintained an outstanding ranking among the top 6% to 20% of companies in the Corporate Governance Evaluation System for multiple years. With the carbon reduction trend sweeping the world, we implement proactive approaches to reduce carbon emissions and plan to introduce the ISO 14064-1 GHG emissions inventory in 2024 as we strive toward the goal of global net-zero emissions. Moreover, we actively participate in social welfare activities by caring for underprivileged groups with the concept of giving back to the community. Through participation in public affairs, we exert a positive influence on the community and fulfil our social responsibility as a corporate citizen.

Looking ahead to 2024, as the industrial inventory gradually reduces to a healthy level, the market demand for products such as smartphones, tablets, and personal computers is expected to rebound. Having accumulated strong capabilities in these areas, we believe that FocalTech’s shipment in volume and revenue will increase even further through product diversification and deployment in markets outside China. Fueled by the soaring sales of higher-end products, our gross margin is expected to increase in the long run. More importantly, FocalTech will continue to stick to our company’s core value that “innovation” is the key to keep the leading position as the human-machine interface solution provider. This philosophy will help us secure our dominant position in the industry and enable us to return value to our shareholders to thank all our shareholders for their longstanding support and love.

Chairman and President: Genda Hu



II. Company Profile

1. Company Introduction

Founded in January 2006, the Company – which was formerly known as Sunshine Sports Tech Co., Ltd. – was renamed as FocalTech Systems Co., Ltd. on January 27, 2015. The Company is mainly engaged in the development and sales of Human-Machine Interface (HMI) solutions such as display drivers, touchscreens, and fingerprint recognition, with branch offices and customer support centers established in Taiwan, Mainland China, the United States, and South Korea.

FocalTech is dedicated to the development of HMI solutions to provide competitive chips for various electronic products, including capacitive touch IC, display driver chips, and fingerprint recognition chips. Additionally, the Company has established a solid foundation in the technical fields of IP & image processing algorithms; digital and analog signal processing; and power saving. Even more, FocalTech’s self-developed Super In-cell technology – unlike traditional, separated touch and display drivers solutions that require more than one IC – needs only a single Integrated Driver Controller (IDC) to drive the Touch and Display Driver Integration Panel. This simplifies what was a complex supply chain, and reduces electronic components required. This allows less complicated panel modules, thus saving production cost and providing better solutions for customers.

FocalTech observes a “customer-focused” code of conduct, and this has led to the formation of a tightly-knit sales and technical service network. Through this, we aim to provide timely and professional localized technical support services to customers at home and abroad, with the solid technical support to back up the billions of smart devices using FocalTech’s technology solutions worldwide.

2. Development History

2006	Company founded.
	Issued 90,000,000 common shares to Sunplus Technology Co., Ltd. at a premium of NT\$12.22 per share to acquire the operations, assets, and liabilities of its business department for flat-panel display driver chips and channel decoders.
	Obtained ISO-9001 certification.
	Public offering approved.
2007	Listed on the Taiwan Stock Exchange, under stock code 3545.
2008	Obtained ISO-14001 certification.
	Obtained OHSAS-18001 certification.
2009	Ranked in “Top 5000 - The Largest Corporations in Taiwan” by China Credit Information Service, Ltd.; ranked 19 th in the IC design industry and ranked 48 th in net revenue among businesses in Hsinchu Science Park.
2014	Introduced GF all-ITO single-layer multi-point structure solution to reduce screen production difficulties, thus significantly improving mass production yields.
	Completed color space conversion function by integrating LCD driver IC, establishing a professional color management platform for smartphones.
	Self-developed triple image compression technology for use in system platforms.

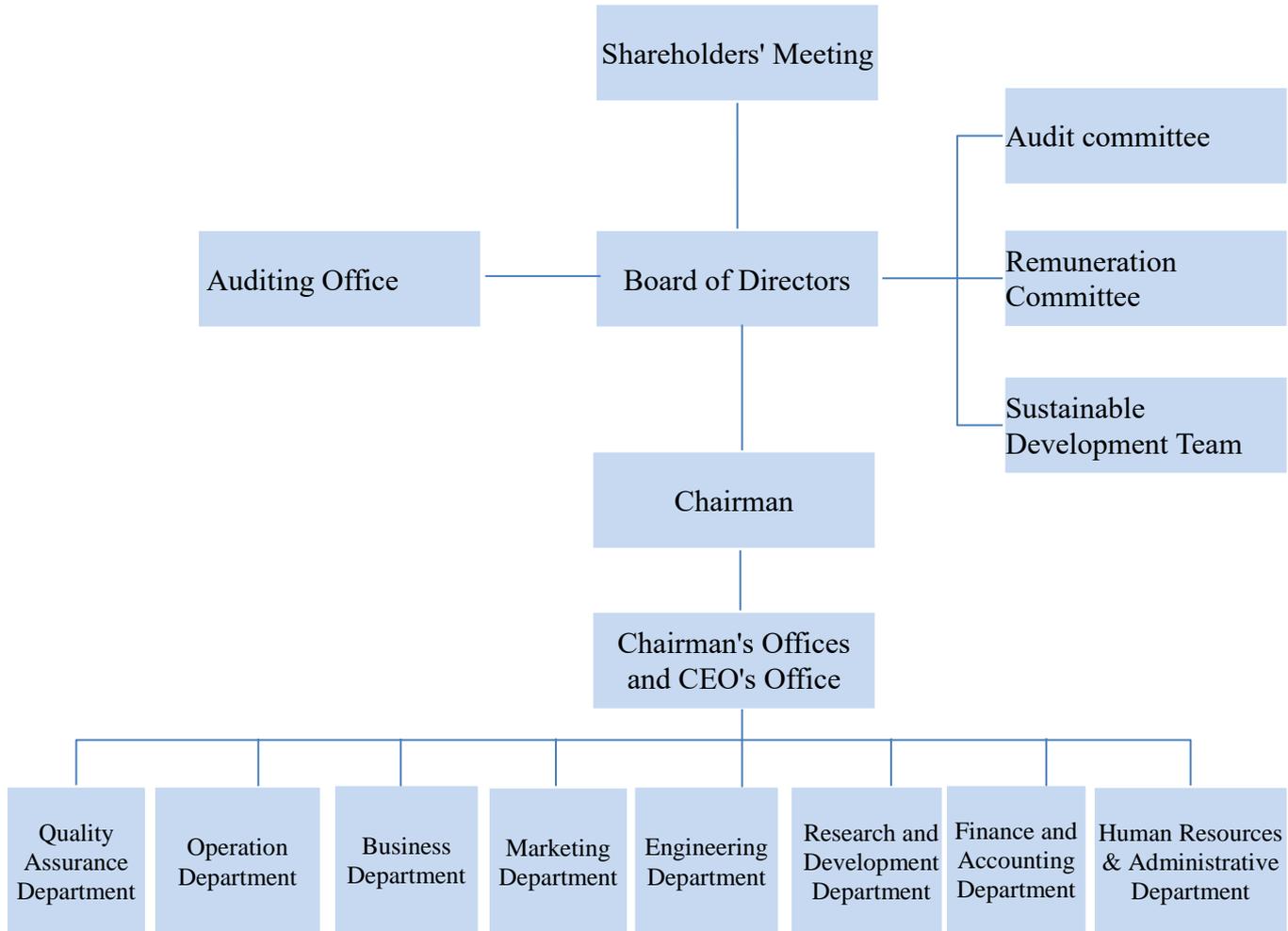
2015	Merged and conducted share-swap with FocalTech Corporation, Ltd. Company renamed as FocalTech Systems Co. Ltd.
	Supplied materials for the world's first mobile phone using a-Si HD, in-cell touch panel combining IDC.
	Launched the world's first single-chip solution to support multi-touch and multi-force touch.
2016	Supplied the Super In-cell IDC for the world's smartphones using FHD low temperature poly-silicon (LTPS) LCD screen with In-cell IDC.
	Launched the industry's first WQHD LTPS Driver IC, meeting the high refresh rate demands of VR devices.
	Delivered over 400 million Touch ICs annually, becoming the world's largest Touch IC supplier.
2017	Launched the world's first IDC solution to support a-Si panels designed with reduced photomask layers, which successfully entered mass production.
	Launched FHD LTPS In-cell single-chip solution for COF production.
	Honored as the recipient of the Diamond Supplier Award by Tianma Microelectronics Co., Ltd.
2018	Successfully developed a touch solution for foldable phones.
	Product FT8201 was granted the 13 th "China Chip" Outstanding Technological and Innovative Product Award.
	Out-cell touch products successfully passed AEC-Q100 qualification.
	Successfully developed in-smartphone blood pressure monitoring technology.
2019	AMOLED display touch products were certified by Samsung Display Co., Ltd., which then went into mass production and were successfully delivered accordingly.
	AMOLED IDC wearables were approved by customers and introduced to other first-tier brand customers.
	Successfully developed ultra-narrow bezel MUX 6 for FHD panels and Dual Gate for HD panels with a 2-in-1 touch screen display solution.
	Realized an ultra-thin optical fingerprint solution for 5G smartphones.
2020	Successfully developed a side-mounted capacitive fingerprint solution.
	IDC High Frame Rate technology was introduced and the solution went into mass production.
	IDC went into mass production for the automotive factory-installed product market.
2021	Annual revenue reached a new high.
	Annual revenue and profit both reached new record highs.
	The "RhythmCam" app, which detects arrhythmias, was approved by the Ministry of Health and Welfare and won the 2021 National Innovation Award.
	World's narrowest side-mounted capacitive fingerprint solution successfully went into mass-production for the first time and was adopted by first-tier brand customers.
	First in the industry to successfully develop a curved and gradient-based capacitive fingerprint solution.
FocalTech Engineering Experiment Center passed the professional evaluation of the Guangdong Association for Science and Technology and was awarded the qualification of "Guangdong Engineering Technology Research Center of Touch and Display Integrated Chip Core Technology".	

	<p>Developed new generation AMOLED wearable IDC to support POLED and LTPO and was adopted by first-tier brand customers.</p> <p>AMOLED touch IC shipments exceeded 100 million units in a single year.</p> <p>Included as a constituent stock of the MSCI index.</p> <p>Awarded the 2021 Best Financially Managed Semiconductor Company by the Global Semiconductor Alliance (GSA).</p>
2022	<p>Cumulative shipment of automotive IDC products reached 10 million units.</p> <p>Active stylus on Tablet IDC solution went into mass-production.</p> <p>FocalTech AMOLED IDC assisted OPPO to create the world's first LTPO screen smartwatch.</p> <p>The innovative VITOM Mobile Blood Pressure Monitoring Device obtained the Medical Device Manufacturing Licenses from the Ministry of Health and Welfare.</p> <p>New biomedical factory successfully obtained the ISO13485 and the Taiwan QMS quality system certification.</p> <p>The number of members registered in Taiwan on the "RhythmCam" app, which detects arrhythmias, exceeded 50,000.</p> <p>Awarded the 15th TCSA Corporate Sustainability Award-Gold Award in 2022.</p> <p>Awarded the Taiwan-iSports Enterprise Certification.</p> <p>Hsinchu office was relocated to its own office building in the Chang Yih Science and Industrial Park in Zhubei.</p>
2023	<p>Automotive IDCs(TDDIs) are continuing to grow rapidly, with a cumulative shipment of 18 million units.</p> <p>The touch product has excellent performance with thick cover lens and presence of water, officially entering the global industrial control market.</p> <p>Touch products flexible AMOLED have been widely adopted by mainstream brand customers, with a leading market share.</p> <p>Collaborating with renowned Japanese LCD panel company and has successfully developed transparent display products.</p> <p>The multi-functional physiological measurement device, Vitom, obtains Taiwan Ministry of Health and Welfare Medical Device Manufacturing License No. 008010.</p> <p>Participated in the Digital Development Department AI+ Emerging Selection Competition for Smart Cardiovascular Disease Prediction and won awards.</p> <p>RhythmCam, the caring mirror, safeguards the measurement of cardiac arrhythmias for over one million times.</p>

III. Corporate Governance Report

1. Organization

(1) Organizational Structure



(2) Business of major departments

Department	Major Business
President's & Chairman's Offices	1. Implements, coordinates, and sets the Company's operational goals, and directs and supervises the proper functioning of all departments. 2. Handles corporate legal affairs and business contract/agreement issues.
Auditing Office	Establishes the Company's internal control system, conducts audits of various operating cycles, and provides analysis and recommendations.
Quality Assurance	Manages the Company's quality control system, performs quality control, assists in handling customer complaints, and conducts prevention and rectification of quality defects.
Production	Manages quality, yield, and reliability for mass production, outsourced production scheduling, outsourcing affairs, and production-related procurement and warehousing.
Business	Handles product sales and customer service, and maintains customer relationships.
Marketing	Handles market planning and analysis and collects market information to facilitate the planning, analysis and launch of new products.
Engineering	Assists in firmware and software design, development, validation of products, and introduction of product applications for customers during the post-production stage.
Research and Development	Handles design, development, and improvement of products in the pre-production stage.
Finance and Accounting	Handles accounting, tax reporting, capital management, external statements, investor relations, and shareholders' meetings.
Human Resources & Administrative	Formulates and implements administrative rules and regulations related to general affairs and human resources.

2. Profiles of Directors, Supervisors, President, Vice President, Deputy Vice President, Division Heads, and Branch Heads

(1) Directors and Supervisors

1. Profiles of Directors and Supervisors

April 9, 2024; Unit: share, %

Title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date (note 1)	Term of Office	Initial Election Date	Shares at Election		Current shareholding		Current shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship			Remark (Note 3)
							Number of shares	Rate of shareholding	Number of shares	Rate of shareholding	Number of shares	Rate of shareholding	Number of shares	Rate of shareholding			Number of shares	Rate of shareholding	Title	
Chairman	U.S.A.	Genda Hu	Male 71-80	May 30, 2023	3 years	Jan. 5, 2015	1,308,192	0.61	1,662,453	0.76	455,072	0.21	4,158,691	1.89	Ph.D. in Electrical Engineering, Princeton University, USA/ IEEE Fellow, USA/ Served in American IBM, PMC-Sierra, Cypress/ Vice President of R & D and Marketing Department of TSMC/ Head of ERSO in ITRI/ Secretariat of Taiwan Semiconductor Industry Association	President, CEO of FocalTech Systems Co., Ltd. / CEO, Director, President, Secretary, Chairman, Chairman, President of FocalTech Corporation, Ltd./ CEO, Director, President, Secretary of FocalTech Systems, Inc./ CEO, Director, President, Secretary, Chairman of FocalTech Systems, Ltd./ Director of FocalTech Electronics, Ltd./ Chairman of FocalTech Electronics Co., Ltd./ Executive Director, President, CEO of FocalTech Systems (Shenzhen) Co., Ltd./ Executive Director, President of FocalTech Electronics (Shenzhen) Co., Ltd./ Executive Director, President of FocalTech Electronics (Shanghai) Co., Ltd./ Executive Director, President of FocalTech Electronics (Shanghai) Co., Ltd. Beijing Branch Director of FocalTech Smart Sensors, Ltd./ Manager of GWAA LLC:	-	-	-	An appropriate candidate has not yet been designated for the position of President, however the Company has designated several vice presidents to assist in management. Additionally, the Board of Directors is composed of four independent directors, which accounts for half of the current number of directors. Only two of the directors serves as an employee or manager, which accounts for less than half of the directors. Therefore, the Chairman and the President are served by the same person, which does not affect the operation and decision making of the Company.
Director	U.S.A.	GWAA LLC		May 30, 2023	3 years	June 10, 2015	4,158,691	1.93	4,158,691	1.89	-	-	-	-	-	FocalTech Smart Sensors, Ltd. : Director	-	-	-	
	Taiwan	GWAA LLC Representative: Han-Ping Shieh	Male 61-70				-	-	-	-	-	-	-	-	-	Ph.D., Department of Electrical and Computer Engineering, Carnegie Mellon University, USA/ IEEE/OA/SID fellow/ Vice-President of University System of Taiwan / Vice President of National Chiao Tung University/ Dean of College of Electrical and Electrical Engineering, National Chiao Tung University/ Chairman of Society for Information Display/ Professor of DI+DOP, National Chiao Tung University/ Researcher of Research Center, American IBM T J Watson	Lifetime Chair Professor of National Chiao Tung University/ Outside Director of Silicon Motion Technology Corporation/ Independent Director of Key Ware Electronics Co., Ltd./ Independent Director of Dynapack International Technology Corporation/ Director of Ta Liang Technology Co., Ltd. Director of Coretronic Corp.	-	-	-
Director	U.S.A.	GWAA LLC		May 30, 2023	3 years	May 30, 2023	4,158,691	1.93	4,158,691	1.89	-	-	-	-	-	FocalTech Smart Sensors, Ltd. : Director	-	-	-	
	U.S.A.	GWAA LLC Representative: Jason Lin	Male 61-70				-	-	-	-	-	-	-	-	-	Master of Electronic Science, University of California, Santa Barbara (UCSB) Bachelor of Department of Electrical Engineering, National Taiwan University / President of IC MEDIA TECHNOLOGY CORPORATION (USA) President of Philips Semiconductors (the Netherlands)	FocalTech Systems Co., Ltd.: Senior Executive Vice President	-	-	-
Director	Taiwan	Acer Inc.		May 30, 2023	3 year	June 9, 2022	8,732,688	4.04	8,732,688	3.98	-	-	-	-	-	-	-	-	-	
	Taiwan	Acer Inc. Representative: Chun-Sheng Chen	Male 61-70				-	-	-	-	-	-	-	-	-	MBA, University of Missouri at Columbia(MU), U.S.A. / Global CEO of Executive Officer of Acer Inc./ Senior Vice President of Global Business and Marketing, TSMC/ Vice President of Corporate Development, TSMC/ Global Vice CEO of Business and Marketing, Intel Corporation	President and CEO of Acer Inc. Other company: (note 4)	-	-	-

Title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date (note 1)	Term of Office	Initial Election Date	Shares at Election		Current shareholding		Current shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship			Remark (Note 3)
							Number of shares	Rate of shareholding	Number of shares	Rate of shareholding	Number of shares	Rate of shareholding	Number of shares	Rate of shareholding			Number of shares	Rate of shareholding	Title	
Independent Director	Taiwan	Chintay Shih	Male 71-80	May 30, 2023	3 years	Jan. 5, 2015	-	-	-	-	-	-	-	-	Ph.D. in Electrical Engineering, Princeton University, USA/ Chairman of the III/ Dean of the Industrial Technology Research Institute/ Dean, School of Science and Technology Management, National Tsinghua University/ Chairman of Asia Pacific Intellectual Property Association/ Chairman of Monte Jade science & Technology Association of Taiwan/ Chairman of Chinese Institute of Engineers/ Chairman of Taiwan Semiconductor Industry Association/ Managing Director of Taiwan Electrical and Electronic Manufacturers' Association/ Chairman of Chinese Society for Management of Technology/ Chairman of Service Science Society of Taiwan/ CEO of Sun Yun-Suan Foundation/ Professor, School of Science and Technology Management, National Tsinghua University	Independent Director of Vanguard International Semiconductor Corporation/ Independent Director of Sercomm Corporation/ Independent Director of Taiwan Powder Technologies Co., Ltd./ Supervisor of TEN Incubation Corporation Director of Qualife System Technology Corp.	-	-	-	
Independent Director	Taiwan	Chan-Jane Lin	Female 61-70	May 30, 2023	3 years	Jan. 5, 2015	-	-	-	-	-	-	-	-	PhD in Accounting, University of Maryland/ Acting Dean and Deputy Dean, School of Management, National Taiwan University/ Director of Department of Accounting, National Taiwan University/ Director of School of Professional Education and Continuing Studies, National Taiwan University	Professor, Department of Accounting, National Taiwan University/ Independent Director of Advantech Co., Ltd./ Independent Director of CHIEF TELECOM INC. Director of Accounting Research and Development Foundation	-	-	-	
Independent Director	Taiwan	Hsing-Chien Tuan	Male 71-80	May 30, 2023	3 years	May 30, 2023	-	-	-	-	-	-	-	-	PhD in Electrical Engineering, Stanford University, USA/ Chairman of Innolux Corporation/ President of AUO Corporation/ President of UniPac Optoelectronics Corporation	Honorary Chairman and Consultant of Innolux Corporation	-	-	-	
Independent Director	Taiwan	Chun-Hao Lai	Male 61-70	May 30, 2023	3 years	May 30, 2023	-	-	-	-	-	-	-	-	Master of Electrical Engineering, University of California, Santa Barbara/ Graduated from Department of Electrical Engineering, National Taiwan University/ Co-founder of ASICronics Solutions(San Jose, CA)/ Manager of ASIC Business Unit / Director of Design Service Division of TSMC North America/ Director of New Customer Business Division of TSMC North America / President of Global Unichip Corp.	President of SKYMIZER TAIWAN INC./ Independent Director of Truelight Corporation/ Independent Director of Silicon Optronics, Inc./ Independent Director of Andes Technology Corporation/ Director of GIGA SOLUTION TECH. CO., LTD./ Director of Wolley, Inc.(CA Inc.)/ Director of Oomii, Inc. (USA)/ Director of M31 Technology Corporation/ Consultant of Xconn Technologies (State of California, USA)	-	-	-	

Note 1: The Company approved Re-election of the 8th Directors at the shareholders' regular meeting held on May 30, 2023. The term of office of the directors is from May 30, 2023 to May 30, 2026.

Note 2: Since June 21, 2012, the Audit Committee has been responsible for the supervisory duties stipulated in the relevant laws and regulations.

Note 3: Where the chairman and the president or the person of an equivalent post (the highest-level managerial officer) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness of, necessity of, and the measures adopted in response thereto (e.g., increasing the number of independent directors in addition to having more than half of the directors who are not employed as the Company's employees or managerial officers).

Note 4: Those who also hold a position at other companies are listed as follows:

No.	Company Name	Title	No.	Company Name	Title
1	Mu Chen Investment Co., Ltd.	Chairman	21	Acer Computer (Shanghai) Inc.	Director
2	Mu Shih Investment Co., Ltd.	Chairman	22	Acer Shuangzhi (Chongqing) Inc.	Director
3	Powerchip Semiconductor Manufacturing Corp.	Independent Director	23	PECER BIO-MEDICAL TECHNOLOGY INCORPORATED	Director
4	ACER BEING COMMUNICATION INC.	Chairman	24	AOPEN INCORPORATED	Director
5	ACER ITS INC.	Chairman	25	MPS ENERGY INC.	Director
6	ACER BEINGWARE HOLDING INC.	Chairman	26	Acer Gadget Inc.	Director
7	ACER E-ENABLING SERVICE BUSINESS INC.	Chairman	27	Acer Gaming Inc.	Director
8	WEBLINK INTERNATIONAL INC.	Chairman	28	Protrade Applied Materials Corp.	Director
9	XPLOVA INC.	Chairman	29	Acer America Corporation	Director
10	ACER DIGITAL SERVICE CO.	Chairman	30	Acer American Holdings Corp.	Director
11	Acer SoftCapital Incorporated	Chairman	31	Acer Asia Pacific Sdn Bhd	Director
12	Acer Asset Management Incorporated	Chairman	32	Acer Cloud Technology Inc.	Director
13	Acer Healthcare Inc.	Chairman	33	Acer Computer (Far East) Limited	Director
14	Altos Inc. (Beijing)	Director	34	Acer Europe SA	Director
15	Altos Inc.	Director	35	Acer European Holdings SA	Director
16	Acer (Chongqing) Inc.	Director	36	Acer Holdings International, Incorporated	Director
17	Acer AI Cloud Inc.	Director	37	Boardwalk Capital Holdings Limited	Director
18	AcerPure Inc.	Director	38	DropZone (Hong Kong) Limited	Director
19	Acer Medical Inc.	Director	39	DropZone Holding Limited	Director
20	ACER CLOUD TECHNOLOGY (TAIWAN) INC.)	Director	40	ACER TECHNOLOGY AND BUSINESS DEVELOPMENT PTE. LTD.	Director

(1) Major Shareholders of Corporate Shareholders

April 9, 2024

Corporate shareholder Name	Major Shareholders of Corporate Shareholders	
	Name	Rate of shareholding
GWAA LLC	Genda J. Hu	100%
Acer Inc.	Yuanta/P-shares Taiwan Dividend Plus ETF	4.72%
	Hung Rouan Investment Corp.	2.42%
	Fuh Hwa Taiwan Technology Dividend Highlight ETF	2.40%
	Stan Shih	1.15%
	Labor Pension Fund (The New Fund)	1.09%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.01%
	J.P. MORGAN SECURITIES PLC	0.96%
	Acer GDR	0.91%
	Government of Singapore	0.65%
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	0.63%

Where the major shareholder of the corporate shareholder is a juristic person, the major shareholder thereof

April 9, 2024

Corporate shareholder Name	Major Shareholders of Corporate Shareholders	
	Name	Rate of shareholding
Hung Rouan Investment Corp.	Carolyn Yeh	20.13%
	StanShih Foundation	1.60%
	Shih Hsuen Rouan	17.25%
	Shih Hsuen Huei	26.09%
	Shih Hsuen Lin	17.16%
	Shih Fang Cheng	8.93%
	Yeh Ting Yu	8.84%

2. Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors

April 09, 2024

Name		Conditions	Professional qualification and experience		Independency								Number of public companies where the person holds the title as independent director			
			Principal majors and work experience(note 1)	Does not have the circumstances stipulated in Article 30 of the Company Act	Is not a spouse or a relative within the second degree of kinship as stipulated in Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act	Does not have the following circumstances stipulated in Article 3, paragraph 1, subparagraphs 1 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies (Note 2)										
						1	2	3	4	5	6	7	8	The amount of remuneration received for services rendered to the Company or its affiliates in the past two years	Number and proportion of shares held in own name, spouse's name, or names of relatives within the second degree of kinship (or through nominees)	Does not have the circumstances stipulated in Article 27 of the Company Act
Chairman	Genda Hu	<p>【Professional expertise】 Experiences in operation and management of business and leadership decision-making; board of directors leadership; crisis handling and risk management; and semiconductor industry technology and market.</p> <p>【Qualification and work experience】 Ph.D. in Electrical Engineering, Princeton University, USA/ IEEE Fellow, USA / America IBM, PMC-Sierra, Cypress / Vice President of R & D and Marketing Department of TSMC/ Head of ERSO in ITRI, Secretariat of Taiwan Semiconductor Industry Association</p>	Yes	Yes	No	No	No	Yes	No	Yes	No	Yes	0	6,276,216 2.86%	Yes	0
Director	GWAA LLC Representative: Han-Ping Shieh	<p>【Professional expertise】 Experiences in display technology and micro-optical systems; operating decision-making for the board of directors and functional committees; semiconductor-related industry and academia; and risk management.</p> <p>【Qualification and work experience】 Ph.D., Department of Electrical and Computer Engineering, Carnegie Mellon University, USA/ Lifetime Chair Professor of National Chiao Tung University/ IEEE/OSA/SID Fellow Former Vice-President of University System of Taiwan / Vice President of National Chiao Tung University/ Dean of College of Electrical and Electrical Engineering, National Chiao Tung University/ Chairman of Society for Information Display/ Professor of DI+DOP, National Chiao Tung University/ Researcher of Research Center, American IBM T J Watson</p>	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	0	0	No	2
Director	GWAA LLC Representative: Jason Lin	<p>【Professional expertise】 Experiences in electric engineering; business operation leadership; crisis handling and risk management; leading the board of directors in operating decision-making; and semiconductor industry technology and market.</p> <p>【Qualification and work experience】 Master of Electronic Science, University of California, Santa Barbara (UCSB) Bachelor of Department of Electrical Engineering, National Taiwan University / President of IC MEDIA TECHNOLOGY CORPORATION (USA) President of Philips Semiconductors (the Netherlands)</p>	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	0	0	No	0

Director	Acer Inc. Representative: Chun-Sheng Chen	<p>【Professional expertise】 Experiences in information technology and financial services.</p> <p>【Qualification and work experience】 MBA, University of Missouri at Columbia(MU), U.S.A. President and CEO of Acer Inc. Global CEO and Executive Officer of Acer Inc./ Former Senior Vice President of Global Business and Marketing, TSMC/ Vice President of Corporate Development, TSMC/ Global Vice CEO of Business and Marketing, Intel Corporation</p>	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	0	0	No	1
Independent Director	Chintay Shih	<p>【Professional expertise】 Experiences in electrical engineering and industrial technology; operating decision-making for the board of directors and functional committees; semiconductor-related industry and academia; and risk management.</p> <p>【Qualification and work experience】 Ph.D. in Electrical Engineering, Princeton University, USA, Former Chairman of the III/ Dean of the Industrial Technology Research Institute/ Dean, School of Science and Technology Management, National Tsinghua University/ Chairman of Asia Pacific Intellectual Property Association/ Chairman of Monte Jade science & Technology Association of Taiwan/ Chairman of Chinese Institute of Engineers/ Chairman of Taiwan Semiconductor Industry Association/ Managing Director of Taiwan Electrical and Electronic Manufacturers' Association/ Chairman of Chinese Society for Management of Technology/ Chairman of Service Science Society of Taiwan/ CEO of Sun Yun-Suan Foundation/</p>	Yes	0	0	Yes	3									
Independent Director	Chan-Jane Lin	<p>【Professional expertise】 Convener of the Company's Audit Committee. Expertise in accounting and financial management, operating decision-making management for the board of directors and functional committees, and financial industry, with experiences in computer and peripheral equipment industry and semiconductor related industry, and risk management. Extensive academic and industry experience, and is committed to promoting corporate governance in Taiwan.</p> <p>【Qualification and work experience】 PhD in Accounting and Master in MBA, University of Maryland, USA/ Bachelor, Accounting Section, Department of Business Administration, National Taiwan University/ Qualification of Senior Professional and Technical Examinations Regulations of CPA, R.O.C./ Currently a professor at the Department of Accounting, National Taiwan University/ Independent Director of Advantech Co., Ltd./ Independent Director of CHIEF TELECOM INC./ Director of Accounting Research and Development Foundation/ Convener, Managing Supervisor, Taiwan Corporate Governance Association/ Former independent director of Fubon Financial Holdings/ Independent Director of Fubon Life Insurance Co., Ltd./ Independent Director of Fubon Securities Co., Ltd./ Supervisor of Taiwan Financial Holdings Co., Ltd./ Director of Department of Accounting, National Taiwan University/ Director of School of Professional Education and Continuing Studies, National Taiwan University Acting Dean and Deputy Dean of School of Management; Director and Dean of Department of Accounting, National Taiwan University/ Assistant Professor, Department of Accounting, George Washington University Supervisor of Securities and Futures Investors Protection Center/</p>	Yes	0	0	Yes	2									

Independent Director	Hsing-Chien Tuan	<p>【Professional expertise】 Experiences in business operation management and leadership decision-making; crisis handling and risk management; operating decision-making for the board of directors and functional committees, and flat-panel display industry technology and market.</p> <p>【Qualification and work experience】 PhD in Electrical Engineering, Stanford University, USA/ Honorary Chairman and Consultant of Innolux Corporation/ Former Chairman of Innolux Corporation/ President of AUO Corporation/ President of UniPac Optoelectronics Corporation</p>	Yes	0	0	Yes	0										
Independent Director	Chun-Hao Lai	<p>【Professional expertise】 Experiences in business operation management and leadership decision-making; crisis handling and risk management; operating decision-making for the board of directors and functional committees and semiconductor industry technology and market.</p> <p>【Qualification and work experience】 Master of Electrical Engineering, University of California, Santa Barbara/ Graduated from Department of Electrical Engineering, National Taiwan University/ Currently President of SKYMIZER TAIWAN INC./ Independent Director of Truelight Corporation/ Independent Director of Silicon Optronics, Inc./ Independent Director of Andes Technology Corporation/ Director of GIGA SOLUTION TECH. CO., LTD./ Director of Wolley, Inc.(CA Inc.)/ Director of M31 Technology Corporation/ Xconn Technologies(State of California, USA) Former co-founder of ASICtronic Solutions(San Jose, CA)/ Manager of ASIC Business Unit / Director of Design Service Division of TSMC North America/ Director of New Customer Business Division of TSMC North America / President of Global Unichip Corp.</p>	Yes	0	0	Yes	3										

Note 1: Please refer to 2. Profiles of Directors, Supervisors, President, Executive Vice President, Deputy Executive Vice President, Division Heads, and Branch Heads, (1) Directors and Supervisors, 1. Profiles of Directors and Supervisors

Note 2: Whether the directors meet the independence requirements without any of the circumstances stipulated in Article 3, Paragraph 1, Subparagraphs 1–8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or through nominees, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or designates its representative to serve as a director or supervisor of the company under Article 27(1) or (2) of the Company Act. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor or employee of other company such that a majority of the company’s director seats or voting shares are controlled by the same person. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) The chairman, president, or a person holding an equivalent position of the Company is not a director (or governor), supervisor, or employee of other company or institution, or are spouses. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (8) Not a director (or governor), supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (Not applicable in cases where the specified company or institution holds at least twenty percent but not exceeding fifty percent of the total number of issued shares of the Company, and the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

3. Diversity and independence of the Board of Directors:

- (1) Diversity of the Board of Directors: The Company's diversity policy on the professions of board members is stipulated in the Corporate Governance Best Practice Principles. In the selection process, the Board of Directors consults various talented individuals and evaluates the diversity requirements of basic composition, professional qualifications, and industrial experience before nominating them to the shareholders meeting for election, in order to enhance the competency of the Board of Directors and achieve the objectives of corporate governance.

The current Board of Directors' basic composition in terms of gender, age, nationality, education and personal experience is detailed in the "Profiles of Directors and Supervisors" list. The current Board of Directors consists of one woman, and one U.S. national, whereas the rest are with R.O.C. nationality. All directors are over 60 years old and three are over 70 years old. The directors' professional expertise includes finance and accounting, electrical engineering, semiconductors, optoelectronics, information, etc. In terms of competency, they are experienced in business operation and management, industry knowledge, international markets, operational judgment, finance and accounting analysis, etc. The Company's goal of increasing the board's diversity by including at least one female director as well as one director with accounting expertise has been achieved.

- (2) Independence of the Board of Directors: Currently, there are four general directors, two of whom serve as managerial officers; additionally, there are four independent directors, who account for 50% of the eight total board members. Details of independence are listed in the "Independency" column in the table above. Half of the independent directors have not served more than three terms. None of the directors are in violation of the independence requirements under Article 26-3, Paragraphs 3-4 of the Securities and Exchange Act. Furthermore, the independent directors are also in compliance with the independence requirements stipulated in Articles 27 and 30 of the Company Act as well as the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

(2) Profiles of President, Vice President, Deputy Vice President, Division Heads, and Branch Heads

April 9, 2024; Unit: share; %

Title (note 1)	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications (note 2)	Position(s) held concurrently in the company and/or in any other company	Managerial officer with a spousal or other 2nd degree of kinship			Remark (note 3)
					Number of Shares	Rate of share- holding	Number of Shares	Rate of share- holding	Number of Shares	Rate of share- holding			Position	Name	Relation- ship	
CEO and President	U.S.A.	Genda Hu	Male	Jan. 5, 2015	1,662,453	0.76	455,072	0.21	4,158,691	1.89	Ph.D. in Electrical Engineering, Princeton University, USA, IEEE Fellow American IBM, PMC-Sierra, Cypress/ Vice President of R & D and Marketing Department of TSMC, Head of ERSO in ITRI, Secretariat of Taiwan Semiconductor Industry Association	CEO, Director, President, Secretary, Chairman, Chairman, President of FocalTech Corporation, Ltd./ CEO, Director, President, Secretary of FocalTech Systems, Inc./ CEO, Director, President, Secretary, Chairman of FocalTech Systems, Ltd./ Director of FocalTech Electronics, Ltd./ Chairman of FocalTech Electronics Co., Ltd./ Executive Director, President, CEO of FocalTech Systems (Shenzhen) Co., Ltd./ Executive Director, President of FocalTech Electronics (Shenzhen) Co., Ltd./ Executive Director, President of FocalTech Electronics (Shanghai) Co., Ltd./ Executive Director, President of FocalTech Electronics (Shanghai) Co., Ltd. Beijing Branch Director of FocalTech Smart Sensors, Ltd./ Manager of GWAA LLC/	-	-	-	No suitable candidate has been appointed to the position of president of the Company. The Company has assigned a number of executive vice presidents to assist in the management of the Company. The Board of Directors includes four independent directors, who constitute half of the Board. Two of the director are employees or managerial officers, no more than 1 / 2 of the number of directors. Therefore, the Chairman and the President are the same person, which does not affect the operations or decision making of the Company.
Senior Executive Vice President	Taiwan	Jason Lin	Male	Nov. 1, 2022	94,000	0.04	-	-	-	-	Master of University of California, Santa Barbara (UCSB)/ Bachelor of Department of Electrical Engineering, National Taiwan University / President of IC MEDIA TECHNOLOGY CORPORATION/ President of Philips Semiconductors	None	-	-	-	
Senior Executive Vice President	Taiwan	Chiu-Lin Chen	Male	Nov. 11, 2022	-	-	-	-	-	-	Ph. D. in Graduate Institute of Electrical Engineering, National Taiwan University / Bachelor of Department of Electrical Engineering, National Taiwan University/ Professor of Department of Electrical Engineering, National Taiwan University/ Visiting Professor of Stanford University/ Vice Director of Green Energy Institute, ITRI/ Independent Director of SYSTEM GENERAL LIMITED/ Independent Director of LIEN CHANG ELECTRONIC ENTERPRISE CO., LTD./ Independent Director of GIO OPTOELECTRONICS CORP./ Independent Director of MSTAR SEMICONDUCTOR, INC.	Independent Director of Bestec Power Electronics co., L.T.D./ Independent Director of Lien Chang Electronic Enterprise co., L.T.D./ Independent Director of Chipwell Tech Corp.	-	-	-	
Senior Executive Vice President	Taiwan	Chester.Hwang	Male	Dec. 7, 2023	90,000	0.04	-	-	-	-		None	-	-	-	
Executive Vice President	Taiwan	Jui-Cheng Hsu	Male	Feb. 1, 2021	69,730	0.03	-	-	-	-	Master of Electrical Engineering, National Tsing Hua University/ Manager of Sunplus Technology Co., Ltd./ Deputy Executive Vice President of Sunshine Sports Tech Co., Ltd.	Director of FocalTech Smart Sensors, Ltd.(Designated representative of FocalTech Systems Co., Ltd.)	-	-	-	

Title (note 1)	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications (note 2)	Position(s) held concurrently in the company and/or in any other company	Managerial officer with a spousal or other 2nd degree of kinship			Remark (note 3)
					Number of Shares	Rate of share- holding	Number of Shares	Rate of share- holding	Number of Shares	Rate of share- holding			Position	Name	Relation- ship	
Executive Vice President	Mainland	Ching-Kai Chang	Male	Jan. 5, 2015	—	—	—	—	90,402	0.04	Master of Microelectronics and Solid State Electronics, Peking University	Executive vice president of FocalTech Electronics (Shenzhen) Co., Ltd./	—	—	—	
Executive Vice President	Mainland	Wei-Ching Hou	Male	Apr. 16, 2015	—	—	—	—	106,504	0.05	Bachelor of Radio Technology, Chongqing University/ Manager of iSolution Technologies Ltd. (Shenzhen)	Executive vice president of FocalTech Electronics (Shenzhen) Co., Ltd./ Chairman and President of Hefei PineTech Electronics Co., Ltd.	—	—	—	
Executive Vice President	Mainland	Hsiao-Hsu Tu	Male	Apr. 11, 2016	—	—	—	—	178,505	0.08	Bachelor, School of Computer Science & Technology, Huazhong University of Science and Technology/ Master degree of Zhejiang University, major in Computer Science and Technology Deputy Technical Manager of MediaTek Inc. (Shenzhen)	Executive vice president of FocalTech Electronics (Shenzhen) Co., Ltd.	—	—	—	
Executive Vice President	Taiwan	Pei-Tzu Wu	Male	Aug. 1, 2018	63,532	0.03	—	—	—	—	Master of Institute of Mining, Metallurgy and Materials Science, National Cheng Kung University/ EMBA of National Chiao Tung University/ Deputy Executive Vice President of Cheertek Inc./ Deputy Executive Vice President of ILITEK/ Senior Manager of TSMC/ Executive vice presidents of Generalplus Technology Inc.	President of Ou Sheng Technology Company/ Executive Director of Pei Feng Management and Consulting Company/ President of Chengxin Care Association/ President of Chengxin Lohas Enterprise Co., Ltd. Director of FocalTech Smart Sensors, Ltd. (Designated representative of GWAA LLC) Chairman of FocalTech Smart Sensors Co., Ltd.	—	—	—	
Business Executive Vice President	Mainland	Ching-Suo Wang	Male	Jan. 5, 2015	—	—	—	—	35,001	0.02	Santa Clara University, EMBA Business Deputy Executive Vice President, China Area, Cypress Semiconductor Corporation	Business Executive Vice President of FocalTech Electronics (Shenzhen) Co., Ltd.	—	—	—	
Marketing Executive Vice President	Mainland	Lien-Kuo Wang	Male	Apr. 1, 2017	—	—	—	—	55,602	0.03	Business Administration, International Business School, Peking	Business Executive Vice President of FocalTech Electronics (Shenzhen) Co., Ltd./ Director and Executive vice president of Hefei PineTech Electronics Co., Ltd.	—	—	—	
Business Assistant Executive Vice President	Mainland	Te-Chih Kung	Male	Mar. 18, 2019	—	—	—	—	53,402	0.02	Master of Business Administration, The Open University Beijing Institute of Finance and Commerce Management/ Sales Director of Mobile semi/ Senior Sales Manager, Huabei Area, Chipnuts Technology Inc.	Business Assistant Executive Vice President of FocalTech Systems (Shenzhen) Co., Ltd.	—	—	—	
Senior Deputy Executive Vice President	Taiwan	Ching-Hsing Chang	Male	Feb. 8, 2021	41,000	0.02	—	—	—	—	Bachelor of Department of Electronic Engineering, Southern Taiwan University/ Senior Business Manager of Solomon Technology Corporation	None	—	—	—	
Deputy Executive Vice President	Taiwan	Po-Sheng Shih	Male	Jan. 16, 2021	20,604	0.01	—	—	—	—	Ph. D. in Electronics Engineering, National Chiao Tung University/ Director of HannStar® Display Corporation/ Director of Innolux Corporation/ Executive vice president of CNTouch Inc.	None	—	—	—	
Deputy Executive Vice President	Taiwan	Hung-Jen Chien	Male	Sep. 8, 2021	34,802	0.02	—	—	—	—	Master of Dept. of Electronic and Computer Engineering, National Taiwan University of Science and Technology/ R&D Engineer of Sunplus Technology Co., Ltd./ Manager of Sunshine Sports Tech Co., Ltd.	None	—	—	—	
Deputy Executive Vice President	Taiwan	Chen Kuo	Male	Feb. 14, 2022	24,000	0.01	—	—	—	—	Master of Materials Engineering, Auburn University/ Bachelor of Department of Metallurgy & Materials Engineering, National Cheng Kung University/ Director of Wafer Foundry NXP Semiconductors Taiwan Ltd./ Director of Wafer Testing, Micron Technology, Inc./ Director of Wafer Plant 5, Macronix International Co., Ltd.	None	—	—	—	

Title (note 1)	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications (note 2)	Position(s) held concurrently in the company and/or in any other company	Managerial officer with a spousal or other 2nd degree of kinship			Remark (note 3)
					Number of Shares	Rate of share- holding	Number of Shares	Rate of share- holding	Number of Shares	Rate of share- holding			Position	Name	Relation- ship	
Deputy Executive Vice President	Taiwan	Hao-Chin Chao	Male	May 16, 2022	21,000	0.01	—	—	—	—	Master, Graduate Institute of Human Resource Management, National Central University/ Special Assistant of Human Resources Department, ELITE MATERIAL CO., LTD./ Director of LITEON (Shanghai) Director of AUO	None	—	—	—	
Executive Vice President, CFO, Spokesperson and Corporate governance officer	Taiwan	Wei-Chieh Chang	Male	July 26, 2021	38,000	0.02	—	—	—	—	Master of Business Administration, Baruch College, The City University of New York/ Chief Financial Officer, Good Way Technology Co., Ltd./	None	—	—	—	
Accountant Officer	Taiwan	Pei-Chun Chen	Female	June 6, 2022	4,000	—	—	—	—	—	Master in Business Administration, National Taiwan University/ Accounting Manager of INPAQ Technology/ Vice Manager of EY Taiwan	None	—	—	—	

Note 1: Information on the president, executive vice president, deputy executive vice president, department and branch heads, and anyone whose position is equivalent to that of a president, executive vice president, or deputy executive vice president shall also be disclosed regardless of titles.

Note 2: As for experience relevant to the current position, the title and responsibilities for work experience at a certified public accounting firm or an affiliated company preceding the current position shall be specified.

Note 3: Where the chairman and the president or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness of, necessity of, and the measures adopted in response thereto

(3) Remuneration paid during the most recent year to directors, supervisors, president and vice presidents

1. Remuneration to general directors and independent directors

2023; Unit: NT\$ thousand; thousand shares; %

Title	Name	Remuneration to Directors								The sum of A, B, C and D and proportion to net profit after tax		Remuneration to the capacity as employees								The sum of A, B, C, D, E, F and G and proportion to net profit after tax		Remuneration received from an invested company other than the company's subsidiary or parent company
		Remuneration (A)		Pension(B)		Remuneration to directors (C) (Note 1)		Business execution expenses (D)				Salaries, bonus and special disbursement(E)		Pension (F)		Remuneration to employees (G) (note 2)						
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
															Cash	Stock	Cash	Stock				
Chairman	Genda Hu	—	—	—	—	—	—	80	80	80 0.02%	80 0.02%	20,774	22,016	—	—	214	—	214	—	21,068 5.79%	22,310 6.13%	None
General Director	GWAA LLC	960	960	—	—	130	130	80	80	1,170 0.32%	1,170 0.32%	—	—	—	—	—	—	—	—	1,170 0.32%	1,170 0.32%	None
	Designated Representative: Han-Ping Shieh																					
General Director	GWAA LLC	477	477	—	—	53	53	30	30	560 0.15%	560 0.15%	—	—	—	—	—	—	—	—	560 0.15%	560 0.15%	None
	Designated Representative: Chenming Hu																					
General Director	GWAA LLC	—	—	—	—	—	—	40	40	40 0.01%	40 0.01%	15,197	15,197	108	108	183	—	183	—	15,528 4.27%	15,528 4.27%	None
	Designated Representative: Jason Lin																					
General Director	Acer Inc.	960	960	—	—	124	124	50	50	1,134 0.31%	1,134 0.31%	—	—	—	—	—	—	—	—	1,134 0.31%	1,134 0.31%	None
	Designated Representative: Chun-Sheng Chen																					
Independent Director	Chintay Shih	960	960	—	—	193	193	160	160	1,313 0.36%	1,313 0.36%	—	—	—	—	—	—	—	—	1,313 0.36%	1,313 0.36%	None
Independent Director	Chan-Jane Lin	960	960	—	—	193	193	160	160	1,313 0.36%	1,313 0.36%	—	—	—	—	—	—	—	—	1,313 0.36%	1,313 0.36%	None
Independent Director	Xuhui Xu	477	477	—	—	66	66	60	60	603 0.17%	603 0.17%	—	—	—	—	—	—	—	—	603 0.17%	603 0.17%	None
Independent Director	Chang Xu	477	477	—	—	64	64	40	40	581 0.16%	581 0.16%	—	—	—	—	—	—	—	—	581 0.16%	581 0.16%	None
Independent Director	Jim Lai	485	485	—	—	114	114	80	80	679 0.19%	679 0.19%	—	—	—	—	—	—	—	—	679 0.19%	679 0.19%	None
Independent Director	Hsing-Chien Tuan	485	485	—	—	95	95	70	70	650 0.18%	650 0.18%	—	—	—	—	—	—	—	—	650 0.18%	650 0.18%	None

1. Specify the policy, system, standard and structure for remuneration of independent directors, and the relationship between the remuneration amount and their responsibilities, risks, and time commitments:
The remuneration of the Company's independent directors is determined in accordance with the Rules for Setting Director Remuneration, as approved by the Board of Directors. The remuneration is divided into three parts: Remuneration, business execution expenses, and compensation. Remuneration and business execution expenses are paid in accordance with the Rules formulated; compensation is paid in accordance with the Articles of Incorporation, and is based on the evaluation results of each director's performance.
The duties of independent directors are to assist the Board of Directors in performing and supervising the quality and integrity of the Company's accounting, auditing, financial reporting processes, and internal control systems. The Company's independent directors discuss Company proposals appropriately based on the virtue of their duties and expertise. Their remuneration is directly related to their meeting attendance status, training status, and performance evaluation.

2. Except as disclosed in the table above, remuneration received by the Company's directors for services rendered to all companies included in the financial statements (e.g., as non-employee consultants of the parent company/other company listed in the financial statement/invested companies) in the last year: None.

Note 1 and 2: On February 23, 2024, the Board of Directors approved that the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2023 to be NT\$82,352 thousand and NT\$1,042 thousand, respectively. All in cash.

2. Supervisor remuneration: Since June 21, 2012, the Audit Committee has been responsible for the supervisory duties stipulated in the relevant laws and regulations

3. President's and Executive Vice Presidents' Remuneration

2023; Unit: NT\$ thousand; thousand shares; %

Title	Name	Salaries (A)		Pension(B)		Bonus and special disbursement (C)		Remuneration to the employees (D) (Note 1)				The sum of A, B, C and D and proportion to net profit after tax (%)		Remuneration received from an invested company other than the company's subsidiary or parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
CEO and President	Genda Hu	21,722	31,209	540	540	73,052	74,528	959	-	959	-	96,272 26.45%	107,236 29.47%	-
Senior Executive Vice President	Jason Lin													
Senior Executive Vice President	Chiu-Lin Chen													
Executive Vice President	Pei-Tzu Wu													
Executive Vice President	Jui-Cheng Hsu													
Executive Vice President	Hsiao-Hsu Tu													
Executive Vice President	Ching-Kai Chang													
Executive Vice President	Wei-Ching Hou													
Executive Vice President, CFO, Spokesperson and Corporate governance officer	Wei-Chieh Chang													

Note 1: On February 23, 2024, the Board of Directors approved that the amounts of the employees' compensation for the year ended December 31, 2023 to be NT\$82,352 thousand. All in cash.

Classification of remuneration

Classification of Remuneration paid to presidents and Executive Vice Presidents	Name of Presidents and Executive Vice Presidents	
	The Company	All companies mentioned in the financial statements E
Less than NT\$1,000,000	-	-
NT\$1,000,000(inclusive) ~NT\$2,000,000(exclusive)	-	-

NT\$2,000,000(inclusive) ~NT\$3,500,000(exclusive)	-	-
NT\$3,500,000(inclusive) ~NT\$5,000,000(exclusive)	-	-
NT\$5,000,000(inclusive) ~NT\$10,000,000(exclusive)	Jui-Cheng Hsu; Pei-Tzu Wu; Hsiao-Hsu Tu; Ching-Kai Chang; Wei-Ching Hou	Jui-Cheng Hsu; Pei-Tzu Wu; Hsiao-Hsu Tu; Ching-Kai Chang; Wei-Ching Hou
NT\$10,000,000(inclusive) ~NT\$15,000,000(exclusive)	Chiu-Lin Chen	Chiu-Lin Chen
NT\$15,000,000(inclusive) ~NT\$30,000,000(exclusive)	Genda Hu; Jason Lin; Wei-Chieh Chang	Genda Hu; Jason Lin; Wei-Chieh Chang
NT\$30,000,000(inclusive) ~NT\$50,000,000(exclusive)	-	-
NT\$50,000,000(inclusive) ~NT\$100,000,000(exclusive)	-	-
Over NT\$100,000,000	-	-
Total	9 persons	9 persons

4. Remuneration paid to each of its top five management personnel for the company listed on the TWSE or the TPEX

2023; Unit: NT\$ thousand; thousand shares; %

Title	Name	Salaries (A)		Pension(B)		Bonus and special disbursement (C)		Remuneration to the employees (D) (Note 1)				The sum of A, B, C and D and proportion to net profit after tax (%)		Remuneration received from an invested company other than the company's subsidiary or parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
CEO and President	Genda Hu	4,717	5,959	-	-	16,137	16,137	214	-	214	-	21,068 5.79%	22,310 6.13%	None
Executive Vice President, CFO, Spokesperson and Corporate governance officer	Wei-Chieh Chang	3,019	3,019	108	108	12,559	12,559	132	-	132	-	15,818 4.35%	15,818 4.35%	None
Senior Executive Vice President	Jason Lin	4,315	4,315	108	108	10,922	10,922	183	-	183	-	15,528 4.27%	15,528 4.27%	None
Senior Executive Vice President	Chiu-Lin Chen	4,135	4,135	108	108	10,114	10,114	172	-	172	-	14,529 3.99%	14,529 3.99%	None
Executive Vice President	Hsiao-Hsu Tu		2,749	-	-	5,223	5,829	-	-	-	-	5,223 1.44%	8,578 2.36%	None

Note 1: On February 23, 2024, the Board of Directors approved that the amounts of the employees' compensation for the year ended December 31, 2023 to be NT\$82,352 thousand. All in cash.

4. Names of and distribution to managerial officers distributing employee compensation
 On February 23, 2024, the Board of Directors approved that the amounts of the employees' compensation for the year ended December 31, 2023 to be NT\$82,352 thousand. All in cash

December 31, 2023; Unit: NT\$ thousand; %

	Title	Name	Stock	Cash	Total	Proportion of total to net profit after tax (%)
Managerial officers	CEO and President	Genda Hu	-	1,459	1,459	0.4%
	Senior Executive Vice President	Jason Lin				
	Senior Executive Vice President	Chiu-Lin Chen				
	Executive Vice President	Ching-Kai Chang				
	Executive Vice President	Wei-Ching Hou				
	Executive Vice President	Hsiao-Hsu Tu				
	Executive Vice President	Jui-Cheng Hsu				
	Executive Vice President	Pei-Tzu Wu				
	Business Executive Vice President	Ching-Suo Wang				
	Marketing Executive Vice President	Lien-Kuo Wang				
	Business Assistant Executive Vice President	Te-Chih Kung				
	Deputy Executive Vice President	Po-Sheng Shih				
	Deputy Executive Vice President	Hung-Jen Chien				
	Deputy Executive Vice President	Ching-Hsing Chang				
	Deputy Executive Vice President	Cheng Kuo				
	Deputy Executive Vice President	Hao-Chin Chao				
	Senior Executive Vice President	Chester. Hwang				
Accountant Officer	Pei-Chun Chen					
Executive Vice President, CFO, Spokesperson and Corporate governance officer	Wei-Chieh Chang					

(4) Separate comparison and description of total remuneration, as a proportion of net profit stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents, and analysis and description of remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. The proportion of net profit stated in the parent company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents:

Item	2023		2022	
	Individual remuneration %	Consolidated remuneration %	Individual remuneration %	Consolidated remuneration %
Director remuneration (Note 1)	12.26%	12.60%	-2.15%	-2.21%
Supervisor remuneration (Note 2)	—	—	—	—
Presidents/ vice presidents remuneration (Note 3)	26.45%	29.47%	-7.15%	-8.03%

Note 1: Includes remuneration received by directors who are also Company employees.

Note 2: Since June 21, 2012, the Audit Committee has been responsible for the supervisory duties stipulated in the relevant laws and regulations.

Note 3: Includes remuneration received by presidents/executive vice presidents who are also Company directors

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

- (1) The policy and standard for director remuneration distribution are in accordance with the Company's Articles of Incorporation and the Rules for Setting Director Remuneration, and are evaluated by the Remuneration Committee and recommended to the Board of Directors for approval. Director remuneration includes remuneration, business execution expenses and compensation, of which no more than 1.5% of the total amount of compensation is distributed based on the Articles of Incorporation and is related to the operating profit. The individual compensation of directors is adjusted and positively correlated with the results of their performance evaluations, including the attendance rate for the "Participation in Company Operations" and the number of training hours required for "Election and Continuing Education of Directors".
- (2) The evaluation system and the amount of managerial officer remuneration are formulated by the Remuneration Committee, where the Committee sets the standard for the following year by evaluating their performance in the previous year. In addition to industry standards, both short-term (65%) and long-term (35%) indicators are taken into consideration while setting the standards. The short-term indicators evaluate the achievement rate of profitability targets, whereas the long-term indicators evaluate the establishment of long-term development capabilities, such as (1) new product and technology R&D results, (2) employee training and team building, and (3) corporate strategy and corporate governance performance. These indicators are evaluated by the Remuneration Committee and both the results and the following year's standards are subsequently submitted to the Board of

Directors for approval. The values of the equity and remuneration are positively correlated to the future stock price, which means that managerial officers take on the same responsibility as the Company in operational performance and share in the risks together.

- (3) Therefore, the remuneration of directors and managerial officers is related to their operational performance. The business objectives and risk management are combined; when formulating strategies/goals and budgets each year, the Company takes into account the short-, medium- and long-term risks. All of these are adjusted and tracked every year and included in the Remuneration Committee's evaluation.

3. Implementation of Corporate Governance

(1) The function of the Board

A total of 7 (A) board meetings were held in the past year. Director attendance is as follows:
2023

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (B/A)(%)	Remarks
Chairman	Genda Hu	7	0	100%	Re-election Date re-elected: May 30, 2023
Director	GWAA LLC Designated Representative: Han-Ping Shieh	7	0	100%	
Director	GWAA LLC Designated Representative: Chenming Hu	3	0	100%	Date discharged: May 30, 2023
Director	GWAA LLC Designated Representative: Jason Lin	4	0	100%	Date newly assumed: May 30, 2023
Director	Acer Inc. Designated Representative: Chun-Sheng Chen	5	2	71%	Re-election Date re-elected: May 30, 2023
Independent Director	Chintay Shih	7	0	100%	Re-election Date re-elected: May 30, 2023
Independent Director	Chan-Jane Lin	7	0	100%	
Independent Director	Chang Xu	2	1	67%	Date discharged: May 30, 2023
Independent Director	Xuhui Xu	3	0	100%	
Independent Director	Hsing-Chien Tuan	4	0	100%	Date newly assumed: May 30, 2023
Independent Director	Chun-Hao Lai	4	0	100%	
Other matters to be noted:					
1. If any of the following is applied to the operation of the Board, specify the date and the session, the content of the motions, the opinions of all Independent Directors, and how the Company handled the opinions of the Independent Directors:					
(1) Items listed in Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee; refer to the Securities and Exchange Act Article 14-5 matters listed in Audit Committee Operations (1).					
(2) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: None					
2. Situations where the directors have personal interest conflicts to the proposal and are required to recuse themselves: Chairman recused themselves from participating in the discussion and voting on their remuneration, bonuse.					

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (B/A)(%)	Remarks
3.					Implementation status of Evaluation of the Board of Directors: Refer to table (1)-1 for details.
4.					<p>The objective for fortifying the function of the Board in the current period and the most recent period and the evaluation of the state of accomplishment:</p> <p>In the fiscal year of 2023, the board of directors' term came to an end, and four independent directors were appointed, accounting for half of the board, with the recruitment of new independent directors with specialized expertise to enhance the independence and diversity of the board. Continuous supervision was conducted regarding energy conservation, carbon reduction, and sustainability reporting to ensure the functional implementation of the board.</p>

(1)-1 Implementation status of Evaluation of the Board of Directors

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation items
Annually	Jan. 1, 2023 - Dec. 31, 2023	Members of the Board of Directors, functional committees, and individual directors	Internal self-evaluation by the Board of Directors and functional committees; self-evaluation by directors	<p>(1) Board of Directors performance evaluations:</p> <p>Participation in the Company's operations; improvement of the quality of board decisions, board composition, and structure; election and continuing education of directors; and internal controls.</p> <p>(2) Board members' performance self-evaluations:</p> <p>Alignment with the Company's goals and missions; awareness of the duties of a director; participation in the Company's operations; management of internal relationships and communications; directors' professionalism and continuing education; and internal controls.</p> <p>(3) Audit Committee performance evaluations:</p> <p>Participation in the Company's operations; awareness of audit committee duties; improvement of quality in audit committee decisions; makeup of the audit committee and election of its members; and internal controls.</p> <p>(4) Remuneration Committee performance evaluations:</p> <p>Participation in the Company's operations; awareness of Remuneration Committee duties; improvement of quality in Remuneration Committee decisions; makeup of the Remuneration Committee and election of its members; and internal controls.</p>

Every three years	Apr. 1, 2020 ~ Mar. 31, 2021	Board of Directors	Appointed Taiwan Corporate Governance Association for an evaluation	1. Composition of the Board of Directors 2. Guidance of the Board of Directors 3. Authorization of the Board of Directors 4. Supervision of the Board of Directors 5. Communication of the Board of Directors 6. Internal control and risk management 7. Self-discipline of the Board of Directors 8. Other matters such as board meetings and support systems
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(2) The function of Audit Committee

A total of 6 (A) Audit Committee meetings were held in the past year. The attendance of independent directors is as follows:

2023

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A)(Note)	Remarks
Independent Director	Chintay Shih	6	0	100%	Re-election Date of Re-election: May 30, 2023
Independent Director	Chan-Jane Lin	6	0	100%	
Independent Director	Chang Xu	2	1	67%	Date discharged: May 30, 2023
Independent Director	Xuhui Xu	3	0	100%	
Independent Director	Hsing-Chien Tuan	3	0	100%	Date newly assumed: May 30, 2023
Independent Director	Chun-Hao Lai	3	0	100%	

Other matters to be noted:

1. Annual highlights of the Company's Audit Committee:

(1) The purpose of the Audit Committee is to assist the Board of Directors in upholding quality and integrity in overseeing the Company's implementation of accounting, auditing, financial reporting processes, and financial controls. The Committee's primary purpose is to oversee the following matters:

- (1) The Company's financial statements is presented properly.
- (2) The hiring (dismissal), independence, and performance of the CPAs (certified public accountants).

(3) Effective implementation of the Company's internal controls.

- (4) The Company’s compliance with relevant laws and regulations.
- (5) Management of the Company’s existing and potential risks.
- (2) The Company’s Audit Committee consists of all independent directors, and at least one meeting is held every quarter.
- (3) The CPAs explain the impact of the audit status, revision of Statement of Financial Accounting Standards (SFAS), and internal control issues on the Company to independent directors on a no less than quarterly basis at the Audit Committee meeting.
- (4) In addition to sending audit reports to independent directors for review on a regular basis, the audit unit communicates with independent directors and provides explanation to them on a no less than quarterly basis at the Audit Committee meeting.

2. For the operation of the Audit Committee in any of the following circumstances, specify the Audit Committee meeting date, the session, the content of the motions, the content of the dissenting or qualified opinion, or material recommendations made by independent directors, the resolutions of the Audit Committee and how the Company handled the opinions of the Audit Committee:

(1) The content of the particulars inscribed in Article 14-5 of the Securities and Exchange Act:

Board Meeting	Content of the motions and Subsequent Handling	Securities and Exchange Act Article 14-5 matters	Resolutions not approved by the Audit Committee but approved by at least 2/3 of all directors
The 15th Board Meeting of the 7th Term February. 23, 2023	1. 2022 Financial Statement.	V	
	2. Fund lending between subsidiaries for the continuation of parent company.	V	
	3. Evaluation of CPAs’ reappointment and independence.	V	
	4. 2023 Audit Fee.	V	
	5. 2022 Statement of Internal Control.	V	
	Audit Committee resolution: Approved (as proposed) by all Audit Committee members who attended the meeting.		
	Company handling of Audit Committee opinion: Approved (as proposed) by all directors who attended the meeting.		
The 16th Board Meeting of the 7th Term April. 7, 2023	Issuance of new restricted stock for employees.	V	
	Audit Committee resolution: Approved (as proposed) by all Audit Committee members who attended the meeting.		
	Company handling of Audit Committee opinion: Approved (as proposed) by all directors who attended the meeting.		
The 17th Board Meeting of the 7th Term May. 12, 2023	1. 2023 Q1 Financial Statement.		
	2. Authorization of maximum transaction limit of organizational restructuring transactions.	V	
	Audit Committee resolution: Approved (as proposed) by all Audit Committee members who attended the meeting.		
	Company handling of Audit Committee opinion: Approved (as proposed) by all directors who attended the meeting.		

The 2th Board Meeting of the 8th Term August 11, 2023	2023 Q2 Financial Statement.	V	
	Audit Committee resolution: Approved (as proposed) by all Audit Committee members who attended the meeting.		
	Company handling of Audit Committee opinion: Approved (as proposed) by all directors who attended the meeting.		
The 3th Board Meeting of the 8th Term September 26, 2023	Issuance of new restricted stock for employees.	V	
	Audit Committee resolution: Approved (as proposed) by all Audit Committee members who attended the meeting.		
	Company handling of Audit Committee opinion: Approved (as proposed) by all directors who attended the meeting.		
The 4th Board Meeting of the 8th Term November 10, 2023	1. 2023 Q3 Financial Statement.		
	2. The Company's endorsement and guarantee renewal of wafer procurement for its subsidiary.	V	
	Audit Committee resolution: Approved (as proposed) by all Audit Committee members who attended the meeting.		
Company handling of Audit Committee opinion: Approved (as proposed) by all directors who attended the meeting.			
The 5th Board Meeting of the 8th Term February 23, 2024	1. 2023 Financial Statement.	V	
	2. Fund lending between subsidiaries for the continuation of parent company.	V	
	3. Evaluation of CPAs' reappointment and independence.	V	
	4. 2024 Audit Fee.	V	
	5. Amendment to some provisions of the Procedures for Endorsement and Guarantees.	V	
	6. 2023 Statement of Internal Control.	V	
	Audit Committee resolution: Approved (as proposed) by all Audit Committee members who attended the meeting.		
	Company handling of Audit Committee opinion: Approved (as proposed) by all directors who attended the meeting.		

(2) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: None

3. The avoidance of the conflict of interest by the Independent Directors on related motions, specify the names of the Independent Directors, the content of the motions, the principle of the avoidance of the conflict of interest, and the participation in casting the ballots: None

4. Communications between independent directors, the Company's Chief Internal Auditor and CPAs (which shall include events, methods, and results of communications with regard to the Company's financial and business conditions):

(1) The Company's Chief Internal Auditor liaises with the Audit Committee members on the audit findings regularly, presents audit reports in the quarterly meeting of the Audit Committee, and communicates with the Audit Committee members individually every time at the end of the debate on the motions after the management team has left. In case of special situation, the Chief Internal Auditor reports to the Audit Committee members.

Date of meeting	Communication item	Opinion of independent director
Feb. 23, 2023	1. Report on 2022 Q4 internal control deficiencies	Agree and no objection
	2. Report on 2022 Statement of Internal Control	Agree and no objection
May. 12, 2023	Report on 2023 Q1 internal control deficiencies	Agree and no objection

Aug. 11, 2023	Report on 2023 Q2 internal control deficiencies	Agree and no objection
Nov. 10, 2023	1. Report on 2023 Q3 internal control deficiencies	Agree and no objection
	2. 2024 Audit Plan	Agree and no objection

- (2) CPAs attend the Audit Committee meeting on a quarterly basis to report on auditing status and legally-mandated matters of note. Audit Committee members liaise with the CPAs at any time when they have any questions about financial and business conditions, and communicate with the CPAs individually every time at the end of the debate on the motions after the management team has left.

Date of meeting	Communication item	Opinion of independent director
Feb. 23, 2023	Significant risks and key audit matters	Agree and no objection
May. 12, 2023	Interpellation session on management team report	Agree and no objection
Aug 11, 2023	Interpellation session on management team report	Agree and no objection
Nov. 10, 2023	Discussion on key audit matters	Agree and no objection

- (3) Status of Corporate Governance as required for company, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Items for evaluation	Implementation Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No		
1. Has the Company established and disclosed its corporate governance practices based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has set up Corporate Governance Best Practice Principles, which are disclosed on both the Company's website and the Market Observation Post System (MOPS) in accordance with the requirements.	None
2. Equity structure and shareholders' equity (1) Has the Company instituted an internal procedure for handling suggestions, questions, disputes of the shareholders and legal actions, and comply with the procedure properly?	✓		(1) The Company has assigned dedicated staff and set up an e-mail address to properly handle shareholders' suggestions, questions, and disputes. But there is no expressly stipulated detailed operating procedures.	Although the operation procedures are not specified, multiple channels have been established and are handled by dedicated personnel.

Items for evaluation	Implementation Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No		
(2) Has the Company kept track on the major shareholders roster of the Company and the parties controlling these shareholders?	✓		(2) The Company keeps track of the shareholding status of directors, managerial officers and major shareholders holding 10% or more of the shares.	None
(3) Has the Company established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	✓		(3) The Company has established a risk control mechanism by formulating various management rules and regulations for transactions with affiliated companies.	None
(4) Has the company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?			(4) To maintain the fairness of transactions in the security exchange market, the Company has established the Operation Procedures for Internal Material Information Disclosure and Prevention of Insider Trading in accordance with the competent authorities' relevant regulations. On November 11, 2022, the Board meeting approved the addition of a directors' trading blackout period. In accordance with the Procedures, directors were notified of the trading blackout period 15 or 30 days prior to the Board meetings held on January 17, April 27, July 26, and October 24, 2023.	None

Items for evaluation	Implementation Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons																																																																																
	Yes	No																																																																																		
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Board established a diversity policy, specific management goals and implemented it accordingly?</p>	✓		<p>(1) The Company's diversity policy is set forth in Article 20 of the Corporate Governance Best Practice Principles, and the diversity status of directors is evaluated at the time of election. In order to achieve the ideal goals of corporate governance, the Board of Directors as a whole should have the following competencies:</p> <p>(1) Ability to make operational judgments.</p> <p>(2) Ability to perform accounting and financial analysis.</p> <p>(3) Ability to conduct management administration.</p> <p>(4) Ability to conduct crisis management.</p> <p>(5) Knowledge of the industry.</p> <p>(6) An international market perspective.</p> <p>(7) Ability to lead.</p> <p>(8) Ability to make policy decisions.</p> <p>Current diversified composition of directors:</p> <p>1. The detailed backgrounds and experiences in diversity are provided in the "Disclosure of Professional Qualifications and Independence Information for Directors and Supervisors" table.</p> <p>1. The detailed backgrounds and experiences in diversity are provided in the "Disclosure of Professional Qualifications and Independence Information for Directors and Supervisors" table.</p> <p>2. The diversity policy of the Board of Directors is summarized below and is disclosed on the Company's website:</p> <table border="1" data-bbox="730 1512 1305 1848"> <thead> <tr> <th colspan="8">Core for diversification</th> </tr> <tr> <th>Name of Director</th> <th>Gender</th> <th>Business management</th> <th>Leadership and Decision-making</th> <th>Industrial knowledge</th> <th>International market view</th> <th>Crisis management</th> <th>Financial Accounting</th> </tr> </thead> <tbody> <tr> <td>Genda Hu</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Designated representative of GWAALLC: Han-Ping Shieh</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Designated Representative of GWAALLC: Jason Lin</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Designated representative of Acer Inc.: Chun-Sheng Chen</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Chinmay Shih</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Chan-Jane Lin</td> <td>Female</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Hsing-Chien Tuan</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> <tr> <td>Chun-Hao Lai</td> <td>Male</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td></td> </tr> </tbody> </table> <p>3. The Company's goal of increasing the Board's diversity is to include at least one female director as well as one director with accounting expertise.</p>	Core for diversification								Name of Director	Gender	Business management	Leadership and Decision-making	Industrial knowledge	International market view	Crisis management	Financial Accounting	Genda Hu	Male	v	v	v	v	v		Designated representative of GWAALLC: Han-Ping Shieh	Male	v	v	v	v	v		Designated Representative of GWAALLC: Jason Lin	Male	v	v	v	v	v		Designated representative of Acer Inc.: Chun-Sheng Chen	Male	v	v	v	v	v	v	Chinmay Shih	Male	v	v	v	v	v		Chan-Jane Lin	Female	v	v	v	v	v	v	Hsing-Chien Tuan	Male	v	v	v	v	v		Chun-Hao Lai	Male	v	v	v	v	v		None
Core for diversification																																																																																				
Name of Director	Gender	Business management	Leadership and Decision-making	Industrial knowledge	International market view	Crisis management	Financial Accounting																																																																													
Genda Hu	Male	v	v	v	v	v																																																																														
Designated representative of GWAALLC: Han-Ping Shieh	Male	v	v	v	v	v																																																																														
Designated Representative of GWAALLC: Jason Lin	Male	v	v	v	v	v																																																																														
Designated representative of Acer Inc.: Chun-Sheng Chen	Male	v	v	v	v	v	v																																																																													
Chinmay Shih	Male	v	v	v	v	v																																																																														
Chan-Jane Lin	Female	v	v	v	v	v	v																																																																													
Hsing-Chien Tuan	Male	v	v	v	v	v																																																																														
Chun-Hao Lai	Male	v	v	v	v	v																																																																														
		✓																																																																																		

Items for evaluation	Implementation Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No		
(2) Further to the establishment of the Remuneration Committee and the Auditing Committee, has the Company voluntarily established other functional committees?	✓		(2) Other than the Remuneration Committee and the Audit Committee, the Company has not established any other functional committees.	No other functional committees have currently been established
(3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the Board, and used such as a reference for individual director remuneration and renomination?	✓		(3) The Company conducts annual self-evaluation of the Board's performance in accordance with the Board of Directors Rules for Self-evaluation and Peer Evaluation. In addition, performance self-evaluation questionnaires are given to all members of the Board of Directors each year. Refer to (1)-1 Board of Directors' Evaluation under III. Corporate Governance Operations for the sections evaluated: The 2023 Annual Self-evaluation Questionnaire consisted of 40 questions in five major sections. Each director evaluated the Board's overall operational performance on a scale of 5 to 1, based on the 40 questions in the questionnaire. The evaluation results were all excellent (grade 4.9) or above. The performance evaluation results from the "Participation in Company Operations", "Meeting Attendance Rate", "Election and Continuing Education of Directors", and "Fulfilling the Required Number of Training Hours" indicators are positively correlated with director compensation, which is subject to reduction if they fail to meet the requirements. An external organization is commissioned to evaluate the Company's Board of Directors once every 3 years, with the most recent evaluation conducted in 2021 by the Taiwan Corporate Governance Association. The next evaluation is scheduled for 2024.	None
(4) Has the Company evaluated the independence of the commissioned certified public accountants regularly?			(4) The Company evaluates the independence of the appointed CPAs on an annual basis, in accordance with Article 29 of the Corporate Governance Best Practice Principles. Additionally, the Board of Directors formulated and completed the Report on Independence and Suitability Evaluation for Certified Public Accountants (as listed in the table below), Yu-Hong Kuo and Chih-Ming Shao, the Deloitte & Touche CPAs appointed by the Company, with reference to Article 47 of the Certified Public Accountant Act and the evaluations stated in No. 10, "Integrity, Objectivity, and Independence", from the Bulletin on Norms for Certified Public Accountant Professional Ethics in the Republic of China. "The Statement of Certified Public Accountant	None

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons																																	
	Yes	No	Summary																																		
			<p>Independence” and “Audit Quality Indicators (AQIs)” were issued by the CPAs, and reported to the Audit Committee and the Board of Directors on February 23, 2023.</p> <p>Standards for Evaluating CPAs’ Independence and Competence</p> <table border="1"> <thead> <tr> <th>Point of evaluation</th> <th>Result</th> <th>Compliance with CPA Independence</th> </tr> </thead> <tbody> <tr> <td>1. CPA is employed by the Company to perform regular work receives a fixed salary or serves as a director or supervisor.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. CPA who once served as a director, supervisor, managerial officer, or officer of the Company has significant influence on the certification of documents/statements and has been dismissed for less than 2 years.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. The accounting firm and the Company are affiliates.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>4. CPA and Company responsible person/managerial officer are spouses, or relatives within the second degree of kinship.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>5. CPA, their spouse, or minor children has/have an investment or benefit-sharing relationship with the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>6. CPA, their spouse, or minor child has/have fund lending with the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>7. CPA has been continuously appointed to provide certification services for 7 years.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>8. The Company does not acquire the Statement of Independence issued by the CPA annually.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>9. The quality and timeliness of audit and tax services do not meet the requirements.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>10. The Company has been subject to litigation or correction by the competent authorities for financial reporting in the year under review.</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Point of evaluation	Result	Compliance with CPA Independence	1. CPA is employed by the Company to perform regular work receives a fixed salary or serves as a director or supervisor.	No	Yes	2. CPA who once served as a director, supervisor, managerial officer, or officer of the Company has significant influence on the certification of documents/statements and has been dismissed for less than 2 years.	No	Yes	3. The accounting firm and the Company are affiliates.	No	Yes	4. CPA and Company responsible person/managerial officer are spouses, or relatives within the second degree of kinship.	No	Yes	5. CPA, their spouse, or minor children has/have an investment or benefit-sharing relationship with the Company.	No	Yes	6. CPA, their spouse, or minor child has/have fund lending with the Company.	No	Yes	7. CPA has been continuously appointed to provide certification services for 7 years.	No	Yes	8. The Company does not acquire the Statement of Independence issued by the CPA annually.	No	Yes	9. The quality and timeliness of audit and tax services do not meet the requirements.	No	Yes	10. The Company has been subject to litigation or correction by the competent authorities for financial reporting in the year under review.	No	Yes	
Point of evaluation	Result	Compliance with CPA Independence																																			
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Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons						
	Yes	No	Summary							
			<table border="1"> <tr> <td>11. The accounting firm's size and reputation were significantly damaged in the year under review.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>12. Poor interaction between the CPA, management level, governance units, and the Chief Internal Auditor.</td> <td>No</td> <td>Yes</td> </tr> </table> <p>AQIs evaluate five dimensions with 13 indicators</p> <p>Dimension 1: Professionalism CPAs' experience in auditing, training hours, turnover rate, and professional support</p> <p>Dimension 2: Quality Control CPAs' load, engagement in the audit, engagement quality control review (EQCR), and quality control support capability</p> <p>Dimension 3: Independence Non-audit service, customer familiarity</p> <p>Dimension 4: Supervision Deficiencies discovered by external inspection and disciplinary actions, and improvement instructed by letter from the competent authority</p> <p>Dimension 5: Innovation Capability Innovation planning or initiative</p>	11. The accounting firm's size and reputation were significantly damaged in the year under review.	No	Yes	12. Poor interaction between the CPA, management level, governance units, and the Chief Internal Auditor.	No	Yes	
11. The accounting firm's size and reputation were significantly damaged in the year under review.	No	Yes								
12. Poor interaction between the CPA, management level, governance units, and the Chief Internal Auditor.	No	Yes								

Items for evaluation	Implementation Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No		
4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with information required for the execution of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders' meeting related matters; and preparing the minutes for board meetings and shareholders' meeting in accordance with the law, etc.)?	✓		<p>(1) On November 6, 2020, the Company appointed a Corporate Governance Senior Office with the approval of the Board of Directors, and Mr. Wei-chieh Chang, who is also the Company's CFO, was appointed on October 28, 2021. He meets the eligibility criteria of the Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE/TPEX Listed Companies and the Board's Exercise of Powers in that he has more than three years of relevant work experience; and serves as the Sustainable Development Group to assist directors and independent directors in complying with laws and regulations. This group consists of the Board of Directors' Secretary; Finance and Accounting Department; Auditing Department; Legal Affairs Department; and Investor Relations Department. Their primary duties include, but are not limited to:</p> <ol style="list-style-type: none"> 1. Proposing and implementing CSR policies, systems, and related management guidelines and specific promotion plans, and for reporting on such to the Board of Directors annually. 2. Implementing, coordinating, and planning ethical corporate policy promotion and relevant trainings, to ensure the effectiveness of implementation. 3. Assisting the Board of Directors and management in examining and evaluating the effectiveness of ethical corporate management practices, regularly assessing compliance with business processes, and reporting annually to the Board of Directors. 4. Providing directors, independent directors, and functional committees with information required for the execution of their duties; amending corporate governance regulations; and assisting directors in complying with laws and regulations. 5. Conducting board meetings and shareholders' meetings in accordance with the Corporate Governance Best Practice Principles and corporate governance regulations. 6. Pre-registering the date of shareholders' meetings; preparing notices, manuals, and minutes of meetings within the statutory period; and registering changes in the Articles of Incorporation and re-election of directors in accordance with laws and regulations. 7. Maintaining investor relations, and establishing communications with institutional investors and general shareholders, in order to ensure that investors receive adequate information and that shareholder rights are well-protected. 	None

Items for evaluation	Implementation Status		Summary	Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No		
			<p>(2) The number of hours for continuing education for the Corporate Governance Senior Officer is shown in the table below.</p> <p>(3) The plans and implementation status of the Sustainable Development Group under the purview of the Board of Directors are reported every year. On February 23, 2023, the Board of Directors reported on the framework, goals and plans for sustainable development in 2023 as well as the implementation status in 2022. On February 23, 2024, the Board of Directors reported on the implementation status in 2023.</p>	

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR issues such stakeholders are concerned with?	✓		<p>(1) In pursuit of sustainable development, the Company has appointed a spokesman and an acting spokesman, and has established a designated stakeholder zone on its website. Stakeholders may contact the Company at any time by phone, letter, fax, or email with the information listed on the Company's website, in order to meet their needs and concerns, as well as to serve as a reference and basis for the Company's CSR and operations & development plans in the future.</p> <p>(2) Stakeholders include investors, employees, customers, and suppliers, with each having dedicated communication channels in addition to phone, postal mail, and email.</p> <p>(3) After receiving information, internal staff transfer it to the responsible departments for coordination as circumstances require. Together with relevant departments, they communicate, discuss, settle, and respond accordingly to solve the risks and opportunities of the Company's situation, and further enhance its competitiveness. All of the above are regulated in the Consultation and Communication Management Procedures.</p>	None
6. Has the Company appointed a professional shareholder services agent to deal with shareholder affairs?	✓		The Company has appointed a professional shareholder services agent (the Transfer Agency Department of CTBC Bank Co., Ltd.) to deal with shareholder affairs.	None
7. Disclosures				
(1) Has the Company established a website for the disclosure of Company's financial and business, and corporate governance?	✓		(1) The Company has established a website (http:// www.focaltech-electronics.com/zh-TW) that is maintained by a dedicated unit. In addition to the collation and disclosure of corporate information, the Unit also regularly discloses the Company's financial- and business-related information.	None
(2) Has the Company adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the investor conference on record posted on the website)?	✓		(2) The Company has established a website in both English and Chinese, and has appointed a spokesman and an acting spokesman in accordance with their duties, who are responsible for disclosing the Company's information to the public and on the Company's website.	None
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadlines?	✓		(3) The Annual Financial Report 2023 was announced within two months after February 27, 2024. Financial reports for the first, second, and third quarters of 2023, as well as monthly operating conditions, were all announced and reported within the statutory period.	None

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, status of directors' and supervisors' continuing education, implementation of risk management policies and risk assessment criteria, implementation of customer related policies, and purchase of liability insurance for directors and supervisors by the Company)?	✓		<p>(1) Implementation of employee rights and benefits, and employee care: Refer to "V. Labor Relations" within Chapter 5. Operations Overview of this annual report.</p> <p>(2) Investor relations, supplier relations, and stakeholder rights: The Company discloses its financial, business, and corporate governance information on its website at all times, providing open and transparent information for free access by general employees, investors, suppliers, and stakeholders. Additionally, a dedicated channel has been set out on the corporate website for stakeholders to ask questions or express their needs.</p> <p>(3) Status of directors' continuing education: As shown in the table below.</p> <p>(4) Implementation of risk management policies and risk assessment criteria: Refer to "VI. Analysis and Evaluation of Risk Matters for the Most Recent Fiscal Year and Up to the Publication Date of the Annual Report" within Chapter 7. Review and Analysis of Financial Conditions, Performance, and Risk Matters of this annual report; and the second paragraph of the "Status of Sustainable Development, and Any Nonconformity to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof".</p> <p>(5) Implementation of customer policy: We have established a dedicated customer service unit and an application engineering unit, to provide timely and optimal service to our customers.</p> <p>(6) Directors and Officers Liability Insurance: Liability insurance has been taken out for directors and managerial officers, and is disclosed on the Market Observation Post System (MOPS).</p>	None
<p>9. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures.</p> <p>(1) Improvements made: The Company was ranked 6%–20% among others in the annual evaluation for 2022.</p> <p>(2) Future enhancements: The presentation of CSR Report will be optimized, and the disclosure of the Company's compliance with the TCFD and SASB will be evaluated.</p>				

Further Studying Status of Directors in 2023:

Title	Name	Date of Advanced study	Organized by	Course Name	Number of Hours
Director	Genda Hu	Jul. 14, 2023	Securities & Futures Institute	On Corporate Governance Blueprint 3.0 and Directors' Responsibilities	3
		Aug. 24, 2023	Securities & Futures Institute	Concepts, Practices, and Tools of Group Tax Governance	3
Corporate Director Representative	Han-Ping Shieh	Jul. 4, 2023	Taiwan Stock Exchange Corporation	Cathay Sustainable Finance and Climate Change Summit 2023	3
		Apr. 28, 2023	Taiwan Corporate Governance Association	Information Technology Progression and Board of Directors Duties	3
Corporate Director Representative	Jason Lin	Nov. 24, 2023	Taiwan Corporate Governance Association	Pierce the Veil of Facilitator for Corporate Governance – Best Practice for Corporate Governance Personnel	3
		Dec. 1, 2023	Accounting Research and Development Foundation	New Developments in International Sustainability Disclosure Standards	3
Corporate Director Representative	Chun-Sheng Chen	Aug. 24, 2023	Taiwan Corporate Governance Association	Securities Regulations and Corporate Governance	3
		Aug. 3, 2022	Taiwan Corporate Governance Association	Practice of Corporate ESG Sustainability Trends and Updates in Taiwan SEC Regulations	1.5
		May 4, 2023	Taiwan Corporate Governance Association	Future Global Risks & Opportunities of Sustainability Transitions	1.5
		Mar. 16, 2023	Taiwan Corporate Governance Association	Global Economic Outlook for 2023	1.5
Independent Director	Chan-Jane Lin	Mar. 10, 2023	Taiwan Corporate Governance Association	The Strange Global Economic Situation in 2023	1
		Mar. 29, 2023	Taiwan Corporate Governance Association	Seminar on Climate Change Response Act and Enterprise Countermeasures	2
		Aug. 12, 2023	Taiwan Institute of Directors	Inheritance Strategy of a Century-old Enterprise	3
		Oct. 4, 2023	Taipei Bar Association	2023 Corporate Governance Forum-Governance of Group Enterprises Seminar	3
		Dec. 12, 2023	Taiwan Corporate Governance Association	Corporate Governance Summit XIX (2023) – Creating New Sphere of Governance for the Elevating Value of Enterprises	3
		Dec. 25, 2023	Taiwan Corporate Governance Association	The Roles and Responsibilities of the	3

				Board of Directors/Senior Managers in ESG Governance	
		Dec. 28, 2023	Taiwan Corporate Governance Association	The Benevolent Rule for Accounting and Corporate Governance	1
Independent Director	Chintay Shih	Dec. 8, 2023	Taiwan Corporate Governance Association	Artificial Intelligence and 3 rd Generation Semiconductor on Server Applications	3
		Nov. 21, 2023	Securities & Futures Institute	Supervision of Corporate Risk and Crisis by Directors and Supervisors	3
Independent Director	Chun-Hao Lai	Jul 31, 2023	Taiwan Academy of Banking and Finance	Corporate Governance Forum - AI Technology and Future Application Opportunities	3
		Sep. 8, 2023	Taiwan Corporate Governance Association	Legacy Project Launched – Employee Reward Plan and Equity Inheritance	3
Independent Director	Hsing-Chien Tuan	Oct. 24, 2023	Accounting Research and Development Foundation	New Developments in International Sustainability Disclosure Standards	3
		Oct. 29, 2023	Accounting Research and Development Foundation	Trends and Regulations in ESG Information Disclosure Related to Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies	3

Advanced Study Status of Corporate Governance Senior Officer in 2023:

Title	Name	Date of Advanced Study	Organized by	Course Name	Number of Hours
Corporate governance officer	Wei-Chieh Chang	Jun. 16, 2023	Taiwan Corporate Governance Association	Corporate Mergers and Acquisitions Regulations and Practice – Case Study	3
		Jun. 30, 2023	Taiwan Investor Relations Institute	Media Management and Crisis Management Series - Strategies for Corporate Management and Media Crisis Management	3
		Nov. 1, 2023	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3
		Nov. 14, 2023	Taiwan Corporate Governance Association	Emerging Money Laundering Models and Regulatory Trends	3

(4) The operation of the Remuneration Committee

1. Information on the members of the Remuneration Committee

April 30, 2024

By identity	Conditions Name	Years of service in the company	Professional qualification and experience Principal majors and experience (note 1)	Independency								The amount of remuneration received for services rendered to the Company or its affiliates in the past two years	Number and proportion of shares held in own name, spouse's name, or names of relatives within the second degree of kinship (or names of third party)	Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies	
				Does not have the circumstances stipulated in Article 6, paragraph 1, items 1 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange (Note 2)											
				1	2	3	4	5	6	7	8				
Independent Director (Convener)	Chintay Shih	9	<p>【Professional expertise】 Experiences in electrical engineering and industrial technology; operating decision-making for the board of directors and functional committees; semiconductor-related industry and academia; and risk management.</p> <p>【Qualification and work experience】 Ph.D. in Electrical Engineering, Princeton University, Former Chairman of the III/ Dean of the Industrial Technology Research Institute/ Dean, School of Science and Technology Management, National Tsinghua University/ Chairman of Asia Pacific Intellectual Property Association/ Chairman of Monte Jade science & Technology Association of Taiwan/ Chairman of Chinese Institute of Engineers/ Chairman of Taiwan Semiconductor Industry Association/ Managing Director of Taiwan Electrical and Electronic Manufacturers' Association/ Chairman of Chinese Society for Management of Technology/ Chairman of Service Science Society of Taiwan/ CEO of Sun Yun-Suan Foundation/</p>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	0	3
Independent Director	Chan-Jane Lin	9	<p>【Professional expertise】 Convener of the Company's Audit Committee. Expertise in accounting and financial management, operating decision-making management for the board of directors and functional committees, and financial industry, with experiences in computer and peripheral equipment industry and semiconductor related industry, and risk management. Extensive academic and industry experience, and is committed to promoting corporate governance in Taiwan.</p> <p>【Qualification and work experience】 PhD in Accounting and Master in MBA, University of Maryland, USA/ Bachelor, Accounting Section, Department of Business Administration, National Taiwan University/ Qualification of Senior Professional and Technical Examinations Regulations of CPA, R.O.C./ Currently a professor at the Department of Accounting, National Taiwan University/ Independent Director of Advantech Co., Ltd./ Independent Director of CHIEF TELECOM INC./ Director of Accounting Research and Development Foundation/ Convenor, Managing Supervisor, Taiwan Corporate Governance Association/ Former independent director of Fubon Financial Holdings/ Independent Director of Fubon Life Insurance Co., Ltd./ Independent Director of Fubon Securities Co., Ltd./ Supervisor of Taiwan Financial Holdings Co., Ltd./ Director of Department of Accounting, National Taiwan University/ Director of School of Professional Education and Continuing Studies, National Taiwan University/ Acting Dean and Deputy Dean of School of Management; Director and Dean of Department of Accounting, National Taiwan University/ Assistant Professor, Department of Accounting, George Washington University/ Supervisor of Securities and Futures Investors Protection Center/</p>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	0	2

Independent member	Chun-Hao Lai	3	<p>【Professional expertise】 Experiences in operation and management of business and leadership decision-making; board of directors leadership; crisis handling and risk management; and semiconductor industry technology and market.</p> <p>【Qualification and work experience】 Master of Electrical Engineering, University of California, Santa Barbara/ Graduated from Department of Electrical Engineering, National Taiwan University/ Currently Chairman of SKYMIZER TAIWAN INC./ Independent Director of Truelight Corporation/ Independent Director of Silicon Optronics, Inc./ Independent Director of Andes Technology Corporation/ Director of GIGA SOLUTION TECH. CO., LTD./ Director of Wolley, Inc.(CA Inc.)/ Director of M31 Technology Corporation/ Xconn Technologies(State of California, USA) Former co-founder of ASICtronics Solutions(San Jose, CA)/ Manager of ASIC Business Unit / Director of Design Service Division of TSMC North America/ Director of New Customer Business Division of TSMC North America / President of Global Unichip Corp.</p>	Yes	0	0	3								
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Note 1: Please refer to 2. Profiles of Directors, Supervisors, President, Executive Vice President, Deputy Executive Vice President, Division Heads, and Branch Heads, (1) Directors and Supervisors, 1. Profiles of Directors and Supervisors for more details on the education and personal experience of Independent directors.

Note 2: Whether the Company’s Remuneration Committee members meet the independence requirements without any of the circumstances stipulated in Article 6, Paragraph 1, Subparagraphs 1–8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange is described as follows:

- (1) Not an employee of the Company or its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or through nominees, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top ten in holdings.
- (4) Not a manager in preceding subparagraph (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding subparagraph (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or designates its representative to serve as a director or supervisor of the Company under Article 27(1) or (2) of the Company Act. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor or employee of other company such that a majority of the Company’s director seats or voting shares are controlled by the same person. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) The chairman, president, or a person holding an equivalent position of the Company is not a director (or governor), supervisor, or employee of other company or institution, or are spouses. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (8) Not a director (or governor), supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (Not applicable in cases where the specified company or institution holds at least twenty percent but not exceeding fifty percent of the total number of issued shares of the Company, and the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

2. Information on Operations of Remuneration Committee

(1) The Remuneration Committee of the Company is consisted of 3 members.

(2) Term of office of the current members: The Company's Remuneration Committee was re-elected on May 30, 2023 for the period from May 30, 2023 to May 30, 2026. A total of 2 (A) Remuneration Committee meetings were held in the past year. The qualifications of the committee members and the attendance are as follows:

2023

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (B/A) (%)	Remarks
Convener	Chintay Shih	2	0	100%	Re-election Date re-elected: May 30, 2023
Committee	Chan-Jane Lin	2	0	100%	
Committee	Chun-Hao Lai	2	0	100%	

Other matters to be noted:

- Where the Board may not take or revise the advice of the Remuneration Committee, specify the date and the session of the Board, the content of the motion, the resolution of the Board, and the response to the opinions of the Company towards the advice of the Remuneration Committee (if the resolution of the Board suggested better position of remuneration than the advice of the Remuneration Committee, specify the reasons and the variations): None
- Where members of the Remuneration Committee may have adverse opinions or qualified opinions in their resolutions on record or in written declaration: None

Remuneration Committee	Content of the motion and Subsequent Handling
7 th session of 5 th term of the Board Apr. 17, 2023	1. Evaluation of 2022 Managerial Officer Remuneration.
	2. 2023 Manager Remuneration System.
	Remuneration Committee resolution: Approved (as proposed) by all committee members who attended the meeting. Company handling of Remuneration Committee opinion: Approved (as proposed) by all directors who attended the meeting.
1 st session of 6 th term of the Board Sep. 26, 2023	Allotment of new restricted stock for employees.
	Remuneration Committee resolution: Approved (as proposed) by all committee members who attended the meeting.
	Company handling of Remuneration Committee opinion: Approved (as proposed) by all directors who attended the meeting.

(5) Member information and operation of the nomination committee: None

(6) Implementation status of the promotion of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such variance

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Has the Company established a governance framework to advocate sustainable development and set up a dedicated (part-time) unit, which is headed by a senior executive at the authorization of the Board and is supervised by the Board, to advocate sustainable development?	✓		<p>1. On April 24, 2018, the Company established the Corporate Governance Group with the approval of the Board of Directors. On February 23, 2022, the Board of Directors renamed the Corporate Governance Group as the Sustainable Development Group, which falls under the purview of the Board of Directors. The Corporate Governance Senior Officer (who is also the Company's CFO) serves as the Convenor of the Sustainable Development Group and is responsible for the advocacy and implementation of all ESG related activities.</p> <p>2. The Sustainable Development Group reports the annual work plan and the results of the plan implementation to the Board of Directors every year. Different units, including finance and accounting, center for quality management, production and manufacturing, human resources and administration, audit office, are called upon based on the respective work program to discuss and complete the work.</p> <p>3. The 2023 annual plan includes: (1) continuous improvement of carbon inventory and energy conservation, (2) maintaining the Company's performance in corporate governance evaluation, (3) completion of the annual operating plan for ethical corporate management, (4) completion of the annual plan for information security, and (5) holding at least one investor conference every quarter.</p> <p>4. The aforementioned plan was successfully completed and reported to the Board of Directors on February 23, 2024.</p> <p>5. The Board of Directors reviews the development direction and appropriateness of the goals based on the quarterly report on carbon inventory progress, the annual sustainability plan, and the implementation status reported by the Sustainable Development Group, and it provides advice and guidance accordingly. The Board of Directors has agreed and issued a directive to speed up the carbon inventory and verification progress and complete it as early as 2024.</p>	None
2. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to the Company's operations, and has the Company established the relevant risk management policies or strategies based on the materiality principle?	✓		<p>1. The Company has implemented risk assessment every year and reported to the Board of Directors since 2018; the Risk Management Policy and Procedures was established on July 29, 2021 with the approval of the Board of Directors.</p> <p>2. In accordance with the Risk Management Policy and Procedures, the Risk Management Group gathers representatives from functional units every year to evaluate and make preliminary screenings based on the magnitude of risk factors affecting the Company directly or indirectly. Subsequently, the group judges and selects the major risks, compiles and analyzes the statistical results, and reports them to the operation and management meeting. Then, the risk-related responsible unit reports on the countermeasures and submits them to the operation and management meeting for discussion and approval. Finally, the results are reported to the Board of Directors by the Chairman's Office.</p> <p>3. The risk assessment covers all companies in the Group, which are primarily based in Taiwan and Mainland China. Risk</p>	None

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>assessment factors include social, environmental, and corporate governance issues, such as talent, capital, products, markets, and the environment.</p> <p>4. In 2023, the Company conducted external training for mid- and senior-level management. After holding discussions and going through the procedures mentioned above, participants reached a consensus on the major risks concerning the Company, which are described as follows:</p> <p>(1). Social Concern: Talent Retention and Nurturing Risks As an IC design company, we see our employees as an important asset. Therefore, we set up a talent training program every year, with appropriate development plans for personnel at different positions and levels. In 2023, a total of 2,159 participants attended training sessions.</p> <p>(2). Environmental Sustainability: The Impact of Corporate Transformation A. The Company requires suppliers to comply with RoHS and REACH regulations so as to fulfill their social responsibility for environmental protection. New suppliers are required to conduct annual audits and reviews to meet the requirements of quality, cost, delivery time, and CSR. The audit items include: quality system, environmental screening standards (including green product management and ISO 14001 Environmental Safety and Health Management System Verification), and social screening standards (ISO 45001 Occupational Safety and Health Management System verification). These criteria are included in the annual evaluation of suppliers. Those who fail to meet these requirements are provided with guidance for improvement. B. Continue to increase the volume of localized (Taiwan or Mainland China) production to reduce carbon emissions from transportation. C. Continue to perform carbon emissions self-inventory and promote electricity reduction measures. In 2023, electricity consumption was effectively reduced by 20% compared to 2022, and we plan to complete ISO14064-1 counseling and verification in 2024.</p> <p>(3). Operational Governance: Geopolitics, Market Changes, End-product Concentration Risks Operational Governance: Geopolitics, Market Changes, End-product Concentration Risks The responsible unit developed a plan and measures to counter these risks and reported them to the Board of Directors. The Company attaches importance to corporate governance regulations and continuously strengthens the functions of the Board of Directors. In 2022, the Company</p>	

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>continued to rank among the top 6–20% in the annual corporate governance evaluation results. The remaining information of the corporate governance performance is described in the “Status of Corporate Governance as Required for Company, and Any Nonconformity to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof”.</p> <p>(4). Other risk assessment: Refer to “VI. Analysis and Evaluation of Risk Matters for the Most Recent Fiscal Year and Up to the Publication Date of the Annual Report” within Chapter 7. Review and Analysis of Financial Conditions, Performance, and Risk Matters of this annual report for details.</p>	
<p>3. Environmental Issues (1) Has the Company established an appropriate environmental management system in accordance with its industrial characteristics?</p>	✓		<p>As an IC design company, the Company’s business operations have low impact on the surrounding environment. In accordance with the law and the premise of sustainable development, the Company has established environmental management systems and policies. Additionally, the Company has dedicated environmental safety personnel to plan, supervise, and implement environmental systems, and has been granted the ISO 14001 International Certification.</p> <p>The external suppliers are selected from those who have been granted the ISO 14001 International Certification and have environmental responsibility. By complying with the environmental regulations of RoHS/REACH, these suppliers reduce pollutant emissions, establish proper disposal methods for waste materials, thereby providing customers with products that are free of toxic substances.</p> <p>In addition to the above, we have been granted the ISO 9001 and ISO 45001 certifications, and are planning to additionally introduce the ISO 14064-1 system in 2024.</p>	None
<p>(2) Has the Company made effort to enhance the efficient use of energy and used regenerated materials that have a low impact on the environment?</p>	✓		<p>As an IC design company with no manufacturing plants, the Company’s business operations have low impact on the environment. Every year, the Company formulates energy conservation solutions so as to save energy and reduce carbon emissions. The achievements in 2023 are described as follows:</p> <ol style="list-style-type: none"> 1. Fully installing LED lights and energy-saving air conditioning equipment.. 2. The IT server room vents are being replaced with grille-type vents to enhance airflow efficiency. Additionally, heat extraction equipment is being installed to achieve energy-saving circulation.. 3. The outdoor units are being changed from shared to individual exhaust vents to enhance heat dissipation efficiency. 4. Indoor air conditioning units are being equipped with PLC programmable control, allowing for automatic adjustment back to the set temperature within 5 seconds. They will also 	None

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>automatically start and stop to introduce outside air circulation during commuting hours.</p> <p>5. The water dispenser will automatically start and stop operation during commuting hours.</p> <p>6. Printer, photocopier consumables, and electrical supplies are being procured towards low-carbon equipment.</p> <p>7. Statistics showed that the 2023 annual electricity consumption was reduced by 20% compared to the previous year.</p> <p>8. The goal is to reduce annual electricity consumption in 2024 by an additional 2% compared to the previous year.</p>	
(3) Has the Company assessed the potential current and future risks and opportunities from climate change for the Company, and has the Company taken countermeasures to address the issues?	✓		<p>Every year, the Company's Risk Management Group gathers relevant units to evaluate the risk factors and countermeasures in accordance with the Risk Management Policy and Procedures. These items include the risks and opportunities brought by climate change and their countermeasures as follows, which are disclosed in the ESG Report: https://www.focaltech-electronics.com/zh-TW/download/index</p> <p>They identified two risks that require further attention, namely policy and legal risks and market risk</p> <p>The first issue, the policy and legal risk, is the increase in carbon pricing. The Climate Change Response Act stipulates that in 2024, a carbon fee will be imposed on products that directly or indirectly contribute to high levels of carbon emissions. This risk may potentially cause a financial impact with an increase in operating costs, but the Company will not experience any significant impacts on overall operations and finances as it is not considered a high-carbon emission enterprise at this stage. In addition to the GHG emissions inventory scheduled for 2024, the Company will also begin to assess the purchase of green energy, biomass energy, and carbon credits, and set carbon reduction targets.</p> <p>The second issue, the market risk, is the increase in raw material costs for wafers. Due to climate change, in 2023 the European Union launched a trial phase of carbon tax, resulting in an increase in wafer raw material production costs, processing costs, and transportation costs, which impacted business operations. To counter this issue, a new product R&D and design optimization process was adopted that reduced the use of raw materials and increased the proportion of local procurement for the supply chain, in order to reduce the risks of rising raw material and transportation costs.</p> <p>The identified opportunities have lower impacts for a shorter period of time.</p> <p>FocalTech has further set its own goals based on the climate-related risk and opportunity indicators developed by TCFD:</p> <ol style="list-style-type: none"> 1. Established a goal of net-zero emissions by 2050, and the 14064-1: 2018 GHG emissions inventory is scheduled for 2024. 2. Continue to reduce GHG emissions on an annual basis. 	None
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total volume of waste materials for the past 2 years, and has the Company formulated policies for greenhouse gas	✓		<p>The Company's statistics on greenhouse gas emissions, water consumption, and total volume of waste materials over the past 2 years are as follows (Taiwan):</p>	None

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons																												
	Yes	No	Summary																													
reduction, water use reduction, and other waste management?			<table border="1"> <thead> <tr> <th rowspan="2">Statistical Item</th> <th rowspan="2">Unit</th> <th colspan="2">2022</th> <th colspan="2">2023</th> </tr> <tr> <th>Total Volume</th> <th>Total Volume/he adcount</th> <th>Total Volume</th> <th>Total Volume/he adcount</th> </tr> </thead> <tbody> <tr> <td>Water Consumption</td> <td>m3</td> <td>Note 2</td> <td>--</td> <td>Note 2</td> <td>--</td> </tr> <tr> <td>Waste</td> <td>Metric Tons</td> <td>0.672</td> <td>0.002</td> <td>0.498</td> <td>0.001</td> </tr> <tr> <td>Other Waste</td> <td>Metric Tons</td> <td>2.796</td> <td>0.007</td> <td>0.690</td> <td>0.002</td> </tr> </tbody> </table> <p>Note 1: The above table pertains to the main region in Taiwan. Note 2: Offices in Taiwan have been relocated to within industrial parks, where water usage is managed and billed by the park management. Individual water meters for each unit are not installed. Therefore, there has been no data available since the second half of 2022.</p> <p>The Company's primary primary energy consumption is external electricity procurement. The energy-saving and carbon reduction plan for the year 2023 includes measures as described in Table 3, item (2).</p> <p>Proposed target and result: The 2023 target was a 5% reduction in annual electricity consumption in Taiwan compared to 2022. The Company actually achieved a 20% reduction. The 2024 target is set for a 2% reduction in annual electricity consumption in Taiwan compared to 2023.</p>	Statistical Item	Unit	2022		2023		Total Volume	Total Volume/he adcount	Total Volume	Total Volume/he adcount	Water Consumption	m3	Note 2	--	Note 2	--	Waste	Metric Tons	0.672	0.002	0.498	0.001	Other Waste	Metric Tons	2.796	0.007	0.690	0.002	
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4. Social issues (1) Has the Company established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?	✓		<p>With reference to international conventions such as the International Labor Organization (ILO) conventions and the UN Global Compact, the Company has established a Code of Human Rights, which is disclosed on the corporate website. The Company complies with labor-related laws and regulations, incorporates them in the relevant work rules and systems to protect employees' rights and benefits, and introduces them during the new employee training course every year.</p> <p>https://www.focaltech-electronics.com/zh-TW/asxzcv/index/tab1#tab-anchor</p> <ol style="list-style-type: none"> Held physical and online training for new hires in 2023, with a total of 50 participants (Taiwan). Obtained ISO 45001 certification (valid from 2023–2026). Group health insurance and annual regular health examination for employees: In 2023, a total of 407 employees completed their health examinations, an achievement rate of 99.7%. Suppliers management is evaluated using the RBA questionnaire and suppliers are required to comply with human rights regulations, with a completion rate of 100% for key suppliers. 	None																												
(2) Has the Company established and implemented reasonable employee benefit measures (including compensation, leave, and other benefits), and are operational performance and results appropriately reflected	✓		<p>Employee compensation: Compensation for the Company's new employees is certified in accordance with the Employee Compensation Criteria Guidelines, and employee promotion is handled annually in accordance with the Employee Promotion Management Guidelines. In addition to leave granted in accordance with the Labor Standards Act, the Company's leave policy allows an additional 7 days of flexible leave per year for employees. Apart from allocating more than 1% of the Company's profits to employees in accordance with the Articles of Incorporation, the Company also grants employees</p>	None																												

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
in employee compensation?			<p>various types of bonuses and pay raises based on their rank, years of service, and contributions.</p> <p>Employee welfare measures: The Company has set up an Employee Welfare Committee, which allocates welfare funds every year according to the Articles of Incorporation, and plans and provides various benefits for employees, such as festive vouchers, festive activities, various subsidies, travel trips, and fun activities. Total benefit amount in 2023 is 52,855,910.</p> <p>Diversity and equality: The Company is an IC design technology company, thus most employees are male and possess a background in science, both industry and academia. The women accounting for 18% of all employees. Among them, female supervisors account for about 18% of all female employees. Nevertheless, all employees receive equal pay for equal work and have fair and equal opportunities for promotion and compensation assessment, regardless of their gender or age.</p> <p>Operational performance reflected in employee compensation: The “Employee Benefits (Salary) Information Disclosed in the Notes to the Financial Statements” disclosed on the Market Observation Post System (MOPS) indicates that the employee compensation is directly correlated to the Company’s operational performance. In 2022, the company incurred losses due to a significant downturn in the overall market. In 2023, the earnings per share (EPS) were NTD 1.74. The average salary of full-time employees who are not in managerial positions decreased by 3% compared to 2022, but the median salary increased by 1% compared to 2022.</p>	
(3) Has the Company provided a safe and healthy work environment for employees, and provided education on labor safety and health regularly?	✓		<p>1. As an IC design company, the Company’s work environment is based on office areas. In addition, the Company appoints professional licensed industrial plant nursing personnel and employs occupational physicians to provide employees with regular psychological, medical, health consultation services, and annual health examinations that are better than those required by law. Other than that, the Company has established a dedicated team and personnel in accordance with the law to manage environmental safety and health management related matters.</p> <p>2. The Company has achieved the ISO 45001 Certification – an international standard for environmental and occupational health and safety management.</p> <p>3. Environmental safety operations:</p> <ol style="list-style-type: none"> (1) Perform operational environment monitoring semi-annually. (2) Perform self-defense fire organization drill semi-annually. (3) Perform fire safety equipment inspection and repair annually. (4) Perform periodic safety inspection on building fire safety and evacuation facilities and equipment every 2 years. (5) Offer health counseling services with onsite physicians once every two months for 3 hours. 	None

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			<p>4. Courses held in 2023 (Taiwan area)</p> <p>(1) Occupational Safety and Health Training for New Hires (3 hours), with a total of 55 participants and 165 training hours.</p> <p>(2) Fire Safety Training and Self-defense Fire Organization Drill for New Hires (4 hours), with a total of 80 participants and 320 training hours.</p> <p>(3) Pandemic Preparedness and Response Simulation Exercise (1 hour), with a total of 6 participants and 6 training hours.</p> <p>(4) Occupational Safety and Health Personnel Retraining, with a total of 8 participants and 41.5 training hours</p> <p>5. In 2023, no fires, casualties, injuries, or other occupational accidents (excluding traffic accidents) were reported by the Company, including its subsidiaries.</p>	
(4) Has the Company established the training program for the effective planning of career development for employees?	✓		<p>1. The Company provides a variety of educational and training programs, and internal and external professional education and training, to enhance employees' career skills. Additionally, the Company also encourages employees to assess their own interests, skills, values and goals, and communicate their career intentions to their managerial officers, in order to formulate their future career plans.</p> <p>2. In 2023, the Company, including its subsidiaries, provided training courses based on four main categories for employees: (Note: Taiwan area)</p> <p>(1) Business Operation and Management: These courses, targeted at mid- and senior-level management, aimed to cultivate both the participants' organizational and executive abilities.</p> <p>(2) Professional Training: These courses targeted the R&D, marketing, and production and manufacturing staff whose positions are related to product research and development, design and manufacturing. These training courses were planned according to the professional knowledge and skills of each unit, and were divided into professional skills and common abilities categories to enhance employees' competitiveness in the workplace.</p> <p>(3) General Education Course: These courses, targeted at all employees of the Company, included information security education, industrial safety and environmental protection training, and fire safety drills.</p> <p>(4) New Employee Training: This course, targeted at new employees of the year, is required for employee onboarding. The course includes introductions to corporate culture, corporate products, ethical corporate management, and the personnel system.</p> <p>3. Refer to (2) Education and Training of Employees within 5. Labor Relations in this annual report for details on the number of participants, hours and expenses of training courses throughout the year.</p>	None

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(5) Does the Company comply with laws, regulations, and international standards when handling issues such as customer health and safety, customer privacy, and marketing and labeling of products and services? Has the Company established a policy and complaint procedure to protect consumer and customer rights and interests?	✓		<p>All of the Company's customers are corporate businesses; their information – including transaction prices and terms – is deemed to constitute a Company trade secret. Thus, all of this information is managed via computer information security & permissions. The Auditing Department conducts annual audits on information security, and signs a Client Confidentiality Agreement based on the level of technical and commercial secrets discussed during product development. The Company's products are marketed and labeled in accordance with the relevant laws and regulations, as well as international standards (ISO 9001, ISO 14001, ISO 45001).</p> <p>A dedicated hotline is set up on the corporate website to provide a channel for stakeholders to file complaints, which are handled and processed by dedicated personnel.</p>	None
(6) Has the Company established a supplier management policy that requires suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights issues? Has the Company established an implementation method for such?	✓		<p>1. The Company has established various regulations for suppliers to comply with in accordance with manufacturing processes, such as the Production Control Regulations, the Outsourcing Factory Management Regulations for the selection of new suppliers and regular audits; the Management Regulations for Hazardous Substances to the Environment, QSA, QPA, and RBA questionnaires, and on-site examinations. All of these regulations help the Company to ascertain the supplier's compliance with environmental protection, occupational safety and health, and labor rights. The Company selects qualified suppliers after a comprehensive evaluation is conducted.</p> <p>2. In 2023, the Company worked with 30 suppliers, and 28 of them had achieved ISO 14001 Certification for environmental management system, accounting for 93% of the overall suppliers. Among them, the all 9 key suppliers had all achieved the Certification (100%). Additionally, 100% of raw materials used were sourced from smelters that are approved by the global sustainability initiative organization; 100% of suppliers complied with RoHS and REACH regulations; and 100% of manufacturing suppliers completed supplier system audits via QSA.</p> <p>3. Items completed in 2023:</p> <ol style="list-style-type: none"> 1. Signing of Supplier Integrity Pledge and Corporate Social Responsibility Pledge: Suppliers who signed the pledge reached 100%. 2. Completed system audits of 19 suppliers with production and manufacturing works. 3. Requiring suppliers other than fabs to comply with the Responsible Business Alliance (RBA) rules using questionnaires: The number of suppliers who obtained licenses or complied with the RBA rules on environmental protection, occupational safety and health, or labor rights reached 100%. <p>Please refer to the Company's ESG Report for more details.</p>	None
5. Does the Company refer to international standards or guidelines in the preparation of its reports, such as Sustainability Report/ESG Report, that disclose non-financial information? Has the Company obtained a third-party verification or assurance opinion on	✓		<p>The Company's 2022 ESG Report was completed and disclosed on the Company's website in 2023. https://www.focaltech-electronics.com/zh-TW/download/index The Company's ESG Report did not obtain a third-party verification from the relevant firm.</p>	The sustainability report is compiled in accordance with the GRI guidelines. In 2023, we plan to engage a third-party verification unit

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
previously-disclosed reports?				for assurance purposes.
<p>6. If the Company has formulated its own Sustainable Development Best Practice Principles in accordance with the Sustainable Development Best Practice Principles for TWSR/GTSM Listed Companies, specify the differences between its implementation and the Principles formulated:</p> <p>The Company has not formulated its own Sustainable Development Best Practice Principles, but executed the affairs in accordance with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reported the Sustainable Development Plan implementation status to the Board of Directors on a regular basis. Other related issues, such as corporate governance, environmental protection, and employee rights and interests, have been implemented in accordance with the Company's internal systems and regulations. The Sustainable Development Plan and its implementation status are disclosed on the corporate website under the ESG-related information, as well as in the ESG Report. https://www.focaltech-electronics.com/zh-TW/esg_overview/index</p>				
<p>7. Other important information for understanding the Company's advocacy of sustainable development implementation:</p> <ol style="list-style-type: none"> The achievements in 2022 are included in the Company's corporate governance performance, and the Company has been ranked in the top 6–20 among other companies for 6 years. The Company cooperated with various colleges and universities, including National Tsing Hua University and National Yang Ming Chiao Tung University, to jointly nurture semiconductor professionals in Taiwan and lead them to work in the semiconductor field, with NT\$6.65 million invested in 2023. FocalTech's senior officials gave lectures at these universities and our colleagues also worked with students on research projects. Additionally, we provided students with scholarship and internship opportunities. 				

(7) Climate-Related Information For Listed And OTC Companies

1 Climate-related information and implementation status

Item	Implementation Status
1. Please specify the supervision and governance duties of the Board of Directors and management levels on climate-related risks and opportunities.	1. The Sustainable Development Group is established under the Board of Directors and led by the Corporate Governance Officer. The Group reports annually to the Board of Directors on the implementation of sustainability work. The energy saving and carbon emission issues are handled by the Group's executive unit, who reports quarterly to the Board of Directors on carbon inventory and performance results, based on which the Board will provide advice and guidance accordingly.
2. Please specify how the Company's business, strategy, and finances are affected (in short-, medium-, and long-term) by the climate risks and opportunities identified by the Company.	2. The short-, medium- and long-term high-risk issues were identified and shown in the table under "(6) Implementation status of the

Item	Implementation Status
<p>3. Please specify the financial impacts due to extreme climate events and transitional actions.</p>	<p>promotion of sustainable development”, “3. Environmental Issues”, and “(3) Has the Company assessed the potential current and future risks and opportunities from climate change for the Company, and has the Company taken countermeasures to address the issues?”</p> <p>3. Extreme weather causes high temperatures, thereby increasing electricity consumption and carbon emission costs, the requirements for low power consumption technologies, the raw material costs, etc. The main financial impacts are higher operating and R&D costs and lower profits. If the carbon reduction plan and technology enhancement are successfully implemented, it will bring profits to the Company and improve sustainable development in the long run.</p>
<p>4. Please specify how the identification, evaluation, and management processes of climate risks are integrated into the overall risk management system.</p>	<p>4. In accordance with the Risk Management Policy and Procedures, the Risk Management Group gathers relevant units to evaluate the risk items. The executive management unit is responsible for the evaluation of climate and carbon emissions risks as well as the formulation of appropriate countermeasures, which are all disclosed in the ESG Report, with the carbon emissions issue reported to the Board of Directors as well.</p>
<p>5. If the Company has adopted scenario analysis to assess its resilience to climate change risks, describe the scenarios, parameters, assumptions, factors analyzed, and major financial impacts.</p>	<p>5. The Company assesses the financial impact based on the possible risk factors and their impacts as identified and listed by the Company.</p>

Item	Implementation Status
6. If the Company has formulated a transition plan for the management of climate-related risks, describe the content and the indicators and goals for the identification and management of physical risks and transition risks.	6. The Company does not have any manufacturing equipment and the manufacturing of products is fully outsourced. Since the climate issue mainly affects our suppliers, the Company will set mutual targets together with suppliers and urge them to gradually achieve the transition to a low-carbon enterprises.
7. If internal carbon pricing is used as a planning tool, describe the basis for setting the price.	7. Internal carbon pricing has not been used as a planning tool by the Company so far.
8. If the Company has set climate-related goals, describe the activities covered, the scope of GHG emissions, the scheduled duration, and the target annual progress. If carbon offsetting or Renewable Energy Certificates (RECs) are used to achieve the relevant goals, describe the sources and quantities of carbon credits or Renewable Energy Certificates (RECs) used for carbon offsetting.	8. No climate-related targets have been set so far.
9. GHG inventory and verification and assurance, and reduction targets, strategies, and specific action plans (to be filled in on Tables 1-1 and 1-2 separately).	9. In accordance with the FSC's Sustainable Development Roadmap, the Company will complete its carbon inventory by 2026 and have the data verified for GHG assurance by 2028. A full disclosure on the information, including Tables 1-1 and 1-2, will be made by then.

1-1 GHG inventory and verification and assurance for the past two years.

Item	Total Emissions		GHG Intensity		Assurance agency	Assurance status explanation
	(tCO ₂ eq/yr)		((tCO ₂ eq/yr) /Million)			
Year	2022	2023	2022	2023	No assurance agency available.	The current data is not yet assured, but will be conducted in the future.
Scope 1	87.98	1,194.10	0.01	0.09		
Scope 2	1039.81	801.57	0.08	0.06		
Total	1127.79	1995.67	0.09	0.15		

Note : The above table is for the Taiwan parent company. Scope 3 has not been inventoried yet.

1-2 GHG reduction targets, strategies, and specific action plans: Targets, strategies, and specific action plans have not been established yet. It is anticipated that they will be developed and completed before the stipulated timeline according to the roadmap.

(8) Differences Between Implementation of Ethical Corporate Management and Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, Including Reasons For Such

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Has the Company established an ethical corporate management policy that has been approved by the Board of Directors, and clearly stated the ethical corporate management policy and practices, as well as the commitment of the Board of Directors and the top management to actively implementing the management in the Articles of Incorporation and external documents?</p>	✓		(1) The Company's Board of Directors approved the Code of Business Conduct and Ethics on October 26, 2018. The Company's policies and practices on ethical corporate management are clearly stated on the Company's website and in external customer and supplier documents. Internally, the Company provides training to new employees annually, holds meetings from time to time to promote integrity and ethical conduct, and has adopted a whistleblowing system to demonstrate the commitment of the Board of Directors and management to actively implementing the ethical corporate management policy.	None
<p>(2) Has the Company established a mechanism to assess unethical conduct risks? Does that Company regularly analyze and evaluate the business activities within its scope of business that have a higher risk of unethical conduct? Has the Company accordingly formulated a plan to prevent unethical conduct, covering at a minimum the preventive measures for the acts mentioned in Article 7-2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	✓		<p>(2) The Company has established an Internal Control System, Internal Audit System, Whistleblowing System, Employee Grievance System, and Code of Business Conduct and Ethics to prevent unethical conduct. Items completed in 2023 (Taiwan):</p> <p>1.The spirit of the Code of Business Conduct and Ethics was explained in the education and training programs for new hires, with a total of 50 participants.</p> <p>2.New employees signed a pledge to abide by industrial business conduct and ethics, totaling 63 people.</p> <p>3.Held an awareness-raising course on the Code of Business Conduct and Ethics among current employees, using questionnaire and end-of-course examination, with an achievement rate of 100%.</p>	
<p>(3) Whether the Company has stipulated the operating procedures, conduct guidelines, disciplinary actions against violations as well as grievance system in the plan to prevent unethical conducts, implemented the execution thereof, and regularly reviewed and revised the aforementioned plan?</p>	✓		(3) The Company has established the Code of Business Conduct and Ethics and the Whistleblowing System to provide clear guidelines and operation procedures for the conduct of directors, managerial officers, employees, appointees, and persons having substantial control over the Company, and to help Company customers, suppliers, external parties, and other stakeholders be more aware of the Company's ethical standards. As for confirmed cases of unethical conduct, disciplinary measures are taken against the violators; if necessary, legal action is also taken. Also, relevant departments are then instructed to review the Internal Control System and operation procedures.	

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
<p>2. The Materialization of Ethical Management</p> <p>(1) Has the Company evaluated the record on ethical practices of its counterparties, and has specified the clause of business ethic in the agreements binding the Company and its counterparties?</p> <p>(2) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management, and to report to the Board of Directors on a regular basis (at least once a year) regarding ethical corporate management policies and plans, in order to prevent unethical conduct and to monitor their implementation?</p> <p>(3) Has the Company mapped out the policy for the avoidance of the conflict of interest and has provided suitable channels for such purpose, and properly pursued the policy?</p> <p>(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management? Has the internal auditing unit prepared an audit plan based on the assessment results for unethical conduct risks, and checked compliance with the unethical conduct prevention plan accordingly, or appointed a CPA to conduct the audit?</p> <p>(5) Has the Company organized internal and external training on ethical management?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company conducts credit evaluations before entering into transactions with important customers and credit trading, in order to avoid dealing with those who have a history of unethical conduct. Moreover, the Company requests the signing of the Integrity Pledge and the Corporate Social Responsibility Pledge by suppliers. In 2023, the number of suppliers signing such pledges reached 100%.</p> <p>(2) The Company's Board of Directors approved the Code of Business Conduct and Ethics on October 26, 2018. The executive management unit of the Sustainable Development Group, which is under the purview of the Board of Directors, is responsible for the formulation and promotion of the ethical corporate management policy. The Group's duties are as described above for the corporate governance operations, and the operation plan and implementation status are reported to the Board of Directors on an annual basis. The operation work for 2023 was reported to the Board of Directors on February 23, 2024.</p> <p>(3) The Company has established the Operation Procedures for Internet Material Information Disclosure and Prevention of Insider Trading, the Whistleblowing System and employee grievance procedures to provide appropriate channels for those who have the need to file a complaint and with specific reasons for any illegal, abusive, or improper conduct related to official duties. The grievance channels are listed on the corporate website for access by both employees and outsiders.</p> <p>(4) The Company has established an accounting system for accounting personnel to follow in the execution of their duties. Additionally, the Company has established an internal control system in accordance with laws and regulations along with actual operating circumstances. The Company also conducts audit-related work, and reports the audit results to Audit Committee and the Board of Directors on a regular basis.</p> <p>(5) The training of new employees regularly includes the promotion of ethical corporate management as well as industrial business conduct and ethics. Occasional training sessions are held for specific employees to enable them to clearly understand the Company's ethical</p>	None

Items for evaluation	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			corporate management philosophy and standards. The 2023 implementation status is as described above in Paragraph 1-2.	
<p>3. The reporting system of the Company in action</p> <p>(1) Has the Company established a reporting and reward system and the channels for facilitating the report on unethical practices, and has appointed designated personnel to handle the subject of reporting?</p> <p>(2) Has the Company created a standard operating procedure (SOP) for the investigation of reported matters, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms?</p> <p>(3) Has the Company taken protection measures to protect the informant from improper treatment after reporting on unethical practices?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established a Whistleblowing System with a dedicated mailbox, in addition to a complaint filing channel on the Company's website. All reported matters are managed by the Audit Committee convener and the audit supervisor shall jointly receive and manage the reported matters, and handle them as confidential cases to protect the informant. Whistleblowing Mailbox: whistleblower@focaltech-electronics.com</p> <p>(2) The Company has established a Whistleblowing System to manage reported matters, and all related documents and information are considered confidential; all employees involved in the handling of these matters are responsible for maintaining complete confidentiality.</p> <p>(1) The informant may submit relevant evidence along with their contact information via e-mail or in writing.</p> <p>(2) Upon receipt of a case, an investigation will be launched. Meetings will be convened with relevant units based on the reported matter, which will be treated as a confidential internal matter.</p> <p>(3) If the reported matter is deemed a violation of laws and regulations or the Company's rules and regulations after the investigation, based on the case circumstances, it will either be reported to the competent authority for further investigation or be handled in accordance with the Company's internal regulations. If there is found to be no concrete evidence, the case will be closed and kept on file.</p> <p>(4) For the reported matter that is deemed a violation of laws and regulations or the Company's rules and regulations, a report on the investigation results and handling suggestions will be submitted to the superior officer. If the person accused is a general employee, the report will be submitted to the supervisor or the president overseeing the department to which the accused belongs; if the person accused is a senior management officer or at a higher rank at the Company, and the reported matter is a serious violation of the laws and regulations, the report will be submitted to the Chairman or independent directors.</p> <p>(3) The Company has a Whistleblowing System in place and is responsible for ensuring the confidentiality of informants' data and the protection of their rights and interests, in order to prevent them from receiving</p>	None

Items for evaluation	Implementation Status		Summary	Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No		
			improper treatment as a result of whistleblowing. In 2023, there were two whistleblowing cases reported, which were confidentially investigated by the Company's Chief Internal Auditor. Neither of these cases was in violation of the Code of Business Conduct and Ethics, and both were closed.	
4. Enhancing Information Disclosure Has the Company disclosed the content of Ethical Corporate Management Best Practice Principles and the result at its official website and MOPS?	✓		The Company has disclosed the Code of Business Conduct and Ethics on the Company website, where implementation plans and results are regularly disclosed.	None
5. If the Company has established performance of good-faith management best practice principles based on "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: None				
6. Other vital information that helps to understand the practice of ethical management of the Company (e.g., the review and amendment to the Ethical Corporate Management Best Practice Principles of the Company): None				

(9) If the Company has formulated a code of corporate governance and related regulations, the inquiry method shall be disclosed: The Company has formulated Corporate Governance Best Practice Principles and related regulations, which are publicly disclosed on the Company's website (https://www.focaltech-electronics.com/zh-TW/important_regular/index) to regulate the ethical conduct of the Company's directors and all subordinate personnel.

(10) Other important information sufficient to improve understanding of how corporate governance works: none

(11) Implementation Status of Internal Control System

1. Internal Control System Statement



FocalTech Systems Co., Ltd.
Internal Control System Statement

Date: February 23, 2024

With regard to the 2023 internal control system, the Company declares the following based on the self-evaluation findings:

1. The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibility of its Board of Directors and managerial officers. The Company has established such a system to provide reasonable assurance for attaining the aims of the effectiveness and efficiency of business operations (including profits, performance, safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and compliance with the governing laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system provides assurance to the aforementioned aims only to a reasonable extent. Moreover, due to changes of environments and circumstances, the effectiveness of an internal control system may change accordingly. Nevertheless, the internal control system of the Company is equipped with a self-monitoring mechanism, and the Company takes corrective actions as soon as any fault is identified.
3. The Company determines the design and operating effectiveness of its internal control system in accordance with the determining factors provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system determining factors specified in the Regulations divide an internal control system into five elements based on its management: 1. Control Environment, 2. Risk Assessment, 3. Control Operations, 4. Information and Communications, and 5. Monitoring. Each element further contains several items. Refer to the Regulations for the aforementioned items.
4. The Company has adopted the aforementioned internal control system determining factors to examine the design and operating effectiveness of its internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company deems that the internal control system as of December 31, 2023 (including supervision and management of subsidiaries), which encompass internal controls for knowledge of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with the governing laws and regulations, are effectively designed and implemented, and reasonably assure accomplishment of the abovementioned aims.
6. This Statement constitutes the main content of the Company's annual report and prospectus, and will be made public. Any wrongful act pertaining to falsification or concealment involving the above public declaration will be subjected to legal liabilities under Articles 20, 32, 171, and 174 of, and other regulations relating to, the Securities and Exchange Act.
7. This Statement was approved by the Board Meeting of the Company held on February 23, 2024, where none of the eight attending directors expressed dissenting opinions, and all consented to the content of this Statement.

FocalTech Systems Co., Ltd

Chairman: Genda Hu



Signature/Stamp

President: Genda Hu



Signature/Stamp

2. If a CPA is appointed to review the internal control system, the review report shall be disclosed: N/A.

- (12) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year preceding the annual report publication date, where the result of such penalty may have a material effect on shareholder equity or securities prices, the penalty, the main shortcomings, and conditions for improvement shall be disclosed in the annual report: None.
- (13) Major resolutions of the Shareholders' Meeting and the Board in the most recent year to the date this report was printed

1. Important Resolutions of the Board of Directors

Date	Important Resolutions
Feb. 23, 2023	Approved the 2022 Financial Statement.
	Approved the amount of director and employee compensation for 2022, and its distribution method and recipients.
	Re-elected the Board of Directors at the end of its term.
	Convened the Company's 2023 annual shareholders regular meeting.
Apr. 7, 2023	Approved the proposal for 2022 earnings distribution.
	Approved the application for the issuance of new restricted stock for employees.
	Approved the director candidate list nominated by the Board of Directors.
May 12, 2023	Approved the Q1 2023 Financial Statement.
	Approved the authorization of maximum transaction limit of organizational restructuring transactions.
May 30, 2023	Elected the Company's Chairman.
	Approved the new term of Remuneration Committee members.
Aug. 11, 2023	Approved the Q2 2023 Financial Statement.
	Approved renewals and additions of the line of credit by bank.
Sep. 26, 2023	Approved the allotment of new restricted stock for employees.
Nov. 10, 2023	Approved the Q3 2023 Financial Statement.
	Approved the Company's endorsement and guarantee renewal of wafer procurement for its subsidiary.
Feb. 23, 2023	Approved the 2023 Financial Statement.
	Approved the amount of director and employee compensation for 2023, and its distribution method and recipients.
	Approved the proposal for 2023 earnings distribution.
	Convened the Company's 2024 annual shareholders regular meeting.

2. Important Resolutions of Shareholders' Meeting and Implementation Status

Date	Important Resolutions and Implementation Status Thereof
May 30, 2023	1. Recognition of 2022 Business Report and Financial Statement. Implementation status: Resolution was adopted. 2. Recognition of 2022 Earnings Distribution Proposal. Implementation status: N/A (no distribution planned) 3. Approval of the issuance of new restricted stock for employees. Implementation status: Resolution was adopted and implemented, and was approved by the Financial Supervisory Commission on July 25, 2023. 4. Approval of the distribution of cash dividends from capital surplus. Implementation status: July 9, 2023 was set as the ex-dividend record date, and July 28, 2023 was set as the payment date; cash distribution of approximately NT\$0.5 per share was completed.

(14) Adverse opinion from directors or supervisor over important resolution of the Board in the most recent year until the day the Annual Report was printed with records or written declaration, and the contents of such opinion: None

(15) In the most recent year to the date this report was printed, the information on the resignation and discharge to Chairman, President, accountant officer, chief financial officer, chief internal auditor, corporate governance officer and R&D officer : None

4. Disclosure of the CPAs' fee

(1) Fee information

Unit: NT\$ thousand

Accounting Firm	Names of CPAs	Duration of Audit	Auditing fee	Non-Auditing fee	Total	Note
Deloitte & Touche	Yu-Hong Kuo, Chih-Ming Shao	Jan. 1, 2023 to Dec. 31, 2023	4,380	629	5,009	Non-Audit fee- 1. The amount paid on behalf of the Company during the audit period: 549. 2. Obsolete-inventory review fee: 30. 3. Payroll information checklist: 50.

(2) If there is a change in the accounting firm, and the audit fees paid for the fiscal year in which the change took place are lower than those paid for the fiscal year immediately preceding the change, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A.

(3) When the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A.

5. Changes of CPA: N/A.

6. The chairman, president, chief financial or accounting manager of the Company who holds position in the business under the commissioned CPA firm or its affiliates in 1 year: None

7. In the most recent year to the date this report was printed, directors, supervisors, managerial officers and the shareholders holding more than 10% of the shares in the transfer of shares and pledge of shares under lien, and any change thereof.

(1) Changes in shareholdings:

Unit: Share

Title	Name	2023		As of April 9, 2024	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Director and President	Genda Hu	318,261 (80,000)	0	184,261	0
Director	GWAALLC Representative: Han-Ping Shieh	0	0	0	0
Director	GWAALLC Representative: Jason Lin				
Director	Acer Incorporated Representative: Chun-Sheng Chen	0	0	0	0
Independent Director	Chintay Shih	0	0	0	0
Independent Director	Chan-Jane Lin	0	0	0	0
Independent Director	Hsing-Chien Tuan (Date assumed: May 30, 2023)	0	0	0	0
Independent Director	Jim Lai (Date assumed: May 30, 2023)	0	0	0	0
Independent Director	Chang Xu (Date discharged: May 30, 2023)	0	0	0	0
Independent Director	Xuhui Xu (Date discharged: May 30, 2023)				
Senior Vice President	Jason Lin	175,000 (226,000)	0	75,000	0
Senior Vice President	Chiu-Lin Chen	105,000 (175,000)	0	35,000 (35,000)	0
Senior Vice President	Chester.Hwang (Date assumed: December 7, 2023)	0	0	90,000	0

Vice President	Ching-Kai Chang	0 (60,702)	0	0 (200)	0
Vice President	Wei-Ching Hou	0 (84,504)	0	0 (20,000)	0
Vice President	Hsiao-Hsu Tu	0 (128,017)	0	0	0
Vice President	Jui-Cheng Hsu	96,003 (95,000)	0	67,003	0
Vice President	Pei-Tzu Wu	113,503 (117,000)	0	63,003	0
Marketing Vice President	Lien-Kuo Wang	0 (83,601)	0	0 (8,001)	0
Business Vice President	Ching-Suo Wang	0 (35,001)	0	0	0
Business Assistant Vice President	Te-Chih Kung	0 (69,007)	0	0	0
Vice President, CFO, Spokesperson and Corporate Governance Officer	Wei-Chieh Chang	157,500 (107,500)	0	51,000 (63,000)	0
Senior Deputy Vice President	Ching-Hsing Chang	91,000 (91,000)	0	41,000	0
Deputy Vice President	Cheng-Tao Chuang (Date discharged: January 31, 2023)	0	0	0	0
Deputy Vice President	Po-Sheng Shih	50,602 (50,600)	0	32,602 (12,000)	0
Deputy Vice President	Hung-Jen Chien	67,502 (52,502)	0	34,802 (15,000)	0
Deputy Vice President	Chen Kuo	55,000 (55,000)	0	24,000	0
Deputy Vice President	Hao-Chin Chao	55,000 (55,000)	0	21,000	0
Special Assistant to the President	Chung-Hsiang Chiang (Date discharged: August 31, 2023)	46,000 (12,000)	0	0	0
Accountant Officer	Pei-Chun Chen	6,000	0	4,000	0

Note 1: Since June 21, 2012, the Audit Committee has been responsible for the duties of a supervisor as stipulated in the laws and regulations.

Note 2: The shareholding changes are disclosed from the date of assumption of duty until the date of discharge.

(2) Information on any transfer of equity interests by a director, supervisor, managerial officer, shareholder related party with a stake of more than 10 percent (where the counterparty in any such transfer of equity interests is a related party): None.

(3) Information on any pledge of equity interests by a director, supervisor, managerial officer, shareholder related party with a stake of more than 10 percent (where the counterparty in any such pledge of equity interests is a related party): None.

8. Information on shareholders among the top 10 by proportion of shareholding who are related parties to one another or spouse, kindred within the 2nd degree of kinship

April 9, 2024; Unit: share; %

Name	Own shareholdings		Shares held by spouse & minor children		Shareholdings under the title of a third party		If there are related parties, spouses, or relatives within two degrees of kinship among the top 10 shareholders, give the names and affiliations of such shareholders		Note
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Name	Relation	
Acer Incorporated Responsible Person: Chun-Sheng Chen	8,732,688	3.98	-	-	-	-	-	-	-
GWAALLC Responsible Person: Genda Hu	4,158,691	1.89	-	-	-	-	-	-	-
	1,662,453	0.76	455,072	0.21	-	-	-	-	-
CTBC Bank has been entrusted with the custody of a collective investment account for the transfer, subscription, and allotment of marketable securities for FocalTech Electronics, Ltd.'s Mainland China employees issued by FocalTech Systems Co., Ltd.	3,000,863	1.37	-	-	-	-	-	-	-
CTBC Bank Trust Account in its Capacity as Trustee for Restricted Shares of FocalTech Systems Co., Ltd. Employees with Voting Rights and with Rights to Dividends	2,774,500	1.26	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in Custody of Vanguard Total International Stock Index fund, a series of Vanguard Star Funds	2,696,403	1.23	-	-	-	-	-	-	-

Name	Own shareholdings		Shares held by spouse & minor children		Shareholdings under the title of a third party		If there are related parties, spouses, or relatives within two degrees of kinship among the top 10 shareholders, give the names and affiliations of such shareholders		Note
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Name	Relation	
Citi (Taiwan) Commercial Bank has been entrusted in custody of the special investment account of Poluning Emerging Markets Fund Company	1,707,000	0.78	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in Custody of Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1,662,482	0.76	-	-	-	-	-	-	-
Genda Hu	1,662,453	0.76	455,072	0.21	4,158,691	1.89	GWAA LLC	GWAALLC Responsible Person	-
JPMorgan Chase Bank N.A., Taipei Branch in custody of JPMorgan Investment Account	1,611,953	0.73	-	-	-	-	-	-	-
Zhi-yuan Huang	1,500,000	0.68	500,000	0.23	-	-	-	-	-

Note: Calculation of shareholding ratio refers to calculation of the ratio of shares held in own name, spouse's name, minor children's name(s), or names of third party.

9. Quantity of shareholdings of the same investee by the Company and Directors, Supervisors, Managial Officer, and direct or indirect subsidiaries in proportion to the combined holdings of all, and combined to calculate the proportion of overall shareholding.

Dec. 31, 2023; Unit: Share ; %

Investee	Investment made by the Company		Investment made by directors, supervisors, managerial official and direct or indirect subsidiaries		Combined investment	
	Number of Shares	Ratio of shareholding	Number of Shares	Ratio of shareholding	Number of Shares	Ratio of shareholding
FocalTech Corporation, Ltd.	5,491,200	100	—	—	5,491,200	100
FocalTech Electronics, Ltd.	2	100	—	—	2	100
FocalTech Systems, Inc.	—	—	100	100	100	100
FocalTech Systems, Ltd.	—	—	2	100	2	100
FocalTech Electronics Co., Ltd.	—	—	2,000,000	100	2,000,000	100
FocalTech Electronics (Shanghai) Co., Ltd.	—	—	Note	100	Note	100
FocalTech Electronics (Shenzhen) Co., Ltd.	—	—	Note	100	Note	100
FocalTech Systems (Shenzhen) Co., Ltd.	—	—	Note	100	Note	100
FocalTech Smart Sensors Co., Ltd.	1,591,914	9.14	10,180,237	58.45	11,772,151	67.59
Hefei PineTech Electronics Co., Ltd.	—	—	Note	100	Note	100
FocalTech Smart Sensors, Ltd.	3,000,000	9.14	19,188,050	58.45	22,188,050	67.59

Note: The Company is a limited liability company, so there are no numbers for issued shares.

IV. Capital Overview

1. Capital and Shares

(1) Sources of Capital Stock

1. Formation process of Capital Stock

April 30, 2024; Unit: Thousand share; NT\$ thousand

Period	Price at issuance	Authorized shares capital		Paid in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Other
Mar. 2019	12.2~17.24	500,000	5,000,000	298,743	2,987,432	Common share transfer from employee stock options: 1,025,000	—	Mar. 15, 2019- Zhu-shang-tzu No.1080007161
May 2019	12.2~17.24	500,000	5,000,000	298,792	2,987,924	Common share transfer from employee stock options: 492,000	—	May 22, 2019- Zhu-shang-tzu No.1080014570
Aug. 2019	12.2~13.68	500,000	5,000,000	299,439	2,994,394	Common share transfer from employee stock options: 6,470,000	—	Aug. 23, 2019- Zhu-shang-tzu No.1080024643
Dec. 2019	12.2	500,000	5,000,000	299,486	2,994,857	Common share transfer from employee stock options: 463,000	—	Dec. 2, 2019- Zhu-shang-tzu No.1080034877
Feb. 2020	12.2~17.24	500,000	5,000,000	299,676	2,996,759	Common share transfer from employee stock options: 1,903,000	—	Feb. 25, 2020- Zhu-shang-tzu No.1090005750
May 2020	4.2~28.3	500,000	5,000,000	299,907	2,999,069	Common share transfer from employee stock options: 2,310,000	—	May 27, 2020- Zhu-shang-tzu No.1090014602
Aug. 2020	12.2~24.51	500,000	5,000,000	299,995	2,999,949	Common share transfer from employee stock options: 880,000	—	Aug. 19, 2020- Zhu-shang-tzu No.1090023661
Sep. 2020	10	500,000	5,000,000	210,023	2,100,228	Cash reduction common share : 899,721,000	—	Sep. 14, 2020- Zhu-shang-tzu No.1090026694
Nov. 2020	12.2~24.51	500,000	5,000,000	210,046	2,100,456	Common share transfer from employee stock options: 228,000	—	Nov. 24, 2020- Zhu-shang-tzu No.1090033305
Mar. 2021	15.9~36.8	500,000	5,000,000	210,353	2,103,532	Common share transfer from employee stock options: 3,076,000	—	Mar. 3, 2021- Zhu-shang-tzu No.1100005620
Apr. 2021	10	500,000	5,000,000	216,102	2,161,022	Common share from issuing of new restricted employee shares:57,490,000	—	May 3, 2021- Zhu-shang-tzu No. 1100012259
May 2021	15.9~36.8	500,000	5,000,000	216,277	2,162,769	Common share transfer from employee stock options: 1,747,000	—	May 20, 2021- Zhu-shang-tzu No. 1100014308
Aug. 2021	10	500,000	5,000,000	216,513	2,165,129	Common share from issuing of new restricted employee shares:2,360,000	—	Aug. 4, 2021- Zhu-shang-tzu No. 1100021939
Aug. 2021	15.9~36.8	500,000	5,000,000	216,592	2,165,921	Common share transfer from employee stock options: 792,000	—	Aug. 18, 2021- Zhu-shang-tzu No. 1100023341
Nov. 2021	15.9~36.8	500,000	5,000,000	216,510	2,165,097	Common share transfer from employee stock options: 694,000 Common share from cancellation of new restricted employee shares:1,400,000	—	Nov. 18, 2021- Zhu-shang-tzu No. 1100034139

Period	Price at issuance	Authorized shares capital		Paid in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Other
						Common share from cancellation of treasury shares: 119,000		
Mar. 2022	15.9~36.8	500,000	5,000,000	216,237	2,162,367	Common share transfer from employee stock options: 530,000 Common share from cancellation of new restricted employee shares: 326,000	—	Mar. 18, 2022- Zhu-shang-tzu No. 1110009309
May 2022	15.9~36.8	500,000	5,000,000	216,435	2,164,347	Common share transfer from employee stock options: 2,140,000 Common share from cancellation of new restricted employee shares: 160,000	—	May 19, 2022-Zhu-shang-tzu No. 1110015567
Oct. 2022	36.17	500,000	5,000,000	216,362	2,163,617	Common share transfer from employee stock options: 90,000 Common share from cancellation of new restricted employee shares: 820,000	—	Oct. 4, 2022-Ching-shou-shang-tzu No. 11101161400
Dec. 2022	36.17	500,000	5,000,000	216,238	2,162,377	Common share transfer from employee stock options: 200,000 Common share from cancellation of new restricted employee shares: 1,440,000	—	Dec. 23, 2022- Ching-shou-shang-tzu No. 11101228830
Mar. 2023	12.8	500,000	5,000,000	216,111	2,161,107	Common share transfer from employee stock options: 190,000 Common share from cancellation of new restricted employee shares: 1,460,000	—	Mar. 27, 2023- Ching-shou-shang-tzu No. 11230044310
Jul. 2023	12.8~29.68	500,000	5,000,000	215,977	2,159,770	Common share transfer from employee stock options: 464,000 Common share from cancellation of new restricted employee shares: 1,800,000	—	Jul. 6, 2023- Ching-shou-shang-tzu No. 11230100090
Sep. 2023	10	500,000	5,000,000	215,930	2,159,300	Common share from cancellation of new restricted employee shares: 470,000	—	Sep. 18, 2023- Ching-shou-shang-tzu No. 11230171210
Nov. 2023	10	500,000	5,000,000	217,963	2,179,630	Common share from issuing of new restricted employee	—	Nov. 28, 2023- Ching-shou-shang-tzu No. 11230204780

Period	Price at issuance	Authorized shares capital		Paid in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Other
						shares:20,330,000		
Jan. 2024	10	500,000	5,000,000	217,905	2,179,050	Common share from cancellation of new restricted employee shares:580,000	—	Jan. 5, 2024- Ching-shou-shang- tzu No. 11230246380
Mar. 2024	10	500,000	5,000,000	217,890	2,178,900	Common share from cancellation of new restricted employee shares:150,000	—	Mar. 19, 2024- Ching-shou-shang- tzu No. 11330040850
Apr. 2024	10	500,000	5,000,000	219,487	2,194,870	Common share from issuing of new restricted employee shares:15,970,000	—	Apr. 19, 2024- Ching-shou-shang- tzu No. 11330058180

2. Type of Stock

Apr. 30, 2024; Unit: share

Type of Stock	Authorized Capital Stock			Remarks
	Outstanding shares	Unissued stock	Total	
common shares	219,487,049	280,512,951	500,000,000	Listed shares

(2) Composition of Shareholders

April 9, 2024; Unit: Share

Quantity \ Composition of Shareholders	Government Apparatus	Financial Institution	Other Juridical person	Individual	Foreign Institution and Foreigner	Total
Number of persons	—	5	280	76,002	288	76,575
Shareholding (Shares)	—	4,212,965	13,434,229	156,082,246	45,757,609	219,487,049
Ratio of Shareholding (%)	—	1.92	6.13	71.10	20.85	100.00

Note: The above information is the shareholding information recorded as of the final day for share transfer prior to the publication date of the annual report.

(3) Shareholding Distribution Status

1. Common Share Distribution Status

April 9, 2024 ; Unit: Share

Holding share classification	No. of Shareholders	Shareholding	Ratio of Shareholding
1 to 999	31,909	2,649,060	1.21%
1,000 to 5,000	39,119	72,706,410	33.12%
5,001 to 10,000	3,385	26,217,535	11.94%
10,001 to 15,000	785	9,975,147	4.54%
15,001 to 20,000	488	9,033,833	4.12%
20,001 to 30,000	380	9,800,094	4.46%
30,001 to 40,000	136	4,872,565	2.22%

Holding share classification	No. of Shareholders	Shareholding	Ratio of Shareholding
40,001 to 50,000	82	3,765,862	1.72%
50,001 to 100,000	150	10,660,607	4.86%
100,001 to 200,000	65	8,840,612	4.03%
200,001 to 400,000	35	10,219,782	4.66%
400,001 to 600,000	14	7,046,667	3.21%
600,001 to 800,000	9	6,075,063	2.77%
800,001 to 1,000,000	5	4,548,929	2.07%
1,000,001 and above	13	33,074,883	15.07%
Total	76,575	219,487,049	100.00%

Note: The above information is the shareholding information recorded as of the final day for share transfer prior to the publication date of the annual report.

2. Preferred Share Distribution Status: N/A.

(4) List of Major Shareholders

If there are fewer than ten shareholders with a stake of five percent or greater, the names of shareholders, their numbers of shares, and the stake held by each shareholder ranking in the top ten in terms of shareholding percentage shall be listed:

April 9, 2024 ; Unit: Share

Name of major shareholder	Shares	Shareholding	Ratio of shareholding
Acer Incorporated		8,732,688	3.98
GWAALLC		4,158,691	1.89
CTBC Bank has been entrusted with the custody of a collective investment account for the transfer, subscription, and allotment of marketable securities for FocalTech Electronics, Ltd.'s Mainland China employees issued by FocalTech Systems Co., Ltd.		3,000,863	1.37
CTBC Bank Trust Account in its Capacity as Trustee for Restricted Shares of FocalTech Systems Co., Ltd. Employees with Voting Rights and with Rights to Dividends		2,774,500	1.26
JPMorgan Chase Bank N.A., Taipei Branch in Custody of Vanguard Total International Stock Index fund, a series of Vanguard Star Funds		2,696,403	1.23
Citi (Taiwan) Commercial Bank has been entrusted in custody of the special investment account of Poluning Emerging Markets Fund Company		1,707,000	0.78
JPMorgan Chase Bank N.A., Taipei Branch in Custody of Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds		1,662,482	0.76

Name of major shareholder	Shares	Shareholding	Ratio of shareholding
Genda Hu		1,662,453	0.76
JPMorgan Chase Bank N.A., Taipei Branch in custody of JPMorgan Investment Account		1,611,953	0.73
Zhi-yuan Huang		1,500,000	0.68

(5) Information on market price, net value, earnings and dividends per share in the most two year

Unit: NT\$; Thousand share

Item/Year		2022	2023	As of April 30, 2024	
Market Price Per Share	The Highest	178	136	112.5	
	The Lowest	56.4	58.6	79.6	
	Average	100.78	82.08	98.76	
Net Value Per Share	Before distribution	40.58	42.47	—	
	After distribution	40.08	(note 1)	—	
Earnings per share	Weighted average shares	203,701	207,742	—	
	Earnings per share	(9.39)	1.74	—	
Dividend Per Share	Cash dividends	0.5	(note 1)	—	
	Stock dividend distribution	Retained Shares Distribution	—	—	—
		Capital reserve Shares Distribution	—	—	—
	Retained Dividends	—	—	—	
Return on Investment Analysis	Price-to-Earnings Ratio (Note 2)	(10.73)	47.17	—	
	Price-to-Dividend Ratio (Note 3)	201.56	(note 1)	—	
	Cash Dividend Yield Rate (Note 4)	0.5%	(note1)	—	

Note 1: To be finalized upon the resolution of the shareholders' meeting.

Note 2: Price-to-Earnings Ratio = Average Share Price of the Year / Earnings per Share

Note 3: Price-to-Dividend Ratio = Average Share Price of the Year / Cash Dividend per Share

Note 4: Cash Dividend Yield Rate = Cash Dividend per Share / Average Share Price of the Year

Note 5: The Company has not made any stock dividend distribution that is subject to retroactive adjustment.

(6) Dividend Policy and Implementation Status

1. Dividend policy as regulated in the Articles of Incorporation

If the Company reports a profit at the end of the fiscal year, after paying taxes in accordance with the law, the Company shall make up for the accumulated deficit from previous years, then set aside 10% of such earnings as legal reserve. However, when the legal reserve has amounted to the Company's paid-in capital, the Company needs not set aside the legal reserve, and instead set aside or reverse the remaining special reserve as required by laws and regulations. If there is any remaining balance, the Board of Directors shall prepare a proposal for earnings distribution together with the unappropriated retained earnings. The proposal shall be submitted to the shareholders' meeting for resolution, and the dividends shall then be distributed to shareholders.

The Company's dividend policy is to distribute not less than 10% of the annual earnings as dividends to shareholders in accordance with the Company's current and

future development plans, taking into account the investment environment, capital requirements, domestic and international competition, and the interests of shareholders. Dividends may be distributed to shareholders in cash or in shares, with cash dividends of not less than 10% of the total dividends. However, cash dividends of less than NT\$0.50 per share may not be distributed.

2. Status of the proposed dividend distribution at this shareholders' meeting

The Company's proposal for 2023 annual earnings distribution was resolved by the Board of Directors on February 23, 2024. The Board of Directors proposed the distribution of 2023 annual earnings in the amount of NT\$217,151 thousand in cash dividends to shareholders, with each share to be distributed in the amount of approximately NT\$1 based on the outstanding shares on December 31, 2023. After the resolution of the shareholders' regular meeting this year. The Chairman is authorized to set the cash distribution Record Date, Ex-Dividend Date and subsequent related matters upon the approval of shareholders regular meeting.

- (7) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders meeting: There was no stock dividend distribution proposed at this shareholders meeting, and thus this is not applicable.
- (8) Employee, director and supervisor compensation
 1. The percentage or scope of employee, director, and supervisor compensation in the Articles of Incorporation
 2. Basis for estimating the employee, director, and supervisor compensation amount, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy (if any) between the actual distributed amount and the estimated figure, for the current period:

Based on profit of current year, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2023 to be NT\$82,352,036 and NT\$1,042,431, respectively, recognized as salary expenses in the current period. If the estimated amounts differ from the actual distribution resolved by the board of directors, the Company will recognize the change as an adjustment to income of next year.

3. Differences between the proposal for 2023 approved by the Board of Directors and actual distribution of employee bonus, director and supervisor compensation for the previous fiscal year, and the recognized employee bonus and director and supervisor compensation, reasons and the handling thereof:

Unit: NT\$

Item	Earning distribution of 2022	Earning distribution of 2023
	Proposed distribution approved by the board of directors	Proposed distribution approved by the board of directors
Remuneration of Directors and Supervisors	—	1,042,431
Remuneration of employee – cash	—	82,352,036
Remuneration of employee – shares	—	—
Percentage of Employee Compensation Distributed in Shares as Proportion of the Total Individual or Individual Financial Reports' After-tax Net Income and the Total Employee Compensation for the Period	—	—
Discrepancy between recognized and estimated figures, and reasons and handling thereof	None	None

(9) Repurchase of Company shares

1 Repurchase of the shares by the Company (exercised)

April 30, 2024

Term of Repurchase	First	Second	Third	Fourth	Fifth	Sixth
Purpose of Repurchase	Transfer shares to employees	Transfer shares to employees				
Period of Repurchase	Sep. 3, 2015 to Nov. 2, 2015	Apr. 29, 2016 to June 28, 2016	May 15, 2017 to July 14, 2017	July 27, 2018 to Sep. 26, 2018	Aug. 24, 2018 to Oct. 23, 2018	Feb. 24, 2022 to Apr. 23, 2022
Price Range of the Shares to Be Repurchased	NT\$17.01 to NT\$35.13 per share. However, the Company will continue to execute share repurchases when the Company's share price falls below the price range lower limit in place for share repurchases.	NT\$19.67 to NT\$42.94 per share. However, the Company will continue to execute share repurchases when the Company's share price falls below the price range lower limit in place for share repurchases.	NT\$21.98 to NT\$56.79 per share. However, the Company will continue to execute share repurchases when the Company's share price falls below the price range lower limit in place for share repurchases.	NT\$17.68 to NT\$39.65 per share. However, the Company will continue to execute share repurchases when the Company's share price falls below the price range lower limit in place for share repurchases.	NT\$17.22 to NT\$37.26 per share. However, the Company will continue to execute share repurchases when the Company's share price falls below the price range lower limit in place for share repurchases.	NT\$103 to NT\$231 per share. However, the Company will continue to execute share repurchases when the Company's share price falls below the price range lower limit in place for share repurchases.
Type(s) and Numbers of Shares Repurchased	Common share: 0 share	Common share: 5,000,000 shares	Common share: 6,808,000 shares	Common share: 8,000,000 shares	Common share: 7,689,000 shares	Common share: 4,000,000 shares

Term of Repurchase	First	Second	Third	Fourth	Fifth	Sixth
Monetary Amount of Shares Repurchased	NT\$0	NT\$132,625,675	NT\$245,812,665	NT\$192,810,452	NT\$192,095,557	NT\$507,620,748
Ratio of Shares Repurchased to Shares Planned to be Repurchased (%)	0.00%	100.00%	85.10%	100.00%	96.11%	100%
Number of Shares Canceled and Transferred	Common share: 0 share	Common share: 5,000,000 shares	Common share: 6,808,000 shares	Common share: 8,000,000 shares	Common share: 7,689,000 shares	Common share: 2,715,000 shares
Cumulative Number of Shares Held by the Company	Common share: 0 shares	Common share: 0 shares	Common share: 0 shares	Common share: 0 shares	Common share: 0 shares	Common share: 1,285,000 shares
Proportion of Company's Cumulative Number of Shares Held to Total Shares Issued (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.59%

2 Repurchase of the shares by the Company (still under execution):None

2. Status of Corporate bond: None

3. Status of preferred share: None

4. Status of overseas depository receipt: None

5. Status of employee stock options

(1) Status of employee stock options issued by the Company that have not yet matured

April 9, 2024

Type of employee stock options Issued	Stock options from former FocalTech employees by inheritance (Note 1)	Fourth (Period) employee stock options Issuance								
Date of Effective Registration from the Competent Authority and total Number of Units	Oct. 27, 2014 11,697,976	July 6, 2015 2,800,000								
Issue (Execution) Date	Oct. 27, 2014	Sep. 2, 2015								
Number of Units Issued	11,697,976	2,800,000								
Number of Units Still available	0	0								
Proportion of Subscribable Shares to Total Issued Shares	5.33%	1.28%								
Subscription Period	April 29, 2010 to June 24, 2023	September 2, 2015 to September 2, 2025								
Exercise Method	New Common Share	New Common Share								
Duration and Percentage in which Subscription is Restricted (%)	(1) From the beginning of the vesting period to the end of one-year service period, employees receive 25% share warrants. For every six months thereafter, they receive 12.5% share warrants. (2) The share warrants are exercised in accordance with their performance status.	<table border="1"> <thead> <tr> <th>Duration</th> <th>Percentage of Exercisable Shareholding</th> </tr> </thead> <tbody> <tr> <td>2 years</td> <td>50%</td> </tr> <tr> <td>3 years</td> <td>75%</td> </tr> <tr> <td>4 years</td> <td>100%</td> </tr> </tbody> </table>	Duration	Percentage of Exercisable Shareholding	2 years	50%	3 years	75%	4 years	100%
Duration	Percentage of Exercisable Shareholding									
2 years	50%									
3 years	75%									
4 years	100%									
Number of Shares that Have Been Obtained Through Exercise of Subscription Rights	9,002,576	1,776,750								
Amount of Shares Subscribed	142,518 thousand	23,199 thousand								
Number of Unsubscribed Shares	0	63,000								
Subscription Price Per Share of Unsubscribed Shares	NT\$0	NT\$12.8								
Proportion of Unsubscribed Shares to Total Issued Shares (%)	0.00%	0.03%								
Effect on Shareholders' Equity	There is no significant effect on share dilution for existing common shareholders.	There is no significant effect on share dilution for existing common shareholders.								

Note 1: Regarding share warrants from the former FocalTech employees by inheritance, in accordance with the merger agreement, the number of subscribable shares for each FocalTech share warrant is adjusted to the original number multiplied by the 4.8 conversion ratio, and the subscription price per share (rounding to two decimal places) is adjusted to the original subscription price divided by the 4.8 conversion ratio.

- (2) Names and subscription status of managerial officers who have obtained employee share warrants and of the top ten employees in terms of the number of shares to which they have subscription rights through employee share warrants acquired, cumulative as of annual report publication date

1. Managerial officers who have obtained employee share warrants

April 9, 2024; Unit: NT\$, share

Title	Name	Number of Subscribable Shares Acquired	Percentage of Subscribable Shares Acquired to Total Issued Shares	Exercised				Not exercised			
				Number of Subscribable Shares	Price of Subscribable Shares	Amount of Subscribable Shares	Percentage of Subscribable Shares to Total Issued Shares	Number of Subscribable Shares	Price of Subscribable Shares	Amount of Subscribable Shares	Percentage of Subscribable Shares to Total Issued Shares
CEO and President	Genda Hu	1,602,000	0.73%	1,602,000	NT\$1.63~ NT\$22.04	16,419,000	0.73%	0	NT\$0	0,000	0.00%
Executive Vice President	Ching-Kai Chang										
Executive Vice President	Wei-Ching Hou										
Executive Vice President	Hsiao-Hsu Tu										
Marketing Executive Vice President	Lien-Kuo Wang										
Business Assistant Executive Vice President	Te-Chih Kung										

2. Names of the ten employees holding employee subscription warrants authorizing purchase of the most shares

April 9, 2024; Unit: NT\$, share

Title	Name	Number of Subscribable Shares Acquired	Proportion of Subscribable Shares Acquired to Total Issued Shares	Exercised				Not exercised			
				Number of Subscribable Shares	Price of Subscribable Shares	Amount of Subscribable Shares	Proportion of Subscribable Shares to Total Issued Shares	Number of Subscribable Shares	Price of Subscribable Shares	Amount of Subscribable Shares	Proportion of Subscribable Shares to Total Issued Shares
Senior General Supervisor	Ta-Chun Wu	1,114,740	0.51%	1,114,740	NT\$1.75~ NT\$36.8	16,523,000	0.51%	0	NT\$0	0	0.00%
Senior General Supervisor	Hsin-Hsi Chiang										
Director	Pei-Xin Wu										
General Supervisor	Chuan Ting										
General Supervisor	Chien-Chung Lu										
General Supervisor	Ting Cheng										
Vice General Supervisor	Wen-Yung Lung										
Senior Manager	Chen-Wei Lee										
Senior Manager	Hua Lee										
Senior Manager	Lian-Qun Liu										

6. Description of new restricted employee share status shall include the following:

(1) Status of new restricted employee shares issued by the Company that are not yet mature:

April 9, 2024

Type of New Restricted Employee Shares Issued	Third (period) issuance new restricted employee shares	Fourth (period) issuance new restricted employee shares
Date of Effective Registration from the Competent Authority and Total Number of Shares	August 12, 2020 6,000,000 shares	July 25, 2023 6,000,000 shares
Issue Date	April 20, 2021 and July 29, 2021	October 13 2023 and April 1, 2024
Number of New Restricted Employee Shares Issued	5,985,000 shares	3,630,000 shares
Number of New Restricted Employee Shares Issued still available	0 shares	2,370,000 shares
Issue Price	NT\$10 per share	NT\$10 per share
Proportion of New Restricted Employee Shares Issued to Total Issued Shares	2.73%	1.65%
Vesting Conditions of New Restricted Employee Shares	<p>The proportion of shares subject to the vesting conditions (namely, that employees are still in service, have served in good faith, and have not violated the Company's labor contract, work regulations, or the Company's employee management regulations), after the end of each of the following vesting periods from the date of new restricted employee share allotment, are as follows:</p> <p>2 years of service after share allotment: 50% of the number of allotted shares. 3 years of service after share</p>	<p>From the date when employees are granted restricted stocks, 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.</p>

	<p>allotment: 25% of the number of allotted shares.</p> <p>4 years of service after share allotment: 25% of the number of allotted shares.</p>	
Restricted Rights of New Restricted Employee Shares	<ol style="list-style-type: none"> 1. Prior to the fulfillment of the vesting conditions set forth in the preceding Article, employees shall not sell, pledge, transfer, give to others, create, or otherwise dispose of the new restricted employee shares allotted under this Regulation. 2. The rights to attend, propose, speak, vote, and elect at shareholders' meetings of new restricted employee shares issued under this Regulation shall be the same as those of the Company's issued common shares until the vesting conditions set forth in the preceding Article are met, and shall be exercised in accordance with the Trust Deed or other custodian methods as otherwise determined by the Company. 3. Before the new restricted employee shares issued under this Regulation meet the vesting conditions set forth in the preceding Article, the allotment of shares (including dividends of common shares and reserve transferred to capital increase) and dividends (including cash dividends and cash allotment of capital reserves) derived from such new shares will not be subject to the same restrictions as the new 	<ol style="list-style-type: none"> 1. Prior to the fulfillment of the vesting conditions set forth in the preceding Article, employees shall not sell, pledge, transfer, give to others, create, or otherwise dispose of the new restricted employee shares allotted under this Regulation. 2. The rights to attend, propose, speak, vote, and elect at shareholders' meetings of new restricted employee shares issued under this Regulation shall be the same as those of the Company's issued common shares until the vesting conditions set forth in the preceding Article are met, and shall be exercised in accordance with the Trust Deed or other custodian methods as otherwise determined by the Company. 3. Before the new restricted employee shares issued under this Regulation meet the vesting conditions set forth in the preceding Article, the allotment of shares (including dividends of common shares and reserve transferred to capital increase) and dividends (including cash dividends and cash allotment of capital reserves) derived from such new shares will not be subject to the same restrictions as the new restricted employee shares issued in the year. 4. If the new restricted employee shares are issued to an employee who is an ROC

	<p>restricted employee shares issued in the year.</p> <p>4. If the new restricted employee shares are issued to an employee who is an ROC national, the employee shall deliver the shares to a trustee institution designated by the Company for safekeeping immediately after being granted, and shall continue to deliver the shares to the trustee institution for safekeeping until the fulfillment of the vesting conditions, unless otherwise specified in this Regulation. If the granted employee is a national of another country, the granted shares shall be held in trust of the Company appointed for that purpose.</p>	<p>national, the employee shall deliver the shares to a trustee institution designated by the Company for safekeeping immediately after being granted, and shall continue to deliver the shares to the trustee institution for safekeeping until the fulfillment of the vesting conditions, unless otherwise specified in this Regulation. If the granted employee is a national of another country, the granted shares shall be held in trust of the Company appointed for that purpose.</p>
Custody Status of New Restricted Employee Shares	All shares are held in trust	All shares are held in trust
Measures to be Taken when Employees Have Not Met the Vesting Conditions After Being Granted or Subscribing New Shares	The shares allotted were bought back by the Company at the original issue price and were canceled.	The shares allotted were bought back by the Company at the original issue price and were canceled.
Number of New Restricted Employee Shares that Have Been Redeemed or Bought Back	1,167,000 shares	38,000 shares
Number of New Restricted Employee Shares Regarding Which the Restrictions on Rights Have Been Released	3,606,750share	0 share
Number of New Restricted Employee Shares Regarding Which the	1,211,250 shares	3,592,000 shares

Restrictions on Rights Have Not Been Released		
Proportion of New Restricted Employee Shares Regarding Which the Restrictions on Rights Have Not Been Released to the Total Issued Shares (%)	0.55%	1.64%
Effect on Shareholders' Equity	There is no significant effect on share dilution for existing common shareholders.	There is no significant effect on share dilution for existing common shareholders.

(2) Names and acquisition status of managerial officers who have acquired new restricted employee shares, and of the top ten employees in terms of the number of new restricted employee shares acquired, cumulative as of the publication date of the annual report:

1. Names and acquisition status of managerial officers who have acquired new restricted employee shares

April 9, 2024

Title	Name	Number of New Restricted Employee Shares Acquired	Proportion of New Restricted Employee Shares Acquired to Total Issued Shares	Restrictions on Rights Released				Restrictions on Rights Not Released			
				Number of Shares in which the Restrictions on Rights Have Been Released	Issue Price	Issue Amount	Proportion of Shares in which the Restrictions on Rights Have Been Released to the Total Issued Shares	Number of Shares in which the Restrictions on Rights Have Not Been Released	Issue Price	Issue Amount	Proportion of Shares in which the Restrictions on Rights Have Not Been Released to the Total Issued Shares
CEO and President	Genda Hu	1,973,800	0.9%	889,000	NT\$10	8,890,000	0.41%	1,084,800	NT\$10	10,848,000	0.49%
Senior Vice President	Jason Lin										
Senior Vice President	Chester.Hwang										
Executive Vice President, CFO, Spokesperson and Corporate governance officer	Wei-Chieh Chang										
Executive Vice President	Hsiao-Hsu Tu										
Executive Vice President	Wei-Ching Hou										
Executive Vice President	Jui-Cheng Hsu										
Executive Vice President	Pei-Tzu Wu										
Business Executive Vice President	Ching-Suo Wang										
Marketing Executive Vice President	Lien-Kuo Wang										
Business Assistant Executive Vice President	Te-Chih Kung										
Senior Deputy Executive Vice President	Ching-Hsing Chang										
Deputy Executive Vice President	Chen Kuo										
Deputy Executive Vice President	Hao-Chin Chao										
Deputy Executive Vice President	Hung-Jen Chien										
Deputy Executive Vice President	Po-Sheng Shih										
Deputy Executive Vice President	Cheng-Tao Chuang (Note 1)										
Special Assistant of President	Chung-Hsiang Chiang (Note 2)										

Accountant Officer	Pei-Chun Chen										
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Note 1: Cheng-Tao Chuang resigned on January 31, 2023.

Note 2: Chung-Hsiang Chiang resigned on August 31, 2023.

2. Names and acquisition status of the top ten employees in terms of the number of new restricted employee shares acquired

April 9, 2024

Title	Name	Number of New Restricted Employee Shares Acquired	Proportion of New Restricted Employee Shares Acquired to Total Issued Shares	Restrictions on Rights Released				Restrictions on Rights Not Released			
				Number of Shares in which the Restrictions on Rights Have Been Released	Issue Price	Issue Amount	Proportion of Shares in which the Restrictions on Rights Have Been Released to the Total Issued Shares	Number of Shares in which the Restrictions on Rights Have Not Been Released	Issue Price	Issue Amount	Proportion of Shares in which the Restrictions on Rights Have Not Been Released to the Total Issued Shares (note 4)
Tech. Deputy Executive Vice President	Yun-Hua Wang	802,000	0.37%	318,000	NT\$10	3,180,000	0.14%	484,000	NT\$10	4,840,000	0.22%
Senior Director	Chen-Pang Kung										
Senior Director	Wei-Chih Chang										
Director	Shi-Wei Wang										
Director	Shi-Quan Huang										
Director	Pei-Kai Huang										
Director	Jun-Jie Liu										
Director	Pei-Hung Hsiao										
Director	Hong-Zhi Chung										
Vice Director	Jin-Zhi Tu										

7. Status regarding issuance of new shares in connection with mergers or acquisitions of other companies' shares: None.

8. Status regarding implementation of the Company's capital allocation plans: N/A.

V. Operation Overview

1. Scope of business

1. Major businesses

The development and sales of display driver, touch, and fingerprint recognition human-machine interface solutions, including the design, manufacturing, consulting and services of the software and hardware required by the aforementioned solutions.

2. Proportion of operation (2023) : 100% for human-machine interface application IC

3. Current products (services) of the company

- (1) Integrated driver controller (IDC)
- (2) TFT-LCD panel driver IC
- (3) Capacitive touch IC
- (4) Fingerprint recognition IC and module
- (5) AMOLED panel driver IC
- (6) Automotive and industrial control IC
- (7) NB touch pad

4. New products or technologies to be developed by the company

(1) Integrated driver controller (IDC)

- A. IDC products that support FHD (900RGB x 2100) resolution.
- B. Develop Die-size Shrink and Cost-optimized a-SI HD Narrow Bezel Products (sunken on the bottom).
- C. High frame rate applies IDC technology
- D. Develop IDC IC with multi-channel active stylus
- E. IDC product development for notebook computer panel applications

(2) TFT-LCD panel driver IC

- A. Development of IC for special-purpose panels (such as digital cameras and other special-purpose electronic products)
- B. Special driver IC for transparent display

(3) Capacitive touch IC

- A. Development of TFT panel capacitive active stylus technology
- B. Development of TFT panel ultra-fine tip passive stylus IC development
- C. Development of AMOLED panel touch technology with multi-finger high touch reporting rate
- D. Development of the finger and pen touch integration technology for flexible panel.

- (4) Fingerprint recognition IC and module
 - A. Development of high-security capacitive fingerprint recognition IC (Match on Chip, MOC).
 - B. Development of lightweight high-recognition capacitive algorithm.
 - C. 2.5D and 3D fake fingerprint anti-counterfeiting algorithm for capacitive and optical fingerprint recognition IC.
 - D. Automobile capacitive fingerprint recognition IC.
 - E. High-sensitivity optical fingerprint recognition IC and corresponding optical collimator and lens.
- (5) AMOLED panel driver IC
 - A. Display driver IC solution that supports the outer screen of foldable phones.
 - B. Driver Controller (IDC) that supports LTPO dynamic frame rate adjustment.
 - C. Development of high-resolution Demura and De-Burn In solutions as well as the Cascade information processing technology.
- (6) Automotive and industrial control ICs
 - A. Development and promotion of IDC ICs for cars
 - B. Highly reliable circuit architecture
 - C. Development of ICs that support the cascaded architecture for large-size automotive panel applications
- (7) Human-machine interface module for notebook computer
 - A. Development of touchpad technology that integrates touch and fingerprint recognition
- (8) Physiological Monitoring Technology
 - A. Development of intelligent cloud system platform for the detection of multi-functional physiological signals.
 - B. Technology development of non-binding, small-sized (blood pressure, heartbeat, oxygen saturation, arrhythmia, and EKG) measurement devices.

2. Industry Overview

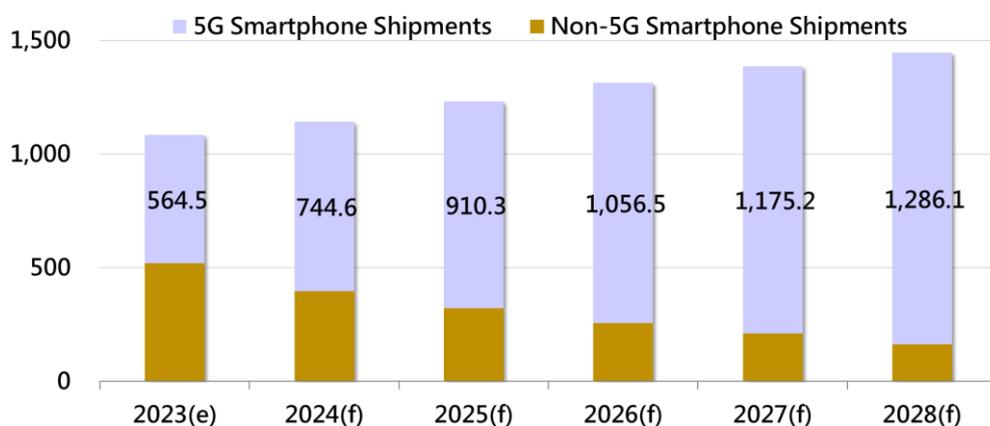
1. Current status and development of human-machine interface related industries

With the advancement of communication technology, human-machine interface technology and applications will continue to expand, which bring more added value. Currently, 5G technology is ready and getting popular, which will generate substantial growth for applications such as portable mobile devices, automobiles, and industrial controls.

According to a research report in Digitimes, in 2023, 5G technology penetration of the mobile phone market reached 50%, and annual 5G smartphone shipments are expected to increase to approximately 110–180 million units between 2024 and 2028. The 5G market size is anticipated to increase year over year, and may even exceed 1 billion units in 2026. Furthermore, it is believed that 5G smartphones will account for 90% of smartphone shipments in 2028. After the popularization of 5G technology, it will provide larger and faster communication bandwidth for portable mobile devices and Internet of Things

(IoT) applications, thereby offering more business opportunities for the industry.

Figure 5-1: The five-year forecast for the global 5G smartphone market size
Unit: million units



Source: Digitimes, October 2023

Based on the current market demand for portable mobile devices, it is estimated that the first wave of demand for 5G devices in 2020 came from the replacement of 4G. The market size of smartphones is about US\$ 11.3 billion, and that of tablets is US\$ 860 million. From the perspective of the demand for Internet of Things (IoT), currently, the development of the Internet of Vehicles is relatively fast. Since IoV services are provided by mobile communication access modules, the faster the transmission of data, the greater the demand of consumers in in-vehicle display and human-machine interface.

(1) Current status of the portable mobile device panel driver IC and touch IC industries:

Portable mobile devices include mobile phones, notebook computers, tablets, among which smartphones are the majority. Due to the advancement of the aforementioned industry, the growth in the demand of smartphone panels has been significantly promoted. Furthermore, the requirements for panels are different from those in the past, they are incorporated not just for making call, but bringing new functions for multimedia. In addition, the development of mobile phone displays has been directed towards large screen size and high resolution. To enhance user experience for consumers, the technical specifications of products are improved continuously. In 2021, the development of mobile phones has started to direct towards high frame rate, AR/VR, AI and foldable etc with an aim to add fuel to the supply chain to open up new business opportunities.

Consumers continue to expect mobile phones display to be larger, thinner, and bezel-free. Therefore, full-screen mobile phones have become the current trend. However, the requirement for full-screen display has reduced the frame design space for mobile phones, allowing integrated IC to become the mainstream. The integration of in-cell panels can enhance the added value of products, provide complete product solutions to brand customers, and help simplify the complex supply chain of traditional mobile phone assembly. Therefore, the IDC IC integrated with touch IC and display driver is quickly accepted by the TFT panel supply chain. With the maturity

of the technology, TFT panel yield as well as production capacity is promoted to benefit the panel price, accelerating the penetration rate of IDC.

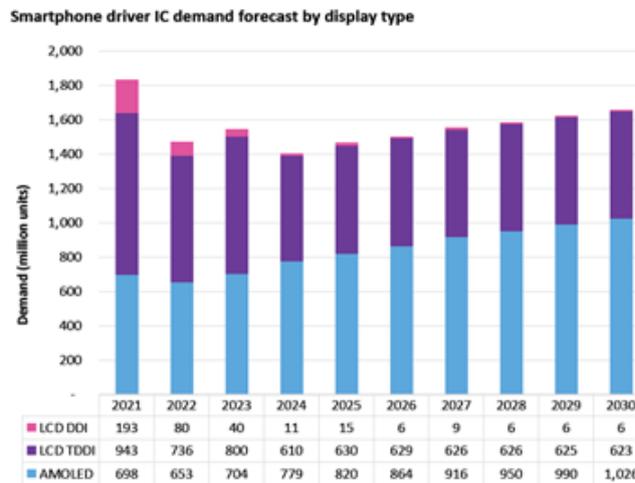
In 2023, in order to hold a higher market share and increase the screen frame rate, all mobile phone manufacturers adopted the IDC solution for TFT display smartphones.

Other than TFT in-cell display technology, smartphones adopting AMOLED panels have risen as the mainstream in the market. With the increasing production capacity of POLED, the cost is gradually decreasing, thus the number of mobile phones adopting flexible AMOLED panels has exceeded those adopting rigid AMOLED. In addition, with the improvement of technology, more and more brand manufacturers have begun to promote foldable AMOLED mobile phones.

The technology of touch-function-adopting AMOLED panels must evolve to meet the needs of higher report rate and foldable devices.

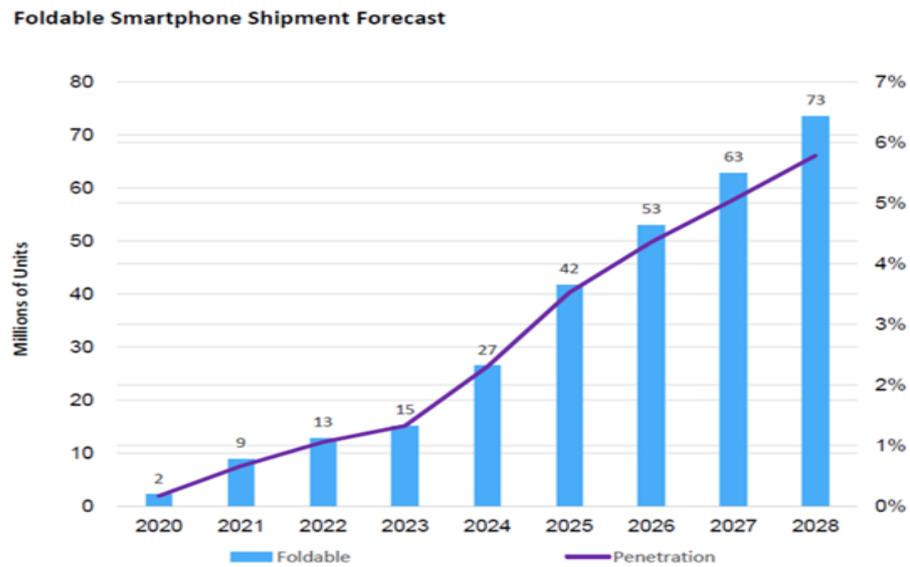
In Omdia’s “Display Driver IC Market Demand Forecast” analysis report for 2024 Q1, the market report agency predicted that the number of mobile phones using LCD Driver ICs will decline significantly from 2024 onwards, whereas the proportion using AMOLED Driver ICs will continue to increase.

Figure 5-2: Driver IC demand forecast for different types of display technologies in mobile phones



Source: Omdia Display Driver IC Market Demand Forecast, Q1 of 2024

Figure 5-3: Mobile phone shipment forecast using foldable AMOLED display

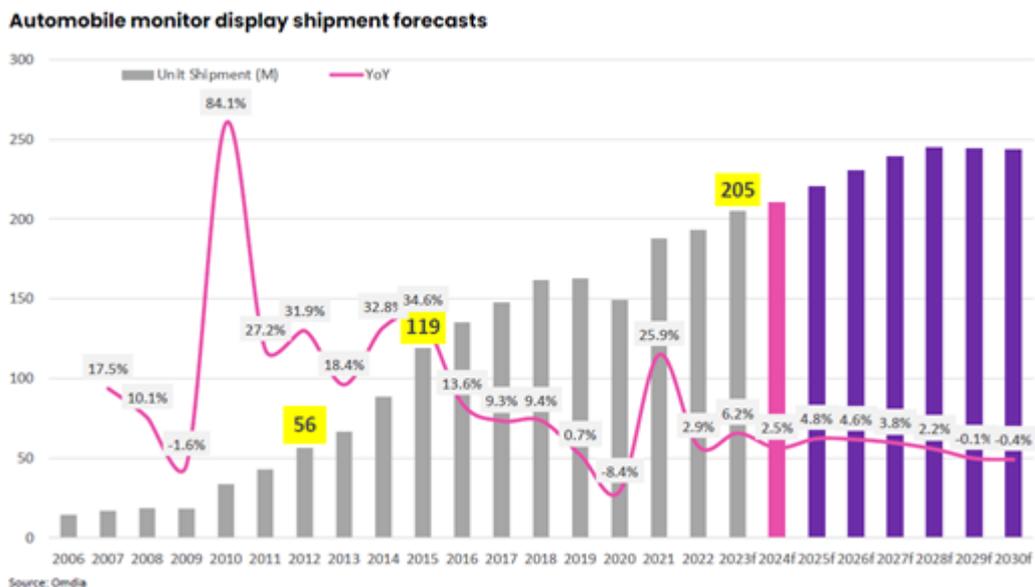


Source: Omdia Smart Phone Feature Forecast, Q4 of 2023

In addition to smartphones, touch and display-related technologies have gradually expanded to the automotive industry. The shipment status of the automotive market is based on two main factors, the first being the number of automobiles sold for the year, and the second being the number of panels used in automobile cabin, with the shipment volume being the result of multiplying these two main factors.

Due to the increasing number of panels required for automobile cockpits, approximately 205 million units were shipped to the automotive industry in 2023, representing an annual growth rate of 6.2%.

Figure 5-4: Automotive display panel shipment forecast

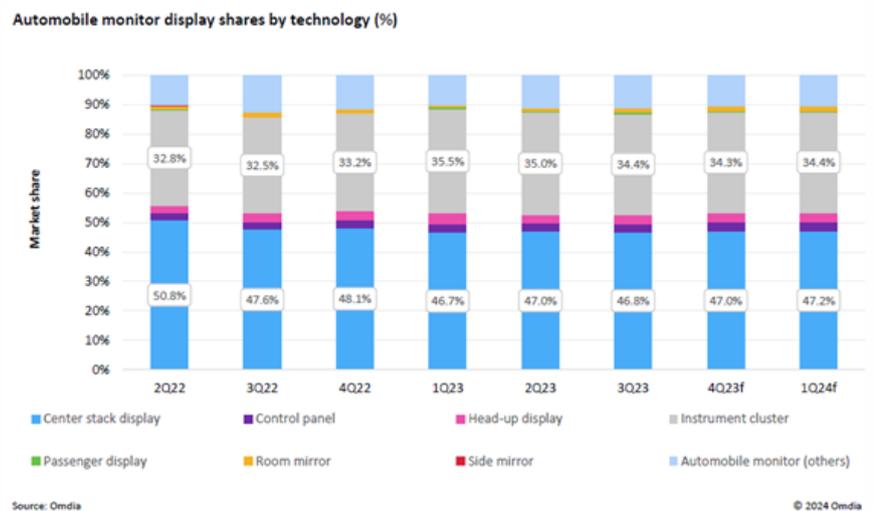


Source: Source: Omdia, Q1 of 2023

With the advent of the era of electric vehicles (EVs), the current development trend in smart cockpits is to equip the automobile with multiple display screens while also enlarging the screen size. Development is trending toward a 20–30” horizontal wide screen for the dashboard and center console or expanding the single center console by 12.3–18”. After 2025, the single screen will be enlarged to 50–55”, and LTDI solutions will be developed in the future to facilitate pillar-to-pillar display applications.

Center console display screens account for approximately 47% of total automotive panel shipments. Because in-cell technology has obvious advantages in terms of its fully integrated black display and cost-effectiveness, the proportion of center console display screens adopting this technology solution has been rapidly increasing year by year. In-cell technology was used in 33.7% of applications in 2023, and this ratio is expected to continue to grow in the future, reflecting the strong market demand for this high-quality and cost-effective technology.

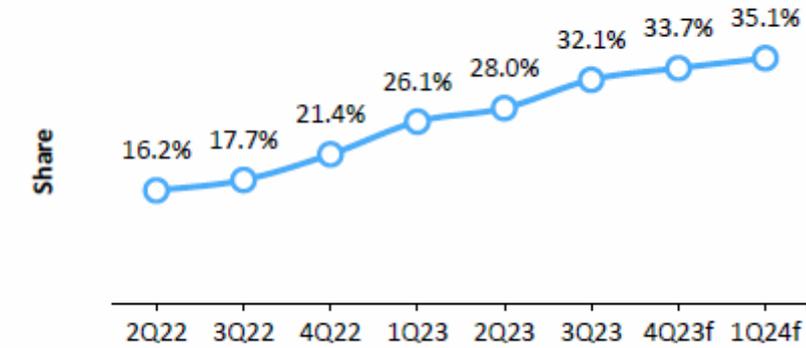
Figure 5-5: Automobile smart cockpit types



Source: Source: Omdia, Q1 of 2024

Figure 5-6: In-Cell touch share in center stack display

In-Cell touch share in center stack display



Source: Omdia

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Source: Source: Omdia, Q1 of 2024

As for devices such as tablets, notebooks, and wearables, human-machine interface function, will also be added in the future to provide a better user experience. A highly integrated IDC active stylus solution combined with a higher frame rate display solution can make the module architecture lighter and more compact, which helps to control the cost of the module, further accelerating the introduction and adoption of more devices.

(2) Fingerprint recognition IC industry:

The fingerprint recognition IC industry is driven by the increasing demand for fingerprint sensors in consumer electronics, banking and finance, and government sectors. The fingerprint sensor market is expected to grow from US\$9.54 billion in 2024 to US\$16.78 billion by 2029, with a compound annual growth rate (CAGR) of 11.96%. In terms of consumer electronics, widescale application in smartphones, tablets, and notebook computers will continue to account for the largest share of the fingerprint sensor market. With regard to the banking and finance sector, fingerprint sensors in smart cards are becoming increasingly common because they make electronic payments more secure, and as information security requirements continue to grow, so too will the applications in this sector. Key players in the market such as FocalTech, Goodix, Fingerprint Cards, Elan, and Egis Technology are constantly innovating their technologies and launching new products to meet the diverse needs of this growing market.

The new generation biometrics include not only fingerprint recognition, but also facial, iris, and voice recognition. In addition to the traditional applications, these technologies are also applied in devices utilized in the healthcare industry, retail industries, and the Internet of Things (IoT). The major trend is to develop faster, more secure, and more convenient methods of user authentication to meet future needs. The Asia Pacific region in particular is expected to see significant growth in the adoption of new generation biometrics, driven by technological advances and government

initiatives.

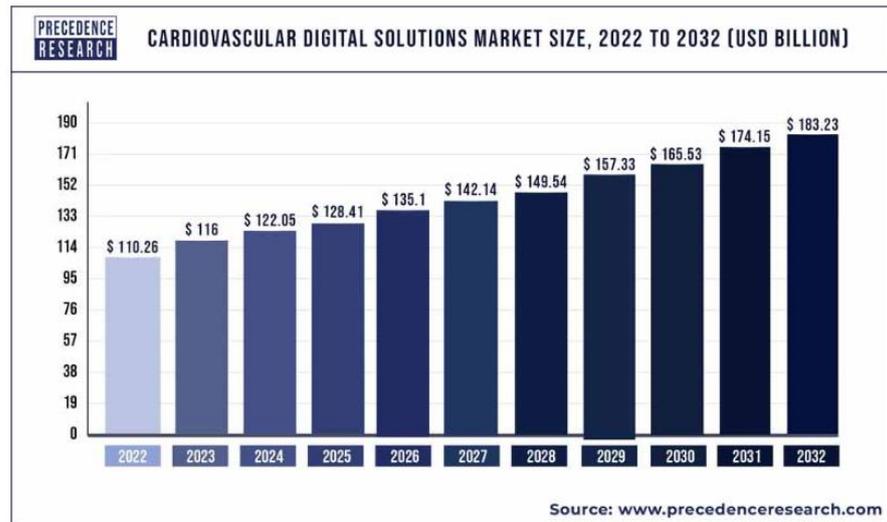
In short, the fingerprint recognition IC industry will affect every aspect of our daily lives, ranging from unlocking our mobile phones and making payments to access control. The wide range of applications highlights its role as a secure and reliable authentication method in the digital age.

(3) Industry for physiological monitoring products:

The continuing spread of COVID-19 variant has boosted the demand for medical equipment. Pandemic prevention materials, rapid screening reagents, medical equipment for disease diagnosis, such as thermometers, ear thermometers, physiological monitoring devices, pandemic prevention robots, and remote health monitoring devices, have all gained tremendous attention. Furthermore, the aging trend of the world's population will also increase the demand for medical equipment for chronic disease monitoring, such as sphygmomanometers and glucometers. Among them, cardiovascular-related diseases have always been the major concerns for people, causing the demand for electrocardiogram (EKG) and other cardiovascular-related monitoring devices to increase.

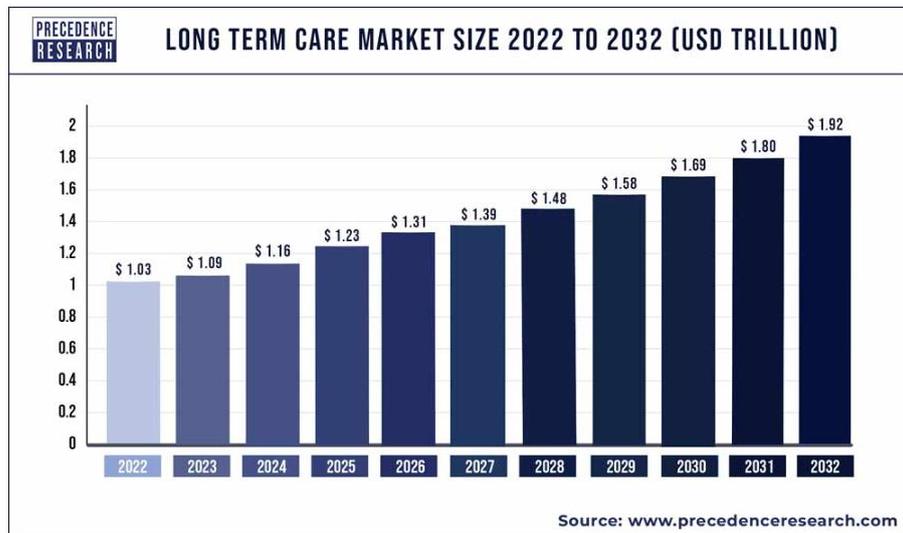
Future development of the medical industry is focused on providing medical services through distance diagnosis, telemedicine, and in-home medical treatment; this will increase the demand for personalized medical equipment and services. As a result of changes in work patterns and lifestyles, the demand for convenient health monitoring among the general public continues to rise. Therefore, healthcare device manufacturers are developing wearable, portable, or in-home physiological monitoring devices and moving toward diversified, intelligent, and customized monitoring services. The global physiological monitor market also includes video telemedicine, which reached US\$2.65 billion in 2023 and is expected to reach US\$8.74 billion by 2030—a CAGR of 18.3%. Furthermore, with the global trend of population aging, vital signs monitoring plays an indispensable role in ensuring healthy aging. Currently, the medical and healthcare market for older adults is actively expanding; it reached US\$1.03 trillion in 2023 and is expected to reach US\$1.7 trillion in the future, with a CAGR of 6.5%.

Figure 5-7: Cardiovascular digital solutions market size



Source: Precedence Research, August of 2023

Figure 5-8: Long term care market size



Source: Precedence Research, October of 2023

As the market and technology continue to mature, the e-health industry will launch more convenient and user-friendly health monitoring devices and cloud-based platforms in the future to enhance global health.

2. Correlation between upstream, middle-stream and downstream of the industry

IC industry chain can be divided into:

A : Upstream: IC design (design house)

B : Middle-stream: Mask and foundry/IDM

C : Downstream: Bumping, wire bonding, testing and package

The IC industrial structure is consisted of designing, masking, wafer fabrication (foundry/IDM), gold bumping, and packaging and testing. IC design companies do not have their own production equipment. Therefore, their wafer fabrication is conducted by professional wafer foundries and followed by processes including gold bumping, wire bonding, packaging, and complete IC

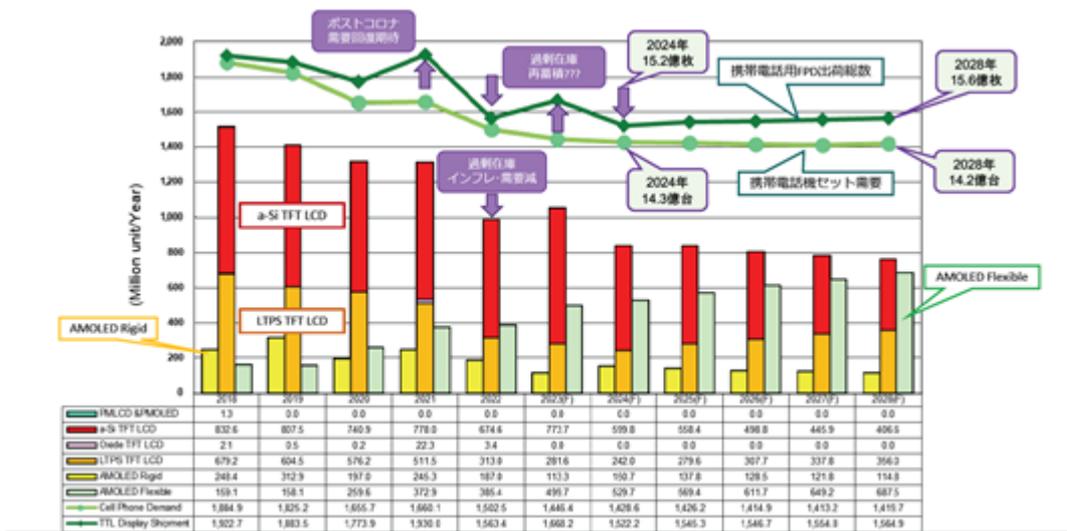
functional tests after preliminary inspection based on the types of products. The package of driver ICs is different from regular ICs. In the past, most of the driver ICs for small- and medium-sized panels were carried out based on the COG approach. In recent years, due to the increasing popularity of the full-screen display, the driver ICs for some panels have been carried out based on the COF approach.

3. Market trend of the Company's products

(1) Driver IC and touch IC for portable mobile device panels:

AMOLED displays have already become mainstream in the market. The highly cost-effective Single RAM IC has been launched and is in high demand. On the other hand, to maintain the competitiveness of LCD products, cost reductions are necessary.

Figure 5-9: Shipment Forecasts for Different Types of Mobile Phone Panel Technologies



Source: Omdia, Q1 of 2024

With the increased AMOLED production capacity and the improved yield rate of panel manufacturers in Mainland China, AMOLED has taken over the market share of TFT LCD. AMOLED has several advantages including compact, lightweight, self-emitting display (without the need of backlight), high color saturation, wide viewing angle, high contrast, fast response time, low energy consumption, and the possibility to realize flexible display, many of which are difficult to achieve with TFT LCD panels. As a result, the development of AMOLED driver and touch related technologies as well as products will become particularly important and urgent.

The trends of using AMOLED DDIC or future integration IC in the aforementioned handheld mobile devices is clear, and the demand for their power saving and display specifications is gradually increasing. For this reason, advanced process miniaturization will be adopted to reduce IC dimension and power consumption. Additionally, this has driven IC

suppliers to direct towards more advanced processes for wafer fabrication (i.e., 40-nm and 28-nm processes).

AMOLED driver ICs are used in smart wearable devices, such as high-end smart watches and smart bracelets. These products require low power consumption, and due to their limited internal space, reducing the number and size of peripheral components is also crucial. Hence, reducing the size of display panel peripheral ICs has become a new technology requirement, and the IDC IC, which integrates a display driver IC and touch IC, has become a new driving force in the display driver IC market.

The Company's AMOLED wearable IDC solution features power saving technology, high ESD resistance, supports AMOLED LTPO, and has few peripheral components. Compared with the two-IC solution, this IC integrates the driver display and touch functions to eliminate one FPC layer. This in turn reduces the overall number of components, thus lowering the price and making it very popular in the market.

(2) Fingerprint recognition IC:

Future development trends for fingerprint recognition technology are described as follows:

1. The emergence of multi-modal recognition: There will be more multi-factor authentication methods that combine fingerprint biometrics with facial recognition, speech analysis, iris scanning, and even gait recognition in the future.
2. Biometrics for edge computing: With the rise of edge computing, the application of biometric processing has been expanded from central servers to device platforms, which aims to improve privacy protection and enable offline user authentication in areas with limited connectivity.
3. Integration with the Internet of Things (IoT): Smart homes, wearables, and automobiles are increasingly equipped with biometrics to support personalized experiences and access control.
4. Anti-counterfeiting technology: New fingerprint scanners distinguish between real and fake fingerprints using advanced methods, which greatly reduces the possibility of counterfeiting.
 - A. Liveness Detection: This technology distinguishes between real and fake biometric features, such as silicone models, photographs, and videos. Liveness Detection is usually performed by examining natural changes in biometric features, such as blood flow, blinking, and skin texture, to determine the authenticity of a living organism.
 - B. High Resolution Sensors: The increased resolution of fingerprint sensors enables more precise capture of fingerprint details, making it more difficult for counterfeit fingerprints to fool the system.
 - C. Multi-frequency scanning technology: By scanning fingerprints at different frequencies, this technology obtains more information about fingerprint features, including surface and deep features. This enables more accurate detection of real

fingerprints by the fingerprint recognition system, which enhances protection against counterfeit fingerprints.

- D. Improvements in software algorithms: Advanced recognition algorithms can better process fingerprint images by identifying and excluding features generated by common counterfeiting methods. This includes the use of machine learning techniques and AI technologies to continuously improve the accuracy and security of fingerprint recognition.

(3) Physiological monitoring products:

In 2017, the U.S. Food and Drug Administration (FDA) launched the Software Precertification (Pre-Cert) Pilot Program, and joined hands with brands such as Apple, Fitbit, and Samsung to simplify the regulatory process so as to enable the certification of smart bracelets/watches with electrocardiogram (EKG) and oxygen saturation detection functions. Taiwan's FDA has also taken international trends into consideration and established the Medical Devices Act. Starting from 2021, products whose functions do not involve medical purposes such as diagnosis and treatment of specific diseases are treated as health enhancement products, and no further application is required. However, if the functions such as EKG, sleep quality, oxygen saturation, and stress index are medically certified, their data will offer higher reference value and provide supplementary information for medical professionals. By getting the basic physiological data measured and synchronized with the cloud service, chronic disease/rural patients will be able to provide medical personnel with real-time symptoms and a basis for diagnosis. Together with mobile medical devices, the medical act of hospital visits will be simplified by implementing telemedicine/mobile medical practice. Furthermore, with the Rules of Medical Diagnosis and Treatment by Telecommunications coming into effect on July 1, 2024, miniaturized and highly accurate multi-functional physiological monitoring devices will become powerful tools for assisting relevant personnel in medical decision-making processes in the future.

4. Product Competition

- (1) Driver IC and touch IC for portable mobile device panels:

For smartphone application, there are two types of TFT panels, namely a-Si and LTPS. Currently, both of them have adopted the in-cell solution of IDC. HD (1280x720) a-Si and FHD (1920x1080) LTPS are the two major panel specifications. The Company is one of the earliest to develop the IDC technology, with its products covering various resolutions including HD, FHD and QHD for both a-Si and LTPS panels. The major competitors in this field include Synopsys, Novatek, Himax Technologies, and Ilitek.

In addition to smartphone application, the FocalTech's IDC solution for TFT in-cell tablets is currently in the leading position in terms of technology. Since the Company has exclusive technologies and substantial production capacity as well as experience, it becomes one of the major suppliers for the market. Moreover, the Company has also incorporated the active stylus function into tablets. It is expected that the shipments will continue to grow in the future.

Samsung is currently the largest shipper of AMOLED panels, but its market share is continuously dropping due to the expansion of Mainland China's production capacity. With the increase in shipments from panel manufacturers in Mainland China, the Company will be more proactive in cooperating with these manufacturers to develop AMOLED driver ICs. For touch IC, FocalTech is one of the world's few manufacturers capable of mass-producing on-cell touch ICs. The continued increases in product competitiveness and China's AMOLED panel production capacity will further increase the Company's revenue and profitability with respect to touch IC.

Besides smartphones and tablets, the Company also applied the display driver IC, touch IC and other human-machine interface solutions to wearable and automotive devices. In addition to achieving compact and light-weight structure demanded by the market, it also helps to control the overall panel module costs, meeting the expected prices of the market.

(2) Fingerprint recognition IC:

Since 2018, major fingerprint recognition IC manufacturers have been increasing their investment in R&D, resulting in the large-scale application of in-display fingerprint recognition technology. Currently, major suppliers of capacitive fingerprint recognition sensors include FocalTech, FPC, Goodix, and EgisTec; the major supplier of ultrasonic in-display fingerprint recognition sensors is Qualcomm; and the major suppliers of in-display optical fingerprint recognition technology include Goodix, EgisTec, Silead, and Jiiov.

FocalTech is also actively involved in the field of AI software development. Specifically, it incorporates AI algorithms to enhance the security and user experience of fingerprint recognition technology. AI helps optimize the processing and analysis of fingerprint data to improve recognition accuracy and reduce the false acceptance rate (FAR). Moreover, AI can dynamically adjust security policies based on user habits, such as requiring identity verification when abnormal behavior is detected. AI also enables device locking and unlocking mechanisms to be implemented more intelligently by providing a more personalized and secure access experience for users. Overall, the combination of fingerprint technology and AI will make our life smarter, safer, and more efficient in the future.

(3) Physiological monitoring products:

With regard to mobile blood pressure detection devices, manufacturers have increased investment mainly in the development of health watches, with continuous monitoring of blood pressure changes as the main feature. Huawei, Fitbit, Samsung, and ASUS have all launched related products. Additionally, in the measurement of arrhythmia, there are technologies that adopt the principle of EKG in mobile EKG devices, smartphone cameras, and artificial intelligence to monitor the users' conditions. Furthermore, these products have all been licensed as medical devices, and can provide doctors with professional analysis and diagnosis.

The Company specializes in mobile and portable medical-grade solutions and intelligent cloud service system platforms. Since 2019, the

Company has been developing physiological monitoring products for mobile phone applications. Among these, a quick screening software for arrhythmias, Rhythm Cam, was developed in collaboration with National Taiwan University Hospital after conducting clinical trials. In 2021, the software was registered and licensed as a medical device by the Ministry of Health and Welfare. Currently, the Company is working with National Taiwan University Hospital to conduct large-scale community screening using this software. The software will be an app tool for early detection of heart diseases in Taiwan, and constitutes a pioneering achievement in Asia. In addition to Rhythm Cam, the Company has developed VITOM, a miniature portable, wireless, and cuffless heart rate and blood pressure monitoring module and product with medical-grade accuracy. VITOM was registered and licensed as a medical device by the Ministry of Health and Welfare in 2022. Furthermore, in 2023, VITOM Plus, a multi-functional physiological monitoring device, was registered and licensed as a medical device under license number 008010 by the Ministry of Health and Welfare. This device provides five physiological monitoring functions: blood pressure, blood oxygen saturation, heart rate, electrocardiogram, and arrhythmia diagnosis. In the future, the Company will develop more product functions and pair them with value-added cloud services for partners and consumers.

(3) Technology and R&D status

1. Most-recent-year R&D expenses calculated up to the date of release of this annual report

Unit: NT\$ thousand

Item	2022	2023
R&D expenses (A)	2,536,509	1,789,672
Net operating revenue (B)	12,949,902	13,568,371
(A)/(B)	19.59%	13.19%

2. Successfully developed technologies or products

After years of effort in R&D and the idea to deliver innovative and leading technological services to customers, FocalTech has gradually established a number of technological achievements that lead in the industry. These achievements are summarized in the following table:

(1).TFT-LCD driver IC:

R&D items or products	Applications
Dynamic Contrast Ratio (DCR)	TV, Monitor, Mobile phone
Dynamic Gamma Control (DGC)	TV, Monitor, Mobile phone
Black Frame Insertion (BFI)	TV, Monitor, Mobile phone
Generation III Overdriving (OD)	TV, Monitor, Mobile phone
Color Tracking	TV, Monitor, Mobile phone
Tcon supporting 120Hz FHD	TV
170MHz LVDS interface	TV, Monitor
MIPI-DSI interface	Mobile phone, Tablet
MDDI interface	Mobile phone
eDP interface	Tablet, NB
C-PHY interface	Mobile phone

R&D items or products	Applications
Dynamic backlight control	Mobile phone
12-bit color depth processing	Mobile phone
Ambient light sensor control	Mobile phone
Automatic adaptive power system	Mobile phone, NB
Multi-channel source driver	Monitor, NB
Cascade source driver	UMPC, Digital Photo Frame, Tablet, NB
Adaptive Image Enhancement(AIE)	NB, Tablet , Mobile Phone
CleverColor	Mobile Phone, NB, Tablet
White Adjustment (WA)	Mobile Phone, Tablet

(2) Capacitive touch IC:

R&D items or products	Applications
Double area Triangle Pattern	Mobile phone
Single Layer Sensor for Mutual-cap (SLM)	Mobile phone, Tablet
Single Chip for 15.6 inch panel	Mobile phone, Tablet, NB
One Glass solution (OGS)	Mobile phone, Tablet, NB
Oncell touch	Mobile phone, Tablet
Wake-up Gesture (WG)	Mobile phone, Tablet
Single Layer Sensor on cell	Mobile phone, Tablet
Integrated Driver Control (IDC)	Mobile phone
Auto-Celebration	Mobile phone, Tablet, NB
Full-Screen Common-mode Scanning	Mobile phone, Tablet, NB
Frame Touch	Mobile phone
Proximity Sensing	Mobile phone
Narrow Board Sensor	Mobile phone, Tablet
All ITO Sensor Pattern	Mobile phone
Force Engine	Mobile phone
Two Pressure Touch Detect	Mobile phone
Water proof system	Mobile phone, Tablet, NB
High Reporting Rate Detection	AMOLED mobile phone

(3) Integrated touch and display driver IC:

R&D items or products	Applications
A-Si Dual Gate COG IC solution	Tablet
A-Si Single Gate COG HD IC solution	Mobile phone
LTPS MUX 1:6 FHD COG/COF IDC IC solution	Mobile phone
LTPS MUX 1:4 COG IDC IC solution	Automotive
A-Si Cascade IDC IC solution	Tablet
A-Si Automotive IDC IC solution	Automotive
LTPS Automotive IDC IC solution	Automotive
IGZO Automotive IDC IC solution	Automotive
A-Si NB IDC IC solution	NB
AMOLED LTPO Wearable IDC IC solution	Wearable

R&D items or products	Applications
High Frame Rate Solution	Mobile phone , Tablet
A-Si HD Sinking narrow frame COG IC solution	Mobile phone
LTPS FHD CPHY/DPHY IDC IC solution	Mobile phone
Local dimming Bridge IC	Automotive
4 Cascade IDC IC solution	Automotive
TP mux on panel	Automotive
Chromebook IDC IC solution	NB
Active stylus IDC IC solution	Tablet

(4)Fingerprint recognition IC:

R&D items or products	Applications
Coated capacitive fingerprint recognition IC	Mobile phone
Ceramic cover, glass cover capacitive fingerprint recognition IC	Mobile phone
Active narrow side-mounted capacitive (including flat and curved surface) fingerprint recognition IC	Mobile phone
Active capacitive fingerprint recognition IC (MOC)	NB
Optical in-display fingerprint recognition IC	Mobile phone
Development of lens, collimator optics and algorithms	Mobile phone
MCU for fingerprint security	NB
Automotive active capacitive fingerprint recognition IC	Automotive

(5) AMOLED driver IC:

R&D items or products	Applications
Global and Local Auto current limit (ACL)	Mobile phone, Wearable
Always on Display (AOD)	Mobile phone, Wearable
Dynamic ELVSS	Mobile phone, Wearable
SPR Compensation	Mobile phone, Wearable
Dynamic Gamma Control	Mobile phone, Wearable
Demura	Mobile phone, Wearable
IR Drop	Mobile phone, Wearable
Partial Area Gamma	Mobile phone, Wearable
DeBurnIn	Mobile phone
Camera Under Panel (CUP)	Mobile phone

(6) Physiological monitoring products:

R&D items or products	Applications
Rhythm Cam	Mobile phone
VITOM	Mobile phone

(4). Long, short-term business development plans

FocalTech pursues sustainable development, regularly monitor and evaluate the risk and opportunities of the organization's internal and external issues (such as future industrial development as well as the overall economic environment and trends) proposed by stakeholders, serving as the reference and basis for the company's social responsibility and future operation plan. Through the formulation of long-term and short-term plans, the company's future management direction will be determined. The quality as well as the environment, health and safety management system will be improved continuously to ensure that the expected results and effectiveness can be achieved. Potential emergency and impact will be identified to prevent or reduce unexpected effect, better understanding the involved risks and opportunities to solve the company's problems, which in turn improves the company's competitiveness. The short-term and long-term plans of the company are explained as follows :

1. Short-term development plan

(1). Marketing strategy

- A. Strengthen services and businesses of the existing customers and play the role of long-term strategic partner.
- B. Develop new markets and customers, establish partnerships with marketing channels and new customers.

(2). Production strategy

- A. Strengthen the strategic partnership with major wafer fabrication, package, and testing plants to obtain stable and adequate production capacity and technical services.
- B. Strengthen the development of new wafer foundry around the world and signed a cooperative contract to increase the source and flexibility of wafer supply, providing customers with more choices of production sites.
- C. Establish and strengthen the information network connection with the supply chain partners to grasp the progress and quantity of production at any time.

(3). Product strategy

- A. Cooperate with customers to develop competitive products and solutions that lead in the industry.
- B. Assist in enhancing customer's value and innovation.
- C. Reduce the operating risks of products, highlight the development principle of product line balance, and improve the value of products.
- D. Support customers to develop highly flexible application development platform to meet the needs of fast and diversified market development.
- E. Continue to develop highly integrated ICs, reduce the number of external components, and assist customers in lowering the overall material costs.
- F. Launch new IC products that are small in sizes to effectively reduce costs.
- G. Develop ultra-narrow bezel touch and display integrated IC technology.
- H. Develop touch solution that can be used in rigid on-cell and flexible on-cell AMOLED panels.
- I. Wearable touch solution with low power, small packages, and low cost.
- J. Develop active stylus sensing technology.

(4). Operation strategy

- A. Actively improve the market share and profitability of each product.

- B. Spread risk and manage the conditions of each product line.
 - C. Expand the effectiveness of innovative research and development.
 - D. Strengthen talent cultivation and recruitment.
 - E. Make good use of strategic alliance to create mutually-benefit environment.
- (5). Operation management and financial adjustment
- A. In response to the development of the company's future operation, resources of the company will be distributed appropriately through sound financial planning and operational management, hoping to maximizing the company's resources.
 - B. Establish sound and diversified funding channels, and build a close relationship with financial institutions in case operational funds are required for business growth and development.
2. Long-term development plan
- (1). Marketing strategy
- A. Strengthen international market capabilities and enhance strategic collaboration with international customers.
 - B. Innovate market demand; create new consumer demand
 - C. Integrate industrial supply chain, strengthen the communication and cooperation between brand owners and panel manufacturers.
- (2). Production strategy
- A. Share jointly the risks involved in new process and technology development with the supply chain partners.
 - B. Expand economic scale and reduce production costs.
 - C. Prepare our own test and production equipment to reduce costs and meet the production capacity expansion needs.
- (3). Product strategy
- A. Increase technology lead, and strengthen the R&D of products.
 - B. Integrate related technologies, expand the scope of product lines and deepen the level of technologies.
 - C. Strengthen the technology for high-speed analog and mixed signals.
 - D. Develop high-efficiency image processing technology.
 - E. Develop bio-sensing technologies.
 - F. Develop touch technology with strong penetration, high signal-to-noise ratio, and good interference-resistance, as well as expand the application of touch IC in the area of industrial control and medical care.
- (4). R&D strategy
- A. Expand business operation teams, plan core products, establish the company's key technologies and patents, and continue to invest in the development of new generation products to pursue leading technologies.
 - B. Enhance product design capacity, improve R&D processes, and establish the techniques for standardization and modulization to shorten development time and reduce development costs, increasing the competitiveness of new products.
- (5). Operation management and financial planning
- A. Establish a sound management system, implement the company's business philosophy, create an excellent corporate culture, and realize the vision of sustainable operation.

B. Utilize the diversified funding channels of capital market to strengthen the financial structure of the company as well as the capability for long-term development. In coordination with the growth of the company, reinforce the business operation teams and improve the company's popularity as well as image.

2. Overview of Market, Production and Sales

(1) Market analysis

1. Regions for selling (offering) major products (services)

Unit: NT\$ thousand

Region \ Year	2022		2023	
	Sales amount	Percentage	Sales amount	Percentage
Mainland China	10,253,909	79.18%	11,924,098	87.88%
Taiwan	2,183,728	16.86%	1,448,668	10.68%
Other	512,265	3.96%	195,605	1.44%
Total	12,949,902	100%	13,568,371	100%

2. Market share

The Company's current sales are based mainly on products such as Touch with Display Driver Integration (TDDI) or Integrated Driver Controller (IDC), out-cell capacitive touch IC, TFT LCD driver IC, and fingerprint recognition IC.

(1) Integrated Driver Controller (IDC):

In recent years, the Company continued to devote itself to the launch of Integrated Driver Controller (IDC). Since LTPS MUX6 technology is widely used in high-end smartphones and high frame rate display technology has been adopted by HD+ and FHD+ smartphones. In addition, several tablet manufacturers have largely adopted IDC into their new models and automotive display screens. The shipments of Integrated Driver Controller (IDC) in 2023 nearly 200 million and it is expected that the Company's IDC shipments and market share will continue to grow in 2024 and maintain its leading position in the market.

(2) Out-cell capacitive touch IC:

As the Integrated Driver Controller (IDC) is gradually accepted by the market, the market share of out-cell touch ICs in TFT panels has dropped sharply. However, with the increase production capacity of AMOLED panels, and the fact that the Company's out-cell touch ICs for AMOLED panels have successfully entered the supply chain of Korea and China, the Company's capacitive touch solution still maintains its leading position in terms of market share in the global smartphone market.

(3) TFT LCD driver IC:

Since Integrated Driver Controller (IDC) is widely accepted by the market, the number of smartphones adopting TFT LCD driver ICs has declined rapidly. For this reason, the Company has shifted its business focus to applications related to medium- and large-size panels, such as smart speakers, notebook computers, digital cameras, and automotives, continuously directing the product structure towards high-tech requirements

and high integration. In addition to the mainstream specifications, high-resolution and high-PPI products such as WXGA+, FHD, and QHD were also launched. Due to the long lifecycle of medium- and large-size products, the Company's shipments and revenue were still maintained a certain market share in 2023.

(4) Fingerprint recognition IC:

In recent years, the consumer electronics market has been highly competitive. However, with its well-established capacitive fingerprint technology, FocalTech has gradually gained market share in the mobile phone and notebook computer markets. In the high-margin notebook computer market, FocalTech has steadily entered the top five brands among customers. Additionally, FocalTech is one of the few fingerprint recognition technology providers in the world to be certified by Microsoft for its Match On Chip (MOC) technology.

As the AI wave sweeps the consumer electronics market in 2024, FocalTech has integrated AI technology into its fingerprint recognition algorithms to further improve recognition rate, speed, and anti-counterfeiting technology. Looking ahead, FocalTech will integrate more AI applications into its products to enhance user privacy and security.

3. Supply, demand and growth of the future market

(1) Driver IC and touch IC for portable mobile device panels:

Regarding the supply of driver ICs for small- and medium-size LCDs, although manufacturers in Europe, the United States, Japan, and Korea have well-developed technologies, they are far less competitive than Taiwanese and mainland Chinese manufacturers in terms of price, delivery time, service, and flexibility. Mainland China's driver IC manufacturers such as NewVision, ViewSil Microelectronics, Chipone, and Solomon Systech, have devoted themselves to the development of LCD driver ICs in recent years and yielded fruitful results. However, their technologies are not mature enough. In addition to the impact of material shortages in the past, these manufacturers were gradually introduced to cell phone customers and their products went into mass production for shipment. Despite the location advantages, these manufacturers mainly secure low-end cell phone models for their technical capability that is far inferior to that of Taiwanese manufacturers. Since manufacturers in Taiwan have the advantage of a higher technical capability, and have better control over both the front-end wafer fabrication and the back-end package, they are capable of fulfilling most of the market needs, including high-, medium- and low-end cell phones. Therefore, Taiwanese manufacturers are currently the leading providers of driver ICs for small- and medium-size LCDs.

IDC products and technologies are now well developed. They have been mass-produced for both mobile phone and tablet brand customers, providing them with a lighter, more compact and better-performing device structure and an outstanding touch performance. Therefore, IDC products have maintained its high competitiveness for the future market. With IDC, the Company can expand its market share for intermediate-level products. In 2023, the Company shipped nearly 200 million units of Integrated Driver Controller (IDC), and was the first to launch the new-generation IDC products for new applications, such as tablets, smart wearables, and automobiles. It is expected

that the Company will continue to maintain its leading position in the market and lead the advancement of in-cell technologies in the future.

The Company's AMOLED driver ICs, whether for wearable applications or mobile phone applications, have been produced in small quantities. The Company will continue to carry out IC advancement for different applications. The advancement will be focused on three areas:

A. In response to the extreme demand for high performance and highly cost-effective AMOLED displays for mobile phones, the Company will develop products in the Single RAM Driver and Dual RAM Driver specifications to meet the market trend.

B. In response to the demands of the high-end smart wearable market, the Company will continue to develop AMOLED IDCs that are thin, lightweight, and economical, and the AMOLED Incell and AMOLED On-cell fabrication process will be upgraded to 40-nm.

C. Applying AMOLED IDCs to mobile phones can effectively reduce the thickness of foldable devices; therefore, both panel and mobile phone manufacturers are working to develop such products. The Company has experienced great success in developing wearable IDC products, and it will seize business opportunities by cooperating with mobile phone and panel manufacturers on the development of mobile phone AMOLED IDCs.

In the application of out-cell capacitive touch IC, the Company has successfully developed an AMOLED on-cell solution and promoted it to international mobile phone brands along with various AMOLED panel manufacturers. With the increase of AMOLED's market share in the mobile phone panels, the growth of AMOLED on-cell touch IC will be promoted as well.

Furthermore, the Company's touch products have been successfully applied to smart watches, bracelets, earphones and Notebook. The shipment of touch ICs in the wearable device market and NB will continue to increase, producing more revenue and profitability for the Company.

(2) Fingerprint recognition IC:

The supply and demand for fingerprint recognition technology is expected to continue to grow in the future. The increasing demand for smartphones, smart homes, financial services, and corporate security has led to a corresponding rise in the demand for safer and more convenient biometric solutions. Technological advancements and cost reductions will facilitate wider applications of fingerprint recognition technology in products and services, thereby driving market expansion. Additionally, the demand for high-security authentication technologies is expected to grow in tandem with consumer awareness of personal data protection.

One of the most challenging problems is to fulfill the requirements of Microsoft's Match On Chip (MOC) technology and integrate it into AI PCs. Microsoft's MOC technology requires fingerprint data processing and matching to be performed directly on the fingerprint module with a microprocessor. This design improves system security because no transmission of fingerprint data between systems is required, thus reducing the risk of data leakage.

However, the challenges in realizing MOC technology include the need to ensure the speed and efficiency of module processing, to increase the computational efficiency of module processing in order to handle complex fingerprint matching algorithms, and to control costs while maintaining high security standards. Recently, FocalTech has been committed to the development of MOC technology, and it has achieved Microsoft certification. Looking ahead, FocalTech will continue to integrate more AI-related technologies and applications into its products to expand its influence in the fingerprint recognition market.

(3) Physiological monitoring products:

Taiwan's population over the age of 65 reached 14% in March 2018, officially making it an aging society. It is estimated that by 2026, the population over the age of 65 will have exceeded 20% and it will then be classified a super-aged society, which will increase the number of people in need of long-term care. Moreover, the gradually declining function of family care has increased the pressure on individual and family caregivers, which may give rise to social and economic problems. Through smart sensors and advanced application tools, information collection and management of body data can be carried out. The data will then be transmitted back to the central database for medical care. At the same time, improvements will be made to the management of medical processes in order to save significantly on resources. Therefore, medical-related companies and various health care systems all hope to utilize the vast resources accumulated by the Taiwanese electronics industry to provide suitable and convenient solutions.

The core technology of this product and service utilizes a combination of AI powered multi-functional sensors and a cloud-based big data database to provide health status analyses. In the future, the Company will actively work with partners in various fields to integrate comprehensive subsequent processing services into its health monitoring solutions through an innovative business model. This will allow consumers to enjoy accurate, convenient, and timely medical care services. In 2024, the Company aims to establish a foothold in Taiwan's four major markets: long-term care services, in-home medical treatment, precision medicine, and telemedicine.⁴ Competitiveness: In response to the fierce competition at home and abroad, the Company has the following competitive advantages.

- (1) Professional operations and management team: The Company's operations and management team is well trained and has rich experiences in product market strategy and positioning.
- (2) Strong R&D capability:
 - A. The Company continues to demonstrate strong capability in technological innovation and new product development, and has taken the leading position in several areas of the market.
 - B. The technical support service bases established at home and abroad can promptly solve customers' product application and production problems, which enhances customer's efficiency in mass production.
- (3) Reliable and close customer relationship: The Company has an excellent corporate culture, and maintains a long-term close relationship with upstream, midstream and downstream customers as well as the supply chain. When

facing problems, the Company always adhere to the idea of integrity and spares no effort to help customers solve all their problems. Therefore, the Company is able to maintain long-term, close and reliable partnerships with both customers and suppliers.

- (4) Deep understanding of various display platforms and products: In addition to solid R&D capability, the Company has a deep understanding of various display platforms, such as mobile phones, tablets, notebooks, digital cameras, and printers, with an aim to create more added value for customers.
 - (5) Good strategic partners: In addition to deep-rooted customer relationships, the Company actively forms strategic alliances with brand customers and platform solution providers.
5. Advantages and disadvantages of the Company's future development and corresponding countermeasures

(1) Advantages

- A. The display industry and its application market are changing rapidly; therefore, operating efficiency and rapid response capabilities are particularly important. In the fast-changing environment, the operating efficiency of professional IC design companies has surpassed the group operation model of traditional Integrated Device Manufacturer (IDM). Additionally, the performance of domestic professional wafer fabrication, testing and package plants have reached world-class standards, thus the long-term competitiveness of professional IC design companies is promising.
- B. Integrated Driver Controller (IDC) has dominated the market, especially in the application of small-size panels, which is also the Company's current focus area. The successful experience accumulated for LCD IDC will be beneficial for the Company to expand the market of AMOLED IDC.
- C. The brand owners of flat-panel attach great importance to the development of related display technologies and standards. The demand for collaboration with related domestic flat-panel display manufacturers is increasing. Therefore, it is beneficial to FocalTech, who has a solid R&D capability. Regardless of technology development or innovation, the Company is in the leading position.
- D. With IC design and software development capabilities, FocalTech-owned ITO touch patented patterns will be able to effectively provide customers with solutions in the shortest time and avoid being accused.
- E. Stay close to the market so as to grasp the market trend, and meet customer order requirements at any time. The Company is one of the few IC design companies who meet the rapidly changing market in Mainland China, which enhances the Company's position in the market.

(2) Disadvantages and corresponding countermeasures

A. Product prices are facing downward pressure

The display driver IC industry is highly competitive. Since 2023, the production capacity of wafer manufacturers has gradually expanded, and competitors have even cut their prices to compete with one another, leading to downward pressure on product prices and severely impacting profitability.

Countermeasures:

The Company continues to enhance its capabilities in product manufacturing and R&D design. Moreover, the Company also seeks lower cost wafer and packaging technologies, and it optimizes and reduces testing procedures and platforms in order to reduce manufacturing costs and increase product margins. In response to market development trends, the Company will accelerate the development of new technologies and products to widen the technological gap with competitors in the industry. Furthermore, new markets of applications, such as wearable, smart home device, security device, and automotive, will be explored to increase product competitiveness.

B. R&D personnel resign risk

The IC design industry is a knowledge-intensive industry. The development and training of R&D and design personnel requires long-term cultivation. Hence, having recruited high-quality R&D personnel will be the core competitiveness of IC design companies. However, due to the large number of competitors in the IC industry, recruitment of outstanding professional talents is becoming increasingly difficult, and high costs are often required to recruit excellent talents. In addition, enhancing the loyalty of talents will require the Company to pay higher labor costs.

Countermeasures:

The Company takes specific measures, such as adopting various equity retention tools, setting rules for earnings distribution to employees, implementing the product line profit-sharing system, conducting performance assessment and promotion, and offering internal/external education and training, to improve the adhesion and loyalty of employees.

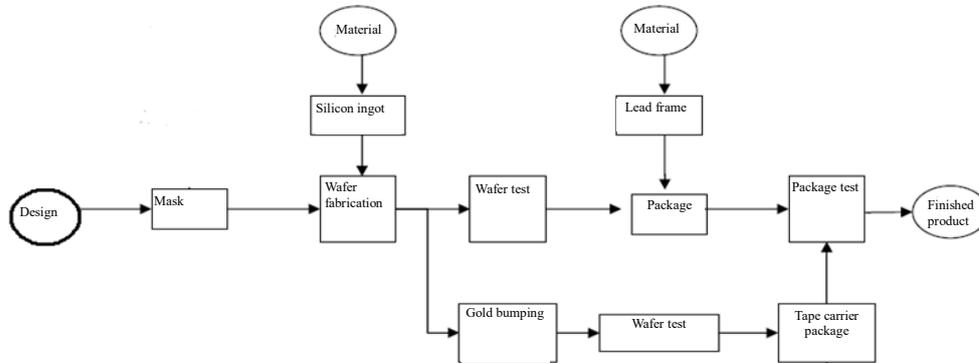
(2) Important use and production process of major products

1. Important use of major products

Currently, the Company's main products include Touch with Display Driver Integration (TDDI) or Integrated Driver Controller (IDC), capacitive touch IC, TFT LCD and AMOLED driver IC and fingerprint recognition IC. They are mainly used in various types of smartphones, tablets, notebooks, wearable devices, digital cameras, automobiles and printers.

2. Production process of major products

The Company is a professional IC design company, and its fabrication of wafers is conducted by foundries. After preliminary tests, the ICs produced by fabs are sent to package plants for packaging or bumping processes, as well as to complete IC functional tests. The following is the flow chart showing the production process:



(3) Supply of major material

Name of major material	Major supplier	Supplying condition
Wafer	Supplier A, Supplier B, Supplier C, Supplier D	Stable quality and supply, long-term cooperation, good supply

(4) The name of the supplier (customer) who has accounted for more than 10% of the total purchases (sales) in any one of the most recent two years, as well as the purchase (sales) amount and percentage

1. Information of major suppliers in the past two years

Unit: NT\$ thousand

No.	2022				2023			
	Name	Amount	Percentage to annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage to annual net purchases (%)	Relationship with the issuer
1	Supplier A	4,466,985	41%	None	Supplier A	1,047,856	19%	None
2	Supplier C	3,000,057	28%	None	Supplier C	3,077,058	56%	None
3	Supplier B	1,215,363	11%	None	Supplier B	189,882	3%	None
4	Supplier D	1,338,354	12%	None	Supplier D	914,734	17%	None
	Others	743,484	8%	—	Others	220,742	5%	—
	Net purchases	10,764,243	100%	—	Net purchases	5,450,272	100%	—

Note: The variation was due to the change in product combination.

2. Information of major customers in the past two years

Unit: NT\$ thousand

No.	2022				2023			
	Name	Amount	Percentage to annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage to annual net sales (%)	Relationship with the issuer
1	Company G	1,304,137	10%	None	Company G	2,178,491	16%	None
2	Company D	1,999,825	15%	None	Company D	1,284,520	9%	None
3	Company H	1,352,962	10%	None	Company H	411,960	3%	None
	Others	8,292,978	65%	—	Others	9,693,400	72%	—
	Net sales	12,949,902	100%	—	Net sales	13,568,371	100%	—

Note 1: The above company includes the company and its affiliates.

Note 2: The variation was due to the change in product combination.

(5) Production volume and value in the past two years

Unit: 1000 units; Unit: NT\$ thousand

Production volume and value	Year	2022			2023		
	Major product	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
	Human-machine interface application related ICs	—	309,234	9,623,959	—	400,699	11,734,438

Note: FocalTech is an IC design company and all products are produced by outsourced manufactures. Therefore, there is no production capacity data available.

(6) Sales volume and value in the past two years

Unit: 1000 units; Unit: NT\$ thousand

Year	2022				2023			
	Domestic sales		International sales		Domestic sales		International sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Major product								
Human-machine interface application related ICs	7,608	434,603	319,861	12,515,299	14,010	717,108	412,008	12,851,263

3. Information of employees

Information of employees in the past two years and as of the publication date of the annual report: number of employees, average year of service, average age, and education background

April 30, 2024; Unit : person(s)

Year		2022	2023	As of April 30, 2024
No. of employees	Manager	20	19	19
	Production line	—	—	—
	Regular staff	804	810	828
	Total	824	829	847
Average age		36	37	37
Average year of service		5.14	6.19	6.24
Education background	Doctor	1%	1%	1%
	Master	46%	46%	46%
	Junior college	52%	52%	52%
	Senior high	1%	1%	1%
	Under Senior	—%	—%	—%

4. Information on environmental protection expenditures

In the most recent year and as of the publication date of the annual report, disclose the losses incurred due to environmental pollution (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of penalty, the penalty number, the laws and regulations violated, the content of violation, and the penalty shall be listed) and the estimated amount that may occur at present and in the future as well as the corresponding measures. If it is impossible to carry out the estimation, the reason shall be stated:

FocalTech is a high-tech integrated circuit design company. It is engaged in the research and development of semiconductors. The company entrusts various well-known domestic and international integrated circuit manufacturers to carry out wafer fabrication. Therefore, it is not involved in any pollution sources or pollution incident specified by the environmental protection related regulations.

5. Labor relations

(1) Employee welfare and benefits

In accordance with relevant laws and regulations, FocalTech allocates employee welfare funds and organizes an employee welfare committee to plan, supervise and implement employee welfare matters. In addition to statutory benefits in accordance with law, the Company also provides employees with additional flexible time off. In addition to following the provisions of the Labor Insurance Act, all employees of the company shall join the labor insurance and group insurance. Besides the employees, their family members can also join the group insurance under the condition that the premium is self-paid. FocalTech provides a safe and healthy working environment for employees. We have certified nurses and on-site doctors to provide regular medical and counseling services, offering facilities and environment that are superior to those required by the Occupational Safety and Health Act and providing regular health checkups better than those prescribed by the related laws and regulations. In addition, to enhance the company's competitiveness, we provide a complete training program for

employees' career planning and professional skills. We also implement profit sharing and fair evaluation as well as promotion systems to increase employees' adherence towards the organization. Subsidiaries are handled in accordance with local laws and regulations.

(2) Advanced study and training of employees

1. FocalTech provides employees with rich learning resources. Employees can enhance their knowledge and skills through internal and external training, on-the-job training, knowledge management systems, and guidance from supervisors and peers. Furthermore, through courses for new recruits, professional competencies, supervisory talents, as well as general courses and self-inspired training systems, employees are able to obtain assistance in learning and growth. On the other hand, through dual-track promotion, job rotation, and project assignment, the career and job of employees can be integrated, allowing them to enjoy the pleasure of learning and growing, and create a better future.
2. To provide more comprehensive on-the-job training and resources for our employees, the Company has developed the e-learning platform, FocalTech e-College, which allows all employees to choose courses according to the categories of "New Employee Training", "General Education", "Operation and Management", and "Professional Knowledge". These courses not only allow our employees to acquire new knowledge instantly, anywhere, anytime, without the restriction of time and location, but also enable them to better understand and systematically manage their entire learning history and records. With a robust training platform, all kinds of information and knowledge can be transferred instantly, which is conducive to the passing on of knowledge within the Company.
3. FocalTech has formulated the "Management Guidelines for Employee Education and Training" and planned related training courses in accordance with the requirements of competencies, professions, regulations and ISO to enhance the knowledge and the quality of employees, improving business performance. The education and training conducted in 2022 are as follows:

Type of training	No. of people	Costs	Class hours
Management training course	995	1,209,701	4,648
Professional training course	1,188	615,940	3,440
General training course	2,366	348,772	4,327
New employee orientation	133	6,000	692
Total	4,682	2,180,413	13,107

(3) Retirement system and its implementation status

To secure the retirement life of employees, and improve the spirit of on-the-job service, FocalTech has formulated the Employee Retirement Management Guidelines in accordance with the Labor Standards Act, specifying the retirement conditions, payment standards and application procedures, and establishing an Employee Retirement Reserve Supervision Committee in accordance with related laws. Retirement funds are allocated monthly and deposited in a special account of the Bank of Taiwan under the name of the Employee Retirement Reserve Supervisory Committee. At the end of the year, if the estimated balance of the special account is insufficient to pay for the employees who are qualified for retirement in the next year, the difference in amount will be provided by the

company at once before the end of March of the next year. Since the Labor Pension Act came into effect on July 1, 2005, employees can choose to follow the old pension system or the new system and retain the working experience that are applicable according to the related regulations (retain the working experience accumulated during the old pension system). For employees who are eligible for the new pension system, FocalTech will allocate 6% of the employee's salary every month to the individual labor insurance account. Subsidiaries are handled in accordance with local laws and regulations.

(4) Labor-management agreement

In accordance with relevant labor laws and related regulations, FocalTech handles labor-management agreement based on the employment contract, working rules and various management regulations. Since the establishment of the company, the labor-management relation has been harmonious, and no major labor disputes and losses have occurred.

(5) Various employee rights protection measures

FocalTech has formulated comprehensive management regulations, which clearly stipulate the rights and obligations of employees as well as their welfare and benefits to protect the rights and interests of employees.

(6) In the most recent year and as of the publication date of the annual report, disclose the losses incurred due to labor disputes (including labor inspection results that violate the Labor Standards Act, the date of penalty, the penalty number, the laws and regulations violated, the content of violation, and the penalty shall be listed) and the estimated amount that may occur at present and in the future as well as the corresponding measures. If it is impossible to carry out the estimation, the reason shall be stated: none.

6. Information security management

(1) Information security risk management framework

The Company's Information Management Division is responsible for the promotion and implementation of information security; formulation, promotion and implementation of information security policies; and raising employee awareness on information security. Additionally, the division reports regularly to the Chairman on information security operations, evaluates the effectiveness of internal controls over the Company's information operation, and ensures the confidentiality, integrity and availability of information. Finally, a "proactive information security detection and defense" framework has been established to reduce the risk of unauthorized use, destruction, or leakage of information.

As for risk assessment or specific issues, the Information Management Division will gather relevant units, including legal affairs, human resources, R&D, and auditing, for a joint discussion as appropriate.

(2) Information security policies

1. Scope and Objective: To provide the information security implementation principles for FocalTech Group's employees so as to achieve the three major objectives of confidentiality, integrity and availability.
2. Responsible unit and detection procedure: The top-level manager is the responsible person of the information unit. Each year, the information unit internally identifies important risk factors based on risk assessment. These important risk factors are included in the information unit's promotion work plan for improvement so as to

reduce information security risks. Additionally, they are regularly compiled and submitted to the Sustainable Development Group. After consolidating other risks, the Group reports these risks factors to the Board of Directors according to their materiality level.

3. Promotion of information security work

- (1) Arrange the annual information security work plan for the following year.
- (2) Execute the formulated plan or instructed programs, specifically review the plan after execution, and keep records for future improvement and experience transmission.

4. Policies and operations

Policy	Description/Purpose	Basis of Operation
Password/Passphrase protection	Set password changing rules in the specified system so as to prevent unauthorized use and leakage of information.	Regulations Governing the Operations of Online and Electronic Media
Acceptable use method	Specify the acceptable and unacceptable practices for the use of company information and hardware resources so as to protect the security of company information.	Personal Computer Software Management Regulations
Email security	Specify rules for the use of email so as to avoid passive or active information leakage.	Regulations Governing the Operations of Online and Electronic Media
Access control	Establish control over information access as well as information processing facilities and procedures according to information security requirements so as to prevent any unauthorized access or destruction of information from the system.	Regulations Governing the Operations of Online and Electronic Media
Incident response	Formulate operation procedures and drill requirements for incident response, and examine them from time to time so as to reduce the damage caused by accidental information security incidents.	Information System Emergency Response Procedures
The security of personal devices	Specify the principles and practices for the use of personal devices, including regulations for the use of network.	Regulations Governing the Operations of Online and Electronic Media
The security of server room and hardware	Specify the security management related rules for the access and uninterruptible power supply of the server room.	Regulations Governing the Operations of Online and Electronic Media

5. Awareness raising on information security

- (1) The managerial level personnel regularly review, formulate, approve, and publish information security policies and raise the employees' awareness.
- (2) Enhance the information security awareness of colleagues through new employee training, information security awareness-raising activities, and social engineering.
- (3) Specific information security management programs

Program	Specific Management Measures
Firewall protection	Set connection rules for firewall to ensure the blockage of malicious attacks.
	Users are required to additionally apply for an approval for special connection.
Mechanism controlling user access to the Internet	Control user's online behavior with an automatic web protection system.
	Automatically filter websites containing Trojan horse viruses, ransomware, or malware, which users may be linked to on the Internet.
Information leakage protection	Data access and leakage protection control using DLP.
Anti-virus software	Reduce the chance of virus intrusion by adopting an anti-virus software that updates virus patterns automatically.
Operating system update	The operating system is updated automatically. If the system is not updated for any reason, the Information Management Division will assist in updating it.
E-mail security control	Adopt the approach of automatic e-mail scanning threat protection to block access to unsafe attachments, phishing e-mails, and spam before users receive the e-mails, and to extend the protection against malicious links. When a personal computer receives an e-mail, the anti-virus software will also scan for unsafe attachments.
Data backup mechanism	Daily backups are scheduled for the important information system databases.
Important file server management	Important files of all the Company's departments are stored in the server and generally kept by the information unit as a backup.

(4) Information Security Investment Resources

1. Network hardware such as firewalls, e-mail security controls, spam filtering, online behavior controls, and VPN controls.
2. Software systems such as data loss prevention, backup management, and antivirus protection.
3. Daily status checks of each information security system; execution of regular backup and off-site storage of backed-up media; weekly reviews of abnormal access and

information security notifications; periodic security awareness-raising activities, social engineering drills, and employee information security training courses; execution of system disaster recovery drills, etc.

4. Information Security Measure Promotion and Implementation Results in 2023

Information-security awareness-raising activities	Conducted information-security awareness-raising sessions, including: Information security propaganda for all employees in the company 12 times. Unit information security review and promotion 95 times.
Disaster recovery drills	Offsite backup job. Conducted 2 disaster recovery drills.
Information security training	Completed information security online education and training courses, a total of 414 people, 97% completed.
Education and training for new employees	The completion rate is 100%, with a total of 50 new employees.
Vulnerability scanning detection	Arrange once, including scanning important server vulnerabilities and completing vulnerability patching.
Information security policy	Newly revised IM control rules and strengthened protection of endpoint devices to protect sensitive data from leaking.
Information security certification	Evaluation and schedule planning for ISO 27001 certification. It is expected to obtain ISO 27001 certification in Q4 of 2024.
Total hours of education and training	The total education and training hours amounted to 164 hours.
Revise or add new information security-related laws	Completed the revision of 2 information security measures.
Information Security Project	Implemented 8 annual information security projects.

(5) The losses or possible effects incurred due to major information security incidents, as well as the corresponding countermeasures, in the most recent year and as of the publication date of the annual report. If it cannot be estimated, the reason shall be stated: None.

7. Material Contracts:

The Company is not currently a party to any material contracts, other than those entered into the ordinary course of its business.

VI. Financial Status

1. Condensed Balance Sheets, Statements of Comprehensive Income, and CPA Audit Opinions for the Most Recent Five Years

(1) Condensed Balance Sheet

1. Consolidated Financial Statement - IFRS

Unit: NT\$ thousand

Year		Financial information for the most recent five years				
		2019	2020	2021	2022	2023
Item						
Current assets		8,531,407	8,970,922	18,125,416	13,352,930	12,183,200
Property, plant and equipment		1,361,478	1,321,940	2,468,605	2,514,208	2,439,730
Intangible assets		1,336,457	1,300,470	1,284,496	1,297,817	1,351,787
Other assets		373,627	751,721	3,453,417	3,632,230	2,480,580
Total assets		11,602,969	12,345,053	25,331,934	20,797,185	18,455,297
Current liabilities	Before distribution	3,412,424	3,956,253	6,415,495	6,389,415	4,459,342
	After distribution	3,562,424	4,656,253	9,815,495	6,497,415	Note 1
Non-current liabilities		462,375	577,340	5,268,477	5,561,510	4,681,855
Total liabilities	Before distribution	3,874,799	4,533,593	11,683,972	11,950,925	9,141,197
	After distribution	4,024,799	5,233,593	15,083,972	12,058,925	Note 1
Equity attributable to owners of the parent						
Share capital		2,996,759	2,103,532	2,162,367	2,161,107	2,178,900
Capital surplus		5,145,377	4,843,642	6,062,869	6,041,988	6,031,904
Retained earnings	Before distribution	(183,307)	1,012,301	6,425,625	1,120,888	1,470,392
	After distribution	0	312,301	3,025,625	1,120,888	Note 1
Other Equity		5,807	(122,316)	(1,025,199)	(296,495)	(210,063)
Treasury share		(267,158)	(24,316)	0	(196,057)	(163,060)
Non-controlling interest		30,692	(1,383)	22,300	14,829	6,027
Total shareholders' equity	Before distribution	7,728,170	7,811,460	13,647,962	8,846,260	9,314,100
	After distribution	7,578,170	7,111,460	10,247,962	8,738,260	Note 1

Data Source: Financial statements audited and attested by CPAs.

Note 1: Earnings for 2023 have not yet been resolved and distributed by the shareholders' meeting.

2. Individual Financial Statement - IFRS

Unit: NT\$ thousand

Item	Year	Financial information for the most recent five years(note 1)				
		2019	2020	2021	2022	2023
Current assets		2,240,119	5,449,676	14,058,343	8,456,623	7,488,374
Property, plant and equipment		19,408	15,226	1,197,523	1,254,558	1,238,657
Intangible assets		1,312,375	1,296,766	1,281,449	1,295,274	1,349,733
Other assets		5,363,643	4,845,714	7,166,436	6,972,372	5,803,690
Total assets		8,935,545	11,607,382	23,703,751	17,978,827	15,880,454
Current liabilities	Before distribution	1,052,458	3,225,284	4,818,835	3,612,303	1,896,271
	After distribution	1,202,458	3,925,284	8,218,835	3,720,303	Note 1
Non-current liabilities		185,609	569,255	5,259,254	5,535,093	4,676,110
Total liabilities	Before distribution	1,238,067	3,794,539	10,078,089	9,147,396	6,572,381
	After distribution	1,388,067	4,494,539	13,478,089	9,255,396	Note 1
Equity attributable to owners of the parent						
Share capital		2,996,759	2,103,532	2,162,367	2,161,107	2,178,900
Capital surplus		5,145,377	4,843,642	6,062,869	6,041,988	6,031,904
Retained earnings	Before distribution	(183,307)	1,012,301	6,425,625	1,120,888	1,470,392
	After distribution	0	312,301	3,025,625	1,120,888	Note 1
Other Equity		5,807	(122,316)	(1,025,199)	(296,495)	(210,063)
Treasury share		(267,158)	(24,316)	0	(196,057)	(163,060)
Non-controlling interest		—	—	—	—	—
Total shareholders' equity	Before distribution	7,697,478	7,812,843	13,625,662	8,831,431	9,308,073
	After distribution	7,547,478	6,889,297	10,225,662	8,723,431	Note 1

Data Source: Financial statements audited and attested by CPAs.

Note 1: Earnings for 2023 have not yet been resolved and distributed by the shareholders' meeting.

(2) Condensed Statements of Comprehensive Income / Condensed Income Statement

1. Consolidated Financial Statement - IFRS

Unit: NT\$ thousand; Earnings Per Share: NT\$

Item \ Year	Financial information for the most recent five years				
	2019	2020	2021	2022	2023
Operating revenue	9,160,261	13,800,348	21,991,497	12,949,902	13,568,371
Operating gross profit	1,993,200	3,428,776	10,729,399	1,282,678	2,708,653
Operating profit or loss	(340,656)	1,030,737	7,130,466	(2,293,242)	122,645
Non-operating income and expenses	160,295	126,360	472,604	432,625	303,072
Profit before tax	(180,361)	1,157,097	7,603,070	(1,860,617)	425,717
Net profit of continued operations for the year	(205,680)	983,458	6,096,850	(1,928,895)	353,015
Loss of discontinued operations	—	—	—	—	—
Net profit (loss) for the year	(205,680)	983,458	6,096,850	(1,928,895)	353,015
Other comprehensive income for the year (profit after tax)	(141,671)	(131,355)	(91,765)	267,066	(35,314)
Total comprehensive income for the year	(347,351)	852,103	6,005,085	(1,661,829)	317,701
Net profit attributable to owners of the parent	(175,249)	1,011,992	6,112,935	(1,912,039)	361,919
Net profit attributable to non-controlling interest	(30,431)	(28,534)	(16,085)	(16,856)	(8,904)
Comprehensive income attributable to owners of the parent	(315,164)	884,178	6,024,418	(1,654,358)	326,503
Comprehensive income attributable to non-controlling interest	(32,187)	(32,075)	(19,333)	(7,471)	(8,802)
Earnings per share	(0.63)	3.97	30.23	(9.39)	1.74

Data Source: Financial statements audited and attested by CPAs.

2. Individual Financial Statements - IFRS

Unit: NT\$ thousand; Earnings Per Share: NT\$

Item	Year	Financial information for the most recent five years				
		2019	2020	2021	2022	2023
Operating revenue		2,901,766	11,410,350	18,335,785	9,642,718	10,073,062
Operating gross profit		956,905	2,598,804	9,503,846	573,189	1,757,036
Operating profit or loss		70,632	1,227,794	7,730,774	(1,528,911)	447,936
Non-operating income and expenses		(231,226)	(51,815)	(254,848)	(357,113)	(10,115)
Profit (loss) before tax		(160,594)	1,175,979	7,475,926	(1,886,024)	437,821
Net profit of continued operations for the year		(175,249)	1,011,992	6,112,935	(1,912,039)	361,919
Loss of discontinued operations		—	—	—	—	—
Net profit (loss) for the year		(175,249)	1,011,992	6,112,935	(1,912,039)	361,919
Other comprehensive income for the year (profit after tax)		(139,915)	(127,814)	(88,517)	257,681	(35,416)
Total comprehensive income for the year		(315,164)	884,178	6,024,418	(1,654,358)	326,503
Earnings per share		(0.63)	3.97	30.23	(9.39)	1.74

Data Source: Financial statements audited and attested by CPAs.

- (3) The names of CPA conducting financial audits in the Most Recent five Years and their audit opinions

Year	Accounting Firm	Names of CPAs	Audit opinions
2019	Deloitte & Touche	CPA Shiow-Ming Shue, CPA Chih-Ming Shao	Unqualified opinion
2020	Deloitte & Touche	CPA Shiow-Ming Shue, CPA Chih-Ming Shao	Unqualified opinion
2021	Deloitte & Touche	CPA Shiow-Ming Shue, CPA Chih-Ming Shao	Unqualified opinion
2022	Deloitte & Touche	CPA Yu-Hong, Kuo CPA Chih-Ming Shao	Unqualified opinion
2023	Deloitte & Touche	CPA Yu-Hong, Kuo CPA Chih-Ming Shao	Unqualified opinion

2. Financial Analysis for the Most Recent Five Years

(1) Consolidated Financial Statements - IFRS

Analytical items (note 2)		Year	Financial analysis for the most recent five years				
		2019	2020	2021	2022	2023	
Financial Structure (%)	Debt-asset Ratio	33.39	36.72	46.12	57.46	49.53	
	Ratio of Long-term Capital to Property, Plant and Equipment	599.34	634.69	765.38	572.46	573.42	
Solvency (%)	Current Ratio	250.01	226.75	282.53	208.99	273.21	
	Quick Ratio	195.64	180.46	220.47	118.19	212.3	
	Interest Coverage Ratio	(15,556.34)	57,695.67	60,061.12	(3,513.41)	859.61	
Operating Ability (Note 1)	Receivables Turnover Rate (times)	7.62	9.04	9	5.88	9.7	
	Average Collection Days for Receivables	47.89	40.37	40.55	62.07	37.62	
	Inventory Turnover Rate (times)	3.88	6.24	4.04	2.44	2.58	
	Payables Turnover Rate (times)	3.97	5.58	5.18	6.57	9.02	
	Average Days of Sale	94	58.49	90.34	149.59	141.47	
	Property, Plant and Equipment Turnover Rate (times)	6.65	10.29	11.6	5.2	5.48	
	Total Asset Turnover Rate (times)	0.8	1.15	1.17	0.56	0.69	
Profitability	Return on Assets (%)	(1.79)	8.23	32.42	(8.17)	2.04	
	Return on Equity (%)	(2.23)	13.05	57.03	(17.03)	3.99	
	Ratio of Income Before Tax to Paid-in Capital (%)	(6.02)	55.01	351.61	(86.1)	19.54	
	Profit Margin Before Tax(%)	(2.25)	7.13	27.72	(14.9)	2.60	
	Earnings per share(NT\$)	(0.63)	3.97	30.23	(9.39)	1.74	
Cash Flow	Cash Flow Ratio(%)	29.22	22.31	38.23	(5.87)	21.1	
	Cash Flow Adequacy Ratio (%)	170.34	183.83	91.01	31.4	40.58	
	Cash Flow Reinvestment Ratio (%)	11.8	9.81	9.66	(28.12)	6.29	
Leveraging	Operating Leverage	0.26	1.28	1.04	0.86	3.49	
	Financial Leverage	1	1	1	0.98	1.84	
Specify reasons for financial ratio differences for most recent two fiscal years (not required if difference does not exceed 20%):							
<ol style="list-style-type: none"> Current Ratio, and Quick Ratio: Primarily due to the decrease in current liabilities. Receivables Turnover Rate (times), Average Collection Days for Receivables, Total Asset Turnover Rate (times), and operating Leverage : Primarily due to the stabilization of market demand and the revenue increased in 2023. Payables Turnover Rate (times): Primarily due to the decrease in accounts payables. Interest Coverage Ratio, Return on Assets (%), Return on Equity (%), Ratio of Income Before Tax to Paid-in Capital (%), Profit Margin Before Tax(%), and Earnings per share(NT\$): Primarily due to the stabilization of market demand and the profit increased in 2023. Cash Flow Ratio, Cash Flow Adequacy Ratio, and Cash Flow Reinvestment Ratio: Primarily due to the increase in net cash inflow from operating activities in 2023. Financial Leverage: Primarily due to the increase in operating income and finance costs in 2023. 							

Data Source: Financial reports audited and attested by CPAs.

Note 1: The formulas for the financial analysis are as follows:

1. Financial Structure:

(1) Debt-asset Ratio = $\text{Total Liabilities} / \text{Total Assets}$

(2) Ratio of Long-term Capital to Property, Plant and Equipment = $(\text{Total Equity} / \text{Non-Current Liabilities}) / \text{Net Worth of Property, Plant and Equipment}$

2. Solvency:

(1) Current Ratio = $\text{Current Assets} / \text{Current Liabilities}$

(2) Quick Ratio = $(\text{Current Assets} - \text{Inventory} - \text{Prepaid Expenses}) / \text{Current Liabilities}$

(3) Interest Coverage Ratio = $\text{Income Before Income Tax and Interest Expenses} / \text{Interest Expenses for the Period}$

3. Operating Ability:

(1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = $\text{Net Sales} / \text{Average Receivables (including accounts receivable and notes receivable arising from business operation) for Each Period}$

(2) Average Collection Days for Receivables = $365 / \text{Receivables Turnover Rate}$

(3) Inventory Turnover Rate = $\text{Cost of Goods Sold} / \text{Average Inventory}$

(4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = $\text{Cost of Goods Sold} / \text{Average Payables (including accounts payable and notes payable arising from business operations) for Each Period}$

(5) Average Days of Sale = $365 / \text{Inventory Turnover Rate}$

(6) Property, Plant and Equipment Turnover Rate = $\text{Net Sales} / \text{Average Net Worth of Property, Plant and Equipment}$

(7) Total Asset Turnover Rate = $\text{Net Sales} / \text{Average Total Assets}$

4. Profitability:

(1) Return on Assets = $[\text{Net Income} + \text{Interest Expenses} \times (1 - \text{Tax Rate})] / \text{Average Total Assets}$

(2) Return on Equity = $\text{Net Income} / \text{Average Total Equity}$

(3) Profit Margin Before Tax = $\text{Net Income} / \text{Net Sales}$

(4) Earnings per Share = $(\text{Profit and Loss Attributable to Owners of the Parent} - \text{Dividends on Preferred Shares}) / \text{Weighted Average Number of Issued Shares}$

5. Cash Flow:

(1) Cash Flow Ratio = $\text{Net Cash Flow from Operating Activities} / \text{Current Liabilities}$

(2) Cash Flow Adequacy Ratio = $\text{Net Cash Flow from Operating Activities for the Most Recent Five Fiscal Years} / (\text{Capital Expenditures} + \text{Inventory Increase} + \text{Cash Dividend}) \text{ for the Most Recent Fiscal Years}$

(3) Cash Flow Reinvestment Ratio = $(\text{Net Cash Flow from Operating Activities} - \text{Cash Dividend}) / (\text{Gross Value of Property, Plant and Equipment} + \text{Long-term Investment} + \text{Other Non-current Assets} + \text{Working Capital})$

6. Leveraging:

(1) Operating Leverage = $(\text{Net Operating Revenue} - \text{Variable Operating Costs and Expenses}) / \text{Operating Income}$

(2) Financial Leverage = $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expenses})$

(2) Individual Financial Statements - IFRS

Analytical items (note 1)		Year	Financial analysis for the most recent five years				
		2019	2020	2021	2022	2023	
Financial Structure (%)	Debt-asset Ratio	13.86	32.69	42.52	50.88	41.39	
	Ratio of Long-term Capital to Property, Plant and Equipment	40,617.72	55,051.22	1,577	1,145.15	1,128.98	
Solvency (%)	Current Ratio	212.85	168.97	291.74	234.11	394.9	
	Quick Ratio	133.77	130.89	234.77	120.17	312.5	
	Interest Coverage Ratio	(13,840.45)	62,255.34	92,054.81	(8,824.97)	2667.71	
Operating Ability	Receivables Turnover Rate (times)	5.02	11.49	8.42	5.03	8.79	
	Average Collection Days for Receivables	72.78	31.76	43.35	72.55	41.5	
	Inventory Turnover Rate (times)	3.37	9.62	4.56	4.48	2.94	
	Payables Turnover Rate (times)	3.86	6.68	3.71	2.68	6.1	
	Average Days of Sale	108.2	37.95	79.96	136.11	124.33	
	Property, Plant and Equipment Turnover Rate (times)	115.7	658.91	30.24	7.86	8.08	
	Total Asset Turnover Rate (times)	0.33	1.11	1.04	0.46	0.59	
Profitability	Return on Assets (%)	(1.97)	9.87	34.66	(9.09)	2.22	
	Return on Equity (%)	(2.23)	13.05	57.03	(17.03)	3.99	
	Ratio of Income Before Tax to Paid-in Capital (%)	(5.36)	55.9	345.73	(87.27)	20.09	
	Profit Margin Before Tax(%)	(6.04)	8.87	33.34	(19.83)	3.59	
	Earnings per share(NT\$)	(0.63)	3.97	30.23	(9.39)	1.74	
Cash Flow	Cash Flow Ratio(%)	38.65	35.42	61.72	0.55	65.66	
	Cash Flow Adequacy Ratio (%)	1.81	1.84	1.21	0.43	0.53	
	Cash Flow Reinvestment Ratio (%)	3.9	14.06	13.03	(26.86)	9.1	
Leveraging	Operating Leverage	2.09	1.07	1.02	0.9	1.39	
	Financial Leverage	1.02	1.00	1.00	0.99	1.04	
Specify reasons for financial ratio differences for most recent two fiscal years (not required if difference does not exceed 20%):							
<ol style="list-style-type: none"> Current Ratio, and Quick Ratio: Primarily due to the decrease in current liabilities. Receivables Turnover Rate (times), Average Collection Days for Receivables, Total Asset Turnover Rate (times), and operating Leverage : Primarily due to the stabilization of market demand and the revenue increased in 2023. Payables Turnover Rate (times): Primarily due to the decrease in accounts payables. Interest Coverage Ratio, Return on Assets (%), Return on Equity (%), Ratio of Income Before Tax to Paid-in Capital (%), Profit Margin Before Tax(%), and Earnings per share(NT\$): Primarily due to the stabilization of market demand and the profit increased in 2023. Cash Flow Ratio, Cash Flow Adequacy Ratio, and Cash Flow Reinvestment Ratio: Primarily due to the increase in net cash inflow from operating activities in 2023. 							

Data Source: Financial reports audited and attested by CPAs.

Note 1: The formulas for the financial analysis are as follows:

1. Financial Structure

(1) Debt-asset Ratio = Total Liabilities / Total Assets

(2) Ratio of Long-term Capital to Fixed Assets = (Net Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventory – Prepaid Expenses) / Current Liabilities

(3) Interest Coverage Ratio = Income Before Income Tax and Interest Expenses / Interest Expenses for the Period

3. Operating Ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = $\text{Net Sales} / \text{Average Receivables (including accounts receivable and notes receivable arising from business operation) for Each Period}$
- (2) Average Collection Days for Receivables = $365 / \text{Receivables Turnover Rate}$
- (3) Inventory Turnover Rate = $\text{Cost of Goods Sold} / \text{Average Inventory}$
- (4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = $\text{Cost of Goods Sold} / \text{Average Payables (including accounts payable and notes payable arising from business operations) for Each Period}$
- (5) Average Days of Sale = $365 / \text{Inventory Turnover Rate}$
- (6) Fixed Assets Turnover Rate = $\text{Net Sales} / \text{Average Net Worth of Fixed Assets}$
- (7) Total Asset Turnover Rate = $\text{Net Sales} / \text{Average Total Assets}$

4. Profitability

- (1) Return on Assets = $[\text{Net Income} + \text{Interest Expenses} \times (1 - \text{Tax Rate})] / \text{Average Total Assets}$
- (2) Return on Shareholders' Equity = $\text{Net Income} / \text{Average Net Shareholders' Equity}$
- (3) Profit Margin Before Tax = $\text{Net Income} / \text{Net Sales}$
- (4) Earnings per Share = $(\text{Profit after tax} - \text{Dividends on Preferred Shares}) / \text{Weighted Average Number of Issued Shares}$

5. Cash Flow

- (1) Cash Flow Ratio = $\text{Net Cash Flow from Operating Activities} / \text{Current Liabilities}$
- (2) Cash Flow Adequacy Ratio = $\text{Net Cash Flow from Operating Activities for the Most Recent Five Fiscal Years} / (\text{Capital Expenditures} + \text{Inventory Increase} + \text{Cash Dividend}) \text{ for the Most Recent Fiscal Years}$
- (3) Cash Flow Reinvestment Ratio = $(\text{Net Cash Flow from Operating Activities} - \text{Cash Dividend}) / (\text{Gross Value of Fixed Assets} + \text{Long-term Investment} + \text{Other Assets} + \text{Working Capital})$

6. Leveraging:

- (1) Operating Leverage = $(\text{Net Operating Revenue} - \text{Variable Operating Costs and Expenses}) / \text{Operating Income}$
- (2) Financial Leverage = $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expenses})$

3. Audit Committee' Review Report on the Financial Statement of the most recent year

FocalTech Systems Co., Ltd.

Audit Committee' Review Report

The Board of Directors has prepared the 2023 Business Report, Financial Statements, and proposal for earnings distribution of the Company. The CPA firm of Deloitte & Touche was appointed to audit the Company's Financial Statements and has issued an audit report accordingly. The Business Report, Financial Statements, and proposal for earnings distribution have been reviewed by the Audit Committee of the Company and determined to be correct and accurate. We hereby submit this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2024 Shareholders' Regular Meeting, FocalTech Systems Co., Ltd.

Chairperson of Audit Committee: Chan-Jane Lin



February 23, 2024

4. The financial reports of the Company for the most recent years have been audited and attested by CPA: Please refer to attachment 1.
5. The individual financial reports of the Company for the most recent years have been audited and attested by CPAs: Please refer to attachment 2.
6. In the case of any insolvency of the Company and its affiliates in the most recent year and up to the date of publication of the annual report, in the case of any insolvency, the effects on the financial position of the company shall be listed: None

VII. Review of Financial Position, Financial Conditions, and Risk Matters

1. Financial Position

Unit: NT\$ thousand

Item	Year	2023	2022	Variation	
				Amount	%
Current assets		12,183,200	13,352,930	(1,169,730)	(9)
Fund and investments		416,089	646,280	(230,191)	(36)
Property, plant and equipment		2,439,730	2,514,208	(74,478)	(3)
Intangible assets		1,351,787	1,297,817	53,970	4
Other assets		2,064,491	2,985,950	(921,459)	(31)
Total assets		18,455,297	20,797,185	(2,341,888)	(11)
Current liabilities		4,459,342	6,389,415	(1,930,073)	(30)
Non-current liabilities		4,681,855	5,561,510	(879,655)	(16)
Total liabilities		9,141,197	11,950,925	(2,809,728)	(24)
Share capital		2,178,900	2,161,107	17,793	1
Capital surplus		6,031,904	6,041,988	(10,084)	0
Retained earnings		1,470,392	1,120,888	349,504	31
Other Equity		(210,063)	(296,495)	86,432	29
Treasury share		(163,060)	(196,057)	32,997	17
Non-controlling interest		6,027	14,829	(8,802)	(59)
Total shareholders' equity		9,314,100	8,846,260	467,840	5

The primary reasons and effects for the financial ratio differences of 20% or more between the latest two periods, amounting to over NT\$10 million (inclusive) are described as follows:

1. Decreases in Fund and investments: Primarily due to disposal of financial asset or parts of financial products are transferred to current assets.
2. Decreases in other assets: Primarily due to the decrease in refundable deposits.
3. Decreases in current liabilities and total liabilities: Primarily due to the decrease in short-term borrowings and guarantee deposits received.
4. Increase in retained earnings: Primarily due to the increase in net income.
5. Increase in other Equity: Primarily due to the compensation cost of restricted stock to employees.

The above differences have no significant impact on the company's finances and business.

2. Financial Conditions

Unit: NT\$ thousand

Item \ Year	2023	2022	Variation	
			Amount	%
Operating revenue	13,568,371	12,949,902	618,469	5
Operating gross profit	2,708,653	1,282,678	1,425,975	111
Net operating profit or loss	122,645	(2,293,242)	2,415,887	105
Non-operating income and expenses	303,072	432,625	(129,553)	(30)
Profit before tax	425,717	(1,860,617)	2,286,334	123
Net profit for the year	353,015	(1,928,895)	2,281,910	118
Other comprehensive income for the year (profit after tax)	(35,314)	267,066	(302,380)	(113)
Total comprehensive income for the year	317,701	(1,661,829)	1,979,530	119
Net profit (loss) attributable to owners of the parent	361,919	(1,912,039)	2,273,958	119
Comprehensive income attributable to owners of the parent for the year	326,503	(1,654,358)	1,980,861	120

The analyses for the financial ratio differences of 20% or more between the latest two periods, amounting to over NT\$10 million are as follows:

1. Operating Gross Profit, Net Operating Profit, Profit Before Tax, Net profit for the year, Total comprehensive income for the year, Net profit (loss) attributable to owners of the parent, and Comprehensive income attributable to owners of the parent for the year : Primarily due to the one-time allowance for inventory valuation and obsolescence loss in 2022.
2. Non-operating income and expenses: Primarily due to the decrease in gain on foreign exchange.
3. Decrease in other Comprehensive Income for the Year: Primarily due to the decrease in exchange differences on conversion of financial statements from foreign-operating institutions.

The above differences have no significant impact on the company's finances and business.

3. Cash Flow

Analysis of changes in cash flow for the most recent year, improvement plan for liquidity deficiencies and cash flow analysis for the next year

Beginning of year cash balance	Expected net operating activities cash flow for the whole year	Expected net cash flow of investing and financing activities for the whole year	Exchange rate effects	Estimated cash surplus (deficit)	Correction action for cash deficit	
					Investment	Wealth management
5,674,470	3,241,503	(4,447,925)	(23,244)	4,444,804	—	—

(1) Analysis of changes in cash flow for the current year

1. Operating Activities: Net cash inflow of NT\$3,241,503 was primarily due to the decrease in the inventory for the year.

2. Investing Activities: Net cash outflow of NT\$1,485,840 was primarily due to the increases in other financial assets.
 3. Financing Activities: Net cash outflow of NT\$2,964,085 was primarily due to repay short-term borrowings and the decrease in guarantee deposits received.
- (2) Correction action for estimated cash deficit and cash flow analysis: No deficit in cash projected.
- (3) Cash flow analysis for the coming fiscal year: N/A.
4. Impact of Major Capital Expenditures on Financial Operations in the Most Recent Year:
- (1) Utilization of major capital expenditures: None.
 - (2) Projected possible effects: None.
5. Policy for the Most Recent Fiscal Year on Investment in Other Companies, Main Reasons for Profits/Losses Resulting Therefrom, Plans for Improvement, and Investment Plans for the Coming Fiscal Year:

The Company's investments in other companies are primarily strategic investments. The investment loss under equity method of NT\$190,940 in 2023 was primarily due to operating losses by Company-owned subsidiaries in 2023. In the future, the Company will continue to prudently assess and substantially manage investments in other companies based on the long-term strategic principle.

6. Risk Analysis for the Most Recent Fiscal Year as well as the Current Fiscal Year up to the Date of Publication of the Annual Report

- (1) Effect on the Company's Profits/Losses by Interest and Exchange Rate Fluctuations and Inflation Rate Changes, and Response Measures to Be Taken in the Future

1. Effect on the Company's profits/losses by interest rate fluctuations in the most recent fiscal year, and response measures to be taken in the future

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. As for the Group's financial assets held as of December 31, 2023 and 2022 associated with interest rate fluctuations, for every 0.25% increase in market interest rate, profit before tax for financial assets with floating rates would increase by NT\$1,104,000 and NT\$2,441,000, respectively. If the market interest rate decreased by 0.25%, the resulting amounts would be the same but in negative values.

To avoid impacts from changes in interest rates, the Company will take the following response measures as appropriate:

- (1) The Company regularly evaluates bank deposit/borrowing rates, obtains average market rates, and closely liaises with banks to strive for the most favorable deposit/borrowing rates.
- (2) In the future, the Company will use various financing channels for fundraising in a timely manner, depending on the operating conditions and capital requirements.

2. Effect on the Company's profits/losses due to exchange rate fluctuation, and response measures to be taken in the future

The Group's exchange rate risk relates primarily to operating activities (when the currency used for revenue or expenses differs from the Company's functional currency) and net investments in foreign operations. In addition, the Group is primarily affected by fluctuations in the exchange rate with the U.S. dollar (USD). Based on the sensitivity analysis of the Group's foreign exchange rate risk for the U.S. dollar currency as of December 31, 2023, the amount of increase/decrease in profit before tax associated with net assets/liabilities, in a situation where the New Taiwan dollar (NTD) had weakened 5% against the currency, is shown in the table below:

Unit: NT\$ thousand

	Impact of USD
Profit and Loss and Equity	(18,102)

The above table shows that when the NTD:USD exchange rate fluctuates sharply, it may affect the Company's profit and loss. Therefore, the Company always keeps track of exchange rate fluctuations in the international market and continues to implement the following response measures:

- (1) The Company's finance department maintains close contact with the foreign exchange departments of correspondent financial institutions to collect information on exchange rate changes on a constant basis and to keep abreast of international exchange rate trends and changes, in order to proactively respond to negative effects from exchange rate fluctuations. The Company manages its forward exchange transactions and foreign exchange settlements with reference to exchange rate movements.
 - (2) The finance department submits monthly internal assessment reports on net foreign currency asset (liability) positions that require hedging to the Company's management, for the purpose of determining hedging measures to be taken.
 - (3) The use of foreign currency cash from the sale of products in/to foreign countries to pay for foreign currency payables arising from the purchase of materials can hedge part of the exchange rate risk by taking advantage of the natural hedging feature. Therefore, the Company only has to use other instruments for net foreign currency assets (liabilities); examples include the purchase and sale of forward exchange, depending on the exchange rate fluctuations to hedge the risk of exchange rate changes in a timely manner.
3. Effects on the Company's profits/losses from changes in the inflation rate, and response measures to be taken in the future

The Company will closely monitor the inflation situation, and adjust the selling price of products and material inventory as appropriate, to reduce the impact of inflation on the Company; the Company will also enter into purchase contracts with cooperative vendors for major raw materials.

- (2) Policies Regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements, Guarantees, and Derivatives Transactions; the Primary Reasons for Profits/Losses Generated Thereby; and Response Measures to Be Taken in the Future

The Company operates in a conservative and prudent manner and does not engage in high-risk, highly leveraged investments.

The Company's loaning of funds to others, endorsements, and guarantees are

performed in accordance with the policies and response measures set forth in the Company's Operational Procedures for Loaning Funds to Others and Procedures for Endorsement and Guarantees, which have been carefully executed taking into account the risk conditions and relevant regulations.

The Company's derivatives transactions policy remains conservative and prudent, and is not used for arbitrage or speculative purposes, so there is no significant market risk. Thus, in addition to following laws and regulations of the competent authorities and generally accepted accounting principles, the Company has established the Procedures for the Acquisition or Disposal of Assets, as approved by the shareholders' meeting, to regulate procedures for engaging in derivatives transactions.

(3) Research and Development Plans to Be Carried Out in the Future, and Further Expenditures Expected

The Company is committed to the development of integrated, high value-added products, and the relevant R&D plans along with their progress are in line with the Company's direction of product development. R&D expenses are expected to account for approximately 15% of consolidated revenue in the coming fiscal year, which will be adjusted depending on operating conditions. The Company will continue to involve itself in R&D work, develop new products, and master key factors such as talent, capital, and technology to pursue a leading R&D position.

(4) Effects on the Company's Financial Operations by Important Policies Adopted and Changes in the Legal Environment at Domestic and Foreign; and Response Measures to Be Taken

The Company follows domestic and foreign laws and regulations in its daily operations, and is always aware of domestic and foreign policy trends and regulatory changes to fully understand and respond to changes in market conditions. Changes in domestic and foreign policies and laws have not had a significant impact on the Company's financial operations in the most recent fiscal year.

(5) Impacts of the Developments in Science and Technology (including information security risk) as well as Industrial Change on the Company's Financial Operations, and Response Measures to Be Taken

The Company stays constantly aware of technological changes and developments in the industry in which it operates, and quickly grasps industry dynamics. Additionally, the Company is constantly enhancing its R&D capabilities, applying for patents to protect its various innovative concepts and designs, and actively expanding its market applications for the future. Hence, changes in technology and the industry have a positive impact on the Company. Furthermore, with the globalization of the Internet, the network information security issue has become a major risk faced by corporates, particularly the IC design industry. In addition to showcasing its intellectual achievements, a corporate in the industry also needs to prevent the outflow of its skills and technologies. The Company has formulated information security policies and specific management programs for information security operations, such as strengthening prevention and protection measures to avoid internal and external unauthorized access and virus intrusion, refining backup policies and conducting recovery testing and drills, and monitoring abnormalities, to implement information security risk management. By protecting its business secrets and intellectual property, the Company is able to achieve the goals of sustainable business development.

(6) Effects from Changes in the Company's Corporate Image on the Company's Crisis Management, and Response Measures to Be Taken

Since its establishment, the Company has actively strengthened its internal management, improved management quality and performance, strived to maintain its corporate image, and complied with relevant laws and regulations. As of now, nothing has happened sufficient to affect the Company's corporate image.

(7) Expected Benefits and Possible Risks Associated with Any Mergers or Acquisitions, and Mitigation Measures Being or to Be Taken: None.

(8) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Mitigation Measures Being or to Be Taken: None.

(9) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Mitigation Measures Being or to Be Taken

1. Risks from Consolidated Purchasing Operations

The Company's current production configuration is not consolidated in a single foundry. In addition to maintaining long-term and close cooperative relationships with specific foundries, the Company also increases its sources of supply from other professional foundries to provide more choices and protection for quality, sources and prices of raw materials. Hence, there is no risk from consolidated purchasing operations.

2. Risks from Consolidated Sales Operations

The Company's products are primarily sold through dealers, mobile phone module manufacturers, and panel manufacturers, and to major mobile phone brands in Japan besides the mobile phone market in Mainland China. By selling its products through dealers, module, and panel manufacturers, the Company has gained a wide range of end-user customers. In 2023, no single customer accounted for 25% or more of net operating revenues, and thus there is no risk of over-reliance on a single customer or high customer concentration.

(10) Effects Upon and Risks to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10 Percent Stake in the Company Being Transferred or Otherwise Changing Hands; and Mitigation Measures Being or to Be Taken: None.

(11) Effects Upon and Risks to the Company Associated with Any Change in Governance Personnel or Top Management; and Mitigation Measures Being or to Be Taken: None.

(12) Litigious and Non-litigious Matters

1. If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending during the most recent two fiscal years prior to the publication date of the annual report, the facts and amount in dispute, commencement date, main parties involved, and current status of the case(s) shall be disclosed:

Elan Microelectronics Corp. filed a patent infringement lawsuit against our company with the Intellectual Property and Commercial Court on March 20, 2024. The lawsuit alleges that the company has infringed upon a patent and claims that specific infringing products manufactured by the company and the materials and tools used in the infringing activities should be destroyed or otherwise disposed of as necessary, and seeks damages.

Currently, the case is under review in written form by the Intellectual Property and Commercial Court and has not yet been scheduled for trial. It has no significant

impact on the operation and finances of the company.

2. If there has been any material impact upon Company shareholders' equity or securities' prices as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, president, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the most recent two fiscal years prior to the publication date of the annual report, the facts and amount in dispute, commencement date, main parties involved, and current status of the case shall be disclosed: None.

3. The occurrence of any event set forth under Article 157 of the Securities and Exchange Act that involves a company director, supervisor, managerial officer, or any major shareholder with a stake of more than 10 percent, provided the event occurred in the most recent two fiscal years prior to the publication date of the annual report, and current status of the case handled by the Company: None.

(13) Other Important Risks and Mitigation Measures Being or to Be Taken: None.

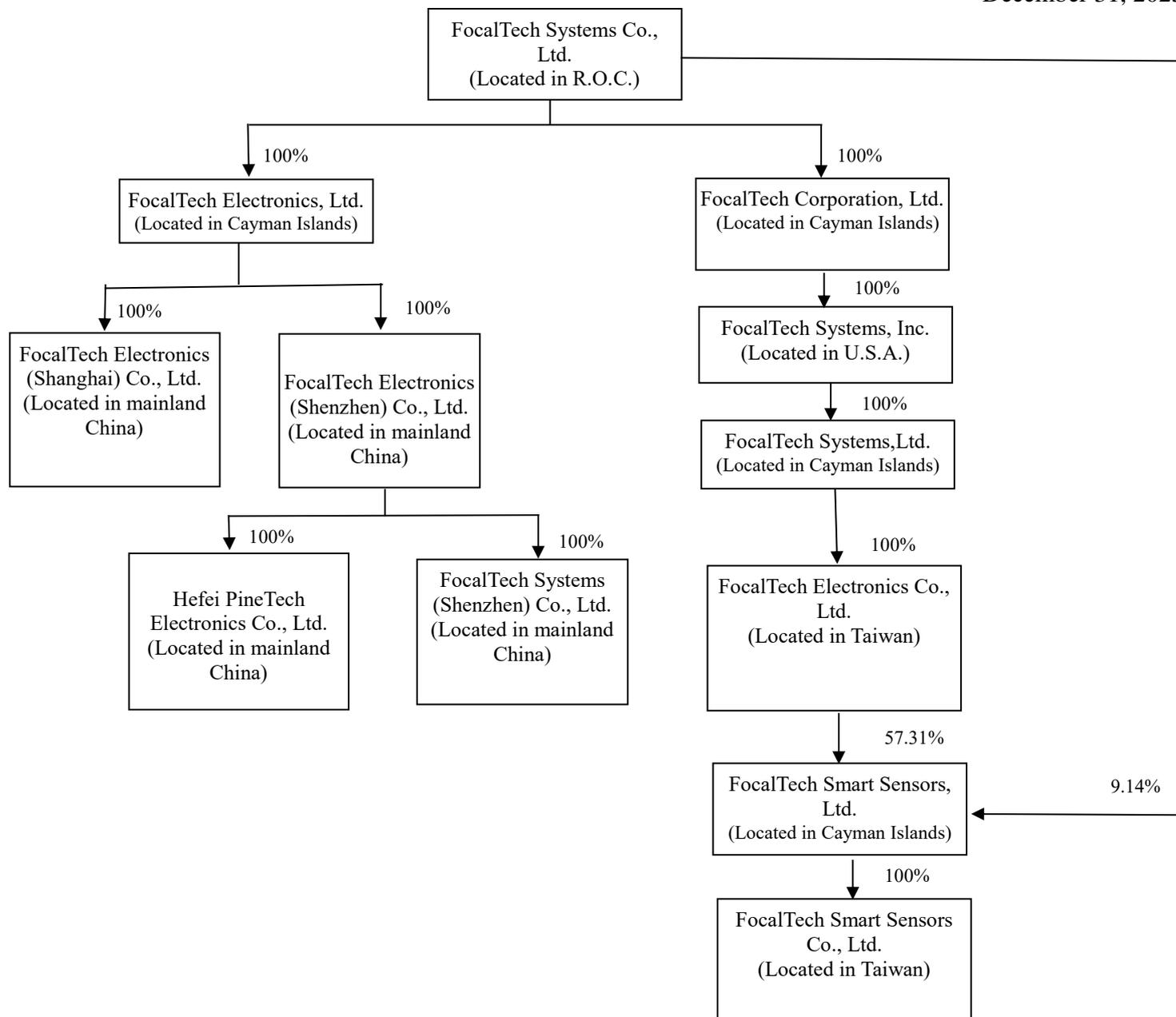
7. Other Important Matters: None.

VIII. Special Disclosure

1. Information regarding the Company's Affiliates

(1) Chart showing the Company's Affiliates

December 31, 2023



(2) Profiles of the Company's Affiliates

Dec. 31, 2023; Unit: NT\$ thousand/Foreign currency: thousand

Name of Enterprise	Date of establishment	Address	Paid-in Capital	Major operations or production items
FocalTech Corporation, Ltd.	July 2012	Cayman Islands	TWD 7,059,264	Investment holding
FocalTech Systems, Inc.	October 2005	U.S.A.	USD 102,293	Investment holding
FocalTech Systems, Ltd.	October 2005	Cayman Islands	USD 23,350	Investment holding
FocalTech Electronics, Ltd.	August 2014	Cayman Islands	USD 100	Investment holding
FocalTech Systems (Shenzhen) Co., Ltd.	April 2006	Mainland China	USD 37,000	Design and R&D of consumer electronic chips
FocalTech Electronics (Shenzhen) Co., Ltd.	March 2015	Mainland China	USD 9,300	R & D, manufacturing and sales of consumer electronic chips
FocalTech Electronics (Shanghai) Co., Ltd.	November 2014	Mainland China	USD2,000	Sales service of consumer electronic chips
FocalTech Electronics Co., Ltd.	June 2006	Taiwan	TWD 20,000	Customs declaration for import and export of consumer electronic chips
FocalTech Smart Sensors Co., Ltd.	July 2016	Taiwan	TWD87,085	R & D, production management and sales of consumer electronic chips
Hefei PineTech Electronics Co., Ltd.	July 2015	Taiwan	RMB30,000	R & D and sales of consumer electronic chips
FocalTech Smart Sensors, Ltd.	December 2017	Cayman Islands	USD13,618	Investment holding

(3) No controlling or subordinate relations, as adjudged by Article 369-3 of the Company Act, exist for the Company.

(4) Industries Covered by the Business Operated by Affiliates Overall

The businesses of the Company and its affiliates include IC production management, design, R&D, sales, and investment. The businesses of the Company's affiliates as a whole include R&D, marketing, after-sales service, and general investment in chips for display drivers, touch and fingerprint recognition, and physiological monitoring products, etc.

(5) Information on the Directors, Supervisors, and Presidents of Each Affiliate

December 31, 2023

Name of Enterprise	Title	Name or representative	Status of shareholding	
			Number of shares	Ratio of shareholding
FocalTech Corporation, Ltd.	Director	Genda J. Hu	—	—
FocalTech Systems, Inc.	Director	Genda J. Hu	—	—
FocalTech Systems, Ltd.	Director	Genda J. Hu	—	—
FocalTech Electronics, Ltd.	Director	Genda J. Hu	—	—
FocalTech Systems (Shenzhen) Co., Ltd.	Executive Director President Supervisor	Genda Hu Genda Hu Hsiao-Peng Kuo	—	—
FocalTech Electronics (Shenzhen) Co., Ltd.	Executive Director President Supervisor	Genda Hu Genda Hu Hsiao-Peng Kuo	—	—
FocalTech Electronics (Shanghai) Co., Ltd.	Executive Director President Supervisor	Genda Hu Genda Hu Hsiao-Peng Kuo	—	—
FocalTech Electronics Co., Ltd.	Chairman	Genda Hu	—	—
FocalTech Smart Sensors Co., Ltd.	Chairman	Pei-Tzu Wu	—	—
Hefei PineTech Electronics Co., Ltd.	Chairman President Director Director Supervisor	Wei-Ching Hou Wei-Ching Hou Chien-Ping Kuo Lien-Kuo Wang Hsiao-Peng Kuo	—	—
FocalTech Smart Sensors, Ltd.	Chairman	Pei-Tzu Wu	—	—
	Director	GWAA LLC(Designated representative :Pei-Tzu Wu)	375,000	1.14%
	Director	FocalTech Electronics Co., Ltd. (Designated representative : Pei-Hsin Wu)	18,813,050	57.31%
	Director	FocalTech Systems Co., Ltd. (Designated representative : Jui-Cheng Hsu)	3,000,000	9.14%
	Director	Chou-Hao Tsai	—	—
	Director	Yen Kan	—	—
	Director	FocalTech Electronics, Ltd.	—	—

(6) Business Operations of Each Affiliate:

Dec. 31, 2023; Earnings per share are expressed in NT\$, while others are expressed in NT\$ thousand

Name of Enterprise	Capital	Total assets	Total liabilities	Net Worth	Operating revenue	Operating profit	Profit or loss for the year (after tax)	Earnings per share (loss) (NT\$) (after tax)
FocalTech Corporation, Ltd.	7,059,264	2,358,521	7,759	2,350,762	-	(7,147)	(298,721)	Note 1
FocalTech Electronics, Ltd.	3,071	1,813,263	607,942	1,205,321	(14,205)	(57,268)	110,207	Note 1
FocalTech Smart Sensors, Ltd.	418,147	17,963	-	17,963	-	(21,954)	(26,539)	(0.81)
FocalTech Systems, Inc.	3,140,902	2,410,867	253,250	2,157,617	18,693	1,350	(297,154)	Note 1
FocalTech Systems, Ltd.	716,964	2,535,601	315,910	2,219,691	-	(76,731)	(306,849)	Note 1
FocalTech Systems (Shenzhen) Co., Ltd.	1,136,090	1,164,451	562,868	601,583	264,674	(342,894)	(319,227)	Note 2
FocalTech Electronics (Shenzhen) Co., Ltd.	285,557	3,168,932	2,994,058	174,874	3,561,915	204,565	147,687	Note 2
FocalTech Electronics (Shanghai) Co., Ltd.	61,410	53,586	15,839	37,747	93,058	4,401	3,987	Note 2
FocalTech Electronics Co., Ltd.	20,000	93,437	140	93,297	-	(1,142)	(14,133)	Note 1
FocalTech Smart Sensors Co., Ltd.	87,085	20,345	3,995	16,350	22,648	(5,834)	(5,340)	Note 1
Hefei PineTech Electronics Co., Ltd.	130,056	310,464	84,868	225,596	27,256	(25,006)	(18,836)	Note 2

Note 1: 100% directly and indirectly controlled by the Company; these shares are issued for the purpose of equity management. Hence, the calculation of earnings per share based on the number of shares has no reference value.

Note 2: Calculation of earnings per share not applicable, as this is a limited company with no shares issued.

2. Private placement of securities in the most recent year and up to the date of publication of the annual report: Not applicable
3. Subsidiaries' holding or disposal of the Company's shares in the most recent year and up to the date of publication of the annual report: Not applicable
4. Other necessary supplementary notes: None

IX. Any matter in the most recent year and up to the date of publication of the annual report which has a significant impact on shareholders' equity or securities prices as stipulated in subparagraph 2 of paragraph 3 of Article 36 of the Securities and Exchange Act: None

Attachment 1

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of FocalTech Systems Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

Recognition for Sales Revenue

The sales revenue of Integrated Driver Controller is the main indicator of financial and business performance evaluated by investors and the management. It possibly exists the pressure to achieve the financial target, and it might result in the risk of the occurrence of sales revenue. Therefore, the sales revenue of Integrated Driver Controller is considered as a key audit matter for the financial year ended December 31, 2023.

Refer to Notes 4 and 23 for the accounting policy, accounting estimation and disclosure information.

Our audit procedures related to the abovementioned Key Audit Matters included the following:

1. We evaluated the design of internal control related to sales and collection cycle and the implement of the internal control.
2. We obtained customer ranking list in 2023, and analyze the differences of customers and its sales amount.
3. We analyzed if the sales quantities, sales revenue and gross margin by products existed material exception.
4. We sampled purchase orders, shipping documents bills of lading, and collection records in revenue breakdown to ensure the occurrence of sales revenue.

Valuation of Inventory

Due to high market demand fluctuation and rapid technological development, the inventories may turn obsolete or have a lower net realizable value which may result in inventories being impaired. The Group has performed impairment assessment on inventories through evaluation of aging and net realizable value of inventories quarterly. The management has practiced their professional judgement in estimating the possible loss on impairment based on the sales performance of each product. Therefore, inventory valuation is considered as a key audit matter for the financial year ended December 31, 2023.

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

Refer to Notes 4 and 11 for the accounting policy, accounting estimation and disclosure information.

Our audit procedures related to the abovementioned Key Audit Matters included the following:

1. We obtained an understanding of the Group's accounting policies and procedures on the assessment of impairment through analyzing the net realizable value calculation report and inventory aging report prepared by the management. We have inspected the supporting documents of recent selling price, and re-calculated the net realizable value of inventory to ensure its accuracy and reasonableness of the management's estimation on impairment loss.
2. We obtained an understanding of the Group's judgement on the estimation of impairment loss for obsolete items information and discussed recent sales performance and the reasonableness on the estimates of inventory devaluation in the future. We also performed inspection on recent sales to evaluate the reasonableness of the impairment loss provided on obsolete stock.

Other Matter

We have also audited the parent company only financial statements of FocalTech Systems Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

Responsibilities of Corporate Management and Governance Hierarchy for 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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management level is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, (including members of the Audit Committee) is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

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

estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Hong Kuo and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 23, 2024

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 4 and 6)	\$ 4,444,804	24	\$ 5,674,470	27
Financial assets at fair value through profit or loss (Note 4 and 7)	250,205	1	-	-
Financial assets at fair value through other comprehensive income (Note 4 and 8)	129,746	1	-	-
Accounts receivables, net (Note 4 and 10)	1,649,039	9	1,148,471	6
Inventories (Note 4 and 11)	2,675,092	15	5,753,731	28
Other financial assets (Note 4 and 9)	2,806,629	15	517,464	2
Other current assets (Note 25)	<u>227,685</u>	<u>1</u>	<u>258,794</u>	<u>1</u>
Total current assets	<u>12,183,200</u>	<u>66</u>	<u>13,352,930</u>	<u>64</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Note 4 and 7)	365,725	2	467,143	2
Financial assets at fair value through other comprehensive income (Note 4 and 8)	50,364	-	179,137	1
Property, plant and equipment (Note 4 and 13)	2,439,730	13	2,514,208	12
Goodwill (Notes 4 and 14)	1,237,268	7	1,237,268	6
Other intangible assets (Note 4 and 15)	114,519	1	60,549	-
Deferred tax assets (Note 4 and 25)	179,725	1	306,129	2
Refundable deposits (Note 16)	1,857,769	10	2,654,474	13
Other non-current assets (Note 32)	<u>26,997</u>	<u>-</u>	<u>25,347</u>	<u>-</u>
Total non-current assets	<u>6,272,097</u>	<u>34</u>	<u>7,444,255</u>	<u>36</u>
TOTAL	<u>\$ 18,455,297</u>	<u>100</u>	<u>\$ 20,797,185</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 860,242	5	\$ 3,070,806	15
Accounts payables (Note 18)	1,478,429	8	929,492	4
Other payables (Note 19)	1,456,384	8	1,653,776	8
Current tax liabilities (Notes 4 and 25)	387,792	2	629,303	3
Current position of long-term borrowings (Note 17)	198,493	1	25,000	-
Other current liabilities (Notes 23)	<u>78,002</u>	<u>-</u>	<u>81,038</u>	<u>-</u>
Total current liabilities	<u>4,459,342</u>	<u>24</u>	<u>6,389,415</u>	<u>30</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	760,454	4	961,840	5
Deferred tax liabilities (Note 4 and 25)	219,167	2	216,757	1
Net defined benefit liabilities (Note 4 and 20)	13,955	-	13,560	-
Guarantee deposits received (Note 21)	<u>3,688,279</u>	<u>20</u>	<u>4,369,353</u>	<u>21</u>
Total non-current liabilities	<u>4,681,855</u>	<u>26</u>	<u>5,561,510</u>	<u>27</u>
Total liabilities	<u>9,141,197</u>	<u>50</u>	<u>11,950,925</u>	<u>57</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 22 and 27)				
Share capital				
Ordinary shares	<u>2,178,900</u>	<u>12</u>	<u>2,161,107</u>	<u>11</u>
Capital surplus	<u>6,031,904</u>	<u>32</u>	<u>6,041,988</u>	<u>29</u>
Retained earnings				
Legal reserve	712,562	4	712,562	3
Special reserve	-	-	211,479	1
Undistributed earnings	<u>757,830</u>	<u>4</u>	<u>196,847</u>	<u>1</u>
Total retained earnings	<u>1,470,392</u>	<u>8</u>	<u>1,120,888</u>	<u>5</u>
Other equity	<u>(210,063)</u>	<u>(1)</u>	<u>(296,495)</u>	<u>(1)</u>
Treasury shares	<u>(163,060)</u>	<u>(1)</u>	<u>(196,057)</u>	<u>(1)</u>
Equity attributable to owners of the parent	<u>9,308,073</u>	<u>50</u>	<u>8,831,431</u>	<u>43</u>
NON-CONTROLLING INTERESTS (Note 22)	<u>6,027</u>	<u>-</u>	<u>14,829</u>	<u>-</u>
Total equity	<u>9,314,100</u>	<u>50</u>	<u>8,846,260</u>	<u>43</u>
TOTAL	<u>\$ 18,455,297</u>	<u>100</u>	<u>\$ 20,797,185</u>	<u>100</u>

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
REVENUE (Note 4 and 23)	\$ 13,568,371	100	\$ 12,949,902	100
COSTS OF SALES (Notes 4,11 and 24)	<u>(10,859,718)</u>	<u>(80)</u>	<u>(11,667,224)</u>	<u>(90)</u>
GROSS PROFIT	<u>2,708,653</u>	<u>20</u>	<u>1,282,678</u>	<u>10</u>
OPERATING EXPENSES (Notes 24, 27,28 and 31)				
Selling and marketing expenses	(365,715)	(3)	(492,636)	(4)
General and administrative expenses	(430,621)	(3)	(546,775)	(4)
Research and development expenses	<u>(1,789,672)</u>	<u>(13)</u>	<u>(2,536,509)</u>	<u>(20)</u>
Total operating expenses	<u>(2,586,008)</u>	<u>(19)</u>	<u>(3,575,920)</u>	<u>(28)</u>
OPERATING INCOME (LOSS)	<u>122,645</u>	<u>1</u>	<u>(2,293,242)</u>	<u>(18)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 24)	(56,044)	-	(51,492)	-
Interest income (Note 4)	267,968	2	93,996	1
Gain (Loss) on financial assets and liabilities at fair value through profit or loss (Notes 4)	34,507	-	(81,306)	(1)
Other gains and losses, net	52,804	-	207,675	2
Gain on foreign exchange (Notes 4)	<u>3,837</u>	<u>-</u>	<u>263,752</u>	<u>2</u>
Total non-operating income and expenses	<u>303,072</u>	<u>2</u>	<u>432,625</u>	<u>4</u>
INCOME (LOSS) BEFORE INCOME TAX	425,717	3	(1,860,617)	(14)
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(72,702)</u>	<u>(1)</u>	<u>(68,278)</u>	<u>(1)</u>
NET INCOME (LOSS)	<u>353,015</u>	<u>2</u>	<u>(1,928,895)</u>	<u>(15)</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 20)	(861)	-	7,985	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 25)	<u>120</u>	<u>-</u>	<u>(1,117)</u>	<u>-</u>
	<u>(741)</u>	<u>-</u>	<u>6,868</u>	<u>-</u>

(Continued)

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	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences from translating the financial statements of foreign operations (Notes 4)	\$ (41,192)	2	\$ 273,505	2
Unrealized loss from debt instrument investments measured at fair value through other comprehensive income (Notes 4)	<u>6,619</u>	<u>-</u>	<u>(13,307)</u>	<u>-</u>
	<u>(34,573)</u>	<u>2</u>	<u>260,198</u>	<u>2</u>
Total other comprehensive (loss) income, net of income tax	<u>(35,314)</u>	<u>2</u>	<u>267,066</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 317,701</u>	<u>2</u>	<u>\$ (1,661,829)</u>	<u>(13)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 361,919	2	\$ (1,912,039)	(15)
Non-controlling interests	<u>(8,904)</u>	<u>-</u>	<u>(16,856)</u>	<u>-</u>
	<u>\$ 353,015</u>	<u>2</u>	<u>\$ (1,928,895)</u>	<u>(15)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 326,503	2	\$ (1,654,358)	(13)
Non-controlling interests	<u>(8,802)</u>	<u>-</u>	<u>(7,471)</u>	<u>-</u>
	<u>\$ 317,701</u>	<u>2</u>	<u>\$ (1,661,829)</u>	<u>(13)</u>
EARNINGS PER SHARE (LOSS) (Note 26)				
Basic	<u>\$ 1.74</u>		<u>\$ (9.39)</u>	
Diluted	<u>\$ 1.69</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				Treasury Shares	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences from Translating the Financial Statement of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unearned employee compensation					
BALANCE, JANUARY 1, 2022	\$ 2,162,367	\$ 6,062,869	\$ 101,230	\$ 122,316	\$ 6,202,079	\$ (211,648)	\$ 169	\$ (813,720)	\$ -	\$13,625,662	\$ 22,300	\$13,647,962	
Appropriation of 2021 earnings													
Legal reserve	-	-	611,332	-	(611,332)	-	-	-	-	-	-	-	
Special reserve	-	-	-	89,163	(89,163)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(3,400,000)	-	-	-	-	(3,400,000)	-	(3,400,000)	
Net loss for the year ended December 31, 2022	-	-	-	-	(1,912,039)	-	-	-	-	(1,912,039)	(16,856)	(1,928,895)	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	6,868	264,120	(13,307)	-	-	257,681	9,385	267,066	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	(1,905,171)	264,120	(13,307)	-	-	(1,654,358)	(7,471)	(1,661,829)	
Compensation cost of employee share options	-	46,258	-	-	-	-	-	-	-	46,258	-	46,258	
Treasury shares acquired	-	-	-	-	-	-	-	-	(507,621)	(507,621)	-	(507,621)	
Treasury shares transferred to employees	-	-	-	-	-	-	-	-	311,564	311,564	-	311,564	
Retirement of restricted stock employees	(3,880)	(79,540)	-	-	-	-	-	79,540	-	(3,880)	-	(3,880)	
Issuance of ordinary shares from exercise of employee share options	2,620	12,401	-	-	-	-	-	-	-	15,021	-	15,021	
Unvested restricted stock to employees refund cash dividends	-	-	-	-	434	-	-	-	-	434	-	434	
Compensation cost of restricted stock to employees	-	-	-	-	-	-	-	398,351	-	398,351	-	398,351	
BALANCE, DECEMBER 31, 2022	\$ 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 for the year ended December 31, 2023	-	-	-	-	361,919	-	-	-	-	361,919	(8,904)	353,015	
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(741)	(41,294)	6,619	-	-	(35,416)	102	(35,314)	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	361,178	(41,294)	6,619	-	-	326,503	(8,802)	317,701	
Cash dividends distributed from capital surplus	-	(108,000)	-	-	-	-	-	-	-	(108,000)	-	(108,000)	
Compensation cost of employee share options	-	24,940	-	-	-	-	-	-	-	24,940	-	24,940	
Treasury shares transferred to employees	-	-	-	-	-	-	-	-	32,997	32,997	-	32,997	
Issuance of ordinary shares from exercise of employee share options	463	508	-	-	-	-	-	-	-	971	-	971	
Issuance of restricted stock employees	20,330	137,024	-	-	-	-	-	(137,024)	-	20,330	-	20,330	
Retirement of restricted stock employees	(3,000)	(63,057)	-	-	-	-	-	63,057	-	(3,000)	-	(3,000)	
Compensation cost of restricted stock to employees	-	-	-	-	-	-	-	195,074	-	195,074	-	195,074	
Other	-	(1,499)	-	-	(11,674)	-	-	-	-	(13,173)	-	(13,173)	
BALANCE, DECEMBER 31, 2023	\$ 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	

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)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 425,717	\$ (1,860,617)
Adjustments for:		
Depreciation expenses	113,685	119,936
Amortization expenses	91,815	71,724
Net (gain) loss on financial assets at fair value through profit or loss	(34,507)	81,306
Finance costs	56,044	51,492
Interest income	(267,968)	(93,996)
Compensation cost of employee share options	24,940	46,258
Loss (gain) on disposal of property plant and equipment	225	(460)
Loss (gain) on disposal of investments	5,942	(97,765)
(Reversal gain) loss on write-down of inventories	(1,159,428)	2,254,749
Unrealized loss on foreign exchange	11,720	128,450
Compensation cost of restricted stock to employees	195,074	398,351
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	(124,005)	95,352
Accounts receivables	(505,568)	2,112,803
Inventories	4,220,604	(4,169,905)
Other current assets	72,958	294,424
Accounts payables	557,263	(1,696,410)
Other payables	(192,185)	(51,028)
Other current liabilities	(1,914)	(32,505)
Other non-current liabilities	-	(10,400)
Net defined benefit liabilities	(466)	(595)
Cash generated (used) from operations	3,489,946	(2,358,836)
Interest paid	(55,999)	(50,368)
Income tax paid	(192,444)	(1,395,084)
Net cash inflow (outflow) from operating activities	<u>3,241,503</u>	<u>(3,804,288)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial asset at fair value through other comprehensive income	-	59,609
Acquisition of property, plant and equipment	(59,324)	(151,888)
Disposal of property, plant and equipment	-	7,695
Decrease in refundable deposits	796,631	188,079
Acquisition of intangible assets	(145,821)	(71,091)
(Increase) decrease in other financial assets	(2,300,717)	3,429,086
Increase in other non-current assets	(2,059)	(14,739)
Interest received	237,124	80,082
Other	(11,674)	-
Net cash (outflow) inflow from investing activities	<u>(1,485,840)</u>	<u>3,526,833</u>

(Continued)

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in short-term borrowings	\$ (2,198,472)	\$ 2,772,193
(Decrease) Increase in long-term borrowings	(24,368)	200,000
Decrease in guarantee deposits	(681,044)	(28,207)
Cash dividends paid	(108,000)	(3,400,000)
Exercise of employee share options	971	15,021
Treasury shares acquired	-	(507,621)
Treasury shares transferred to employees	32,997	311,564
Issuance of restricted stock employees	20,330	-
Retirement of restricted stock employees	(3,000)	(3,880)
Unvested restricted stock employees refund cash dividends	-	434
Other	<u>(1,499)</u>	<u>-</u>
Net cash outflow financing activities	<u>(2,962,085)</u>	<u>(640,496)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(23,244)</u>	<u>135,433</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,229,666)	(782,518)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>5,674,470</u>	<u>6,456,988</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,444,804</u>	<u>\$ 5,674,470</u>

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

(Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (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 February 23, 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 2024:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Lease liabilities in a sale and leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Noncurrent liabilities with Convnants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note3: The amendments provide some transition relief regarding initial disclosure requirements.

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.

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17- Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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.

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c. Standards in differentiating current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Assets expected to be realized within 12 months after the reporting period; and
- 2) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Those not as aforementioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Applicable adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of the subsidiaries is attributed both to the shareholders of the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing controlling over the subsidiaries are accounted as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their interests in the subsidiaries respectively. The amount adjusted for the non-controlling interests and the difference between fair value and the consideration paid or received are recognized directly in equity and attributed to shareholders of the parent.

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

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period;

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income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost, and subsequently measured at cost less accumulated depreciation.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is carried at cost, and subsequently measured at cost less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

j. Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of Property, plant and equipment and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs to.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

i) Measurement category

The Group's financial assets include those measured at FVTPL, at amortized cost and investments in debt instruments measured at FVTOCI.

A. Financial asset at FVTPL

The equity instruments that are not specified as FVTOCI and debt instruments that do not meet the criteria of amortized cost or FVTOCI are mandatorily required to be measured at FVTPL.

Any dividends, interest earned and gain or loss arising from the remeasurement is recognized in profit or loss at fair value. The determination methodology of fair value of financial instruments states in Note 30.

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B. Financial assets at amortized cost

Financial assets that meet both two following conditions will subsequently be measured at amortized cost:

- (1) The objective of the business model to hold the financial asset is to collect contractual cash flows; and
- (2) The cash flows from contractual terms of the financial asset on specified dates are solely matched for payments of principal and interests on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, account receivables at amortized cost, other financial assets, and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method, subtracting any impairment loss. Foreign exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from obtaining date, high liquidation level, readily convertible to a known amount of cash at any time, and low risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Investments in debt instruments at FVTOCI

Investments in debt instruments that meet both the following conditions are subsequently measured at FVTOCI:

- (1) The objective of the business model to hold the financial asset is to collect contractual cash flows and sell financial assets; and
- (2) The cash flows from contractual terms of the financial asset on specified dates are solely matched for payments of principal and interests on the principal amount outstanding.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses or reversed gains on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed.

ii) Impairment of financial assets

At the end of each reporting period, the impairment loss is recognized by expected credit loss method for financial assets at amortized cost (including accounts receivables) and for investments in debt instruments in FVTOCI.

The loss allowance for accounts receivables is determined by the expected credit losses over the lifetime. For other financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI, if the credit risk on the financial instrument has not increased significantly after initial recognition, a loss allowance is determined by the expected credit losses resulting from the possible default events within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk after initial recognition, a loss allowance is determined

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by the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

Expected credit losses (ECLS) reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

All impairment loss of the financial instruments with a corresponding adjustment to their carrying amount are through an allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

iii) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

When a financial asset carried at amortized cost is derecognized in its entirety, the difference between the asset's carrying amount and the consideration is recognized in profit or loss. If the financial asset is an investment in debt instruments at FVTOCI and derecognized in its entirety, the difference between the asset's carrying amount and the sum of the consideration plus the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The carrying amount is calculated by weighted average of stock types. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

i) Subsequent measurement

All the financial liabilities are measured by amortized cost using the effective interest method.

ii) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

m. Revenue recognition

The Group recognizes revenue when customer's contract obligations are satisfied.

Revenue comes from sales of human and machine interface devices ICs. Revenue is recognized when the ICs start to be shipped or are delivered to the specific locations instructed by customers, at which time the customer has full discretion over the ICs. Revenue and accounts receivables are recognized concurrently.

The Group considers varying contractual terms to estimate sales returns and recognize refund liabilities, which is classified under other payables.

n. Lease

The Group evaluates if the contract belongs to or includes the lease the commencement date.

The Group as a lessee

Except for the leases of low-value asset or short-term leases recognized as expenses on a straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets from the commencement date.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets which are substantially ready for their intended use or sale through a fairly long period) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government Grants

Government grants are not recognized until it is assured reasonably that the Group will be able to comply with the conditions attaching to the subsidies and the grants will be received possibly.

Government grants used as the compensation for expenses or losses already incurred are recognized in profit or loss in the period in which they become receivable and are not necessary to return.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost, including current service cost and net interest on the net defined benefit liability (asset), is recognized as employee benefits expense in the period it occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan.

r. Share-based payment arrangements

Equity-settled and share-based payment arrangements granted to employees

The fair value at the grant date of the equity-settled and share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's optimal estimate number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options.

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits. For restricted stocks where employees have to pay to acquire those stocks, the Group will return their payments on the stocks to employees when they resign. It should be recognized in payables.

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

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

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax on unappropriated earnings according to the Income Tax Law should be accrued in the year when the resolution regarding to the appropriated earnings is made in the shareholder meeting.

Any adjustment of prior years' tax liability is counted in the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable

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that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the deferred tax is recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Impairment of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 5,406	\$ 15,560
Checking accounts and demand deposits	1,286,961	1,855,151
Cash equivalent (time deposits with original maturities within three months)	<u>3,152,437</u>	<u>3,803,759</u>
	<u>\$ 4,444,804</u>	<u>\$ 5,674,470</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Current</u>		
Mandatorily measured at fair value through profit or loss (FVTPL)		
Government bonds	\$ 246,194	\$ -
Beneficiary Certificate	<u>4,011</u>	<u>-</u>
	<u>\$ 250,205</u>	<u>\$ -</u>
<u>Non – Current</u>		
Mandatorily measured at fair value through profit or loss (FVTPL)		
Listed preferred shares	\$ 10,183	\$ 147,391
Private Funds	238,544	207,977
Structured Investments	<u>116,998</u>	<u>111,775</u>
	<u>\$ 365,725</u>	<u>\$ 467,143</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
Investments in debt instruments		
<u>Current</u>		
Foreign investments		
Fixed income bonds	<u>\$ 129,746</u>	<u>\$ -</u>
<u>Non – Current</u>		
Foreign investments		
Fixed income bonds	<u>\$ 50,364</u>	<u>\$ 179,137</u>

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9. OTHER FINANCIAL ASSETS

	December 31	
	2023	2022
Time deposits with original maturities more than three months	<u>\$ 2,806,629</u>	<u>\$ 517,464</u>

10. ACCOUNTS RECEIVABLES, NET

	December 31	
	2023	2022
Accounts receivables	<u>\$ 1,649,039</u>	<u>\$ 1,148,471</u>

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.

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>

December 31, 2022

	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>\$ 1,102,087</u>	<u>\$ 15,049</u>	<u>\$ 31,335</u>	<u>\$ -</u>	<u>\$ 1,148,471</u>

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11. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 842,838	\$ 1,020,143
Work in progress	980,224	2,073,643
Raw materials and supplies	<u>852,030</u>	<u>2,659,945</u>
	<u>\$ 2,675,092</u>	<u>\$ 5,753,731</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 Years Ended December 31	
	2023	2022
(Reversal gain) loss on write-down of inventories	<u>(\$ 1,159,428)</u>	<u>\$ 2,254,749</u>

12. SUBSIDIARIES

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

Investor	Investee	Nature of Activities	Proportion of Ownership		Note
			2023	2022	
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd. FocalTech Electronics, Ltd.	Investment activity Investment activity	100% 100%	100% 100%	
FocalTech Systems Co., Ltd. and FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Investment activity	66.45%	66.45%	
FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	Investment activity	100%	100%	
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Investment activity	100%	100%	
FocalTech Systems, Ltd.	FocalTech Systems (Shenzhen) Co., Ltd. FocalTech Electronics Co., Ltd.	Design and research of integrated circuits Import and export of integrated circuits	- 100%	100% 100%	Note
FocalTech Electronics, Ltd.	FocalTech Electronics (Shanghai) Co., Ltd. FocalTech Electronics (Shenzhen) Co., Ltd. Hefei PineTech Electronics Co., Ltd.	Sales support and post-sales service for affiliates' IC products Research, development, manufacturing and sale of integrated circuits Research, development and sale of integrated circuits	100% 100% -	100% 100% 100%	Note
FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Systems (Shenzhen) Co., Ltd. Hefei PineTech Electronics Co., Ltd.	Design and research of integrated circuits Research, development and sale of integrated circuits	100% 100%	- -	Note Note

Note: 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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13. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Development Equipment</u>	<u>Office Equipment</u>	<u>Information Equipment</u>	<u>Leasehold Improvements</u>	<u>Construction In progress</u>	<u>Total</u>
<u>Cost</u>								
Balance, January 1, 2022	\$ -	\$ 1,336,121	\$ 434,688	\$ 12,349	\$ 44,540	\$ 38,530	\$ 1,080,130	\$ 2,946,358
Additions	-	-	68,220	48,143	1,722	-	33,803	151,888
Disposals	-	-	(41,516)	(458)	(3,683)	(16,879)	-	(62,536)
Reclassification	557,110	500,183	(130)	-	130	-	(1,057,293)	-
Effect of foreign currency exchange differences	-	20,308	15,567	943	636	218	-	37,672
Balance, December 31, 2022	<u>\$ 557,110</u>	<u>\$ 1,856,612</u>	<u>\$ 476,829</u>	<u>\$ 60,977</u>	<u>\$ 43,345</u>	<u>\$ 21,869</u>	<u>\$ 56,640</u>	<u>\$ 3,073,382</u>
<u>Accumulated depreciation</u>								
Balance, January 1, 2022	\$ -	\$ 156,566	\$ 240,423	\$ 10,107	\$ 32,127	\$ 38,530	\$ -	\$ 477,753
Depreciation	-	41,003	73,697	2,406	2,830	-	-	119,936
Disposals	-	-	(34,669)	(441)	(3,312)	(16,879)	-	(55,301)
Effect of foreign currency exchange differences	-	2,151	13,077	908	432	218	-	16,786
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 199,720</u>	<u>\$ 292,528</u>	<u>\$ 12,980</u>	<u>\$ 32,077</u>	<u>\$ 21,869</u>	<u>\$ -</u>	<u>\$ 559,174</u>
Carrying amounts as of December 31, 2022	<u>\$ 557,110</u>	<u>\$ 1,656,892</u>	<u>\$ 184,301</u>	<u>\$ 47,997</u>	<u>\$ 11,268</u>	<u>\$ -</u>	<u>\$ 56,640</u>	<u>\$ 2,514,208</u>
<u>Cost</u>								
Balance, January 1, 2023	\$ 557,110	\$ 1,856,612	\$ 476,829	\$ 60,977	\$ 43,345	\$ 21,869	\$ 56,640	\$ 3,073,382
Additions	-	-	26,814	32,481	29	-	-	59,324
Disposals	-	-	(9,506)	(476)	(1,341)	-	-	(11,323)
Reclassification	-	-	-	56,640	-	-	(56,640)	-
Effect of foreign currency exchange differences	-	(22,192)	(2,657)	(161)	(627)	(237)	-	(25,874)
Balance, December 31, 2023	<u>\$ 557,110</u>	<u>\$ 1,834,420</u>	<u>\$ 491,480</u>	<u>\$ 149,461</u>	<u>\$ 41,406</u>	<u>\$ 21,632</u>	<u>\$ -</u>	<u>\$ 3,095,509</u>
<u>Accumulated depreciation</u>								
Balance, January 1, 2023	\$ -	\$ 199,720	\$ 292,528	\$ 12,980	\$ 32,077	\$ 21,869	\$ -	\$ 559,174
Depreciation	-	36,898	59,764	14,583	2,440	-	-	113,685
Disposals	-	-	(9,463)	(432)	(1,203)	-	-	(11,098)
Effect of foreign currency exchange differences	-	(3,681)	(1,458)	(121)	(485)	(237)	-	(5,982)
Balance, December 31, 2023	<u>\$ -</u>	<u>\$ 232,937</u>	<u>\$ 341,371</u>	<u>\$ 27,010</u>	<u>\$ 32,829</u>	<u>\$ 21,632</u>	<u>\$ -</u>	<u>\$ 655,779</u>
Carrying amounts as of December 31, 2023	<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>

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

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

Property, plant and equipment were pledged as collateral. Refer to Note 32.

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14. GOODWILL

	December 31	
	2023	2022
Ending balance	<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, resulting the goodwill of \$3,237,268 thousand. In 2018, the impacts of market improper competition and the shortage of wafer supply made the company a serious market share decline, which is expected to influence the market shares and gross margins in the future. Therefore, the recoverable amount from Display and Touch integrated chip less than the carrying value so the Company recognized the impairment loss of \$2,000,000 thousand. In 2019, based on the market growth and market share gain in smartphone market, the Group estimated cash flows from sales of Display and Touch integrated chip, and the recoverable amount exceeded the carrying value. Therefore, the Group did not recognize any impairment on goodwill.

The recoverable amount is calculated by Display and Touch integrated chip projected net cash flows, discounted at 15.55% and 13.98% for the years ended December 31, 2023 and 2022, under the assumptions of management team judgments and historical experiences with regard to future growth rates and gross margin.

15. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
<u>Cost</u>					
Balance, January 1, 2022	\$ 128,012	\$ 135,839	\$ 76,707	\$ 74,000	\$ 414,558
Additions	4,451	66,640	-	-	71,091
Reclassification	-	13,904	-	-	13,904
Effect of foreign currency exchange differences	<u>11,969</u>	<u>13,217</u>	<u>3</u>	<u>-</u>	<u>25,189</u>
Balance, December 31, 2022	<u>\$ 144,432</u>	<u>\$ 229,600</u>	<u>\$ 76,710</u>	<u>\$ 74,000</u>	<u>\$ 524,742</u>
<u>Accumulated amortization</u>					
Balance, January 1, 2022	\$ 128,012	\$ 132,792	\$ 54,726	\$ 51,800	\$ 367,330
Amortization expenses	2,226	54,717	7,381	7,400	71,724
Effect of foreign currency exchange differences	<u>11,969</u>	<u>13,167</u>	<u>3</u>	<u>-</u>	<u>25,139</u>
Balance, December 31, 2022	<u>\$ 142,207</u>	<u>\$ 200,676</u>	<u>\$ 62,110</u>	<u>\$ 59,200</u>	<u>\$ 464,193</u>
Carrying amounts as of December 31, 2022	<u>\$ 2,225</u>	<u>\$ 28,924</u>	<u>\$ 14,600</u>	<u>\$ 14,800</u>	<u>\$ 60,549</u>

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	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	-	145,821	-	-	145,821
Disposal	(18,656)	(60,784)	-	-	(79,440)
Effect of foreign currency exchange differences	<u>(19)</u>	<u>(127)</u>	<u>(4)</u>	<u>-</u>	<u>(150)</u>
Balance, December 31, 2023	<u>\$ 125,757</u>	<u>\$ 314,510</u>	<u>\$ 76,706</u>	<u>\$ 74,000</u>	<u>\$ 590,973</u>
<u>Accumulated amortization</u>					
Balance, January 1, 2023	\$ 142,207	\$ 200,676	\$ 62,110	\$ 59,200	\$ 464,193
Amortization expenses	2,225	74,890	7,300	7,400	91,815
Disposal	(18,656)	(60,784)	-	-	(79,440)
Effect of foreign currency exchange differences	<u>(19)</u>	<u>(91)</u>	<u>(4)</u>	<u>-</u>	<u>(114)</u>
Balance, December 31, 2023	<u>\$ 125,757</u>	<u>\$ 214,691</u>	<u>\$ 69,406</u>	<u>\$ 66,600</u>	<u>\$ 476,454</u>
Carrying amounts as of December 31, 2023	<u>\$ -</u>	<u>\$ 99,819</u>	<u>\$ 7,300</u>	<u>\$ 7,400</u>	<u>\$ 114,519</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

	December 31	
	2023	2022
Capacity guarantee deposits and others	<u>\$1,857,769</u>	<u>\$2,654,474</u>

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

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Unsecured bank loans	<u>\$ 860,242</u>	<u>\$3,070,806</u>
Annual interest rate Unsecured bank loans	3.10~3.60%	1.30~4.20%

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b. Long-term borrowings

	December 31	
	2023	2022
Secured bank loans (1)	\$ 786,840	\$ 786,840
Unsecured bank loans (2)	172,107	-
Unsecured bank loans (3)	<u>-</u>	<u>200,000</u>
	958,947	986,840
Less: reclassification to Current position of long-term borrowings	<u>(198,493)</u>	<u>(25,000)</u>
	<u>\$ 760,454</u>	<u>\$ 961,840</u>
Annual interest rate		
Secured bank loans	1.75~1.875%	1.625~1.75%
Unsecured bank loans	3.30~3.65%	1.65%

(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 32.

(2) For unsecured bank loans, the principals will be paid according to the contract. The period of borrowings is from March, 2023 to November, 2024.

(3) For unsecured bank loans, the principals will be paid monthly after one year from drawdown date. The period of borrowings is from September, 2022 to September, 2025. The borrowing was settled in March, 2023.

18. ACCOUNTS PAYABLES

	December 31	
	2023	2022
Accounts payables	<u>\$ 1,478,429</u>	<u>\$ 929,492</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

	December 31	
	2023	2022
Payable for rebates	\$ 849,398	\$ 870,372
Payable for salaries and bonus	380,430	584,170
Payable for labor, health and social insurance	15,320	14,276
Reserve for litigations	53,473	51,325
Payable for professional services and others	<u>157,763</u>	<u>133,633</u>
	<u>\$1,456,384</u>	<u>\$1,653,776</u>

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20. RETIREMENT BENEFIT

a. Defined contribution plans

The Company, FocalTech Smart Sensors Co., Ltd. and FocalTech Electronics Co., Ltd. adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 35,423	\$ 33,968
Fair value of plan assets	(21,468)	(20,408)
Net defined benefit liability	<u>\$ 13,955</u>	<u>\$ 13,560</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2022	<u>\$ 40,265</u>	<u>(\$ 18,125)</u>	<u>\$ 22,140</u>
Net interest expense (income)	<u>262</u>	<u>(120)</u>	<u>142</u>
Recognized in profit or loss	<u>262</u>	<u>(120)</u>	<u>142</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,426)	(1,426)
Actuarial gain - changes in financial assumptions	(2,453)	-	(2,453)
Actuarial gain - experience adjustments	(4,106)	-	(4,106)
Recognized in other comprehensive income	(6,559)	(1,426)	(7,985)
Contributions from the employer	<u>-</u>	<u>(737)</u>	<u>(737)</u>
Balance at December 31, 2022	<u>\$ 33,968</u>	<u>(\$ 20,408)</u>	<u>\$ 13,560</u>

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	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2023	\$ 33,968	(\$ 20,408)	\$ 13,560
Net interest expense (income)	425	(260)	165
Recognized in profit or loss	425	(260)	165
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(169)	(169)
Actuarial gain - experience adjustments	1,030	-	1,030
Recognized in other comprehensive income	1,030	(169)	861
Contributions from the employer	-	(631)	(631)
Balance at December 31, 2023	<u>\$ 35,423</u>	<u>(\$ 21,468)</u>	<u>\$ 13,955</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate	1.25%	1.25%
Expected rate of salary increase	4.5%	4.5%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

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	December 31	
	2023	2022
Discount rate		
0.25% increase	(\$ 957)	(\$ 985)
0.25% decrease	\$ 992	\$ 1,022
Expected rate of salary increase		
1% increase	\$ 4,059	\$ 4,180
1% decrease	(\$ 3,600)	(\$ 3,674)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
The expected contributions to the plan for the next year	\$ 600	\$ 720
The average duration of the defined benefit obligation	13.5 years	14.6 years

21. GUARANTEE DEPOSITS RECEIVED

	December 31	
	2023	2022
Capacity guarantee deposits and others	<u>\$3,688,279</u>	<u>\$4,369,353</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)

	December 31	
	2023	2022
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>217,890</u>	<u>216,111</u>
Shares issued	<u>\$ 2,178,900</u>	<u>\$ 2,161,107</u>

The registration processes of 15 thousand shares of restricted stocks for employees have not been completed as of February 23, 2024.

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b. Capital surplus

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

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Additional paid-in capital	\$5,159,995	\$4,753,839
Treasury stock	167,900	125,381
Employee share options-expired	34,448	34,448
<u>May be used to offset a deficit only</u>		
Other – unclaimed dividend	6	-
<u>May not be used for any purpose</u>		
Restricted stock for employees	625,664	1,066,015
Employee share options	<u>43,891</u>	<u>62,305</u>
	<u>\$ 6,031,904</u>	<u>\$ 6,041,988</u>

- (1) This type of capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (at a certain percentage of the Company's capital surplus annually).

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. Pursuant to the Company Act, the distributable dividends and bonuses or the legal reserve and the capital reserve (stipulated in Article 241, Paragraph 1 of the Company Act) in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition to a report of such distribution shall be submitted to the shareholders' meeting.

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.

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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 2022 and 2021 were resolved by the annual shareholders' meeting on May 30, 2023, and June 9, 2022, respectively. The details of the distribution are as follows:

	<u>2022</u>	<u>2021</u>
Legal reserve	\$ -	\$ 611,332
Special reserve (reversed)	\$ (211,479)	\$ 89,163
Cash dividends	\$ -	\$3,400,000
Cash dividends per share	\$ -	\$ 15.71

The Board of Directors' meeting resolved the appropriations of earnings for 2023 on February 23, 2024 are as follows:

	<u>2023</u>
Legal reserve	\$ 34,950
Cash dividends	\$ 217,151
Cash dividends per share	\$ 1.00

The appropriations of earnings will be resolved in annual shareholders' meeting on June 7, 2024.

d. Special reserve

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning	\$ 211,479	\$ 122,316
Special reserve (reversed)	(211,479)	89,163
Balance, ending	\$ -	\$ 211,479

e. Treasury stock

	<u>Shares</u> <u>(In Thousands)</u>
Number of shares on January 1, 2022	-
Increase during the period	4,000
Decrease during the period	(2,455)
Number of shares on December 31, 2022	1,545
Decrease during the period	(260)
Number of shares on December 31, 2023	1,285

On February 23, 2022, the board of directors resolved the 6th treasury stock transferred to employees program no more than 4,000,000 shares for transferring to employees. The transferring price to employees would be the average purchase price.

The detailed information for other treasury stock transferred to employee programs could be found in

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b. Depreciation and amortization

	For the Years Ended December 31	
	2023	2022
Property, plant and equipment	\$ 113,685	\$ 119,936
Intangible assets	<u>91,815</u>	<u>71,724</u>
	<u>\$ 205,500</u>	<u>\$ 191,660</u>
An analysis of deprecation by function		
Operating costs	\$ 25,281	\$ 26,612
Operating expenses	<u>180,219</u>	<u>165,048</u>
	<u>\$ 205,500</u>	<u>\$ 191,660</u>

c. Employee benefits expense

	For the Years Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 32,587	\$ 33,048
Defined benefit plans (see Note 20)	165	142
Share-based payments (see Note 27)	220,014	444,609
Other employee benefits	<u>1,483,061</u>	<u>2,231,610</u>
Total employee benefits expense	<u>\$ 1,735,827</u>	<u>\$ 2,709,409</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 123,112	\$ 245,045
Operating expenses	<u>1,612,715</u>	<u>2,464,364</u>
	<u>\$ 1,735,827</u>	<u>\$ 2,709,409</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. There was no employees' compensation accrued due to loss before income tax for the year ended December 31, 2022. The accrued employees' compensation and remuneration of directors for the year ended December 31, 2023 is as follows:

Amount

	<u>2023</u>
Employees' compensation	<u>\$ 82,352</u>
Remuneration of directors	<u>\$ 1,042</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.

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The board of directors resolved the remuneration of employees and directors for 2021 on February 23, 2022. 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 2021 consolidated financial statements.

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

25. INCOME TAXES

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

	For the Years Ended December 31	
	2023	2022
Current income tax expense		
In respect of the current year	\$ 783	\$ 163,762
Other income tax adjustments	<u>(57,015)</u>	<u>36,675</u>
	<u>(56,232)</u>	<u>200,437</u>
Deferred income tax expense		
In respect of the current year	88,098	132,159
Other income tax adjustments	<u>40,836</u>	<u>-</u>
	<u>128,934</u>	<u>(132,159)</u>
Income tax expense recognized in profit or loss	<u>\$ 72,702</u>	<u>\$ 68,278</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Years Ended December 31	
	2023	2022
Income (loss) before tax from continuing operations	<u>\$ 425,717</u>	<u>(\$1,860,617)</u>
Income (loss) tax expense calculated at the statutory rate and the effective tax rate	\$ 9,190	(\$ 221,768)
Nondeductible expenses in determining taxable income	27,813	63,987
Tax effect of earnings to be distributed by subsidiaries	4,468	167,231
Tax exemption	(3,943)	(3,342)
Unrecognized temporary differences	(990)	(181)
Unrecognized loss carryforwards	52,343	25,676
Adjustments for prior years' tax	<u>(16,179)</u>	<u>36,675</u>
Income tax expense recognized in profit or loss	<u>\$ 72,702</u>	<u>\$ 68,278</u>

The company's research and development expenditure is expected to offset the corporate income tax by 30%, so the effective tax rate is 14% after considering the deduction effect.

For other jurisdictions, taxes are calculated using the applicable tax rate for each individual jurisdiction.

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b. Recognized in other comprehensive income

For the Years Ended December 31

	2023	2022
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Deferred tax		
Remeasurement of defined benefit plans	(\$ <u>120</u>)	\$ <u>1,117</u>

c. Current tax assets and liabilities

December 31

	2023	2022
--	-------------	-------------

Current tax assets (recorded as other current assets)		
Tax refund receivable	\$ <u>12,292</u>	\$ <u>5,590</u>
Current tax liabilities		
Income tax levied on accumulated overseas undistributed earnings (Note)	\$ 253,248	\$ 295,668
Income tax payable	<u>134,544</u>	<u>333,635</u>
Total	<u>\$ 387,792</u>	<u>\$ 629,303</u>

Note: The estimated income tax from accumulated overseas undistributed earnings determined at the end of 2017 for FocalTech Systems, Inc. could be paid in installments for eight years under the US tax law.

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

2023

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences				
Obsolete of inventory	\$ 283,740	(\$ 180,799)	\$ -	\$ 102,941
Others	<u>18,820</u>	<u>3,260</u>	<u>120</u>	<u>22,200</u>
	302,560	(177,359)	120	125,141
Loss carryforwards	<u>3,569</u>	<u>51,015</u>	-	<u>54,584</u>
	<u>\$ 306,129</u>	<u>(\$ 126,524)</u>	<u>\$ 120</u>	<u>\$ 179,725</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Intangible assets	\$ 4,116	(\$ 2,058)	\$ -	\$ 2,058
Investment income recognized from foreign investees	<u>212,641</u>	<u>4,468</u>	-	<u>217,109</u>
	<u>\$ 216,757</u>	<u>\$ 2,410</u>	<u>\$ -</u>	<u>\$ 219,167</u>

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2022

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Obsolete of inventory	\$ 10,779	\$ 272,961	\$ -	\$ 283,740
Others	(4,434)	24,371	(1,117)	18,820
	6,345	297,332	(1,117)	302,560
Loss carryforwards	3,569	-	-	3,569
	<u>\$ 9,914</u>	<u>\$ 297,332</u>	<u>(\$ 1,117)</u>	<u>\$ 306,129</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Intangible assets	\$ 6,174	(\$ 2,058)	\$ -	\$ 4,116
Investment income recognized from foreign investees	45,410	167,231	-	212,641
	<u>\$ 51,584</u>	<u>\$ 165,173</u>	<u>\$ -</u>	<u>\$ 216,757</u>

e. Information about unused loss carryforwards and tax-exemption.

Loss carryforwards as of December 31, 2023 comprised of:

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 10,159	2025
492,029	2026
533,898	2027
57,977	2031
<u>365,364</u>	2033
<u>\$1,459,427</u>	

f. Income tax assessments

The Company's tax returns through 2020, FocalTech Smart Sensors Co., Ltd., and FocalTech Electronics Co., Ltd.'s tax returns through 2021 have been examined by the tax authorities.

26. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic earnings (loss) per share	<u>\$ 1.74</u>	<u>(\$ 9.39)</u>
Diluted earnings per share	<u>\$ 1.69</u>	

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

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Net Profit (loss) for the Period

	For the Years Ended December 31	
	2023	2022
Earnings used in the computation of basic earnings per share	<u>\$ 361,919</u>	<u>(\$1,912,039)</u>

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

	For the Years Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	207,742	<u>203,701</u>
Effect of potentially dilutive ordinary shares:		
Treasury shares transferred to Employees	3,732	
Employee share options (share)	59	
Restricted stock for employees (share)	2,248	
The remuneration to employees	<u>732</u>	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>214,513</u>	

Note: There is no diluted effectiveness for the year ended December 31, 2022 due to operating loss.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

The Group did not have new share option plan issued for employees for the years ended December 31, 2023 and 2022.

Information about vested options as of December 31, 2023 and 2022 are as following:

Employee Stock Option Plan	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	Range of exercise price (NT\$)	Weighted-average remaining contractual life (years)	Range of exercise price (NT\$)	Weighted-average remaining contractual life (years)
2006	\$ -	-	\$29.68	0.27
2015	12.80	1.67	12.8	2.67

Information on outstanding options for the years ended December 31, 2023 and 2022 were as follows:

2023

Employee Stock Option Plan	<u>Beginning Balance</u>		<u>Options exercised</u>		<u>Options expired</u>		<u>Ending Balance</u>	
	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

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2022

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	198,399	\$19.86	(140,000)	\$20.98	(36,000)	\$ 5.37	22,399	\$29.68
2015	209,000	15.60	(122,000)	15.16	-	-	87,000	12.80

As of December 31, 2023, the valid and outstanding employee stock option plans are as following:

Plan	Number of Options	Valid Period	Vesting Terms
2015 employee stock option plan	2,800,000	10 years	A certain percentage of the options defined in the plan are vested and exercisable after the second year.

For the subsequent changes in the Company's ordinary share capital, such as issuance of shares in cash, from earnings and capital surplus, consolidation, spin-off, share split, issuance of global depository receipts, and decrease in ordinary shares which is not resulted from treasury share retired, the exercise price and the conversion ratio would be considered to adjust accordingly based on the plans.

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 December 31, 2023 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	

The limitations and rights on the unvested shares were as follows;

- 1) The employees cannot sell, pledge, transfer, donate, or dispose these shares.
- 2) The Company and the employees should enter into a trust agreement with a trust and custodian institution and authorize the institution to exercise the shareholders' rights including but not limited to attendance, proposing, speaking and voting in the shareholder meetings.

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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 December 31, 2023 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

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:

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

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:

- a. Employees are restricted to sell, pledge, transfer, and give to another, create any encumbrance on, or otherwise dispose of, any shares before vested.
- b. 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.
- c. Stock dividends and cash dividends yielding from restricted stock will be distributed to employees in the current year, and will not be restricted.
- d. National employee should transfer the granted shares to trustee appointed by the Company immediately. Before they are vested, the restricted should be kept in trustee. Non-national employee'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.

d. Compensation cost of aforementioned share-based payments for the years ended December 31, 2023 and 2022 are as follows:

	For the Years Ended December 31	
	2023	2022
Shares buyback programs	\$ 24,940	\$ 46,258
Restricted stock for employees	<u>195,074</u>	<u>398,351</u>
	<u>\$ 220,014</u>	<u>\$ 444,609</u>
Adjustment account:		
Capital surplus - employee stock options	\$ 24,940	\$ 46,258
Other equity - unearned employee compensation	<u>195,074</u>	<u>398,351</u>
	<u>\$ 220,014</u>	<u>\$ 444,609</u>

28. 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 November, 2024. 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 \$2,438 thousand and \$8,596 thousand as of December 31, 2023 and 2022.

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

	For the Years Ended December 31	
	2023	2022
Lease payment	<u>\$ 9,643</u>	<u>\$ 24,586</u>

29. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance.

To define the strategy of the Group's capital structure, the Group first sets its target market share according to the industry scale, the growth of the industry and the product roadmap. Based on the projected market position, the Group plans the research and development investment and capital expenditure. Furthermore, the Group calculates working capitals and cash demands based on the long-term development plan considering the industry characteristics to build up the overall operating model. Finally, the Group evaluates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business circle and the life circle of the product to decide the suitable capital structure. The management reviews capital structures periodically and considers the possible costs and risks of different capital structures. Generally, the Group adopted prudent capital management strategy.

The Group was not restricted to other external capital requirements.

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30. 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

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>

Financial assets at FVTOCI

Investments in debt instruments

Fixed income bonds	<u>\$ -</u>	<u>\$ 180,110</u>	<u>\$ -</u>	<u>\$ 180,110</u>
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December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Listed preferred shares	\$ 147,391	\$ -	\$ -	\$ 147,391
Private funds	-	-	207,977	207,977
Structured Investments	-	111,775	-	111,775
Total	<u>\$ 147,391</u>	<u>\$ 111,775</u>	<u>\$ 207,977</u>	<u>\$ 467,143</u>

Financial assets at FVTOCI

Investments in debt instruments

Fixed income bonds	<u>\$ -</u>	<u>\$ 179,137</u>	<u>\$ -</u>	<u>\$ 179,137</u>
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There were no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

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

<u>Financial assets at FVTPL</u>	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning	\$ 207,977	\$ 156,075
Purchases	17,500	45,778
Disposals	(10,128)	(2,345)
Recognized in profit or loss (other income or loss)	23,218	5,778
Effect of foreign currency exchange differences	(23)	2,691
Balance, ending	<u>\$ 238,544</u>	<u>\$ 207,977</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

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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

	December 31	
	2023	2022
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	\$ 615,930	\$ 467,143
Amortized cost (Note 1)	10,758,241	9,994,879
Financial assets at FVTOCI		
Investments in debt instruments	180,110	179,137
<u>Financial liabilities</u>		
Amortized cost (Note 2)	8,442,281	11,010,267

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 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.

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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 34.

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 Years Ended December 31	
	2023	2022
Profit or loss/ equity	<u>(\$ 18,102) (i)</u>	<u>\$52,159 (i)</u>

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

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.

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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:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	<u>\$ 6,385,370</u>	<u>\$ 4,500,360</u>
Financial liabilities	<u>\$ 860,242</u>	<u>\$ 3,070,806</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 1,400,499</u>	<u>\$ 1,963,302</u>
Financial liabilities	<u>\$ 958,947</u>	<u>\$ 986,840</u>

Sensitivity analysis

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

If interest rates had been 25 basis points higher/ lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would increase/ decrease by NT\$1,104 thousand and NT\$2,441 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 December 31, 2023, accounts receivables from top 5 customers represented 64% 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 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:

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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 December 31, 2022
Performing	The debtor with low credit risk and fully capable of paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 179,137</u>

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.

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>

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December 31, 2022

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 2,581,919	\$ 4,369,353	\$ -
Fixed interest rate liabilities	3,072,155	-	-
Floating interest rate liabilities	<u>25,000</u>	<u>395,556</u>	<u>566,284</u>
	<u>\$ 5,679,074</u>	<u>\$ 4,764,909</u>	<u>\$ 566,284</u>

31. 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 Years Ended December 31	
	2023	2022
Long-term employee benefits	\$ 19,705	\$ 41,727
Short-term employee benefits	51,684	49,806
Post-employment benefits	540	378
Share-based payments	<u>41,321</u>	<u>68,554</u>
	<u>\$ 113,250</u>	<u>\$ 160,465</u>

32. PLEDGED ASSETS

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

	December 31	
	2023	2022
Properties, plants and equipment – Net of buildings	\$ 485,178	\$ 495,182
Properties, plants and equipment – Land	557,110	557,110
Pledge deposits (categorized in other non-current assets)	<u>12,670</u>	<u>4,000</u>
	<u>1,054,958</u>	<u>1,056,292</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

NOVATEK MICROELECTRONICS CORP. (“NOVATEK”) filed five patent infringement actions with Intellectual Property and Commercial Court on August 9, 2021, asking the court to prohibit the Company from manufacturing, offering for sale, selling, utilizing or importing, for the aforementioned purposes, products infringing on such patents and asking for indemnification for any losses. The parties have reached a settlement agreement after the both parties have withdrawn all civil and administrative actions against the other party in April 2023. It does not have material impact on the Company’s operation and finance.

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34. 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:

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

December 31, 2022

	Foreign Currencies (thousand)	Exchange Rate	NT\$(thousand)
<u>Financial assets</u>			
Monetary items			
USD	\$ 219,107	30.71 (USD:NTD)	\$ 6,728,783
USD	16,780	6.9646 (USD:RMB)	515,311
<u>Financial liabilities</u>			
Monetary items			
USD	183,023	30.71 (USD:NTD)	5,620,630
USD	18,896	6.9646 (USD:RMB)	580,291

35. 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: See Table 4 attached;
 - 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 5 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 6 attached;

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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 7 attached.
- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See Table 5 attached.

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.

36. SEGMENT INFORMATION

a. Operating segments

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.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Years Ended December 31	
	2023	2022
IC for Human-Machine Interface Solutions	<u>\$ 13,568,371</u>	<u>\$ 12,949,902</u>

c. Geographical information

The Group operates in two principal geographical areas China and Taiwan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Years Ended December 31		December 31	
	2023	2022	2023	2022
China	\$ 11,924,098	\$ 10,253,909	\$ 1,178,312	\$ 1,236,577
Taiwan	1,448,668	2,183,728	3,233,706	3,992,654
Others	<u>195,605</u>	<u>512,265</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,568,371</u>	<u>\$ 12,949,902</u>	<u>\$ 4,412,018</u>	<u>\$ 5,229,231</u>

The Group's revenue was classified by location of receivable. Non-current assets which comprise property, plant and equipment, other intangible assets and guarantee deposits, exclude Measured at fair value through other comprehensive income-financial assets, financial assets at fair value through profit, goodwill, deferred tax assets and other non-current assets.

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d. Information about major customers

Single customers contributed 10% or more to the Group's revenue were as follows:

	For the Years Ended December 31			
	2023		2022	
	<u>Sales amount</u>	<u>Percentage</u>	<u>Sales amount</u>	<u>Percentage</u>
Custom A and subsidiaries	\$ 2,178,491	16	\$ 1,304,137	10
Custom B and subsidiaries	NA(Note)	NA	1,999,825	15
Custom C and subsidiaries	NA(Note)	NA	1,352,962	10

Note: The sale amount is under 10% of the Group's revenue.

FocalTech Systems Co., Ltd. and Subsidiaries
FINANCINGS PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

No (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Amount Actually Drawn (Note 4)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	FocalTech Systems, Ltd.	FocalTech Systems Co., Ltd.	Other receivables from related parties	Yes	\$ 1,842,300 (USD 60,000)	\$ 921,150 (USD 30,000)	\$ -	-	The need for short- term financing	\$ -	Operating capital	\$ -	-	-	\$ 2,219,691	\$ 2,219,691	Note 3
1	FocalTech Systems, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	Other receivables from related parties	Yes	307,050 (USD 10,000)	307,050 (USD 10,000)	-	-	The need for short- term financing	-	Operating capital	-	-	-	2,219,691	2,219,691	Note 3
2	FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	Other receivables from related parties	Yes	767,625 (USD 25,000)	767,625 (USD 25,000)	-	-	The need for short- term financing	-	Operating capital	-	-	-	1,205,321	1,205,321	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: 30.705 NTD as of December 31, 2023.

TABLE 2

**FocalTech Systems Co., Ltd. and Subsidiaries
ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023**

(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.	FocalTech Systems, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	\$ 4,654,037	\$ 1,381,725 (USD 45,000)	\$ 1,381,725 (USD 45,000)	\$ -	\$ -	14.84%	\$ 4,654,037	Yes	No	No	(Note 3)
0	FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,654,037	1,400,279 (USD 45,604)	1,400,279 (USD 45,604)	-	-	15.04%	4,654,037	Yes	No	No	(Note 3)
0	FocalTech Systems Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,654,037	2,579,220 (USD 84,000)	2,579,220 (USD 84,000)	69,484	-	18.80%	4,654,037	Yes	No	Yes	(Note 3.6 and 8)
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.	4,654,037	3,316,140 (USD 108,000)	3,316,140 (USD 108,000)	29,497	-	22.76%	4,654,037	Yes	No	Yes	(Note 3.7 and 8)
0	FocalTech Systems Co., Ltd.	FocalTech Smart Sensors Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,654,037	107,468 (USD 3,500)	107,468 (USD 3,500)	-	-	1.15%	4,654,037	Yes	No	No	(Note 4)
0	FocalTech Systems Co., Ltd.	FocalTech Smart Sensors, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,654,037	107,468 (USD 3,500)	107,468 (USD 3,500)	-	-	1.15%	4,654,037	Yes	No	No	(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 45,000 thousand of endorsements/guarantees for FocalTech Electronics Ltd., FocalTech Systems, Ltd., Hefei PineTech Electronics Co., Ltd. and FocalTech Electronics (Shenzhen) Co., Ltd. for the purchases, the amount actually drawn during the period is NT\$0, NT\$0, NT\$0, and NT\$ 29,095 thousand respectively.

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

Note 5: FocalTech Systems Co., Ltd. provided USD 17,000 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.

Note 6: FocalTech Systems Co., Ltd. renewed endorsements/guarantees contract with Hefei PineTech Electronics Co., Ltd. on the Board of Directors' resolution before old contract is due. Therefore, it resulted in the balance calculated repeatedly. Amount USD 27,000 included in the balance USD 84,000 is provided by old contract.

Note 7: FocalTech Systems Co., Ltd. renewed endorsements/guarantees contract with FocalTech Electronics (Shenzhen) Co., Ltd. on the Board of Directors' resolution before old contract is due. Therefore, it resulted in the balance calculated repeatedly. Amount USD 39,000 included in the balance USD 108,000 is provided by old contract.

Note 8: Using the exchange rate of 1 USD: 30.705 NTD as of December 31, 2023.

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

TABLE 3

FocalTech Systems Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(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	December 31, 2023				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\$ 10,183	0.03	NT\$ 10,183	
	<u>Privately Offered Fund</u> CDIB Capital Healthcare Ventures II Limited Partnership	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 30,660	0.96	NT\$ 30,660	
	CDIB Capital Growth Partners L.P.	-	"	-	NT\$ 30,766	0.66	NT\$ 30,766	
	CDIB-Innolux Limited Partnership	-	"	-	NT\$ 59,951	4.37	NT\$ 59,951	
	Cathay Private Equity Smart Tech Limited Partnership	-	"	-	NT\$ 86,110	22.16	NT\$ 86,110	
FocalTech Systems, Ltd.	<u>Structured product</u> CLN Link HSBC SUB	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 58,305 (USD 1,899)		NT\$ 58,305 (USD 1,899)	
	CLN Link Barclays SUB	-	"	-	NT\$ 58,693 (USD 1,912)		NT\$ 58,693 (USD 1,912)	
	<u>Beneficiary certificate</u> UBS Monetary Fund		Financial assets at fair value through profit or loss - current		NT\$ 4,011 (USD 131)		NT\$ 4,011 (USD 131)	
	<u>Government bonds</u> United States Department of The Treasury Maturity Date : January 11,2024 ~ November 29, 2024		Financial assets at fair value through profit or loss - current		NT\$ 246,194 (USD 8,018)		NT\$ 246,194 (USD 8,018)	
	<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\$ 129,746 (USD 4,226)		NT\$ 129,746 (USD 4,226)	
	Industrial and Commercial Bank of China Limited Maturity Date : September 21, 2025	-	Financial assets at fair value through other comprehensive income - non current	-	NT\$ 50,364 (USD 1,640)		NT\$ 50,364 (USD 1,640)	
FocalTech Electronics, Ltd.	<u>Privately Offered Fund</u> TIEF Fund, L.P.	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 31,057 (USD 1,011)	4.83	NT\$ 31,057 (USD 1,011)	

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: 30.705 NTD as of December 31, 2023.

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TABLE 4

FocalTech Systems Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Company	Type of Marketable securities	Financial Statements Account	Counter-party (Note 1)	Nature of Relationship (Note 1)	Beginning Balance		Acquisition (Note 2)		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount
FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	Investments accounted for using equity	FocalTech Systems, Ltd.	Subsidiary	-	\$-	-	NT\$ 1,017,669 (USD 32,665)	-	\$-	\$-	\$-	-	NT\$ 1,017,669 (USD 32,665)

Note 1: The Group adjusted its organizational structure. All shares of FocalTech Systems (Shenzhen) Co., Ltd. which was owned by FocalTech Systems, Ltd. were transferred to FocalTech Electronics (Shenzhen) Co., Ltd..

Note 2: Using the average exchange rate of 1 USD: 31.155 NTD for the year ended December 31, 2023.

Note 3: Balances, transactions, revenue and expenses between the Company and its subsidiaries have been eliminated on consolidation.

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TABLE 5

FocalTech Systems Co., Ltd. and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	\$ 456,237	Note 2	2.47%
0	FocalTech Systems Co., Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	1	Accounts Payables	21,558	Note 2	0.12%
			1	Cost of revenue	32,902	Note 2	0.24%
1	FocalTech Systems, Ltd	FocalTech Electronics (Shenzhen) Co., Ltd.	2	Other Receivables	803,145	Note 2	4.35%
				Disposal of investments accounted for using equity	1,017,669	Determined by contract	5.51%
2	FocalTech Electronics, Ltd.	FocalTech Electronics (Shenzhen) Co., Ltd.	2	Other Receivables	224,518	Note 2	1.22%
				Disposal of investments accounted for using equity	277,348	Determined by contract	1.50%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	2	Accounts Payables	273,466	Note 2	1.48%
			2	Research and development expenses	27,256	Note 2	0.20%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	2	Other Prepayment	457,440	Note 2	2.48%
			2	Research and development expenses	264,674	Note 2	1.95%
3	FocalTech Electronics (Shenzhen) Co., Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	2	Other Payables	37,423	Note 2	0.20%
			2	Selling and marketing expenses	93,058	Note 2	0.69%
4	FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	2	Research and development expenses	21,809	Note 2	0.16%
5	FocalTech Systems, Inc.	FocalTech Systems, Ltd.	2	Service revenue	18,693	Note 2	0.14%

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.

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TABLE 6

FocalTech Systems Co., Ltd. and Subsidiaries
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 (Note 1)
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (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 December 31, 2023			Net Income (Losses) of the Investee (Note 4)	Share of Profits/Losses of Investee (Note 4)	Note
				December 31,2023 (Note 2)	December 31,2022 (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\$ 2,350,762 (USD 76,560)	(NT\$ 298,721) (USD 9,588)	(NT\$ 298,721) (USD 9,588)	Subsidiary
FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	Cayman Islands	Investment activity	NT\$ 3,071 (USD 100)	NT\$ 3,071 (USD 100)	2	100%	NT\$ 1,205,321 (USD 39,255)	NT\$ 110,207 (USD 3,537)	NT\$ 110,207 (USD 3,537)	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\$ 1,642 (USD 53)	(NT\$ 26,539) (USD 852)	(NT\$ 2,426) (USD 78)	Subsidiary
FocalTech Systems Co., Ltd.	Vitrio Technology Corporation	Taiwan	Research, development, manufacturing and sale of integrated circuits	NT\$ -	NT\$ 4,970	-	-	NT\$ -	(NT\$ 71)	NT\$ -	Joint Venture (Note 5)
FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Cayman Islands	Investment activity	NT\$ 238,821	NT\$ 238,821	18,813,050	57.31%	NT\$ 10,294 (USD 335)	(NT\$ 26,539) (USD 852)	(NT\$ 15,210) (USD 488)	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\$ 16,350	(NT\$ 5,340)	(NT\$ 5,340)	Subsidiary
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	U.S.A	Investment activity	NT\$ 3,140,902 (USD 102,293)	NT\$ 3,141,414 (USD 102,293)	100	100%	NT\$ 2,157,617 (USD 70,269)	(NT\$ 297,154) (USD 9,538)	(NT\$ 297,154) (USD 9,538)	Subsidiary
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Cayman Islands	Investment activity	NT\$ 716,964 (USD 23,350)	NT\$ 717,080 (USD 23,350)	2	100%	NT\$ 2,219,691 (USD 72,291)	(NT\$ 306,849) (USD 9,849)	(NT\$ 306,849) (USD 9,849)	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\$ 93,297 (USD 3,038)	(NT\$ 14,133) (USD 454)	(NT\$ 14,133) (USD 454)	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: 30.705 NTD as of December 31, 2023.

Note 3: Using the exchange rate of 1 USD: 30.71 NTD as of December 31, 2022.

Note 4: Using the average exchange rate of 1 USD: 31.155 NTD for the year ended December 31, 2023.

Note 5: Vitrio Technology Corporation has been dissolved on April 18, 2023, and submitted liquidation tax return on June 8, 2023.

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TABLE 7

FocalTech Systems Co., Ltd. and Subsidiaries
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 FOR THE YEAR ENDED DECEMBER 31, 2023

(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 December 31, 2023 (Note 1)	Net income (loss) of investee company (Note 2)	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2023 (Note 1)	Accumulated inward remittance of earnings as of December 31, 2023	Note
					Outflow	Inflow							
FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for affiliates' IC products	NT\$ 61,410 (USD 2,000)	(Note 3 and 4)	NT\$ 30,705 (USD 1,000)	\$ -	\$ -	NT\$ 30,705 (USD 1,000)	NT\$ 3,987 (USD 128)	100%	NT\$ 3,987 (USD 128)	NT\$ 37,747 (USD 1,229)	\$ -	-
FocalTech Electronics (Shenzhen) Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	NT\$ 285,557 (USD 9,300)	(Note 3)	NT\$ 30,705 (USD 1,000)	-	-	NT\$ 30,705 (USD 1,000)	NT\$ 147,687 (USD 4,740)	100%	NT\$ 147,687 (USD 4,740)	NT\$ 174,874 (USD 5,695)	-	-
FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	NT\$ 1,136,090 (USD 37,000)	(Note 4)	-	-	-	-	(NT\$ 319,227) (USD 10,246)	100%	(NT\$ 319,227) (USD 10,246)	NT\$ 601,583 (USD 19,592)	-	-
Hefei PineTech Electronics Co., Ltd.	Research, development and sale of integrated circuits	NT\$ 130,056 (RMB 30,000)	(Note 4)	-	-	-	-	(NT\$ 18,836) (USD 605)	100%	(NT\$ 18,836) (USD 605)	NT\$ 225,596 (USD 7,347)	-	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$61,410 (USD2,000)	\$1,856,643 (USD60,467)	\$5,584,844

Note 1: Using the exchange rate of 1 USD: 30.705 NTD and 1 RMB :4.3352 NTD as of December 31, 2023.

Note 2: Using the average exchange rate of 1 USD: 31.155 NTD and 1 RMB :4.424 NTD for year ended December 31, 2023.

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.

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Attachment 2

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of FocalTech Systems Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2023 are stated as follows:

Recognition for Sales Revenue

The sales revenue of Integrated Driver Controller is the main indicator of financial and business performance evaluated by investors and the management. It possibly exists the pressure to achieve the financial target, and it might result in the risk of the occurrence of sales revenue. Therefore, the sales revenue of Integrated Driver Controller is considered as a key audit matter for the financial year ended December 31, 2023.

Refer to Notes 4 and 22 for the accounting policy, accounting estimation and disclosure information.

Our audit procedures related to the abovementioned Key Audit Matters included the following:

1. We evaluated the design of internal control related to sales and collection cycle and the implement of the internal control.
2. We obtained customer ranking list in 2023, and analyze the differences of customers and its sales amount.
3. We analyzed if the sales quantities, sales revenue and gross margin by products existed material exception.
4. We sampled purchase orders, shipping documents bills of lading, and collection records in revenue

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breakdown to ensure the occurrence of sales revenue.

Valuation of Inventory

Due to high market demand fluctuation and rapid technological development, the inventories may turn obsolete or have a lower net realizable value which may result in inventories being impaired. The Company has performed impairment assessment on inventories through evaluation of aging and net realizable value of inventories quarterly. The management has practiced their professional judgement in estimating the possible loss on impairment based on the sales performance of each product. Therefore, inventory valuation is considered as a key audit matter for the financial year ended December 31, 2023.

Refer to Notes 4 and 10 for the accounting policy, accounting estimation and disclosure information.

Our audit procedures related to the abovementioned Key Audit Matters included the following:

1. We obtained an understanding of the Company's accounting policies and procedures on the assessment of impairment through analyzing the net realizable value calculation report and inventory aging report prepared by the management. We have inspected the supporting documents of recent selling price, and re-calculated the net realizable value of inventory to ensure its accuracy and reasonableness of the management's estimation on impairment loss.
2. We obtained an understanding of the Company's judgement on the estimation of impairment loss for obsolete items information and discussed recent sales performance and the reasonableness on the estimates of inventory devaluation in the future. We also performed inspection on recent sales to evaluate the reasonableness of the impairment loss provided on obsolete stock.

Responsibilities of Corporate Management and Governance Hierarchy For the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management level is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, (including members of the Audit Committee) is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

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involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the years ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Hong Kuo and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2024

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FOCALTECH SYSTEMS CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 4 and 6)	\$ 2,781,182	17	\$ 3,113,907	17
Accounts receivables, net (Note 4 and 9)	1,368,404	9	922,393	5
Inventories (Note 4 and 10)	1,555,548	10	4,109,927	23
Other financial assets (Note 4 and 8)	1,688,775	11	184,260	1
Other current assets (Note 24)	94,465	-	126,136	1
Total current assets	7,488,374	47	8,456,623	47
NON-CURRENT ASSETS				
Financial asset at fair value through profit or loss (Note 4 and 7)	217,670	1	325,460	2
Investments accounted for using equity method (Note 4 and 11)	3,557,725	22	3,694,408	20
Property, plant and equipment (Note 4 and 12)	1,238,657	8	1,254,558	7
Goodwill (Notes 4 and 13)	1,237,268	8	1,237,268	7
Other intangible assets (Notes 4 and 14)	112,465	1	58,006	-
Deferred income tax assets (Notes 4 and 24)	175,545	1	301,072	2
Refundable deposits (Notes 15)	1,852,750	12	2,648,946	15
Other non-current assets	-	-	2,486	-
Total non-current assets	8,392,080	53	9,522,204	53
TOTAL	\$ 15,880,454	100	\$ 17,978,827	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	-	\$ 1,400,000	8
Accounts payables (Note 17 and 30)	1,500,085	9	1,225,732	7
Other payables (Note 18)	229,991	2	589,688	3
Current tax liabilities (Note 4 and 24)	127,997	1	327,127	2
Current position of long-term borrowings (Note 16)	26,386	-	25,000	-
Other current liabilities (Note 22)	11,812	-	44,756	-
Total current liabilities	1,896,271	12	3,612,303	20
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	760,454	5	961,840	6
Deferred tax liabilities (Notes 4 and 24)	219,167	1	216,757	1
Net defined benefit liabilities (Notes 4 and 19)	13,955	-	13,560	-
Guarantee deposits received (Notes 20)	3,682,534	23	4,342,936	24
Total non-current liabilities	4,676,110	29	5,535,093	31
Total liabilities	6,572,381	41	9,147,396	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)				
Share capital				
Ordinary shares	2,178,900	14	2,161,107	12
Capital surplus	6,031,904	38	6,041,988	34
Retained earnings				
Legal reserve	712,562	4	712,562	4
Special reserve	-	-	211,479	1
Undistributed earnings	757,830	5	196,847	1
Total retained earnings	1,470,392	9	1,120,888	6
Other equity	(210,063)	(1)	(296,495)	(2)
Treasury shares	(163,060)	(1)	(196,057)	(1)
Total equity	9,308,073	59	8,831,431	49
TOTAL	\$ 15,880,454	100	\$ 17,978,827	100

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

FOCALTECH SYSTEMS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
REVENUE (Note 4 and 22)	\$ 10,073,062	100	\$ 9,642,718	100
COSTS OF SALES (Notes 4,10, 23 and 30)	<u>(8,316,026)</u>	<u>(83)</u>	<u>(9,069,529)</u>	<u>(94)</u>
GROSS PROFIT	<u>1,757,036</u>	<u>17</u>	<u>573,189</u>	<u>6</u>
OPERATING EXPENSES (Notes 23, 26, 27 and 30)				
Selling and marketing expenses	(87,347)	(1)	(197,124)	(2)
General and administrative expenses	(218,780)	(2)	(333,874)	(4)
Research and development expenses	<u>(1,002,973)</u>	<u>(10)</u>	<u>(1,571,102)</u>	<u>(16)</u>
Total operating expenses	<u>(1,309,100)</u>	<u>(13)</u>	<u>(2,102,100)</u>	<u>(22)</u>
OPERATIONS INCOME (LOSS)	<u>447,936</u>	<u>4</u>	<u>(1,528,911)</u>	<u>(16)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 23)	(17,051)	-	(21,132)	-
Share of loss of subsidiaries and joint ventures (Note 4)	(190,940)	(2)	(794,020)	(8)
Interest income (Note 4)	155,746	2	59,007	-
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 4)	17,038	-	(81,318)	(1)
Other gains and losses	9,460	-	126,363	4
Gain on foreign currency exchange (Note 4)	<u>15,632</u>	<u>-</u>	<u>353,987</u>	<u>-</u>
Total non-operating income and expenses	<u>(10,115)</u>	<u>-</u>	<u>(357,113)</u>	<u>(4)</u>
INCOME (LOSS) BEFORE INCOME TAX	437,821	4	(1,886,024)	(20)
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(75,902)</u>	<u>(1)</u>	<u>(26,015)</u>	<u>-</u>
NET INCOME (LOSS)	<u>361,919</u>	<u>3</u>	<u>(1,912,039)</u>	<u>(20)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	(861)	-	7,985	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 24)	<u>120</u>	<u>-</u>	<u>(1,117)</u>	<u>-</u>
	<u>(741)</u>	<u>-</u>	<u>6,868</u>	<u>-</u>

(Continued)

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FOCALTECH SYSTEMS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of subsidiaries (Notes 4)	\$ (34,675)	-	\$ 250,813	3
Total other comprehensive (loss) income, net of income tax	(35,416)	-	257,681	3
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ 326,503	3	\$ (1,654,358)	(17)
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	\$ 1.74		\$ (9.39)	
Diluted	\$ 1.69			

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

(Concluded)

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FOCALTECH SYSTEMS CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity				Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences from Translating Financial Statement of Foreign Operations	Unrealized Gains(losses) on Financial Assets at Fair Value through Other comprehensive income	Unearned employee compensation	Treasury Shares	
BALANCE, JANUARY 1, 2022	\$ 2,162,367	\$ 6,062,869	\$ 101,230	\$ 122,316	\$ 6,202,079	\$ (211,648)	\$ 169	\$ (813,720)	\$ -	\$ 13,625,662
Appropriation of 2021 earnings										
Legal reserve	-	-	611,332	-	(611,332)	-	-	-	-	-
Special reserve	-	-	-	89,163	(89,163)	-	-	-	-	-
Cash dividends	-	-	-	-	(3,400,000)	-	-	-	-	(3,400,000)
Net loss for the year ended December 31, 2022	-	-	-	-	(1,912,039)	-	-	-	-	(1,912,039)
Other comprehensive loss for the year ended December 31, 2022, net of income tax	-	-	-	-	6,868	264,120	(13,307)	-	-	257,681
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	(1,905,171)	264,120	(13,307)	-	-	(1,654,358)
Compensation cost of employee share options	-	46,258	-	-	-	-	-	-	-	46,258
Treasury shares acquired	-	-	-	-	-	-	-	-	(507,621)	(507,621)
Treasury shares transferred to employees	-	-	-	-	-	-	-	-	311,564	311,564
Retirement of restricted stock employees	(3,880)	(79,540)	-	-	-	-	-	79,540	-	(3,880)
Issuance of ordinary shares from exercise of employee share options	2,620	12,401	-	-	-	-	-	-	-	15,021
Unvested restricted stock to employees refund cash dividends	-	-	-	-	434	-	-	-	-	434
Compensation cost of restricted stock of employees	-	-	-	-	-	-	-	398,351	-	398,351
BALANCE AT DECEMBER 31, 2022	2,161,107	6,041,988	712,562	211,479	196,847	52,472	(13,138)	(335,829)	(196,057)	8,831,431
Appropriation of 2022 earnings										
Special reserve	-	-	-	(211,479)	211,479	-	-	-	-	-
Net income for the year ended December 31, 2023	-	-	-	-	361,919	-	-	-	-	361,919
Other comprehensive income for the year ended December 31, 2023 ,net of income tax	-	-	-	-	(741)	(41,294)	6,619	-	-	(35,416)
Total comprehensive loss for the year ended December 31, 2023	-	-	-	-	361,178	(41,294)	6,619	-	-	326,503
Cash dividends distributed from capital surplus	-	(108,000)	-	-	-	-	-	-	-	(108,000)
Compensation cost of employee share options	-	24,940	-	-	-	-	-	-	-	24,940
Treasury shares transferred to employees	-	-	-	-	-	-	-	-	32,997	32,997
Issuance of ordinary shares from exercise of employee share options	463	508	-	-	-	-	-	-	-	971
Issuance of restricted stock for employees	20,330	137,024	-	-	-	-	-	(137,024)	-	20,330
Retirement of restricted stock employees	(3,000)	(63,057)	-	-	-	-	-	63,057	-	(3,000)
Compensation cost of restricted stock of employees	-	-	-	-	-	-	-	195,074	-	195,074
Other	-	(1,499)	-	-	(11,674)	-	-	-	-	(13,173)
BALANCE AT DECEMBER 31, 2023	\$ 2,178,900	\$ 6,031,904	\$ 712,562	\$ -	\$ 757,830	\$ 11,178	\$ (6,519)	\$ (214,722)	\$ (163,060)	\$ 9,308,073

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

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FOCALTECH SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax from continuing operation	\$ 437,821	\$(1,886,024)
Adjustments for:		
Depreciation expenses	62,873	43,502
Amortization expenses	91,362	71,170
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(17,038)	81,318
Finance costs	17,051	21,132
Interest income	(155,746)	(59,007)
Compensation cost of employee share options	8,633	15,304
Share of loss of subsidiaries and joint ventures	190,940	794,020
Gain on disposal of property plant and equipment	-	(1,143)
Loss (gain) on disposal of investments	5,942	(97,765)
(Reversal gain) loss on write-down of inventories	(1,089,693)	2,018,719
Compensation cost of restricted stock to employees	110,775	242,146
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	118,886	94,476
Accounts receivables	(446,011)	1,988,274
Inventories	3,644,072	(3,474,487)
Other current assets	59,302	91,537
Accounts payables	274,353	(1,598,647)
Other payables	(359,697)	173,263
Other current liabilities	(31,988)	(168,327)
Other non-current liabilities	-	(10,400)
Net defined benefit liabilities	(466)	(595)
Cash generated (used) from operations	<u>2,921,371</u>	<u>(1,661,534)</u>
Interest paid	(18,007)	(20,008)
Income tax paid	<u>(153,677)</u>	<u>(1,201,208)</u>
Net cash inflow (outflow) from operating activities	<u>2,749,687</u>	<u>(2,882,750)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(46,972)	(107,079)
Disposal of property, plant and equipment	-	7,685
Decrease in refundable deposits	796,196	177,906
Acquisition of intangible assets	(145,821)	(71,091)
Decrease (increase) in other non-current assets	2,486	(2,486)
(Increase) decrease in other financial assets	(1,504,515)	2,902,570
Interest received	<u>134,817</u>	<u>45,069</u>
Net cash (outflow) inflow from investing activities	<u>(763,809)</u>	<u>2,952,574</u>

(Continued)

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FOCALTECH SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	\$(1,400,000)	\$ 1,400,000
(Decrease) increase in long-term borrowings	(200,000)	200,000
Decrease in guarantee deposits received	(660,402)	(45,354)
Cash dividends paid	(108,000)	(3,400,000)
Exercise of employee share options	971	15,021
Treasury shares acquired	-	(507,621)
Treasury shares transferred to employees	32,997	311,564
Issuance of restricted stock for employees	20,330	-
Retirement of restricted stock employees	(3,000)	(3,880)
Unvested restricted stock employees refund cash dividends	-	434
Other	<u>(1,499)</u>	<u>-</u>
Net cash outflow from financing activities	<u>(2,318,603)</u>	<u>(2,029,836)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(332,725)	(1,960,012)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,113,907</u>	<u>5,073,919</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,781,182</u>	<u>\$ 3,113,907</u>

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

(Concluded)

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FOCALTECH SYSTEMS CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (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 financial statements are presented in the Company’s functional currency of New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 23, 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 Company’s accounting policies.

- d. b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2024:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Lease liabilities in a sale and leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Noncurrent liabilities with Convnants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note3: The amendments provide some transition relief regarding initial disclosure requirements.

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17- Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have impact on the Company’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 Financial Report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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.

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent between the consolidated financial statements and parent company financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted by the accounts of investments accounted for using equity method, share of profits of subsidiaries and share of other comprehensive income of

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subsidiaries in the parent company only financial statements.

c. Standards in differentiating current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Assets expected to be realized within 12 months after the reporting period; and
- 2) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Those not as aforementioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

d. Foreign currencies

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting financial statements, the functional currencies of the Company and the Group entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

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Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing the control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount (net of amortization or depreciation) before any impairment loss recognized. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only to the extents that are not related to the interests between the Company and subsidiaries.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost, and subsequently measured at cost less accumulated depreciation.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is carried at cost, and subsequently measured at cost less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An

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impairment loss recognized for goodwill is not reversed in subsequent periods.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

j. Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs to.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

i) Measurement category

The Company's financial assets include those measured at FVTPL, and at amortized cost.

D. Financial asset at FVTPL

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The equity instruments that are not specified as FVTOCI and debt instruments that do not meet the criteria of amortized cost or FVTOCI are mandatorily required to be measured at FVTPL.

Any dividends, interest earned and gain or loss arising from the remeasurement is recognized in profit or loss at fair value. The determination methodology of fair value of financial instruments states in Note 29.

E. Financial assets at amortized cost

Financial assets that meet both two following conditions will subsequently be measured at amortized cost:

- (3) The objective of the business model to hold the financial asset is to collect contractual cash flows; and
- (4) The cash flows from contractual terms of the financial asset on specified dates are solely matched for payments of principal and interests on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, account receivables at amortized cost, other financial assets, and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method, subtracting any impairment loss. Foreign exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from obtaining date, high liquidation level, readily convertible to a known amount of cash at any time, and low risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii) Impairment of financial assets

At the end of each reporting period, the impairment loss is recognized by expected credit loss method for financial assets at amortized cost (including accounts receivables).

The loss allowance for accounts receivables is determined by the expected credit losses over the lifetime. For other financial assets at amortized cost, if the credit risk on the financial instrument has not increased significantly after initial recognition, a loss allowance is determined by the expected credit losses resulting from the possible default events within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk after initial recognition, a loss allowance is determined by the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

Expected credit losses (ECLS) reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 12-month ECLS represent the portion of lifetime ECLS that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, Lifetime ECLS represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

All impairment loss of the financial instruments with a corresponding adjustment to their carrying amount are through an allowance account, except for investments in debt instruments

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that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

iii) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

When a financial asset carried at amortized cost is derecognized in its entirety, the difference between the asset's carrying amount and the consideration is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The carrying amount is calculated by weighted average of stock types. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

i) Subsequent measurement

All the financial liabilities are measured by amortized cost using the effective interest method.

ii) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

m. Revenue recognition

The Company recognizes revenue when customer's contract obligations are satisfied.

Revenue comes from sales of Human-Machine Interface devices ICs. Revenue is recognized when the ICs start to be shipped or are delivered to the specific locations instructed by customers, at which time the customer has full discretion over the ICs. Revenue and accounts receivables are recognized concurrently.

The Company considers varying contractual terms to estimate sales returns and recognize refund liabilities, which is classified under other payables.

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n. Lease

The Company evaluates if the contract belongs to or includes the lease the commencement date.

The Company as a lessee

Except for the leases of low-value asset or short-term leases recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets from the commencement date.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets which are substantially ready for their intended use or sale through a fairly long period) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost, including current service cost and net interest on the net defined benefit liability (asset,) is recognized as employee benefits expense in the period it occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan.

q. Share-based payment arrangements

Equity-settled and share-based payment arrangements granted to employees

The fair value at the grant date of the equity-settled and share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's optimal estimate number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options.

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

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benefits. For restricted stocks where employees have to pay to acquire those stocks, the Group will return their payments on the stocks to employees when they resign. It should be recognized in payables.

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

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

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax on unappropriated earnings according to the Income Tax Law should be accrued in the year when the resolution regarding to the appropriated earnings is made in the shareholder meeting.

Any adjustment of prior years' tax liability is counted in the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the deferred tax is recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Impairment of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 571	\$ 646
Checking accounts and demand deposits	803,561	779,301
Cash equivalent (time deposits with original maturities less than three months)	<u>1,977,050</u>	<u>2,333,960</u>
	<u>\$ 2,781,182</u>	<u>\$ 3,113,907</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Non-Current</u>		
Mandatorily measured at fair value through profit or loss (FVTPL)		
Listed preferred shares	\$ 10,183	\$ 147,391
Private Funds	<u>207,487</u>	<u>178,069</u>
	<u>\$ 217,670</u>	<u>\$ 325,460</u>

8. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Time deposits with original maturities more than three months	<u>\$ 1,688,775</u>	<u>\$ 184,260</u>

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9. ACCOUNTS RECEIVABLES, NET

	December 31	
	2023	2022
Accounts receivables	<u>\$ 1,368,404</u>	<u>\$ 922,393</u>

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

The Company recognizes the allowance loss for accounts receivable based on expected credit losses during the duration. The expected credit losses on accounts receivables are estimated by using an allowance matrix which references 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 among the loss patterns of different customer groups. Therefore, the allowance matrix does not further distinguish the customer groups, 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 Company's allowance matrix.

December 31, 2023

	<u>Non Past Due</u>	<u>Overdue 1-60 Days</u>	<u>Overdue 61-180 Days</u>	<u>Overdue Over 181 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	<u>\$ 1,368,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,368,404</u>

December 31, 2022

	<u>Non Past Due</u>	<u>Overdue 1-60 Days</u>	<u>Overdue 61-180 Days</u>	<u>Overdue Over 181 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	<u>\$ 876,915</u>	<u>\$ 14,143</u>	<u>\$ 31,335</u>	<u>\$ -</u>	<u>\$ 922,393</u>

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10. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 633,068	\$ 737,897
Work in progress	681,924	1,823,306
Raw materials and supplies	<u>240,556</u>	<u>1,548,724</u>
	<u>\$ 1,555,548</u>	<u>\$ 4,109,927</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 Years Ended December 31	
	2023	2022
(Reversal gain) loss on write-down of inventories	(<u>\$ 1,089,693</u>)	<u>\$ 2,018,719</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2023	2022
Investments in subsidiaries		
FocalTech Corporation, Ltd.	\$ 2,350,762	\$ 2,194,116
FocalTech Electronics, Ltd.	1,205,321	1,496,253
FocalTech Smart Sensors, Ltd.	<u>1,642</u>	<u>4,039</u>
	<u>\$ 3,557,725</u>	<u>\$ 3,694,408</u>

	Percentage of Ownership as of December 31	
	2023	2022
Investments in subsidiaries		
FocalTech Corporation, Ltd.	100%	100%
FocalTech Electronics, Ltd.	100%	100%
FocalTech Smart Sensors, Ltd.(a)	9.14%	9.14%

a. The Company and its subsidiary hold 9.14% and 57.31% of the issued share of FocalTech Electronics Co., Ltd.. Since the Company had control over FocalTech Electronics Co., Ltd., it was listed as a subsidiary.

The share of profit or loss and other comprehensive income of these subsidiaries accounted for using the equity method recognized in 2023 and 2022 financial statements were based on the audited subsidiaries' financial statements of the corresponding periods.

12. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Development Equipment</u>	<u>Office Equipment</u>	<u>Leasehold Improve- ments</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ -	\$ -	\$ 190,003	\$ 304	\$ 16,878	\$1,080,130	\$1,287,315
Additions	-	-	25,522	47,754	-	33,803	107,079
Disposals	-	-	(38,850)	(304)	(16,878)	-	(56,032)
Reclassification	<u>557,110</u>	<u>500,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,057,293)</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 557,110</u>	<u>\$ 500,183</u>	<u>\$ 176,675</u>	<u>\$ 47,754</u>	<u>\$ -</u>	<u>\$ 56,640</u>	<u>\$1,338,362</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ -	\$ 72,610	\$ 304	\$ 16,878	\$ -	\$ 89,792
Depreciation	-	5,001	36,706	1,795	-	-	43,502
Disposals	-	-	(32,308)	(304)	(16,878)	-	(49,490)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 5,001</u>	<u>\$ 77,008</u>	<u>\$ 1,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,804</u>
Carrying amounts at December 31, 2022	<u>\$ 557,110</u>	<u>\$ 495,182</u>	<u>\$ 99,667</u>	<u>\$ 45,959</u>	<u>\$ -</u>	<u>\$ 56,640</u>	<u>\$1,254,558</u>
<u>Cost</u>							
Balance at January 1, 2023	\$ 557,110	\$ 500,183	\$ 176,675	\$ 47,754	\$ -	\$ 56,640	\$1,338,362
Additions	-	-	15,204	31,768	-	-	46,972
Disposals	-	-	(9,445)	(133)	-	-	(9,578)
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,640</u>	<u>-</u>	<u>(56,640)</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 557,110</u>	<u>\$ 500,183</u>	<u>\$ 182,434</u>	<u>\$ 136,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,375,756</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 5,001	\$ 77,008	\$ 1,795	\$ -	\$ -	\$ 83,804
Depreciation	-	10,004	38,631	14,238	-	-	62,873
Disposals	-	-	(9,445)	(133)	-	-	(9,578)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 15,005</u>	<u>\$ 106,194</u>	<u>\$ 15,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,099</u>
Carrying amounts at December 31, 2023	<u>\$ 557,110</u>	<u>\$ 485,178</u>	<u>\$ 76,240</u>	<u>\$ 120,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,238,657</u>

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

Buildings	50 years
Development equipment	4 years
Office equipment	4 years
Leasehold improvements	1-4 years

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

13. GOODWILL

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Ending balance	<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, resulting the goodwill of \$3,237,268 thousand. In 2018, the impacts of market improper competition and the shortage of wafer supply made the company a serious market share decline, which is expected to influence the market shares and gross margins in the future. Therefore, the recoverable amount from IDC (Integrated Driver Controller) less than the carrying value so the Company recognized the impairment loss of \$2,000,000 thousand. In 2019, based on the market growth and market share gain in smartphone market, the Company estimated cash flows from sales of IDC (Integrated Driver Controller), and the recoverable amount exceeded the carrying value. Therefore, the Company did not recognize any impairment on goodwill.

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The recoverable amount is calculated by IDC projected net cash flows, discounted at 15.55% and 13.98% for the years ended December 31, 2023 and 2022, under the assumptions of management team judgments and historical experiences with regard to future growth rates and gross margin.

14. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
<u>Cost</u>					
Balance, January 1, 2022	\$18,657	\$ 8,445	\$ 76,478	\$ 74,000	\$ 177,580
Additions	4,451	66,640	-	-	71,091
Reclassification	-	13,904	-	-	13,904
Balance, December 31, 2022	<u>\$ 23,108</u>	<u>\$88,989</u>	<u>\$ 76,478</u>	<u>\$ 74,000</u>	<u>\$ 262,575</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2022	\$ 18,657	\$ 8,445	\$ 54,497	\$ 51,800	\$ 133,399
Amortization expense	2,226	54,163	7,381	7,400	71,170
Balance at December 31, 2022	<u>\$ 20,883</u>	<u>\$62,608</u>	<u>\$ 61,878</u>	<u>\$ 59,200</u>	<u>\$ 204,569</u>
Carrying amounts at December 31, 2022	<u>\$ 2,225</u>	<u>\$ 26,381</u>	<u>\$ 14,600</u>	<u>\$ 14,800</u>	<u>\$ 58,006</u>
<u>Cost</u>					
Balance, January 1, 2023	\$ 23,108	\$ 88,989	\$ 76,478	\$ 74,000	\$ 262,575
Additions	-	145,821	-	-	145,821
Disposals	(18,656)	(60,784)	-	-	(79,440)
Balance, December 31, 2023	<u>\$ 4,452</u>	<u>\$174,026</u>	<u>\$ 76,478</u>	<u>\$ 74,000</u>	<u>\$ 328,956</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2023	\$ 20,883	\$ 62,608	\$ 61,878	\$ 59,200	\$ 204,569
Amortization expense	2,225	74,437	7,300	7,400	91,362
Disposals	(18,656)	(60,784)	-	-	(79,440)
Balance at December 31, 2023	<u>\$ 4,452</u>	<u>\$ 76,261</u>	<u>\$ 69,178</u>	<u>\$ 66,600</u>	<u>\$ 216,491</u>
Carrying amounts at December 31, 2023	<u>\$ -</u>	<u>\$ 97,765</u>	<u>\$ 7,300</u>	<u>\$ 7,400</u>	<u>\$ 112,465</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	1-3 years
Patents	9-10 years
Trademark	10 years

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15. REFUNDABLE DEPOSITS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Capacity guarantee deposits and others	<u>\$ 1,852,750</u>	<u>\$ 2,648,946</u>

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

16. BORROWINGS

a. Short-term borrowings	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Unsecured bank loans	<u>\$ -</u>	<u>\$ 1,400,000</u>
Annual interest rate	-	1.30%~2.78%

b. Long-term borrowings	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Secured bank loans (1)	\$ 786,840	\$ 786,840
Unsecured bank loans (2)	<u>-</u>	<u>200,000</u>
	786,840	986,840
Less: reclassification to Current position of long-term borrowings	<u>(26,386)</u>	<u>(25,000)</u>
	<u>\$ 760,454</u>	<u>\$ 961,840</u>
Annual interest rate		
Secured bank loans	1.75~1.875%	1.625~1.75%
Unsecured bank loans	-	1.65%

(4) 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.

(5) For unsecured bank loans, the principals will be paid monthly after one year from drawdown date. The period of borrowings is from September, 2022 to September, 2025. The borrowing was settled in March, 2023.

17. ACCOUNTS PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Accounts payables	\$ 1,022,290	\$ 643,689
Accounts payables-related party	<u>477,795</u>	<u>582,043</u>
	<u>\$ 1,500,085</u>	<u>\$ 1,225,732</u>

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

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18. OTHER PAYABLES

	December 31	
	2023	2022
Payable for salaries and bonus	\$ 170,850	\$ 469,666
Payable for labor, health and social insurance	12,450	12,450
Reserve for litigations	1,091	58,919
Payable for professional services and others	<u>45,600</u>	<u>48,653</u>
	<u>\$ 229,991</u>	<u>\$ 589,688</u>

19. RETIREMENT BENEFIT

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 35,423	\$ 33,968
Fair value of plan assets	(<u>21,468</u>)	(<u>20,408</u>)
Net defined benefit liability	<u>\$ 13,955</u>	<u>\$ 13,560</u>

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Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2022	\$ 40,265	(\$ 18,125)	\$ 22,140
Net interest expense (income)	262	(120)	142
Recognized in profit or loss	262	(120)	142
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,426)	(1,426)
Actuarial gain - changes in financial assumptions	(2,453)	-	(2,453)
Actuarial gain - experience adjustments	(4,106)	-	(4,106)
Recognized in other comprehensive income	(6,559)	(1,426)	(7,985)
Contributions from the employer	-	(737)	(737)
Balance at December 31, 2022	<u>\$ 33,968</u>	<u>(\$ 20,408)</u>	<u>\$ 13,560</u>
Balance at January 1, 2023	\$ 33,968	(\$ 20,408)	\$ 13,560
Net interest expense (income)	425	(260)	165
Recognized in profit or loss	425	(260)	165
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(169)	(169)
Actuarial loss - experience adjustments	1,030	-	1,030
Recognized in other comprehensive income	1,030	(169)	861
Contributions from the employer	-	(631)	(631)
Balance at December 31, 2023	<u>\$ 35,423</u>	<u>(\$ 21,468)</u>	<u>\$ 13,955</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate	1.25%	1.25%
Expected rate of salary increase	4.5%	4.5%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	(\$ 957)	(\$ 985)
0.25% decrease	\$ 992	\$ 1,022
Expected rate of salary increase		
1% increase	\$ 4,059	\$ 4,180
1% decrease	(\$ 3,600)	(\$ 3,674)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
The expected contributions to the plan for the next year	\$ 600	\$ 720
The average duration of the defined benefit obligation	13.5 years	14.6 years

20. GUARANTEE DEPOSITS RECEIVED

	December 31	
	2023	2022
Capacity guarantee deposits and others	<u>\$ 3,682,534</u>	<u>\$ 4,342,936</u>

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

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21. EQUITY

a. Share capital

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

	December 31	
	2023	2022
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>217,890</u>	<u>216,111</u>
Shares issued	<u>\$ 2,178,900</u>	<u>\$ 2,161,107</u>

The registration processes of 15 thousand shares of restricted stocks for employees have not been completed as of February 23, 2024.

b. Capital surplus

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

	December 31	
	2023	2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Additional paid-in capital	\$5,159,995	\$4,753,839
Treasury stock	167,900	125,381
Employee share options-expired	34,448	34,448
<u>May be used to offset a deficit only</u>		
Other – unclaimed dividend	6	-
<u>May not be used for any purpose</u>		
Restricted stock for employees	625,664	1,066,015
Employee share options	<u>43,891</u>	<u>62,305</u>
	<u>\$ 6,031,904</u>	<u>\$ 6,041,988</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 converted to share capital (at a certain percentage of the Company's capital surplus annually).

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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. Pursuant to the Company Act, the distributable dividends and bonuses or the legal reserve and the capital reserve (stipulated in Article 241, Paragraph 1 of the Company Act) in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition to a report of such distribution shall be submitted to the shareholders' meeting.

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

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

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

The Company 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 2022 and 2021 were resolved by the annual shareholders' meeting on May 30, 2023, and June 9, 2022, respectively. The details of the distribution are as follows:

	For the Years Ended December 31	
	2022	2021
Legal reserve	<u>\$ -</u>	<u>\$ 611,332</u>
Special reserve (reversed)	<u>\$ (211,479)</u>	<u>\$ 89,163</u>
Cash dividends	<u>\$ -</u>	<u>\$3,400,000</u>
Cash dividends per share	<u>\$ -</u>	<u>\$ 15.71</u>

The Board of Directors' meeting resolved the appropriations of earnings for 2023 on February 23, 2024 are as follows:

	2023
Legal reserve	<u>\$ 34,950</u>
Cash dividends	<u>\$ 217,151</u>
Cash dividends per share	<u>\$ 1.00</u>

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The appropriations of earnings will be resolved in annual shareholders' meeting on June 7, 2024.

d. Special reserve

	For the Years Ended December 31	
	2023	2022
Balance, beginning	\$ 211,479	\$ 122,316
Special reserve (reversed) appropriated	(211,479)	89,163
Balance, ending	<u>\$ -</u>	<u>\$ 211,479</u>

e. Treasury shares

	Shares (In Thousands)
Number of shares on January 1, 2022	-
Increase during the period	4,000
Decrease during the period	<u>(2,455)</u>
Number of shares on December 31, 2022	1,545
Decrease during the period	<u>(260)</u>
Number of shares on December 31, 2023	<u>1,285</u>

On February 23, 2022, the board of directors resolved the 6th treasure stock transferred to employees program no more than 4,000,000 shares for transferring to employees. The transferring price to employees would be the average purchase price.

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 Years Ended December 31	
	2023	2022
Balance, beginning	(\$ 335,829)	(\$ 813,720)
Issurance of shares	(137,024)	-
Retirement of shares	63,057	79,540
Share-based payment expenses recognized	<u>195,074</u>	<u>398,351</u>
Balance, ending	<u>(\$ 214,722)</u>	<u>(\$ 335,829)</u>

The detailed information for restricted share for employees program referred to Note 26 (c).

22. REVENUE

	For the Year Ended December 31	
	2023	2022
IC for Human-Machine Interface Solutions	<u>\$ 10,073,062</u>	<u>\$ 9,642,718</u>
<u>Contract balances</u>		
	December 31	
	2023	2022
Contract liabilities (classified as current liabilities)		
Sales of goods	<u>\$ 6,439</u>	<u>\$ 39,290</u>

23. NET INCOME

a. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 16,984	\$ 21,132
Interest on deposits	<u>67</u>	<u>-</u>
	<u>\$ 17,051</u>	<u>\$ 21,132</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 62,873	\$ 43,502
Intangible assets	<u>91,362</u>	<u>71,170</u>
	<u>\$ 154,235</u>	<u>\$ 114,672</u>
An analysis of depreciation and amortization by function		
Operating costs	\$ 25,281	\$ 26,612
Operating expenses	<u>128,954</u>	<u>88,060</u>
	<u>\$ 154,235</u>	<u>\$ 114,672</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	\$ 31,606	\$ 32,090
Defined benefit plans (see Note 19)	165	142
Share-based payments (see Note 26)	119,408	257,450
Other employee benefits	<u>665,043</u>	<u>1,391,268</u>
Total employee benefits expense	<u>\$ 816,222</u>	<u>\$ 1,680,950</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 121,228	\$ 241,084
Operating expenses	<u>694,994</u>	<u>1,439,866</u>
	<u>\$ 816,222</u>	<u>\$ 1,680,950</u>

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d. The remuneration to 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. There was no employees' compensation accrued due to loss before income tax for the year ended December 31, 2022. The accrued employees' compensation and remuneration of directors for the year ended December 31, 2023 is as follows:

Amount

	<u>2023</u>
Employees' compensation	<u>\$ 82,352</u>
Remuneration of directors	<u>\$ 1,042</u>

If there is any change in the proposed amounts after the annual 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 2021 on February 23, 2022. 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 2021 consolidated financial statements.

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

24. INCOME TAXES

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

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense		
In respect of the current year	\$ -	\$ 158,174
Other income tax adjustments	<u>(52,155)</u>	<u>-</u>
	<u>(52,155)</u>	<u>158,174</u>
Deferred income tax expense		
In respect of the current year	88,098	132,159
Other income tax adjustments	<u>39,959</u>	<u>-</u>
	<u>128,057</u>	<u>(132,159)</u>
Income tax expense recognized in profit or loss	<u>\$ 75,902</u>	<u>\$ 26,015</u>

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A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Income (loss) before tax from continuing operations	<u>\$ 437,821</u>	<u>(\$ 1,886,024)</u>
Income (loss) tax expense calculated at the statutory rate and the effective tax rate	\$ 61,295	(\$264,043)
Nondeductible expenses in determining taxable income	487	15,187
Tax effect of earnings to be distributed by subsidiaries	4,468	167,231
Tax exemption	(3,943)	(3,342)
Unrecognized temporary differences	25,791	110,982
Tax effects from investment tax credit rate less than 30%	<u>(12,196)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 75,902</u>	<u>\$ 26,015</u>

The company's research and development expenditure is expected to offset the corporate income tax by 30%, so the effective tax rate is 14% after considering the deduction effect.

b. Recognized in other comprehensive income

	For the Years Ended December 31	
	2023	2022
Deferred tax		
Remeasurement of defined benefit plans	(\$ 120)	\$ 1,117

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets(recorded as other current assets)		
Tax refund receivable	<u>\$ 12,292</u>	<u>\$ 5,590</u>
Current tax liabilities		
Income tax payable	<u>\$ 127,997</u>	<u>\$ 327,127</u>

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d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

2023

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Obsolete of inventory	\$ 283,740	(\$ 180,799)	\$ -	\$ 102,941
Others	<u>17,332</u>	<u>4,748</u>	<u>120</u>	<u>22,200</u>
	301,072	(176,051)	120	125,141
Loss carryforwards	<u>-</u>	<u>50,404</u>	<u>-</u>	<u>50,404</u>
	<u>\$ 301,072</u>	<u>(\$ 125,647)</u>	<u>\$ 120</u>	<u>\$ 175,545</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Intangible assets	\$ 4,116	(\$ 2,058)	\$ -	\$ 2,058
Investment income recognized from foreign investees	<u>212,641</u>	<u>4,468</u>	<u>-</u>	<u>217,109</u>
	<u>\$ 216,757</u>	<u>\$ 2,410</u>	<u>\$ -</u>	<u>\$ 219,167</u>

2022

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Obsolete of inventory	\$ 10,779	\$ 272,961	\$ -	\$ 283,740
Others	<u>(5,922)</u>	<u>24,371</u>	<u>(1,117)</u>	<u>17,332</u>
	<u>\$ 4,857</u>	<u>\$ 297,332</u>	<u>(\$ 1,117)</u>	<u>\$ 301,072</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Intangible assets	\$ 6,174	(\$ 2,058)	\$ -	\$ 4,116
Investment income recognized from foreign investees	<u>45,410</u>	<u>167,231</u>	<u>-</u>	<u>212,641</u>
	<u>\$ 51,584</u>	<u>\$ 165,173</u>	<u>\$ -</u>	<u>\$ 216,757</u>

e. Information about unused loss carryforwards and tax-exemption.

Loss carryforwards as of December 31, 2023 comprised of:

<u>Unused Amount</u>	<u>Expiry Year</u>
<u>\$ 360,025</u>	2033

f. Income tax assessments

The Company's tax returns until 2020 have been assessed by the tax authorities.

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25. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share
For the Year Ended December 31

	2023	2022
Basic earnings (loss) per share	\$ 1.74	(\$ 9.39)
Diluted earnings per share	<u>\$ 1.69</u>	

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

Net Profit (Loss) for the Period

	For the Year Ended December 31	
	2023	2022
Earnings used in the computation of basic earnings per share	<u>\$361,919</u>	<u>(\$ 1,912,039)</u>

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

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	207,742	<u>203,701</u>
Effect of potentially dilutive ordinary shares:		
Treasury shares transferred to employees	3,732	
Employee stock options (share)	59	
Restricted stock for employees (share)	2,248	
The remuneration to employees	<u>732</u>	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>214,513</u>	

Note: There is no diluted effectiveness for the years ended December 31, 2022 due to operating loss.

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee stock option plan

The Company did not have new share option plan issued for employees for the years ended December 31, 2023 and 2022.

Information about vested options as of December 31, 2023 and 2022 are as following:

	December 31, 2023		December 31, 2022	
	Range of exercise price (NT\$)	Weighted-average remaining contractual life (years)	Range of exercise price (NT\$)	Weighted-average remaining contractual life (years)
Employee Stock Option Plan				
2006	\$ -	-	\$29.68	0.27
2015	12.80	1.67	12.80	2.67

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Information about outstanding options for the years ended December 31, 2023 and 2022 are as following:

2023

Employee stock Option Plan	Beginning Balance		Options exercised		Options expired		Ending Balance	
	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	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

2022

Employee stock Option Plan	Beginning Balance		Options exercised		Options expired		Ending Balance	
	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)
2006	198,399	\$ 19.86	(140,000)	\$ 20.98	(36,000)	\$ 5.37	22,399	\$ 29.68
2015	209,000	15.60	(122,000)	15.16	-	-	87,000	12.80

As of December 31, 2023, the valid and outstanding employee stock option plans are as following:

Plan	Number of Options	Valid Period	Vesting Terms
2015 employee stock option plan	2,800,000	10 years	A certain percentage of the options defined in the plan are vested and exercisable after the second anniversary.

For the subsequent changes in the Company's ordinary share capital, such as issuance of shares in cash, from earnings and capital surplus, consolidation, spin-off, share split, and issuance of global depository receipts, and decrease in ordinary shares which is not resulted from treasury share retired, the exercise price and the conversion ratio would be considered to adjust accordingly based on the plans.

b. Treasury shares 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 December 31, 2023 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	

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The limitations and rights on the unvested shares were as follows:

- 1) The employees cannot sell, pledge, transfer, donate, or dispose these shares.
- 2) The Company and the employees should enter into a trust agreement with a trust and custodian institution and authorize the institution to exercise the shareholders' rights including but not limited to attendance, proposing, speaking and voting in the shareholder meetings.

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 December 31, 2023 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

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:

- d. Upon service for two years. the shares vested in 50% to employees.
- e. Upon service for three years. the shares vested in 25% to employees.
- f. Upon service for four years. the shares vested in 25% to employees.

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:

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

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

d. Compensation cost of aforementioned share-based payments for the years ended December 31, 2023 and 2022 was as follows:

	For the Year Ended December 31	
	2023	2022
Shares buyback programs	\$ 8,633	\$ 15,304
Restricted stock for employees	<u>110,775</u>	<u>242,146</u>
	<u>\$ 119,408</u>	<u>\$ 257,450</u>
Adjustment account:		
Capital surplus - employee stock options	\$ 8,633	\$ 15,304
Other equity - unearned employee compensation	<u>110,775</u>	<u>242,146</u>
	<u>\$ 119,408</u>	<u>\$ 257,450</u>

27. LEASE ARRANGEMENTS

The Company as a lessee

The Company has lease contracts for office, plant and some office equipment, which would be expired before December 2022. Above mentioned lease contracts are short-term lease agreement, and the Company applies practical expedients so the Company does not recognize right-of-use assets and lease liabilities.

The lease payments recognized in profit or loss for the current period was as follows:

	For the Year Ended December 31	
	2023	2022
Lease payment	<u>\$ 789</u>	<u>\$ 14,176</u>

28. CAPITAL MANAGEMENT

The capital structure of the Company consists of debt and equity. The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance.

To define the strategy of the Company's capital structure, the Company first sets its target market share according to the industry scale, the growth of the industry and the product roadmap. Based on the projected market position, the Company plans the research and development investment and capital expenditure. Furthermore, the Company calculates working capitals and cash demands based on the long-term development plan considering the industry characteristics to build up the overall operating model. Finally, the Company evaluates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business circle and the life circle of the product to decide the suitable capital structure. The management reviews capital structures periodically and considers the possible costs and risks of different capital structures. Generally, the Company adopted prudent capital management strategy.

The Company was not restricted to other external capital requirements.

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29. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities not measured of fair value approximate their fair values or cannot be reliably measured.

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

1.) Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial asset at FVTPL</u>				
Listed preferred shares	\$ 10,183	\$ -	\$ -	\$ 10,183
Private funds	-	-	207,487	207,487
Total	<u>\$ 10,183</u>	<u>\$ -</u>	<u>\$ 207,487</u>	<u>\$ 217,670</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial asset at FVTPL</u>				
Listed preferred shares	\$ 147,391	\$ -	\$ -	\$ 147,391
Private funds	-	-	178,069	178,069
Total	<u>\$ 147,391</u>	<u>\$ -</u>	<u>\$ 178,069</u>	<u>\$ 325,460</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

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

	<u>For the Year Ended in December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets at FVTPL</u>		
Balance, beginning	\$ 178,069	\$ 132,470
Purchases	17,500	45,778
Disposals	(3,345)	(1,469)
Recognized in profit or loss (other income or loss)	<u>15,263</u>	<u>1,290</u>
Balance, ending	<u>\$ 207,487</u>	<u>\$ 178,069</u>

3) 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 Company 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.

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	\$ 217,670	\$ 325,460
Amortized cost (Note 1)	7,691,111	6,869,506
<u>Financial liabilities</u>		
Amortized cost (Note 2)	6,199,450	8,545,196

- 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 guaranteed deposits received.

d. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, accounts receivable, other financial assets, financial assets at FVTPL, accounts payables and other payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company 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 established and monitored the framework of risk management of the Company. The chairman is authorized by the board of directors to develop and monitor the risk management policy of the Company with the operation center of the Company, and regularly reported the situation to the board of directors.

The Company's financial risk management policies are established for identifying and analyzing the financial risks to the Company, evaluating the impacts of the financial risks, and executing the financial-risk aversion policies. The financial risk management policies are periodically reviewed to reflect changes to the market and the operations. The Company 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 Company's management oversees the company 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 Company's operations were foreign currency exchange risk referred to a) and interest rate risk referred to b).

a) Foreign currency risk

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The carrying amounts of the Company'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 Company was mainly exposed to the U.S. dollar. The following table details the Company's sensitivity to a 5% appreciate and depreciate in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation value at the end of the reporting period for 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 Year Ended December 31	
	2023	2022
Profit or loss/ equity	<u>\$ 19,504</u> (i)	<u>\$ 50,349</u> (i)

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

b) Interest rate risk

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

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

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	<u>\$ 3,665,825</u>	<u>\$ 2,518,220</u>
Financial liabilities	<u>\$ -</u>	<u>\$ 1,400,000</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 800,233</u>	<u>\$ 775,974</u>
Financial liabilities	<u>\$ 786,840</u>	<u>\$ 986,840</u>

Sensitivity analysis

The below sensitivity analysis was determined based on the Company's exposure to interest rates for non-derivative instruments at 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 years ended December 31, 2023 and 2022 would decrease/increase by \$33 thousand and \$(527) thousand, respectively.

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2) Credit risk

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

The Company'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 December 31, 2023, accounts receivables from top 5 customers represented 71% of total accounts receivables. The credit concentration risk of other accounts receivables was insignificant.

3) Liquidity risk

The Company 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 Company relies on bank borrowings as a significant source of liquidity.

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

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

December 31, 2023

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 1,729,694	\$ 3,682,534	\$ -
Fixed interest rate liabilities	382	-	-
Floating interest rate liabilities	<u>26,386</u>	<u>258,893</u>	<u>501,561</u>
	<u>\$ 1,756,462</u>	<u>\$ 3,941,427</u>	<u>\$ 501,561</u>

December 31, 2022

	On Demand or Less than 1 Year	1-5 Years	More than 5 Years
Non-interest bearing	\$ 1,814,082	\$ 4,342,936	\$ -
Fixed interest rate liabilities	1,401,338	-	-
Floating interest rate liabilities	<u>25,000</u>	<u>395,556</u>	<u>566,284</u>
	<u>\$ 3,240,420</u>	<u>\$ 4,738,492</u>	<u>\$ 566,284</u>

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30. TRANSACTIONS WITH RELATED PARTIES

Except for information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
FocalTech Electronics, Ltd.	Subsidiary
FocalTech Electronics (Shenzhen) Co., Ltd.	Subsidiary

b. Purchases of goods

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Purchase	Subsidiaries	<u>\$ 32,902</u>	<u>\$ 10,290</u>

Purchases were made by the Company at market prices and conditions similar with the non-related parties.

c. Payables to related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31</u>	
		<u>2023</u>	<u>2022</u>
Accounts payables	Subsidiaries		
	FocalTech Electronics, Ltd.	\$ 456,237	\$ 581,936
	Others	<u>21,558</u>	<u>107</u>
		<u>\$ 477,795</u>	<u>\$ 582,043</u>

The outstanding accounts payables to related parties are unpledged.

d. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Long-term employee benefits	\$ 19,705	\$ 41,727
Short-term employee benefits	40,721	32,847
Post-employment benefits	540	378
Share-based payments	<u>41,321</u>	<u>68,554</u>
	<u>\$102,287</u>	<u>\$143,506</u>

31. PLEDGED ASSETS

The following assets were provided as collateral for bank loans:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Properties, plants and equipment – Net of buildings	\$ 485,178	\$ 495,182
Properties, plants and equipment – Land	<u>557,110</u>	<u>557,110</u>
	<u>\$ 1,042,288</u>	<u>\$ 1,052,292</u>

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32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

NOVATEK MICROELECTRONICS CORP. (“NOVATEK”) filed five patent infringement actions with Intellectual Property and Commercial Court on August 9, 2021, asking the court to prohibit the Company from manufacturing, offering for sale, selling, utilizing or importing, for the aforementioned purposes, products infringing on such patents and asking for indemnification for any losses. The parties have reached a settlement agreement after the both parties have withdrawn all civil and administrative actions against the other party in April 2023. 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 Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	<u>Foreign Currencies (thousand)</u>	<u>Exchange Rate</u>	<u>NT\$ (thousand)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 181,561	30.705 (USD:NTD)	\$ 5,574,824
<u>Non-Monetary items</u>			
USD	115,868	30.705 (USD:NTD)	3,557,725
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	168,856	30.705(USD:NTD)	5,184,737

December 31, 2022

	<u>Foreign Currencies (thousand)</u>	<u>Exchange Rate</u>	<u>NT\$ (thousand)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 215,813	30.71 (USD:NTD)	\$ 6,627,613
<u>Non-Monetary items</u>			
USD	120,300	30.71 (USD:NTD)	3,694,408
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	183,023	30.71 (USD:NTD)	5,620,630

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34. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
 - 1) Financing provided to others: See Table 1 attached;
 - 2) Endorsements/guarantees provided: See Table 2 attached;
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): See Table 3 attached;
 - 4) Marketable securities acquired and disposed of with accumulated amount exceeding the lower NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate 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;
- b. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in mainland China): See Table 4 attached.
- c. Information on investments 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 5 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: None.
- d. Information of major shareholder

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.

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FocalTech Systems Co., Ltd.

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands; Currency denomination in NTD or in foreign currencies)**

No (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Amount Actually Drawn (Note 4)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	FocalTech Systems, Ltd.	FocalTech Systems Co., Ltd.	Other receivables from related parties	Yes	\$ 1,842,300 (USD 60,000)	\$ 921,150 (USD 30,000)	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 2,219,691	\$ 2,219,691	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: 30.705 NTD as of December 31, 2023.

FocalTech Systems Co., Ltd.

ENDORSEMENTS/GUARANTEES PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2023

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

No. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period (Note 5)	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements(%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	FocalTech Systems Co., Ltd.	FocalTech Systems, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	\$ 4,654,037	\$ 1,381,725 (USD 45,000)	\$ 1,381,725 (USD 45,000)	\$ -	\$ -	14.84%	\$ 4,654,037	Y	N	N	(Note 3)
0	FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,654,037	1,400,279 (USD 45,604)	1,400,279 (USD 45,604)	-	-	15.04%	4,654,037	Y	N	N	(Note 3)
0	FocalTech Systems Co., Ltd.	Hefei PineTech Electronics Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,654,037	2,579,220 (USD 84,000)	2,579,220 (USD 84,000)	69,484	-	18.80%	4,654,037	Y	N	Y	(Note 3.6 and 8)
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.	4,654,037	3,316,140 (USD 108,000)	3,316,140 (USD 108,000)	29,497	-	22.76%	4,654,037	Y	N	Y	(Note 3.7 and 8)
0	FocalTech Systems Co., Ltd.	FocalTech Smart Sensors Co., Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,654,037	107,468 (USD 3,500)	107,468 (USD 3,500)	-	-	1.15%	4,654,037	Y	N	N	(Note 4)
0	FocalTech Systems Co., Ltd.	FocalTech Smart Sensors, Ltd.	The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/ guaranteed company.	4,654,037	107,468 (USD 3,500)	107,468 (USD 3,500)	-	-	1.15%	4,654,037	Y	N	N	(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 45,000 thousand of endorsements/guarantees for FocalTech Electronics Ltd., FocalTech Systems, Ltd., Hefei PineTech Electronics Co., Ltd. and FocalTech Electronics (Shenzhen) Co., Ltd. for the purchases, the amount actually drawn during the period is NT\$0, NT\$0, NT\$0, and NT\$ 29,095 thousand respectively.

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

Note 5: FocalTech Systems Co., Ltd. provided USD 17,000 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.

Note 6: FocalTech Systems Co., Ltd. renewed endorsements/guarantees contract with Hefei PineTech Electronics Co., Ltd. on the Board of Directors' resolution before old contract is due. Therefore, it resulted in the balance calculated repeatedly. Amount USD 27,000 included in the balance USD 84,000 is provided by old contract.

Note 7: FocalTech Systems Co., Ltd. renewed endorsements/guarantees contract with FocalTech Electronics (Shenzhen) Co., Ltd. on the Board of Directors' resolution before old contract is due. Therefore, it resulted in the balance calculated repeatedly. Amount USD 39,000 included in the balance USD 108,000 is provided by old contract.

Note 8: Using the exchange rate of 1 USD: 30.705 NTD as of December 31, 2023.

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FocalTech Systems Co., Ltd.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(Amount in thousand; Currency denomination in NTD)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2023				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
FocalTech Systems Co., Ltd.	<u>Stock</u> Series B Preferred Stock of Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - non current	170,000	NT\$ 10,183	0.03	NT\$ 10,183	-
	<u>Privately Offered Fund</u> CDIB Capital Healthcare Ventures II Limited Partnership	-	Financial assets at fair value through profit or loss - non current	-	NT\$ 30,660	0.96	NT\$ 30,660	-
	CDIB Capital Growth Partners L.P.	-	"	-	NT\$ 30,766	0.66	NT\$ 30,766	-
	CDIB-Innolux Limited Partnership	-	"	-	NT\$ 59,951	4.37	NT\$ 59,951	-
	Cathay Private Equity Smart Tech Limited Partnership	-	"	-	NT\$ 86,110	22.16	NT\$ 86,110	-

Note 1: The percentage of ownership is calculated by preferred shares the Company owned divided by outstanding preferred shares.

TABLE 4

FocalTech Systems Co., Ltd.

**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 YEAR ENDED DECEMBER 31, 2023**

(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 December 31, 2023			Net Income (Losses) of the Investee (Note 4)	Share of Profits/Losses of Investee (Note 4)	Note
				December 31,2023 (Note 2)	December 31,2022 (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\$ 2,350,762 (USD 76,560)	(NT\$ 298,721) (USD 9,588)	(NT\$ 298,721) (USD 9,588)	Subsidiary
FocalTech Systems Co., Ltd.	FocalTech Electronics, Ltd.	Cayman Islands	Investment activity	NT\$ 3,071 (USD 100)	NT\$ 3,071 (USD 100)	2	100%	NT\$ 1,205,321 (USD 39,255)	NT\$ 110,207 USD 3,537	NT\$ 110,207 USD 3,537	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\$ 1,642 (USD 53)	(NT\$ 26,539) (USD 852)	(NT\$ 2,426) (USD 78)	Subsidiary
FocalTech Systems Co., Ltd.	Vitrio Technology Corporation	Taiwan	Research, development, manufacturing and sale of integrated circuits	NT\$ -	NT\$ 4,970	-	-	NT\$ -	(NT\$ 71)	NT\$ -	Joint Venture (Note 5)
FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors, Ltd.	Cayman Islands	Investment activity	NT\$ 238,821	NT\$ 238,821	18,813,050	57.31%	NT\$ 10,294 (USD 335)	(NT\$ 26,539) (USD 852)	(NT\$ 15,210) (USD 488)	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\$ 16,350	(NT\$ 5,340)	(NT\$ 5,340)	Subsidiary
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	U.S.A	Investment activity	NT\$ 3,140,902 (USD 102,293)	NT\$ 3,141,414 (USD 102,293)	100	100%	NT\$ 2,157,617 (USD 70,269)	(NT\$ 297,154) (USD 9,538)	(NT\$ 297,154) (USD 9,538)	Subsidiary
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Cayman Islands	Investment activity	NT\$ 716,964 (USD 23,350)	NT\$ 717,080 (USD 23,350)	2	100%	NT\$ 2,219,691 (USD 72,291)	(NT\$ 306,849) (USD 9,849)	(NT\$ 306,849) (USD 9,849)	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\$ 93,297 (USD 3,038)	(NT\$ 14,133) (USD 454)	(NT\$ 14,133) (USD 454)	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: 30.705 NTD as of December 31, 2023.

Note 3: Using the exchange rate of 1 USD: 30.71 NTD as of December 31, 2022.

Note 4: Using the average exchange rate of 1 USD: 31.155 NTD for the year ended December 31, 2023.

Note 5: Vitrio Technology Corporation has been dissolved on April 18, 2023, and submitted liquidation tax return on June 8, 2023.

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FocalTech Systems Co., Ltd.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

(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 December 31, 2023 (Note 1)	Net income (loss) of investee company (Note 2)	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2023 (Note 1)	Accumulated inward remittance of earnings as of December 31, 2023	Note
					Outflow	Inflow							
FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for affiliates' IC products	NT\$ 61,410 (USD 2,000)	(Note 3 and 4)	NT\$ 30,705 (USD 1,000)	\$ -	\$ -	NT\$ 30,705 (USD 1,000)	NT\$ 3,987 (USD 128)	100%	NT\$ 3,987 (USD 128)	NT\$ 37,747 (USD 1,229)	\$-	-
FocalTech Electronics (Shenzhen) Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	NT\$ 285,557 (USD 9,300)	(Note 3)	NT\$ 30,705 (USD 1,000)	-	-	NT\$ 30,705 (USD 1,000)	NT\$ 147,687 (USD 4,740)	100%	NT\$ 147,687 (USD 4,740)	NT\$ 174,874 (USD 5,695)	-	-
FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	NT\$ 1,136,090 (USD 37,000)	(Note 4)	-	-	-	-	(NT\$ 319,227) (USD 10,246)	100%	(NT\$ 319,227) (USD 10,246)	NT\$ 601,583 (USD 19,592)	-	-
Hefei PineTech Electronics Co., Ltd.	Research, development and sale of integrated circuits	NT\$ 130,056 (RMB 30,000)	(Note 4)	-	-	-	-	NT\$ 18,836 (USD 605)	100%	(NT\$ 18,836) (USD 605)	(NT\$ 18,836) (USD 605)	-	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$61,410 (USD2,000)	\$1,856,643 (USD60,467)	\$5,584,844

Note 1: Using the exchange rate of 1 USD: 30.705 NTD and 1 RMB :4.3352 NTD as of December 31, 2023.

Note 2: Using the average exchange rate of 1 USD: 31.155 NTD and 1 RMB :4.424 NTD for the year ended December 31, 2023.

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.

FocalTech Systems Co., Ltd.

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FocalTech Systems Co., Ltd.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Petty cash and cash on hand	Including EUR 3 thousand, HKD 23 thousand, RMB 31 thousand, JPY 530 thousand, USD 3 thousand and NTD 40 thousand	\$ <u>571</u>
Cash in banks		
Checking accounts and current accounts		424,648
Foreign currency current accounts	Including USD 12,280 thousand, JPY 7,949 thousand, RMB 23 thousand and EUR 1 thousand	<u>378,913</u>
		<u>803,561</u>
Cash equivalents		
Time Deposits	Which would be expired before March 29, 2024, interest rates at 1.2%-5.6%, including USA 10,000 thousand	<u>1,977,050</u>
		<u>\$ 2,781,182</u>

Note : Using the exchange rate of 1 USD: 30.705 NTD, 1 EUR :33.98 NTD, 1 HKD : 3.929 NTD ,1 RMB :4.3352 NTD and 1 JPY :0.2172 as of December 31, 2023.

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FocalTech Systems Co., Ltd.

STATEMENT OF OTHER FINANCIAL ASSETS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Rate</u>	<u>Amount</u>
Time deposits with original maturities more than three months	Including USD 55,000 thousand ; Expiration date 2024.07.14~2024.08.23	5.30%- 5.662%	<u>\$ 1,688,775</u>

Note 1: Using the exchange rate of 1 USD: 30.705 NTD as of December 31, 2023.

FocalTech Systems Co., Ltd.

STATEMENT OF ACCOUNTS RECEIVABLES, NET

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Client A	\$ 459,778
Client B	200,635
Client C	125,102
Client D	98,054
Client E	91,933
Client F	64,592
Others (Note)	<u>328,310</u>
	1,368,404
Less: Allowance for doubtful accounts	<u>-</u>
	<u>\$ 1,368,404</u>

Note: The amount of each individual client included in others does not exceed 5% of the account balance.

FocalTech Systems Co., Ltd.**STATEMENT OF INVENTORIES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Book value	Net Realizable Value
Finished goods	\$ 633,068	\$ 702,277
Work in process	681,924	793,515
Raw materials	<u>240,556</u>	<u>301,729</u>
	<u>\$1,555,548</u>	<u>\$1,797,521</u>

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FocalTech Systems Co., Ltd.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2023			Shares (In thousand)	Amount	Share of Profit (Loss) of the Investee	Other Comprehen- sive Income	Other Adjustment	Balance, December 31, 2023			Collateral	Note
	Shares (In thousand)	Percentage of Ownership(%)	Amount						Shares (In thousand)	Percentage of Ownership(%)	Amount		
FocalTech Corporation, Ltd.	5,491	100	\$2,194,116	-	\$ -	(\$ 298,721)	\$ 69,804	\$ 385,563	5,491	100	\$2,350,762	Nil	Note 1
FocalTech Electronics, Ltd.	2 shares	100	1,496,253	-	-	110,207	(104,508)	(296,631)	2 shares	100	1,205,321	Nil	Note 2
FocalTech Smart Sensors, Ltd.	3,000	9.14	4,039	-	-	(2,426)	29	-	3,000	9.14	1,642	Nil	
Vitrio Technology Corporation	142	50	-	(142)	-	-	-	-	-	-	-	Nil	Note 3
			<u>\$3,694,408</u>		<u>\$ -</u>	<u>(\$ 190,940)</u>	<u>(\$ 34,675)</u>	<u>\$ 88,932</u>			<u>\$3,557,725</u>		

Note 1: Other adjustment is compensation cost of employee share options, NT\$82,567 thousand and organizational structure adjustment NT\$ 302,996 thousand.

Note 2: Other adjustment is compensation cost of employee share options, NT\$18,039 thousand and organizational structure adjustment NT\$(314,670) thousand.

Note 3: Vitrio Technology Corporation has been dissolved on April 18, 2023, and submitted liquidation tax return on June 8, 2023.

FocalTech Systems Co., Ltd.

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Accounts payables-related party	
FocalTech Electronics, Ltd.	\$ 456,237
Others(Note)	<u>21,558</u>
	<u>477,795</u>
Accounts payables-others	
Vendor A	\$ 476,792
Vendor B	177,916
Vendor C	125,530
Others (Note)	<u>242,052</u>
	<u>1,022,290</u>
	<u>\$1,500,085</u>

Note: The amount of each individual vendor included in others does not exceed 5% of the account balance.

FocalTech Systems Co., Ltd.**STATEMENT OF LONG-TERM LOANS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Balance, End of Year</u>	<u>Contract Period</u>	<u>Range of Interest Rates (%)</u>	<u>Collateral</u>
<u>Secured bank loans</u>				
Mega Bank	500,000	2021/09/24~ 2031/09/24	1.75%	Land and buildings pledged as collateral
Chang Hwa Bank	<u>286,840</u>	2021/09/24~ 2036/09/24	1.875%	Land and buildings pledged as collateral
	<u>786,840</u>			
	<u>(26,386)</u>			
Total	<u>\$ 760,454</u>			

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FocalTech Systems Co., Ltd.**STATEMENT OF REVENUES****FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Quantity (in thousand units)	Amount
Net sales		
IC for Human-Machine Interface Solutions	219,057	\$ 10,151,847
Less: Sales discounts		(75,017)
Sales returns		<u>(3,768)</u>
		<u>\$ 10,073,062</u>

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FocalTech Systems Co., Ltd.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials, beginning of year	\$ 1,548,724
Raw materials purchased	4,135,770
Transferred to expenses	(34,292)
Raw materials balance, end of year	(240,556)
Raw materials used	5,409,646
Manufacturing expenses	<u>1,729,150</u>
Manufacturing cost	7,138,796
Work in process, beginning of year	1,823,306
Transferred to expenses and others	(12,676)
Work in process, end of year	(681,924)
Cost of finished goods	8,267,502
Finished goods, beginning of year	737,897
Finished goods purchased	32,902
Transferred to expenses and others	(89,207)
Finished goods, end of year	(633,068)
Operating costs	<u>\$ 8,316,026</u>

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FocalTech Systems Co., Ltd.
**STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses
Payroll	\$ 58,554	\$ 79,544	\$ 463,137
Freight	10,776	235	-
Insurance fees	5,004	21,538	21,600
Depreciation expense	90	29,344	9,515
Amortization expense	-	2,598	87,407
Mask expense	-	-	109,012
Test board expense	-	-	122,783
Professional service fees	-	11,311	28,035
Miscellaneous fees	29	20,130	772
Others (Note)	12,894	54,080	160,712
	\$ 87,347	\$ 218,780	\$1,002,973

Note: Expected credit loss is included and the amount of each item in others does not exceed 5% of the account balance.

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FocalTech Systems Co., Ltd.

**STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023			2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary and bonus	\$ 106,656	\$ 594,142	\$ 700,798	\$ 226,188	\$ 1,331,269	\$ 1,557,457
Labor and health insurance	7,200	47,319	54,519	7,200	54,397	61,597
Pension	5,160	26,611	31,771	5,160	27,072	32,232
Board compensation	-	7,093	7,093	-	6,899	6,899
Others	2,212	19,829	22,041	2,536	20,229	22,765
	<u>\$ 121,228</u>	<u>\$ 694,994</u>	<u>\$ 816,222</u>	<u>\$ 241,084</u>	<u>\$ 1,439,866</u>	<u>\$ 1,680,950</u>
Depreciation	<u>\$ 23,924</u>	<u>\$ 38,949</u>	<u>\$ 62,873</u>	<u>\$ 26,007</u>	<u>\$ 17,495</u>	<u>\$ 43,502</u>
Amortization	<u>\$ 1,357</u>	<u>\$ 90,005</u>	<u>\$ 91,362</u>	<u>\$ 605</u>	<u>\$ 70,565</u>	<u>\$ 71,170</u>

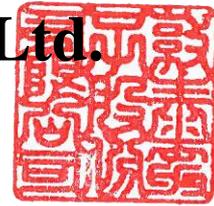
Note 1: The Company's average employees totaled to 423 and 451 as of December 31, 2023 and 2022, respectively, including 6 and 7 non-employee directors, respectively.

Note 2: Listed Company at Taiwan Stock Exchange and over-the-counter company at Taipei Exchange should disclose additional information below:

- The average amount of employee benefits for the years ended December 31, 2023 and 2022 was NT\$1,940 thousand and NT\$3,770 thousand, respectively.
("Total employee benefit - Total board compensation"/ "Total employee headcount - Total non-employee director headcount")
- The average amount of salary and bonus for the years ended December 31, 2023 and 2022 was NT\$1,681 thousand and NT\$3,508 thousand, respectively.
(Total salary and bonus/ "Total employee headcount - Total non-employee director headcount")
- The average salary and bonus increased by (52%) year over year.
("Average salary and bonus in current year - Average salary and bonus in previous year"/Average salary and bonus in previous year)
- The Company did not have supervisors for the years ended December 31, 2023 and 2022. Therefore, there was no compensation to the supervisors.
- The compensation paid to board of directors and the executive officers is based on their contribution and market trends. It is reviewed by the Compensation Committee. The compensation paid to the employees is based on their contribution and market trends.

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FocalTech Systems Co., Ltd.



Chairman : Genda Hu

