

Handbook for 2024 Annual Shareholders' Meeting (Translation)

Method of Convening the Meeting : Physical shareholders' meeting
Time: 9:00 A.M. June 7, 2024
Location: 11F-1, No. 23, Huanke 1st Rd., Zhubei City,
Hsinchu County, Taiwan (R.O.C.)



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Meeting Agenda

Meeting Agenda for 2024 Annual Shareholders' Meeting

Time : 9:00 A.M. June 7, 2024

Method of Convening the Meeting : Physical shareholders' meeting

Location : 11F-1, No. 23, Huanke 1st Rd., Zhubei City, Hsinchu County , Taiwan
(R.O.C.)

1. Attendance: shareholders and equity representatives.
2. Chairman: Mr. Genda Hu, Chairman of the Board of Directors
3. Announce the start of the meeting (report the number of shares attended)
4. Chairman's speech
5. Matters for Report
 - (1) 2023 business report
 - (2) Audit committee's review report
 - (3) Report of 2023 Employees and Directors Compensation Distributions
6. Matters for Ratification
 - (1) Adoption of 2023 business report and financial statements
 - (2) Adoption of the proposal for distribution of 2023 profits
7. Matters for Discussion
 - (1) Amendment to the "Procedure of Endorsement and Guarantee"
8. Extemporaneous Motions
9. Adjournment

Matters for Report

Report item (1)

Subject: 2023 Business Report

Descriptions: 2023 Business Report is attached on page 7~8, Attachment 1.

Report item (2)

Subject: Audit Committee's Review Report

Descriptions: Audit Committee's Review Report is attached on page 9, Attachment 2.

Report item (3)

Subject: Report of 2023 Employees and Directors Compensation Distributions

Descriptions:

- (1) According to Article 26-1 of the Articles of Incorporation, if there is an annual profit, no less than 1% of the profit shall be allocated as employee compensation, and no more than 1.5% of the profit shall be allocated as directors' compensation.
- (2) After the resolution of the board of directors, the total remuneration for employees of the company in 2023 was NT\$82,352,036 and the total remuneration for directors was NT\$1,042,431, and all were paid in cash.

Matters for Ratification

Ratification item (1):

[Proposed by the Board]

Subject: Adoption of the 2023 Business Report and Financial Statements

Descriptions:

- (1) The Company's 2023 business report and financial statements had been approved by the Board of Directors. The 2023 financial statements were audited by independent auditors Mr. Yu-Hong Kuo and Mr. Chih-Ming Shao of Deloitte & Touche.
- (2) The Company's 2023 business report, independent auditor report and financial statements are attached on page 7~8, Attachment 1 and attached on page 10~27, Attachment 3.

Resolution:

Ratification item (2):

[Proposed by the Board]

Subject: Adoption of the proposal for distribution of 2023 profits

Descriptions:

- (1) The Company's 2023 net income was NT\$361,919,001. After deducting NT\$740,555 for remeasurement of defined benefit plans, deducting NT\$11,673,846 for organizational restructuring adjustments under joint control, reserving NT\$34,950,460 as a legal reserve, and adding the unappropriated retained earnings of previous years NT\$408,324,721, the distributable earnings amount is NT\$722,878,861.
- (2) The above distributable earnings, it is planned to distribute cash dividends NT\$ 217,151,400. Based on the company's outstanding common shares 217,890,049 shares on December 31, 2023, it is equivalent around to a cash dividend of NT\$1 per share is allocated. The above cash dividends would be distributed priority from 2023 net income.
- (3) After the shareholders' meeting approval, it is proposed to authorize the chairman to set the base date, payment date, and follow-up related matters. In the future, if the treasury shares are bought back, or the treasury shares are transferred or cancelled, the issuance of restricted stocks and the exercise of employee stock options, it is necessary to cancel shares or issue new shares, which will affect the total number of outstanding shares of the company. If the dividend rate changes as a result due to the outstanding share amount change, it is proposed to authorize the chairman to adjust it. The total amount of cash dividends distributed by each

shareholder is round down to NT dollar. The gap between actual payments and distribution proposal will be accounted to other income of the company.

(4) 2023 Profit Distribution Table is attached on page 28, Attachment 4.

Resolution:

Matters for Discussion

Discussion item (1):

[Proposed by the Board]

Subject: Discussion for the amendment to the “Procedure of Endorsement and Guarantee”

Descriptions:

- (1) The “Procedure of Endorsement and Guarantee” of the company and its subsidiaries modified the content as appropriate.
- (2) The Amendment Comparison Table is attached on page 29, as attachment 5.

Resolution:

Extemporaneous Motions

Adjournment

Attachment

Attachment 1

FocalTech Systems Co., Ltd. 2023 Business Report

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



Accountant Officer: Claire Chen



FocalTech Systems Co., Ltd.
Audit Committee's Review Report

The Board of Directors has prepared the 2023 Business Report, Financial Statements, and proposal for profits 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 profits 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 Annual Shareholders Meeting, FocalTech Systems Co., Ltd.



Chairperson of Audit Committee: Chan-Jane Lin
February 23, 2024

Attachment 3

Independent Auditors' Report and Consolidated/ Standalone Financial Statements

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 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 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

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)	<u>94,465</u>	<u>-</u>	<u>126,136</u>	<u>1</u>
Total current assets	<u>7,488,374</u>	<u>47</u>	<u>8,456,623</u>	<u>47</u>
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	<u>-</u>	<u>-</u>	<u>2,486</u>	<u>-</u>
Total non-current assets	<u>8,392,080</u>	<u>53</u>	<u>9,522,204</u>	<u>53</u>
TOTAL	<u>\$ 15,880,454</u>	<u>100</u>	<u>\$ 17,978,827</u>	<u>100</u>
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)	<u>11,812</u>	<u>-</u>	<u>44,756</u>	<u>-</u>
Total current liabilities	<u>1,896,271</u>	<u>12</u>	<u>3,612,303</u>	<u>20</u>
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)	<u>3,682,534</u>	<u>23</u>	<u>4,342,936</u>	<u>24</u>
Total non-current liabilities	<u>4,676,110</u>	<u>29</u>	<u>5,535,093</u>	<u>31</u>
Total liabilities	<u>6,572,381</u>	<u>41</u>	<u>9,147,396</u>	<u>51</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)				
Share capital				
Ordinary shares	<u>2,178,900</u>	<u>14</u>	<u>2,161,107</u>	<u>12</u>
Capital surplus	<u>6,031,904</u>	<u>38</u>	<u>6,041,988</u>	<u>34</u>
Retained earnings				
Legal reserve	712,562	4	712,562	4
Special reserve	-	-	211,479	1
Undistributed earnings	<u>757,830</u>	<u>5</u>	<u>196,847</u>	<u>1</u>
Total retained earnings	<u>1,470,392</u>	<u>9</u>	<u>1,120,888</u>	<u>6</u>
Other equity	<u>(210,063)</u>	<u>(1)</u>	<u>(296,495)</u>	<u>(2)</u>
Treasury shares	<u>(163,060)</u>	<u>(1)</u>	<u>(196,057)</u>	<u>(1)</u>
Total equity	<u>9,308,073</u>	<u>59</u>	<u>8,831,431</u>	<u>49</u>
TOTAL	<u>\$ 15,880,454</u>	<u>100</u>	<u>\$ 17,978,827</u>	<u>100</u>

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)

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)

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				
	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	Total Equity
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	<u>\$ 2,178,900</u>	<u>\$ 6,031,904</u>	<u>\$ 712,562</u>	<u>\$ -</u>	<u>\$ 757,830</u>	<u>\$ 11,178</u>	<u>\$ (6,519)</u>	<u>\$ (214,722)</u>	<u>\$ (163,060)</u>	<u>\$ 9,308,073</u>

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

FOCALTECH SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
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	2,921,371	(1,661,534)
Interest paid	(18,007)	(20,008)
Income tax paid	(153,677)	(1,201,208)
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)

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)

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.

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 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)	227,685	1	258,794	1
Total current assets	12,183,200	66	13,352,930	64
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)	26,997	-	25,347	-
Total non-current assets	6,272,097	34	7,444,255	36
TOTAL	\$ 18,455,297	100	\$ 20,797,185	100
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)	78,002	-	81,038	-
Total current liabilities	4,459,342	24	6,389,415	30
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)	3,688,279	20	4,369,353	21
Total non-current liabilities	4,681,855	26	5,561,510	27
Total liabilities	9,141,197	50	11,950,925	57
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 22 and 27)				
Share capital				
Ordinary shares	2,178,900	12	2,161,107	11
Capital surplus	6,031,904	32	6,041,988	29
Retained earnings				
Legal reserve	712,562	4	712,562	3
Special reserve	-	-	211,479	1
Undistributed earnings	757,830	4	196,847	1
Total retained earnings	1,470,392	8	1,120,888	5
Other equity	(210,063)	(1)	(296,495)	(1)
Treasury shares	(163,060)	(1)	(196,057)	(1)
Equity attributable to owners of the parent	9,308,073	50	8,831,431	43
NON-CONTROLLING INTERESTS (Note 22)	6,027	-	14,829	-
Total equity	9,314,100	50	8,846,260	43
TOTAL	\$ 18,455,297	100	\$ 20,797,185	100

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	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)

	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>(34,573)</u>	<u>-</u> <u>2</u>	<u>(13,307)</u> <u>260,198</u>	<u>-</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)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent											
	Share Capital		Retained Earnings			Other Equity						
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences from Translating the Financial Statement of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unearned employee compensation	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 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.												

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	2023	2022
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)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	2023	2022
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	(1,499)	-
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)

Attachment 4

FocalTech 2023 Profit Distribution Table

Unit: NTD

Item	Amount
Undistributed Earnings in the beginning of the year	408,324,721
Plus: Net profit of 2023	361,919,001
Minus: Remeasurement of defined benefit plans	(740,555)
Minus: organizational restructuring adjustments under joint control	(11,673,846)
Minus: Statutory surplus reserve	(34,950,460)
Earnings available for distribution	722,878,861
Distribution Items:	
Dividend to common shareholders	(217,151,400)
Unappropriated retained earnings	505,727,461

Chairman:



CEO:



Accountant Officer:



Attachment 5

FocalTech Systems Co., Ltd. and Subsidiaries
Amendment to the “Procedure of Endorsement and Guarantee”
Comparison Table

Article	Content		Reason for modification
	Before revision	After revision	
4	<p>Amounts of Endorsements/Guarantees:</p> <ol style="list-style-type: none"> When providing endorsements/guarantees due to business needs, the reference transaction amount must not exceed the following limits. The total amount of endorsements/guarantees to external parties and the limit on endorsements/guarantees to a single enterprise must not exceed 50% of the Company’s net worth. The limit on endorsements/guarantees between subsidiaries where the Company directly or indirectly holds 100% of the voting shares must not exceed 100% of <u>the company’s</u> net worth. The total amount of endorsements/guarantees collectively provided by the Company and its subsidiaries must not exceed 50% of the Company’s net worth. The limit on collective endorsements/guarantees provided by the Company and its subsidiaries to a single enterprise must not exceed 50% of the Company’s net worth. <p>The net worth is based on the most recent financial statements audited or reviewed by an accountant.</p> <p>The Company’s financial reports are prepared in accordance with International Financial Reporting Standards. The term “net worth” as used in these Procedures refers to the equity attributed to the parent company’s owners in the balance sheet as defined by the Company’s financial reporting standards.</p>	<p>Amounts of Endorsements/Guarantees:</p> <ol style="list-style-type: none"> When providing endorsements/guarantees due to business needs, the reference transaction amount must not exceed the following limits. The total amount of endorsements/guarantees to external parties and the limit on endorsements/guarantees to a single enterprise must not exceed 50% of the Company’s net worth. The limit on endorsements/guarantees between subsidiaries where the Company directly or indirectly holds 100% of the voting shares must not exceed 100% of <u>the guaranteeing company’s</u> net worth. The total amount of endorsements/guarantees collectively provided by the Company and its subsidiaries must not exceed 50% of the Company’s net worth. The limit on collective endorsements/guarantees provided by the Company and its subsidiaries to a single enterprise must not exceed 50% of the Company’s net worth. <p>The net worth is based on the most recent financial statements audited or reviewed by an accountant.</p> <p>The Company’s financial reports are prepared in accordance with International Financial Reporting Standards. The term “net worth” as used in these Procedures refers to the equity attributed to the parent company’s owners in the balance sheet as defined by the Company’s financial reporting standards.</p>	Modified the content as appropriate.

Appendix 1

Rules of Procedure for Shareholders' Meeting

Approved by the Shareholders' Meeting on June 9, 2022

- Article 1 To establish a good governance system, sound supervisory capabilities, and strong management capabilities for the Company's shareholders' meetings, and pursuant to the relevant provisions of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Company adopts these Rules.
- Article 2 The Company's procedural rules for shareholders' meetings shall, except as otherwise provided by law, regulations, or the Company's Articles of Incorporation, be as provided in these Rules.
- Article 3 (Convening shareholders' meetings and notices regarding shareholders' meetings)

Except where otherwise provided by law or regulations, the Company's shareholders' meetings shall be convened by the Board of Directors.

Changes in the manner of convening a shareholders' meeting must be made via resolutions of the Board of Directors, and shall be made no later than mailing of the shareholders' meeting notice.

The Company shall prepare electronic versions of the notice of shareholders' meeting; proxy forms; and reasons for and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, and the election/dismissal of directors, and shall upload said materials to the Market Observation Post System (MOPS) at least 30 days before the date of a regular shareholders' meeting and at least 15 days before the date of a special shareholders' meeting. The Company shall also prepare electronic versions of the shareholders' meeting agenda book and the supplemental meeting materials and upload them to the MOPS at least 21 days before the date of a regular shareholders' meeting and at least 15 days before the date of a special shareholders' meeting. However, in the case of a TWSE or TPEX listed company with paid-in capital reaching NT\$10 billion or more as of the last day of the most recent fiscal year, or in which the aggregate shareholding percentage of foreign investors and Mainland Chinese investors reached 30% or more as recorded in the shareholders' register at the time of holding of the regular shareholders' meeting in the most recent

fiscal year, it shall upload the aforesaid electronic file by 30 days prior to the day on which the regular shareholders' meeting is to be held. In addition, at least 15 days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda book and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby.

The Company shall make the meeting agenda book and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders' meeting:

1. For in-person shareholders' meetings, these materials shall be distributed on-site at the meeting.
2. For hybrid shareholders' meetings, these materials shall be distributed on-site at the meeting and electronic files shall be shared on the virtual meeting platform.
3. For virtual-only shareholders' meeting, electronic files shall be shared on the virtual meeting platform.

The reasons for convening a shareholders' meeting shall be specified in the notice of meeting and public announcement. With the consent of the addressee, the notice of meeting may be given in electronic form.

Election or dismissal of directors, amendments to the Company's Articles of Incorporation, reduction of capital, application for the approval of ceasing the Company's status as a public company, approval of competing with the Company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the Company, or any matter under Article 185, Paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised as an extemporary motion.

Where both re-election of all directors and their inauguration dates are stated in the notice of the reasons for convening the shareholders' meeting,

after the completion of the re-election in said meeting, such inauguration dates may not be altered by any extemporary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit a proposal to the Company for discussion at a regular shareholders' meeting. The number of matters proposed is limited to one only, and no proposal containing more than one matter shall be included in the meeting agenda. When the circumstances of any Subparagraph of Article 172-1, Paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda. A shareholder may propose a recommendation for urging the Company to promote public interests or fulfill its social responsibilities, provided that procedurally the number of matters proposed is limited to one only in accordance with Article 172-1 of the Company Act, and no proposal containing more than one matter shall be included in the meeting agenda.

Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals shall not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words shall be included in the meeting agenda. The shareholder making the proposal shall be present, in person or by proxy, at the regular shareholders' meeting and shall take part in discussion of the proposal.

The Company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.

Article 4 For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail, unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company two days before the date of the shareholders' meeting. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

If, after a proxy form is delivered to the Company, a shareholder wishes to attend the shareholders' meeting online, a written notice of proxy cancellation shall be submitted to the Company two days before the date of the shareholders' meeting. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 (Principles for determining the venue and time of a shareholders' meeting)

The venue for a shareholders' meeting shall be the Company's premises, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting shall begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the venue and time of the meeting.

The restrictions on the venue of the meeting shall not apply when the Company convenes a virtual-only shareholders' meeting.

Article 6 (Preparation of attendance books and other documents)

The time during which attendance registrations for shareholders, solicitors and proxies (collectively referred to as "shareholders") will be accepted shall be at least 30 minutes prior to the time the meeting starts. The place at which attendance registrations are accepted shall be clearly marked, and a sufficient number of competent personnel shall be assigned to handle the registrations. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30

minutes before the meeting starts. Shareholders completing registration shall be deemed to have attended the shareholders' meeting in person.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

Shareholders shall attend shareholders' meetings through attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

When a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the date of the shareholders' meeting.

In the event of a virtual shareholders' meeting, the Company shall upload the meeting agenda book, annual report, and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and shall make this information available until the end of the meeting.

Article 6-1 (Convening virtual shareholders' meetings and particulars to be included in shareholders' meeting notices)

To convene a virtual shareholders' meeting, the Company shall include the following particulars in the shareholders' meeting notice:

1. How shareholders shall attend the virtual meeting and exercise their rights.
2. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents, or other force majeure events. This shall cover, at a minimum, the following particulars:
 - (1) The time to which the meeting shall be postponed or from which time the meeting shall resume if the above obstruction continues

and cannot be resolved, and the date to which the meeting shall be postponed or on which the meeting will resume.

- (2) Shareholders who have not registered to attend an affected virtual shareholders' meeting shall not attend the postponed or resumed session.
 - (3) In the event of a hybrid shareholders' meeting, when the virtual meeting cannot be continued, if, after deducting those represented by shareholders attending the virtual shareholders' meeting online, the total number of shares represented at the meeting meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed to have abstained from voting on all proposals on that shareholders' meeting agenda.
 - (4) Measures to be taken if the outcome of all proposals have been announced but extemporary motions have not yet been proceeded with.
3. When the Company convenes a virtual-only shareholders' meeting, it furthermore shall specify appropriate alternative measures available to shareholders who have difficulty taking part in a virtual shareholders' meeting.

Article 7 (The chair and non-voting participants of a shareholders' meeting)

If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the chairperson of the Board. When the chairperson of the Board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.

If a shareholders' meeting is convened by a party with the power to convene that is not the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, and related persons retained by it to attend a shareholders' meeting in a non-voting capacity, and to answer related questions during the proceedings.

Article 8 (Documentation of a shareholders' meeting via audio or video)

The Company shall make an uninterrupted audio and video recording of the shareholders' meeting, from the beginning to end, and shall retain the recording for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

For a virtual shareholders' meeting, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast, and results of votes counted by the Company, and shall make continuous and uninterrupted audio and video records of the proceedings of the virtual meeting, from beginning to end.

The information and audio and video recordings in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and the Company shall provide copies of the audio and video recordings to the party appointed to handle matters of the virtual meeting for retention.

Article 9 Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated in accordance with the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised via correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of non-voting shares and number of shares represented by shareholders attending the meeting.

However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement; there shall be no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. In the event of a virtual shareholders' meeting, the

Company shall also declare the meeting adjourned on the virtual meeting platform.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted in accordance with Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall re-register to the Company in accordance with Article 6.

When, prior to the conclusion of a meeting, the attending shareholders reach a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting in accordance with Article 174 of the Company Act.

Article 10 (Proposal Discussion)

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on each separate proposal in the agenda (including extemporaneous motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply, *mutatis mutandis*, to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extemporaneous motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

When the chair is of the opinion that a proposal, its amendments, or extemporaneous motions put forward by the shareholders have been

discussed sufficiently to put such to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article 11 (Shareholder speeches)

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her/its shareholder account number (or attendance card number), and account name. The order in which shareholders speak shall be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed not to have spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Shareholders are allowed to speak or raise a question regarding the matters on the agenda only after all the matters on the agenda have been read out or reported by the chair or his/her/its appointee. A shareholder may not speak more than twice, and a single speech may not exceed five minutes. However, with the consent of the chair, a shareholder may extend the speech for five minutes; such an extension may be granted only once.

The time and number of speeches made by shareholders in response to each of the motions for recognition and discussion of the matters listed on the agenda and to each of the proposals put forward in the extemporary motion procedure shall be subject to the rules specified in the preceding paragraph.

The time and number of questions raised and speeches made by shareholders regarding motions that are not listed as matters on the agenda during the proceedings of extemporary motions shall be subject to the rules specified in paragraph 1.

If a shareholder's speech violates the rules stipulated in the preceding paragraph or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violations.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform, from the time the chair declares the meeting open until the chair declares the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 1 to 8 do not apply.

Article 12 (Calculation of voting shares and recusal system)

Voting at a shareholders' meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the Company's interests, that shareholder shall not vote on that item, nor shall they exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy shall not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed to be non-voting shares under Article 179, Paragraph 2 of the Company Act.

When the Company holds a shareholders' meeting, it shall adopt exercise of voting rights by electronic means or by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic

means shall be deemed to have attended the meeting in person, but to have waived his/her/its rights with respect to the extemporary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, two days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail. Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals shall then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be the shareholders of the Company.

Vote counting shall be conducted in public at the place of the shareholders' meeting. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.

When the Company convenes a virtual shareholders' meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces that the voting session has ended, or they shall be deemed to have abstained from voting.

In the event of a virtual shareholders' meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When the Company convenes a hybrid shareholders' meeting, if shareholders who have registered to attend the meeting online in accordance with Article 6 decide to attend the in-person shareholders' meeting in person, they shall revoke their registration two days before the shareholders' meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders' meeting online.

When shareholders exercise voting rights via correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders' meeting online, except for extemporary motions, they shall not exercise voting rights on the original proposals, make any amendments to the original proposals, nor exercise voting rights on amendments to the original proposal.

Article 14 (Matters related to election)

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected, as well as the names of directors not elected and number of votes they received.

The ballots for elections referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit in accordance with Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting, and a copy distributed to each

shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS. The meeting minutes shall accurately record the year, month, day, and venue of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and, in the event of an election of directors, the number of voting rights won by each candidate shall also be disclosed. The minutes shall be retained for the duration of the existence of the Company.

Where a virtual shareholders' meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders' meeting, how the meeting is convened, the chair's and secretary's full name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.

When convening a virtual-only shareholders' meeting, other than compliance with the requirements in the preceding paragraph, the Company shall specify in the meeting minutes the alternative measures available to shareholders who have difficulties in attending a virtual-only shareholders' meeting online.

Article 16 (Public disclosure)

On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies, and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the venue of the shareholders' meeting. In the event a virtual shareholders' meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and make this information available until the end of the meeting.

During the Company's virtual shareholders' meeting, when the meeting is called to order, the total number of shares represented by the attending shareholders shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented by the attending shareholders is calculated and a new tally of votes is released during the meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 (Maintaining order at the meeting place)

Staff handling administrative affairs for a shareholders' meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor".

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the Rules of Procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 (Recess and resumption of a shareholders' meeting)

When a meeting is in progress, the chair may announce a break based on considerations of time. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extemporary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 19 (Disclosure of information at virtual meetings)

In the event of a virtual shareholders' meeting, the Company shall in accordance with the regulations disclose real-time voting and election results immediately after the end of the voting session on the virtual meeting platform, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

Article 20 (Location of the chair and secretary of virtual-only shareholders' meeting)

When the Company convenes a virtual-only shareholders' meeting, both the chair and secretary shall be in the same location, and the chair shall announce said location's address when the meeting is called to order.

Article 21 (Handling of disconnection)

In the event of a virtual shareholders' meeting, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents, or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for 30 minutes or longer, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.

When a company postpones or reconvenes a meeting under paragraph 1, shareholders who registered to take part by video conferencing in the originally scheduled shareholders' meeting and completed sign-in, but do not participate in the postponed or reconvened meeting, the number of shares represented by them and voting rights and election rights exercised by them shall be counted toward the total number of shares, number of voting rights and number of election rights of shareholders represented at the postponed or reconvened meeting.

During a postponed or resumed session of a shareholders' meeting held under the paragraph 1, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors.

When the Company convenes a hybrid shareholders' meeting, and the virtual meeting cannot continue as described in paragraph 1, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, still meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue, and no postponement or resumption thereof under paragraph 1 is required.

Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed to have abstained from voting on all proposals on that shareholders' meeting agenda.

When postponing or resuming a meeting in accordance with paragraph 1, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under Article 44-20, Paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates and periods set forth under Article 12, second half, and Article 13, Paragraph 3 of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, Paragraph 2, Article 44-15, and Article 44-17, Paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle such a matter based on the date of the shareholders' meeting that is postponed or resumed under paragraph 1.

Article 22 (Handling of digital divide)

When convening a virtual-only shareholders' meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online.

Article 23 This rule will be implemented after approval by the shareholders' meeting and the amendment will follow the same procedure.

Appendix 2

FocalTech Systems Co., Ltd. Articles of Incorporation

Section I General Provisions

- Article 1 The Company shall be incorporated as a limited liability company with shares defined by the Company Act and its name shall be “FocalTech Systems Co., Ltd.”.
- Article 2 The scope of business of the Company shall be as follow:
1. CC01080 Electronic component manufacturing
2. I301010 Information Software Services
3. IG02010 Research and Development Service
4. I501010 Product Design
5. F219010 Retail Sale of Electronic Materials
6. F401010 International Trade
7. I301020 Data Processing Services
8. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval
- Article 3 The Company shall have its head office in Hsinchu County and, if necessary, may set up branches domestically or overseas after the approval its Board of Directors and the authority.
- Article 4 Public notices of the Company shall be made in accordance with Article 28 of the Company Act.

Section II Shares

- Article 5 The total capital amount of the Company shall be five billion New Taiwan Dollars accounting for five hundred million shares, at a par value of Ten New Taiwan Dollars (NT\$10) per share. The Board of Directors is authorized to issue the unissued shares in installments
- Article 5-1 If the company intends to issue employee stock options at a share price lower than the market price (net book value per share), it shall comply with the provisions of Article 56-1 and 76 of the Code of Dealing with the Offering and Issuance of Securities of the Issuer. After being resolved by the shareholders' meeting, the shares could be issued.

Article 5-2 If the company intends to transfer the shares of the company to the employees at the price lower than the average actual purchase price, it shall comply with the provisions of Article 10-1 and Article 13 of the Measures for Buying Back Stocks of the Company by the Listed and OTC company. The approval by 2/3 of the more than 50% of the attending voting shares in the latest shareholders' meeting is required.

Article 5-3 The employees in subordinate companies are eligible for the transfer of treasury shares, allotment of new shares, the issue of employee stock options and the restriction shares with particular requirements, which are authorized to the board of directors to define.

Article 6 The share certificate of the Company shall be all name registered share certificates and shall be signed by, and affixed with the seals or signed by representative directors of the Company, and issued after duly authentication pursuant to the law. The Company can also issue shares by registering or wiring into account books based on related regulations, rather printing physical shares.

Article 7 The company's stock handling operations, besides the provisions of laws and securities regulations, also shall be in accordance with the "Standards for the Issuance of Stocks of Public Share Issuing Companies". When the relevant laws and regulations are changed, they shall be executed at any time after the change.

Article 8 Registration for transfer of shares shall all be suspended 60 days before the convocation of any ordinary shareholders' meeting, 30 days before the convocation of extraordinary shareholders' meeting, or 5 days before the record day for distribution of dividend, interest and bonus or any other benefit as scheduled by the Company.

Section III Shareholder Meeting

Article 9 The shareholders' meeting is divided into two, ordinary meetings and temporary meetings, the regular meeting shall be convened by the board of directors within six months after the end of each fiscal year; the convening of the temporary meeting shall be conducted in accordance with the relevant laws and regulations of the Republic of China. For the shareholders' meeting convening, shall notify the shareholders and announce the date, place and convening of the meeting before 30 days for ordinary meetings and 15 days for

temporary meetings. For a shareholder holding a registered stock of less than one thousand shares, the notice could be done by announcing.

Article 9-1 Shareholders who hold 1 per cent of the total number of issued shares at the time when the company convened a regular meeting of shareholders could submit no more than one shareholder meeting proposal to the company in writing. Any proposal more than one shall not be included in the shareholders meeting. The operations are handled in accordance with Company Act and related regulations.

Article 10 Resolutions of the shareholders' meeting may be processed in writing or electronically. Except specified by the provisions of Company Act, the resolution should be made by the agreement of more than half of the attending voting shares, which are more than half of the issued shares.

Article 10-1 The shareholders' meeting of the Company can be held via video conference or through other methods as announced by the central competent authority.

Article 11 When the shareholders are unable to attend the shareholders' meeting, according to Article 177 of Company Act, the power of attorney shall specify the scope of authorization and entrust the agent to attend the meeting. The power of attorney shall reach the company five days before the meeting.
The method of entrusting the shareholders to attend shall be handled in accordance with the provisions of the "Provisional Regulations on the Use of Public Companies to Attend Shareholders' Meetings" issued by the competent authority, besides to the provisions of Company Act.

Article 12 Each share has one voting right except for the case defined in Article 179 of Company Act.

Article 13 When the shareholder meeting is held, the Company chairman shall be the meeting chairman. In the absence of the chairman of the board of directors, the chairman shall appoint one director to act as the agent. If not, the directors shall elect one director to represent. If the meeting is not convened by the board of directors, the meeting chairman could be the convener. When there are two or more concentrators, one of them

should be elected to be the meeting chairman.

Article 14 The resolutions of the shareholders' meeting shall be made into meeting records, signed or sealed by the chairman, and the minutes shall be distributed to the shareholders within 20 days after the meeting. The distribution of the records shall be announced in the form of an announcement. The period of record of the minutes of the proceedings and proceedings, attendance at the shareholders' signature book or attendance card, and power of attorney attendance shall be subject to the provisions of Article 183 of Company Act.

Article 15 When the company's shares are proposed not to be traded publicly, this shall be subject to the resolution of the shareholders' meeting, and this provision will not be changed during the listing period.

Section IV Directors and Audit Committee

Article 16 The company has 7 to 9 directors, and adopts the nomination system for candidates and is elected by the shareholders' meeting with the ability to act for a term of three years. If a representative of a legal person shareholder is elected as a director, the legal person may be reassigned at any time, but only to supplement the original term. The company may with the approval of relevant laws and regulations, purchase liability insurance for directors by resolution of the board of directors, so as to reduce the risk of directors being sued by shareholders or other related parties for performing their duties according to law.

Article 16-1 The number of independent directors shall not be less than three, and shall not be less than one-fifth of the number of directors. The candidate nomination system shall be used. The shareholders' meeting shall elect the list of candidates for independent directors. The professional qualifications of the independent directors referred to in the preceding paragraph, restrictions on shareholding and part-time work, nomination methods, and other compliance matters shall be handled in accordance with the relevant provisions of the competent securities authority.

Article 16-2 When the directors of the company perform the duties of the company, regardless of the operating profit and loss of the company, the compensation may be paid and the remuneration is authorized by the

board of directors considering the normal level of the industry.

- Article 16-3 In accordance with the provisions of Article 14-4 of the Securities and Exchange Act, the company sets up an audit committee and the audit committee is responsible for executing the company's law, securities trading law and other laws and regulations stipulating the authority of the supervisor. The audit committee shall consist of all independent directors, the number of whom shall be no less than three, one of which shall be the convener, and at least one shall have accounting or financial expertise. The resolution of the audit committee shall have the agreement of more than one-half of all members.
- Article 17 When the missing amount of directors is up to one-third, the board of directors shall convene a shareholders meeting to elect new Board members within sixty days.
- Article 18 When the term of office of the director is expired but not till the re-election, except as otherwise provided in Company Act, he or she shall extend his or her duties until the re-election.
- Article 19 The Chairman shall be elected by more than 2/3 majority in the Board meeting with at least half members attending. The Chairman conducts all company affairs in accordance with laws, regulations, shareholders' meetings and board resolutions.
- Article 20 Except as otherwise provided in Company Act, the board of directors shall be convened in accordance with the provisions of Company Act. When the board of directors meets at the meeting, the directors should attend in person unless they are otherwise required by Company Act. When the directors are unable to attend in person, they will produce a power of attorney, list the scope of the authorization for the cause of the meeting, and appoint other directors to represent the board of directors. The director acts as an agent for other directors to attend the board of directors, but limited by the commission of one person.
- Article 20-1 The convening of the board of directors shall be notified to all directors by written, E-mail or fax seven days ago.
The Board meeting could be called at any time in an emergency by notify in writing, by e-mail or by fax.

- Article 21 The chairman of the board represents the company. If the chairman leave or other reasons that makes him cannot exercise authority, the chairman of the board of directors shall appoint one person to act as the agent. In the absence of such designation, the deputy shall be elected by the directors.
- Article 22 Matters to be resolved by the board of directors shall be made into records and shall be signed or sealed by the chairman. Within 20 days after the meeting, the records will be distributed to all directors. The records of the board meeting shall notice the proceedings of the board of directors, the attendance of the board of directors shall be recorded. The agent's power of attorney attendance will be handled in accordance with Article 207 of Company Act.
- Article 23 The Board of Directors shall have the following functions and responsibilities:
1. Decision on business policy
 2. Validation of the budget
 3. Prepare financial statements to report shareholders' meeting.
 4. Amend the proposed articles of association.
 5. Execute resolutions of the shareholders meeting.
 6. Validation of the main contract.
 7. Propose a Ratification for surplus distribution or loss provision.
 8. Ratifications for capital increase or reduction.
 9. Employment of key staff.
 10. The organization rules and business rules formulation
 11. Other duties defined by laws and shareholder meeting resolutions

Section V Managers and staff

- Article 24 The company may have the position of the manager, whose appointment, dismissal and remuneration are in accordance with Article 29 of Company Act.
- Article 24-1 The Company may, subject to the relevant laws and regulations, obtain resolutions from the board of directors and purchase liability insurance for the managers to reduce the risk of the managers being prosecuted by shareholders or other related parties for performing their duties according to law.
- Article 25 The company may hire important staffs based on Board resolutions in accordance with the provisions of Article 24 of the Articles of

Incorporation.

Section VI Accounting

Article 26 The Board of Directors shall prepare after the close of each accounting fiscal year for the Company (1) Business Report, (2) Financial Statements, (3) Ratification of Distribution of Profit or Making Up of Loss, etc. and submit the same to the general shareholders meeting for acceptance.

Article 26-1 If the If the company makes a profit in the year, it should extract no less than 1% for the employee's remuneration, and be resolute by the board of directors whether to distribute it by stock or cash. The object must be employees who meet certain conditions, and the conditions are authorized by the board of directors to resolute. The company can base on the profit amount, and let the board of directors resolute the director's remuneration which is less than 1.5%. The employee's compensation and the directors' compensation shall be reported to the shareholders' meeting. However, when the company still has accumulated losses, it should retain the amount of compensation in advance, and then provide employees' compensation and directors' compensation according to the proportion of the preceding paragraph.

Article 27 If the Company has earnings annually, the payments to tax liability and the compensation of the accumulated deficit should be done first. Then 10% of the rest amount should be extracted to the legal reserve. If the legal reserve has reached the amount of paid-in capital of the company, this extraction may not be required. In addition, the special reserve shall be reversed or reserved, according to the law or operating requirements. The remaining amount plus the year beginning undistributed retained earnings is available for distribution in terms of cash or shares, which is proposed by the Board of Directors, and is required to be approved by the shareholders' meeting. The company's dividend policy is based on the current and future development plans, considering the investment environment, capital needs and domestic and international competition, and taking into account the interests of shareholders, etc., the annual earning is not less than 10% of the annual dividend distribution dividends. When

distributing dividends to shareholders, it can be cash or stock, in which the cash dividend is not less than 10% of the total dividend, but the cash dividend of less than NT\$0.5 per share will not be issued.

- Article 28 The company may endorse the external endorsement and may, depending on the needs of the business, lend the funds to others. Its operating methods are determined by the board of directors according to law.
- Article 29 The total amount of the company's investment is not subject to the limit of 40 percent of the paid-in capital of Company Act in Article 13.
- Article 30 The company's organization rules and operation procedures are set by the board of directors.
- Article 30-1 For matters not regulated in this statute, shall be handled in accordance with the provisions of Company Act and other statutes.
- Article 31 This Article was established on December 15, 2005. The first amendment was made on January 19, 2006. The second amendment was made on March 28, 2006. The third amendment was made on October 5, 2006. The fourth amendment was made on May 10, 2007. The fifth amendment was made on June 6, 2008. The sixth amendment was made on June 16, 2009. The seventh amendment was made on June 15, 2011. The eighth amendment was made on June 13, 2012. The ninth amendment was made on June 18, 2013. The tenth amendment was made on June 30, 2014. The eleventh amendment was made on January 5, 2015. The twelfth amendment was made on June 10, 2015. The thirteenth amendment was made on June 22, 2016, the fourteenth Amendment on June 20, 2019, the fifteenth Amendment on June 20, 2020, and the sixteenth Amendment on August 19, 2021, and the seventeenth Amendment on June 9, 2022.

Appendix 3

FocalTech Directors' Shareholding Status

Record Date: April 9, 2024

Position	Name	Gender	Shareholding Status	
			Number of shares	Shareholding Ratio
Chairman	Genda Hu	Male	1,662,453	0.76%
Director	GWAA LLC Representative Person : Han-Ping Shieh	Male	4,158,691	1.89%
Director	GWAA LLC Representative Person : Jason Lin	Male		
Director	Acer Inc. Representative: Jason Chen	Male	8,732,688	3.98%
Independent Director	Chin-Tay Shih	Male	0	0%
Independent Director	Chan-Jane Lin	Female	0	0%
Independent Director	Hsing-Chien Tuan	Male	0	0%
Independent Director	Jim Lai	Male	0	0%
Total of All Directors			14,553,832	6.63%

Note:

1. Total shares issued: 219,487,049 common shares.
2. Minimum number of shares that all directors should hold in total is 12,000,000 shares on April 9, 2024.
3. The number of shares held by individual and all directors are listed above summarized from the shareholders' register on the date of suspension of transfer, which fulfills the requirement of Article 26 of the Securities Exchange Act.