

Handbook for 2021 Annual General Meeting of Shareholders (Translation)

Time: June 24, 2021 9:00AM
Location: Rm. 203, 2F., No. 2, Zhanye 1st Rd., Hsinchu Science Park, Taiwan (R.O.C.)

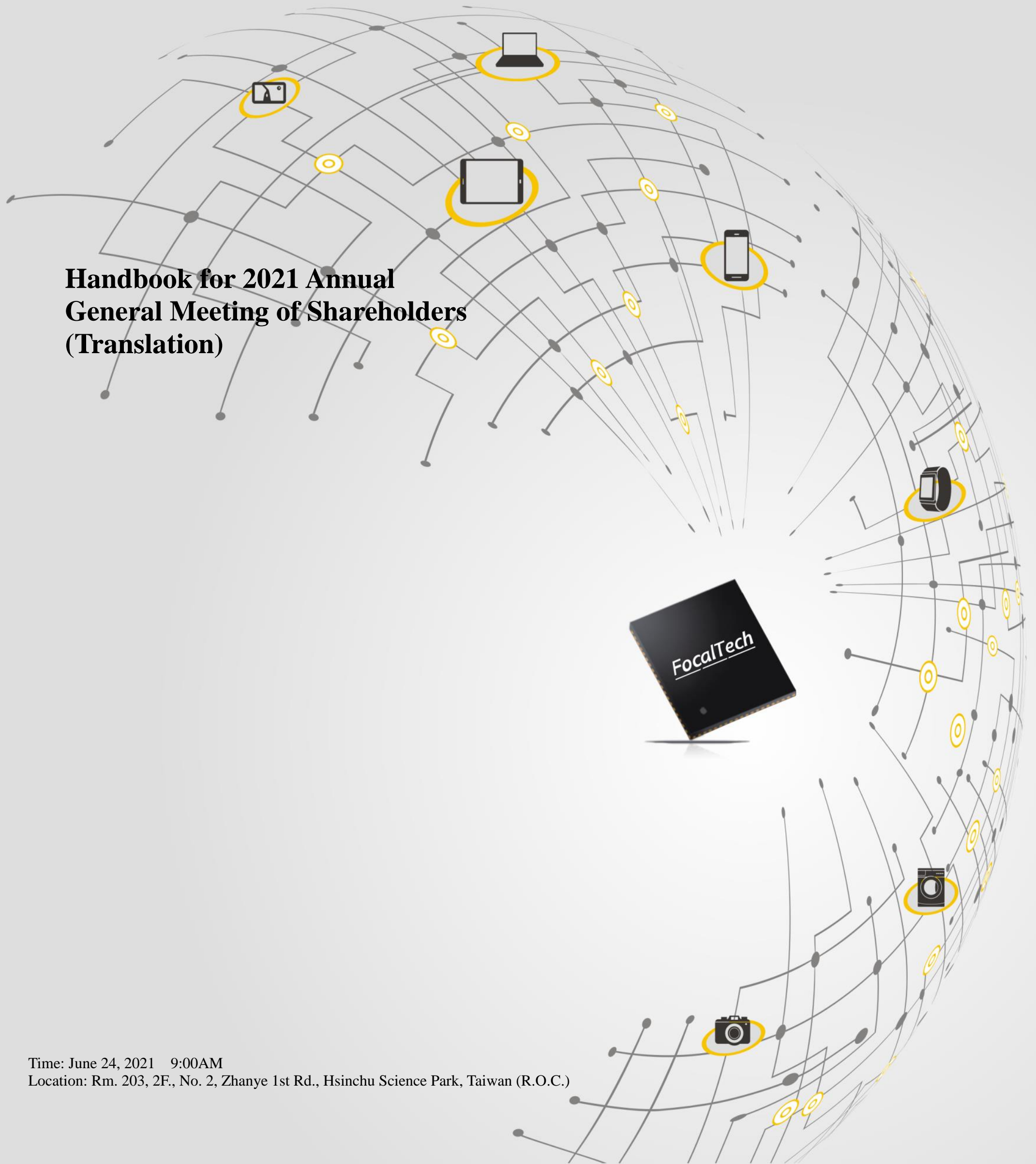


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Meeting Agenda

Meeting Agenda for 2021 Annual General Meeting of Shareholders

Time : 9:00AM June 24, 2021

Location : Rm. 203, 2F., No. 2, Zhanye 1st Rd., Hsinchu Science Park, Taiwan (R.O.C.)

1. Attendance: shareholders and representatives.
2. Chairman: Chairman Genda Hu
3. Announce the start of the meeting(report the number of shares attended)
4. Chairman's speech
5. Matters for Report
 1. 2020 business report
 2. Audit committee review report
 3. Report of 2020 Employees and Directors Compensation Distributions
6. Matters for Ratification
 1. Adoption of 2020 annual business report and financial statements
 2. Adoption of the proposal for distribution of 2020 profits
7. Matters for Discussion
 1. Amendment to the “Articles of Incorporation”
 2. Amendment to the “Rules of Procedure of Shareholders' Meeting”
8. Extempore Motions
9. Adjournment

Matters for Report

Report item (1)

Subject: 2020 Annual Business Report

Descriptions: 2020 Annual Business Report is attached on page 6~7, Attachment 1

Report item (2)

Subject: Audit Committee Review Report

Descriptions: Audit Committee Review Report is attached on page 8, Attachment 2

Report item (3)

Subject: Report of 2020 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 2020 was NT\$123,450,390 and the total remuneration for directors was NT\$7,213,921, and all were paid in cash.

Matters for Ratification

Ratification item (1):

[Proposed by the Board]

Subject: Adoption of the 2020 Business Report and Financial Statements

Descriptions:

- (1) FocalTech 2020 business report and financial statements had been approved by the Board and the financial statements were audited by independent auditors Xu Xiu Ming and Shao Zhi Ming of Deloitte accounting firm.
- (2) Independent auditor report, 2020 business report and financial statements are attached on page 6~7, Attachment 1 and attached on page 9~25, Attachment 3.

Resolution:

Ratification item (2):

[Proposed by the Board]

Subject: Adoption of the proposal for distribution of 2020 profits

Descriptions:

- (1) After the deduction of the statutory surplus reserve of NT\$101,230,141 and the special surplus reserve of NT\$122,315,603 according to the law, it is planned to use the remaining 2020 profit balance to allocate cash shareholder dividends to NT\$700,000,000.
- (2) Based on the company's 210,527,942 common shares outstanding on March 31, 2021, a cash dividend of NT\$3.32 per share is allocated.
- (3) After the proposal has been approved by the 2021 shareholder's meeting, it is proposed to request the General meeting to authorize the chairman of the board to set a dividend base date for processing. In the future, if the treasury shares are bought back, or the treasury shares are transferred or cancelled, the conversion of corporate bonds, 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 request the General meeting 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) 2020 Profit Distribution Table is attached on page 26, Attachment 4

Resolution:

Matters for Discussion

Discussion item (1):

[Proposed by the Board]

Subject: Discussion for the amendment to the “Articles of Incorporation”

Descriptions:

(1) Required by the competent authority, it is proposed to amend parts of “Articles of Incorporation”.

Delete Article 15-1: Significant operation decisions or mergers of the company must be resolved and be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares.

(2) Amended paragraph comparison table is attached on page 27~28, as attachment 5.

Resolution:

Discussion item (2):

[Proposed by the Board]

Subject: Discussion for the amendment to the “Rules of Procedure for Shareholders’ Meeting”

Descriptions:

(1) In accordance with the revision of laws and regulations and the actual operation of the company, it is proposed to revise part of "Rules of Procedure for Shareholders' Meetings" of the company.

(2) Amendment to the “Rules of Procedure for Shareholders’ Meeting” Comparison Table is attached on page 29~32, as attachment 6.

Resolution:

Extempore Motions

Adjournment

Attachment

Attachment 1

2020 Annual Business Report

The Year of the COVID-19 Outbreak is the Year of Rebirth for FocalTech.

In 2020, the outbreak of the COVID-19 epidemic caused a huge number of infections and deaths around the world, and no country was able to escape from it. As a result, face-to-face business activities have been greatly minimized due to the border controls implemented in various countries. In addition, traditional classes have been suspended, leading to the popularization of learning from home. To avoid direct contact with other people when buying everyday necessities, more people prefer to use online shopping. The way people live has undergone substantial changes in 2020, creating new business models and different consumer demands. Fortunately, FocalTech's perseverance in technology development and advanced deployment strategies in production plans have coincided with such market changes and demand increase. It allows the company to make significant progress in the development of human-machine interface applications, including mobile phones, tablets, notebooks, and wearable products. As a result, in 2020, we have stopped the losses in the past three consecutive years and achieved a record high in terms of revenue.

According to the statistics conducted by the Canalsys, global smartphone shipments in 2020 amounted to 1.26 billion units, which is not only a decrease of 7% compared to the 1.36 billion units in 2019, but also a decline in three consecutive years. However, due to iteration in technology, the percentage of full in-cell panels used in smartphones has gradually increased from about 15% in 2017 to nearly 60% in 2020, making the overall market of "Integrated Driver and Controller (IDC), also known as TDDI (Touch and Display Driver Integration)" to expand continuously. This implies that FocalTech has accurately predicted the market trend and continued to strengthen its technological capability and to engage in long-term R&D, leading to the upgrade of the panel industry.

In 2018, FocalTech faced a serious shortage in foundry capacity, making it more aware of the importance of production planning. Starting from 2019, FocalTech continued to expand its foundry partners, working together to optimize its manufacturing processes and yields. In the end of 2020, the production capacity was effectively increased to provide high-quality products that meet the needs of customers. The shipments of IDC in 2020 exceeded 200 million units, showing a substantial increase compared with 2019, and a market share growth to more than 30%.

Moreover, due to the short foundry capacity and huge demand, the price of IDC began to rise notably in the fourth quarter of 2020, benefiting FocalTech's gross margin. The gross margin of FocalTech in 2020 reached 24.85%, an increase of 3.09 percentage compared with 2019. Such increase in gross margin raised the annual net income of FocalTech to NT\$ 983 million, setting a new record. Based on the weighted average outstanding shares, the earnings per share was NT\$ 3.97.

In addition to the breakthrough in the IDC market, FocalTech also made great achievements in the area of the AMOLED panel field. After many years of development in touch controller ICs, more than 20 million chips have been shipped in 2020 to several well-known mobile phone brands, showing a growth of several multiples compared with 2019. In terms of capacitive fingerprint sensor, FocalTech started the mass production in 2020, reaching a shipment level of tens of millions.

Overall, in the promotion of human-machine interface products, FocalTech is able to offer the convenient one-stop service to its customers, which is a unique advantage among the industry. For example, the combination sales of capacitive fingerprint products and IDC will help the integration in system implementation, providing more value-added products and services to customers. Furthermore, since FocalTech has strong technical teams in both Taiwan and China, it is able to provide immediate supports to customers during the tough epidemic period in 2020, accelerating the introduction of products to rapidly gain the market share.

To maintain its leading position in human-machine interface development for mobile devices around the world, FocalTech continues to increase its R&D investment and has achieved great results. The R&D expenditure in 2020 reached NT\$ 1.636 billion, an increase of more than 5% compared with 2019, accounting for 11.86% of the annual revenue. In 2020, FocalTech has filed 93 patent applications, an increase of nearly 20% compared with 2019, and has received 63 patent approvals, a substantial increase of 70% compared with 2019. FocalTech insists on realizing the value of innovation and R&D through pragmatic actions.

In terms of product and technology development strategy, FocalTech continues to cultivate the IDC market. In response to the advent of the 5G era, the display panels of mobile devices must have low latency and high frame rate requirements. The products with 90Hz and 120Hz high refresh rates developed by FocalTech have started mass production in 2020 and have been well accepted by the market. In addition, after nearly three years of development in the automotive field, in-cell touch panels have recently begun to increase their penetration rate with the rising of electric vehicles. Side fingerprint solution has also been developed for capacitive fingerprint recognition products, meeting customers' design requirements for full-screen mobile phones. Furthermore, breakthroughs have also been made in the field of optical fingerprint technology to start small-scale trial production.

Looking into 2021, although the challenges of the COVID-19 epidemic and the U.S.-China trade war are still present, and the shortage in foundry capacity is unable to be solved in the short term, the steady and pragmatic operation policy of FocalTech will enable IDC products to grow continuously. In addition, the development of AMOLED related ICs and fingerprint recognition technologies will start to yield positive results, boosting FocalTech's operation to a new level. More importantly, FocalTech will adhere to the core values of leading provider for human-machine interface solutions, keep developing technologies as well as intellectual property rights, maintain the leading position in the industry, and continue to create maximum value for shareholders, to thank all shareholders for their long-term trust and support.

Chairman and President: Genda Hu



Accountant Officer: James Liao



FocalTech Systems Co., Ltd.

Audit Committee' Review Report

The Board of Directors has prepared the 2020 Business Report, Financial Statements, and proposal for earnings distribution of the Company. The CPA firm of Deloitte & Touche was appointed to audit the Company's Financial Statements and has issued an audit report accordingly. The Business Report, Financial Statements, and proposal for earnings distribution have been reviewed by the Audit Committee members of the Company and determined to be correct and accurate. We hereby submit this report in accordance with the Securities and Exchange Act and the Company Act.

Chairperson of Audit Committee Chan-Jane Lin

April 28, 2021



Independent Auditors' Report and Standalone / Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FocalTech Systems Co., Ltd.

Opinion

We have audited the accompanying balance sheets of FocalTech Systems Co., Ltd. (the "Company") as of December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, 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 auditing standards generally accepted in 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements in the current period are stated as follows:

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 exist 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 listed in the Key Audit Matters of 2020.

Refer to Notes 4,21 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 2020, 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.

Responsibilities of Corporate Management and Governance hierarchy For the Financial Statements

Management Level 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.

Corporate governance level (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 auditing standards generally accepted in 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 auditing standards generally accepted in 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 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 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 year ended December 31, 2020 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 Shio-Ming Shue and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2021

FOCALTECH SYSTEMS CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 4 and 6)	\$ 2,455,926	21	\$ 841,430	9
Trade receivables, net (Note 4 , 9 and 29)	1,445,186	12	540,554	6
Inventories (Note 4 and 10)	1,215,281	11	617,115	7
Other financial assets (Note 4 and 8)	170,880	2	-	-
Other current assets (Note 22and 29)	<u>162,403</u>	<u>1</u>	<u>241,020</u>	<u>3</u>
Total current assets	<u>5,449,676</u>	<u>47</u>	<u>2,240,119</u>	<u>25</u>
NON-CURRENT ASSETS				
Financial asset at fair value through profit or loss - non-current (Note 4 and 7)	97,139	1	27,849	-
Investments accounted for using equity method (Note 4 and 11)	4,537,073	39	5,121,499	58
Property, plant and equipment (Note 4 and 12)	15,226	-	19,408	-
Goodwill (Notes 4 , 5 and 13)	1,237,268	11	1,237,268	14
Other intangible assets (Notes 4 and 14)	59,498	-	75,107	1
Deferred income tax assets (Notes 4 and 22)	65,898	1	101,745	1
Other non-current assets	<u>145,604</u>	<u>1</u>	<u>112,550</u>	<u>1</u>
Total non-current assets	<u>6,157,706</u>	<u>53</u>	<u>6,695,426</u>	<u>75</u>
TOTAL	<u>\$ 11,607,382</u>	<u>100</u>	<u>\$ 8,935,545</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 480,000	4	\$ -	-
Trade payables (Note 16 and 29)	1,936,299	17	700,543	8
Other payables (Note 17)	339,556	3	190,912	2
Current tax liabilities (Note 4 and 22)	108,514	1	-	-
Other current liabilities(Note 20 and 29)	<u>360,915</u>	<u>3</u>	<u>161,003</u>	<u>2</u>
Total current liabilities	<u>3,225,284</u>	<u>28</u>	<u>1,052,458</u>	<u>12</u>
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 22)	53,213	1	33,537	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	23,366	-	24,078	-
Guarantee deposits received	482,276	4	117,594	1
Other non-current liabilities	<u>10,400</u>	<u>-</u>	<u>10,400</u>	<u>-</u>
Total non-current liabilities	<u>569,255</u>	<u>5</u>	<u>185,609</u>	<u>2</u>
Total liabilities	<u>3,794,539</u>	<u>33</u>	<u>1,238,067</u>	<u>14</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 , 19 and 24)				
Share capital				
Ordinary shares	<u>2,103,532</u>	<u>18</u>	<u>2,996,759</u>	<u>33</u>
Capital surplus				
Additional paid-in capital	4,725,445	41	5,037,671	57
Treasury shares	69,361	1	48,662	1
Changes in ownership interests in subsidiaries	-	-	-	-
Employee share options	14,903	-	25,510	-
Employee share options - expired	<u>33,933</u>	<u>-</u>	<u>33,534</u>	<u>-</u>
Total capital surplus	<u>4,843,642</u>	<u>42</u>	<u>5,145,377</u>	<u>58</u>
Undistributed earnings (deficits to be offset)	<u>1,012,301</u>	<u>8</u>	<u>(183,307)</u>	<u>(2)</u>
Other equity				
Exchange differences from translating the financial statements of foreign operations	(125,038)	(1)	4,057	-
Unrealized loss on financial assets at fair value through other comprehensive income	<u>2,722</u>	<u>-</u>	<u>1,750</u>	<u>-</u>
Total other equity	<u>(122,316)</u>	<u>(1)</u>	<u>5,807</u>	<u>-</u>
Treasury shares	<u>(24,316)</u>	<u>-</u>	<u>(267,158)</u>	<u>(3)</u>
Total equity	<u>7,812,843</u>	<u>67</u>	<u>7,697,478</u>	<u>86</u>
TOTAL	<u>\$ 11,607,382</u>	<u>100</u>	<u>\$ 8,935,545</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
REVENUE (Note 4 ,20 and 29)	\$ 11,410,350	100	\$ 2,901,766	100
COSTS OF SALES (Notes 4,10,21 and 29)	<u>(8,811,546)</u>	<u>(77)</u>	<u>(1,944,861)</u>	<u>(67)</u>
GROSS PROFIT	<u>2,598,804</u>	<u>23</u>	<u>956,905</u>	<u>33</u>
OPERATING EXPENSES (Notes 21,24, 26 and 29)				
Selling and marketing expenses	(186,571)	(2)	(102,450)	(4)
General and administrative expenses	(225,572)	(2)	(157,957)	(5)
Research and development expenses	<u>(958,867)</u>	<u>(8)</u>	<u>(625,866)</u>	<u>(22)</u>
Total operating expenses	<u>(1,371,010)</u>	<u>(12)</u>	<u>(886,273)</u>	<u>(31)</u>
OPERATIONS INCOME	<u>1,227,794</u>	<u>11</u>	<u>70,632</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 21)	(1,892)	-	(1,152)	-
Share of loss of subsidiaries and joint ventures(Note4)	(16,072)	-	(229,956)	(8)
Interest income (Note 4)	6,297	-	14,045	1
(Loss) gain on financial assets and liabilities at fair value through profit or loss (Notes 4)	(2,484)	-	372	-
Loss on disposal of investments (Notes 4)	(40,928)	(1)	-	-
Other gains and losses, net (Notes 29)	21,144	-	8,345	-
Loss on foreign currency exchange(Note 4)	<u>(17,880)</u>	<u>-</u>	<u>(22,880)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(51,815)</u>	<u>(1)</u>	<u>(231,226)</u>	<u>(8)</u>
INCOME (LOSS) BEFORE INCOME TAX	1,175,979	10	(160,594)	(6)
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(163,987)</u>	<u>(1)</u>	<u>(14,655)</u>	<u>-</u>
NET INCOME (LOSS)	<u>1,011,992</u>	<u>9</u>	<u>(175,249)</u>	<u>(6)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	359	-	1,677	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	<u>(50)</u>	<u>-</u>	<u>(235)</u>	<u>-</u>
	<u>309</u>	<u>-</u>	<u>1,442</u>	<u>-</u>

(Continued)

FOCALTECH SYSTEMS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences from translating the financial statements of foreign operations (Notes 4)	\$ (128,123)	(1)	\$ (141,357)	(5)
Total other comprehensive Loss (net of income tax)	<u>(127,814)</u>	<u>(1)</u>	<u>(139,915)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 884,178</u>	<u>8</u>	<u>\$ (315,164)</u>	<u>(11)</u>
EARNINGS (LOSS) PER SHARE (Note 23)				
Basic	<u>\$ 3.97</u>		<u>\$ (0.63)</u>	
Diluted	<u>\$ 3.73</u>			

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, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

			Retained Earnings(Accumulated Deficits)		Other Equity			Total Equity
	Share Capital Ordinary Shares	Capital Surplus	Legal Reserve	Undistributed Earnings (Deficits to be offset)	Exchange Differences from Translating Financial Statement of Foreign Operations	Unrealized gains(losses) from financial assets measured at fair value through other comprehensive income	Treasury Shares	
BALANCE, JANUARY 1, 2019	\$ 2,987,432	\$ 6,551,481	\$ 186,154	\$ (1,434,755)	\$ 149,454	\$ (2,290)	\$ (393,203)	\$ 8,044,273
Legal reserve used to cover accumulated deficits	-	-	(186,154)	186,154	-	-	-	-
Capital surplus used to cover accumulated deficits	-	(1,248,601)	-	1,248,601	-	-	-	-
Cash distribution from additional paid-in capital	-	(150,000)	-	-	-	-	-	(150,000)
Net loss for the year ended December 31, 2019	-	-	-	(175,249)	-	-	-	(175,249)
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	1,442	(145,397)	4,040	-	(139,915)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	(173,807)	(145,397)	4,040	-	(315,164)
Treasury stock transferred to employees (Note 19 and 24)	-	-	-	-	-	-	126,045	126,045
Decrease in ownership interests in subsidiaries (Note 25)	-	(20,448)	-	(9,500)	-	-	-	(29,948)
Compensation cost of employee share options (Note 19 and 24)	-	9,787	-	-	-	-	-	9,787
Issue of ordinary shares under employee share options (Note 19 and 24)	9,327	3,158	-	-	-	-	-	12,485
BALANCE AT DECEMBER 31, 2019	2,996,759	5,145,377	-	(183,307)	4,057	1,750	(267,158)	7,697,478
Capital surplus used to cover accumulated deficits	-	(183,307)	-	183,307	-	-	-	-
Cash distribution from additional paid-in capital	-	(150,000)	-	-	-	-	-	(150,000)
Net income for the year ended December 31, 2020	-	-	-	1,011,992	-	-	-	1,011,992
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	309	(129,095)	972	-	(127,814)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,012,301	(129,095)	972	-	884,178
Reduction of capital (Note 19)	(899,721)	-	-	-	-	-	5,191	(894,530)
Treasury stock transferred to employees (Note 19 and 24)	-	1,228	-	-	-	-	237,651	238,879
Compensation cost of employee share options (Note 19 and 24)	-	21,279	-	-	-	-	-	21,279
Issue of ordinary shares under employee share options (Note 19 and 24)	6,494	9,065	-	-	-	-	-	15,559
BALANCE AT DECEMBER 31, 2020	\$ 2,103,532	\$ 4,843,642	\$ -	\$ 1,012,301	\$ (125,038)	\$ 2,722	\$ (24,316)	\$ 7,812,843

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

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

FOCALTECH SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax from continuing operation	\$ 1,175,979	\$ (160,594)
Adjustments for:		
Depreciation expenses	10,567	14,286
Amortization expenses	15,609	16,254
Loss (gain) on financial assets and liabilities at fair value through profit or loss	2,484	(372)
Finance costs	1,892	1,152
Interest income	(6,297)	(14,045)
Compensation cost of employee share options	12,433	4,934
Share of loss of subsidiaries and joint ventures	16,072	229,956
Loss on disposal of investments	40,928	-
Reversal of write-down of inventories	(131,157)	(70,676)
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(112,702)	(5,348)
Trade receivables	(904,632)	76,101
Inventories	(467,009)	(10,474)
Other current assets	77,154	(218,289)
Trade payables	1,235,756	394,331
Other payables	148,644	5,265
Other current liabilities	199,706	146,943
Net defined benefit liabilities	(353)	(341)
Cash generated from operations	1,315,074	409,083
Interest paid	(1,686)	(1,152)
Income tax paid	-	(1,199)
Net cash generated from operating activities	<u>1,313,388</u>	<u>406,732</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(4,970)	(90,885)
Proceeds from disposal of investments accounted for using equity method	2,847	-
Proceeds from the capital reduction of investments accounted for using the equity method	451,200	-
Purchase of property, plant and equipment	(6,385)	(2,941)
Increase in other financial assets	(170,880)	-
Increases in other non-current assets	(33,054)	(99,425)
Interest received	7,760	13,156
Net cash generated (used) from investing activities	<u>246,518</u>	<u>(180,095)</u>

(Continued)

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FOCALTECH SYSTEMS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Increases in short-term borrowings	\$ 480,000	\$ -
Increase in guarantee deposits received	364,682	11,554
Cash dividends paid	(150,000)	(150,000)
Capital reduction payments to shareholders	(894,530)	-
Proceeds from issuance ordinary shares under employee share options	15,559	12,485
Treasury stock transferred to employees	<u>238,879</u>	<u>126,045</u>
Net cash generated in financing activities	<u>54,590</u>	<u>84</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,614,496	226,721
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>841,430</u>	<u>614,709</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,455,926</u>	<u>\$ 841,430</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FocalTech Systems Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of FocalTech Systems Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2020 and 2019, 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 Company as of December 31, 2020 and 2019, 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 auditing standards generally accepted in 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 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements in the current period are stated as follows:

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 exist 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 listed in the Key Audit Matters in 2020.

Refer to Notes 4,21 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 2020, 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.

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4. We sampled purchase orders, shipping documents bills of lading, and collection records in revenue breakdown to ensure the occurrence of sales revenue.

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, 2020 and 2019 on which we have issued an unmodified opinion.

Responsibilities of Corporate Management and Governance hierarchy For the Consolidated Financial Statements

Management Level 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 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.

Corporate governance level (including members of the Audit Committee) is responsible for overseeing the Company'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 auditing standards generally accepted in 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 auditing standards generally accepted in 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'

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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, 2020 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 Shiow-Ming Shue and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2021

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 4 and 6)	\$ 4,011,682	33	\$ 3,461,503	30
Financial asset at fair value through other comprehensive income-current(Note 4 and 8)	-	-	120,475	1
Trade receivables, net (Note 4 and 10)	1,633,900	13	1,420,459	12
Inventories (Note 4 and 11)	1,755,142	14	1,570,753	14
Other financial assets (Note 4 and 9)	1,385,936	11	1,596,292	14
Other current assets	<u>184,262</u>	<u>2</u>	<u>361,925</u>	<u>3</u>
Total current assets	<u>8,970,922</u>	<u>73</u>	<u>8,531,407</u>	<u>74</u>
NON-CURRENT ASSETS				
Financial asset at fair value through profit or loss - non-current (Note 4 and 7)	234,662	2	56,354	-
Financial asset at fair value through other comprehensive income - non-current (Note 4 and 8)	247,974	2	60,898	1
Property, plant and equipment (Note 4 and 13)	1,321,940	11	1,361,478	12
Goodwill (Notes 4 , 5 and 14)	1,237,268	10	1,237,268	11
Other intangible assets (Notes 4 and 15)	63,202	-	99,189	1
Deferred income tax assets (Notes 4 and 23)	85,154	1	120,782	1
Other non-current assets (Note 29)	<u>183,931</u>	<u>1</u>	<u>135,593</u>	<u>1</u>
Total non-current assets	<u>3,374,131</u>	<u>27</u>	<u>3,071,562</u>	<u>26</u>
TOTAL	<u>\$ 12,345,053</u>	<u>100</u>	<u>\$ 11,602,969</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 523,648	4	\$ -	-
Trade payables (Note 17)	1,731,109	14	1,986,219	17
Other payables (Note 18)	1,037,431	8	954,449	8
Current tax liabilities (Notes 4 and 23)	433,121	4	363,172	3
Other current liabilities(Note 21)	<u>230,944</u>	<u>2</u>	<u>108,584</u>	<u>1</u>
Total current liabilities	<u>3,956,253</u>	<u>32</u>	<u>3,412,424</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 23)	53,213	1	33,537	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	23,366	-	24,078	-
Guarantee deposits received	490,361	4	394,360	4
Other non-current liabilities	<u>10,400</u>	<u>-</u>	<u>10,400</u>	<u>-</u>
Total non-current liabilities	<u>577,340</u>	<u>5</u>	<u>462,375</u>	<u>4</u>
Total liabilities	<u>4,533,593</u>	<u>37</u>	<u>3,874,799</u>	<u>33</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 , 20 and 25)				
Share capital				
Ordinary shares	<u>2,103,532</u>	<u>17</u>	<u>2,996,759</u>	<u>26</u>
Capital surplus				
Additional paid-in capital	4,725,445	38	5,037,671	43
Treasury shares	69,361	1	48,662	1
Employee share options	14,903	-	25,510	-
Employee share options - expired	<u>33,933</u>	<u>-</u>	<u>33,534</u>	<u>-</u>
Total capital surplus	<u>4,843,642</u>	<u>39</u>	<u>5,145,377</u>	<u>44</u>
Undistributed earnings (deficits to be offset)	<u>1,012,301</u>	<u>8</u>	<u>(183,307)</u>	<u>(1)</u>
Other equity				
Exchange differences from translating the financial statements of foreign operations	(125,038)	(1)	4,057	-
Unrealized loss on financial assets at fair value through other comprehensive income	<u>2,722</u>	<u>-</u>	<u>1,750</u>	<u>-</u>
Total other equity	<u>(122,316)</u>	<u>(1)</u>	<u>5,807</u>	<u>-</u>
Treasury shares	<u>(24,316)</u>	<u>-</u>	<u>(267,158)</u>	<u>(2)</u>
Equity attributable to owners of the company	<u>7,812,843</u>	<u>63</u>	<u>7,697,478</u>	<u>67</u>
NON-CONTROLLING INTERESTS	<u>(1,383)</u>	<u>-</u>	<u>30,692</u>	<u>-</u>
Total equity	<u>7,811,460</u>	<u>63</u>	<u>7,728,170</u>	<u>67</u>
TOTAL	<u>\$ 12,345,053</u>	<u>100</u>	<u>\$ 11,602,969</u>	<u>100</u>

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
REVENUE (Note 4 and 21)	\$ 13,800,348	100	\$ 9,160,261	100
COSTS OF SALES (Notes 4,11 and 22)	<u>(10,371,572)</u>	<u>(75)</u>	<u>(7,167,061)</u>	<u>(78)</u>
GROSS PROFIT	<u>3,428,776</u>	<u>25</u>	<u>1,993,200</u>	<u>22</u>
OPERATING EXPENSES (Notes 23, 25,27 and 30)				
Selling and marketing expenses	(398,828)	(3)	(469,272)	(5)
General and administrative expenses	(363,193)	(3)	(312,638)	(4)
Research and development expenses	<u>(1,636,018)</u>	<u>(12)</u>	<u>(1,551,946)</u>	<u>(17)</u>
Total operating expenses	<u>(2,398,039)</u>	<u>(18)</u>	<u>(2,333,856)</u>	<u>(26)</u>
OPERATIONS LOSS	<u>1,030,737</u>	<u>7</u>	<u>(340,656)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 22)	(2,009)	-	(1,152)	-
Share of loss of subsidiaries and joint ventures(Note4)	(4,970)	-	-	-
Interest income (Note 4)	51,835	-	111,144	1
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 4)	(5,607)	-	1,077	-
Other gains and losses, net	92,446	1	71,949	1
Loss on foreign currency exchange(Note 4)	<u>(5,335)</u>	<u>-</u>	<u>(22,723)</u>	<u>-</u>
Total non-operating income and expenses	<u>126,360</u>	<u>1</u>	<u>160,295</u>	<u>2</u>
INCOME (LOSS) BEFORE INCOME TAX	1,157,097	8	(180,361)	(2)
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(173,639)</u>	<u>(1)</u>	<u>(25,319)</u>	<u>-</u>
NET INCOME (LOSS)	<u>983,458</u>	<u>7</u>	<u>(205,680)</u>	<u>(2)</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans(Notes 4 and 19)	359	-	1,677	-
Income tax related to items that will not be reclassified subsequently to profit or loss(Notes 4 and 23)	<u>(50)</u>	<u>-</u>	<u>(235)</u>	<u>-</u>
	<u>309</u>	<u>-</u>	<u>1,442</u>	<u>-</u>

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences from translating the financial statements of foreign operations (Notes 4)	\$ (132,636)	(1)	\$ (147,153)	(2)
Unrealized gains from debt instrument investments measured at fair value through other comprehensive income (Notes 4)	<u>972</u>	<u>-</u>	<u>4,040</u>	<u>-</u>
	<u>(131,664)</u>	<u>(1)</u>	<u>(143,113)</u>	<u>(2)</u>
 Total other comprehensive loss (net of income tax)	 <u>(131,355)</u>	 <u>(1)</u>	 <u>(141,671)</u>	 <u>(2)</u>
 TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	 <u>\$ 852,103</u>	 <u>6</u>	 <u>\$ (347,351)</u>	 <u>(4)</u>
 NET LOSS ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,011,992	7	\$ (175,249)	(2)
Non-controlling interests	<u>(28,534)</u>	<u>-</u>	<u>(30,431)</u>	<u>-</u>
	<u>\$ 983,458</u>	<u>7</u>	<u>\$ (205,680)</u>	<u>(2)</u>
 TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of the Company	\$ 884,178	6	\$ (315,164)	(4)
Non-controlling interests	<u>(32,075)</u>	<u>-</u>	<u>(32,187)</u>	<u>-</u>
	<u>\$ 852,103</u>	<u>6</u>	<u>\$ (347,351)</u>	<u>(4)</u>
 LOSS PER SHARE (Note 24)				
Basic	<u>\$ 3.97</u>		<u>\$ (0.63)</u>	
Diluted	<u>\$ 3.73</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
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
	Retained Earnings(Accumulated Deficits)				Other Equity			Total	Non-controlling Interests	Total Equity
	Share Capital Ordinary Shares	Capital Surplus	Legal Reserve	Undistributed Earnings (Deficits to be offset)	Exchange Differences from Translating Financial Statement of Foreign Operations	Unrealized gains(losses) from financial assets measured at fair value through other comprehensive income	Treasury Shares			
BALANCE, JANUARY 1, 2019	\$ 2,987,432	\$ 6,551,481	\$ 186,154	\$ (1,434,755)	\$ 149,454	\$ (2,290)	\$ (191,998)	\$ 8,044,273	\$ 33,342	\$ 8,077,615
Legal reserve used to cover accumulated deficits	-	-	(186,154)	186,154	-	-	-	-	-	-
Capital surplus used to cover accumulated deficits	-	(1,248,601)	-	1,248,601	-	-	-	-	-	-
Cash distribution from additional paid-in capital	-	(150,000)	-	-	-	-	-	(150,000)	-	(150,000)
Net loss for the year ended December 31, 2019	-	-	-	(175,249)	-	-	-	(175,249)	(30,431)	(205,680)
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	1,442	(145,397)	4,040	-	(139,915)	(1,756)	(141,671)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	(173,807)	(145,397)	4,040	-	(315,164)	(32,187)	(347,351)
Treasury stock transferred to employees (Note 20 and 25)	-	-	-	-	-	-	126,045	126,045	-	126,045
Changes in ownership interests in subsidiaries (Note 26)	-	(20,448)	-	(9,500)	-	-	-	(29,948)	29,948	-
Compensation cost of employee share options (Note 20 and 25)	-	9,787	-	-	-	-	-	9,787	-	9,787
Issue of ordinary shares under employee share options (Note 20 and 25)	9,327	3,158	-	-	-	-	-	12,485	-	12,485
Decrease in non-controlling interests (Note 26)	-	-	-	-	-	-	-	-	(411)	(411)
BALANCE AT DECEMBER 31, 2019	2,996,759	5,145,377	-	(183,307)	4,057	1,750	(267,158)	7,697,478	30,692	7,728,170
Capital surplus used to cover accumulated deficits	-	(183,307)	-	183,307	-	-	-	-	-	-
Cash distribution from additional paid-in capital	-	(150,000)	-	-	-	-	-	(150,000)	-	(150,000)
Net income for the year ended December 31, 2020	-	-	-	1,011,992	-	-	-	1,011,992	(28,534)	983,458
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	309	(129,095)	972	-	(127,814)	(3,541)	(131,355)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	1,012,301	(129,095)	972	-	884,178	(32,075)	852,103
Reduction of capital (Note 20)	(899,721)	-	-	-	-	-	5,191	(894,530)	-	(894,530)
Compensation cost of employee share options (Note 20 and 25)	-	21,279	-	-	-	-	-	21,279	-	21,279
Treasury stock transferred to employees (Note 20 and 25)	-	1,228	-	-	-	-	237,651	238,879	-	238,879
Issue of ordinary shares under employee share options(Note 20 and 25)	6,494	9,065	-	-	-	-	-	15,559	-	15,559
BALANCE AT DECEMBER 31, 2020	\$ 2,103,532	\$ 4,843,642	\$ -	\$ 1,012,301	\$ (125,038)	\$ 2,722	\$ (24,316)	\$ 7,812,843	\$ (1,383)	\$ 7,811,460

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

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax from continuing operation	\$ 1,157,097	\$ (180,361)
Adjustments for:		
Depreciation expenses	77,433	81,185
Amortization expenses	35,903	50,186
Loss (gain) on financial assets and liabilities at fair value through profit or loss	5,607	(1,077)
Finance costs	2,009	1,152
Interest income	(51,835)	(111,144)
Compensation cost of employee share options	21,279	9,787
Share of loss of subsidiaries and joint ventures	4,970	-
Loss on disposal of property, plant and equipment	1,264	-
Loss on disposal of investments	40,928	-
Write-down of inventories	(229,556)	(115,912)
Unrealized gain on foreign currency exchange	(37,330)	(8,917)
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(230,416)	56,476
Trade receivables	(233,170)	(461,962)
Inventories	19,988	646,063
Other current assets	165,670	(209,611)
Trade payables	(228,551)	394,137
Other payables	113,845	181,302
Other current liabilities	125,308	47,295
Net defined benefit liabilities	<u>(353)</u>	<u>(341)</u>
Cash generated from operations	760,090	378,258
Interest paid	(1,792)	(1,152)
Income tax paid	<u>(31,382)</u>	<u>(31,938)</u>
Net cash generated from operating activities	<u>726,916</u>	<u>345,168</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial asset at fair value through other comprehensive income	(197,216)	-
Proceeds from disposal of financial asset at fair value through other comprehensive income	118,197	132,921
Acquisition of investments accounted for using equity method	(4,970)	-
Purchase for property, plant and equipment	(22,860)	(101,704)
Purchase of intangible assets	(147)	(825)
Decrease in other financial assets	155,603	651,819
Increases in other non-current assets	(48,937)	(80,012)
Interest received	<u>63,648</u>	<u>114,389</u>
Net cash generated from investing activities	<u>63,318</u>	<u>716,588</u>

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Increases in short-term borrowings	\$ 522,827	\$ -
Increase in guarantee deposits received	99,862	126,134
Cash dividends	(150,000)	(150,000)
Capital reduction payments to shareholders	(894,530)	-
Proceeds from issuance ordinary shares under employee share options	15,559	12,485
Treasury stock transferred to employees	238,879	126,045
Decrease in non-controlling interests	<u>-</u>	<u>(411)</u>
Net cash (used) generated in financing activities	<u>(167,403)</u>	<u>114,253</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(72,652)</u>	<u>(70,432)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	550,179	1,105,577
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,461,503</u>	<u>2,355,926</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,011,682</u>	<u>\$ 3,461,503</u>

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

(Concluded)

Attachment 4

FocalTech 2020 Profit Distribution Table

Unit: NT\$

Item	Amount
Undistributed Earnings at Year Beginning	0
Plus: Net income of 2020	1,011,992,036
Plus: Remeasurement of defined welfare plan for this period	309,370
Minus: Statutory surplus reserve	(101,230,141)
Minus: Special surplus reserve	(122,315,603)
Earnings available for distribution	788,755,662
Distribution Items:	
Dividend to common shareholders	(700,000,000)
Unappropriated retained earnings	<u>88,755,662</u>

Chairman:



CEO:



CFO:



Attachment 5

Amendment to the “Articles of Incorporation” Comparison Table

Article	Content		Change Cause
	Before Amended	After Amended	
15-1	The resolution for paragraph 1, 2 and 3 in Article 185 of Company Act, the company merger defined in Article 18 of Business Mergers And Acquisitions Act, the general transfer defined in Article 27 of Business Mergers And Acquisitions Act, share conversion defined in Article 29 of Business Mergers And Acquisitions Act, and the division of companies defined in Article 35 of Business Mergers And Acquisitions Act shall be made and be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares.	Delete.	Deleted as required by the competent authority.
31	These Articles of Incorporation are agreed to and signed on December 25, 2005 and the first Amendment was approved on January 19, 2006, the second Amendment on March 28, 2006, the third Amendment on October 5, 2006, the fourth Amendment on May 10, 2007, the fifth Amendment on June 6, 2009, the sixth Amendment on June 16, 2009, the seventh Amendment on June fifteenth, 2011, the eighth Amendment on June 13, 2012, the ninth Amendment on June 18, 2013, the tenth Amendment on June 30, 2014, the eleventh Amendment on January 5, 2015, the twelfth Amendment on June 10, 2015, the thirteenth	These Articles of Incorporation are agreed to and signed on December 25, 2005 and the first Amendment was approved on January 19, 2006, the second Amendment on March 28, 2006, the third Amendment on October 5, 2006, the fourth Amendment on May 10, 2007, the fifth Amendment on June 6, 2009, the sixth Amendment on June 16, 2009, the seventh Amendment on June fifteenth, 2011, the eighth Amendment on June 13, 2012, the ninth Amendment on June 18, 2013, the tenth Amendment on June 30, 2014, the eleventh Amendment on January 5, 2015, the twelfth	The sixteenth Amendment date added.

Article	Content		Change Cause
	Before Amended	After Amended	
	Amendment on June 22, 2016, the fourteenth Amendment on June 20, 2019, and the fifteen Amendment on June 20, 2020.	Amendment on June 10, 2015, the thirteenth Amendment on June 22, 2016, the fourteenth Amendment on June 20, 2019, the fifteenth Amendment on June 20, 2020, <u>and the sixteenth Amendment on June 24, 2021,</u>	

Attachment 6

**Amendment to the “Rules of Procedure for Shareholders’ Meeting”
Comparison Table**

Article	Content		Change Cause
	Before Amended	After Amended	
3	<p>(Item 1 ~ 3 Omitted)</p> <p>The matters of selecting or dismissing directors, changing the articles of association, dissolving, merging, splitting, or the first paragraph of Article 185 of Company Act, or Article 26-1 and Article 43-6 of the Securities Exchange Act shall be Listed in the cause of the convocation, no provision may be made on a provisional motion. Shareholders who hold more than 1 percent of the total shares can submit a written meeting to the company, but with one limitation. And if proposed motion being like what’s written in the fourth paragraph of Article 172-1 of Company Act, the board of directors may not list as a bill.</p> <p>The Company shall announce the acceptance of shareholders' proposals, the acceptance of premises and the acceptance period prior to the termination of the share transfer prior to the convening of the regular shareholders meeting; the acceptance period shall not be less than ten days.</p> <p>(Omitted)</p>	<p>(Item 1 ~ 3 Omitted)</p> <p>The matters of selecting or dismissing directors, changing the articles of association, <u>capital reduction, application for suspension of public issuance, directors’ competition license, surplus capital increase, public reserve capital increase,</u> dissolving, merging, splitting, or the first paragraph of Article 185 of Company Act, or Article 26-1 and Article 43-6 , <u>Issuer’s Raising and Issuing of Marketable Securities, Article 56-1 and Article 60-2 of the Guidelines</u> of the Securities Exchange Act shall be Listed in the cause of the convocation, no provision may be made on a provisional motion. <u>The reasons for the convening of the shareholders meeting have been stated for the full re-election of directors and the date of appointment. After the re-election of the shareholders meeting is completed, the same meeting shall not change the date of appointment by a provisional motion or other means.</u></p> <p>Shareholders who hold more than 1 percent of the total shares can submit a written meeting to the company, but with one limitation. And if proposed motion being like what’s written in the fourth paragraph of Article 172-1 of Company Act, the board of directors may not list as a bill. <u>Shareholders may submit proposed proposals to urge the company to promote the public interest or fulfill its social responsibilities. The procedures shall be limited to one item in accordance with the relevant provisions of Article 172 of Company</u></p>	<p>In accordance with the revision of the law.</p>

Article	Content		Change Cause
	Before Amended	After Amended	
		<p><u>Act. If there are more than one proposal, all Not included in the motion.</u></p> <p>The Company shall announce the acceptance of shareholders' proposals, <u>written or electronic acceptance method</u>, the acceptance of premises and the acceptance period prior to the termination of the share transfer prior to the convening of the regular shareholders meeting; the acceptance period shall not be less than ten days.</p> <p>(Omitted)</p>	
9	<p>(Item 1 Omitted)</p> <p>At the time of the meeting, the chairman shall immediately announce the meeting. However, when no shareholder representing more than half of the total number of shares already issued is present, the chairman may announce a postponement of the meeting. The number of postponements shall be limited to the second time, and the total delay time shall not exceed one hour. After the second time of the postponement, the present shares are still insufficient to represent more than one-third of the total number of issued shares, the chairman shall announce the cancel of the meeting.</p> <p>(Omitted)</p>	<p>(Item 1 Omitted)</p> <p>At the time of the meeting, the chairman shall immediately announce the meeting. <u>At the same time, relevant information such as the number of non-voting rights and the number of shares present will be announced.</u> However, when no shareholder representing more than half of the total number of shares already issued is present, the chairman may announce a postponement of the meeting. The number of postponements shall be limited to the second time, and the total delay time shall not exceed one hour. After the second time of the postponement, the present shares are still insufficient to represent more than one-third of the total number of issued shares, the chairman shall announce the cancel of the meeting.</p> <p>(Omitted)</p>	In accordance with the company's actual operations
10	<p>If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting shall be conducted in accordance with the scheduled agenda,</p>	<p>If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. <u>Relevant motions (including interim motions and</u></p>	In accordance with the company's actual operations

Article	Content		Change Cause
	Before Amended	After Amended	
	<p>and may not be changed without the resolution of the shareholders' meeting.</p> <p>(Item 2~3 Omitted)</p> <p>When the chairman thinks that the amendment and the provisional motion proposed reached the level to vote, he may announce to stop the discussion and put it to the vote.</p>	<p><u>amendments to the original motion)</u> <u>should be voted on a case-by-case basis.</u> The meeting shall be conducted in accordance with the scheduled agenda, and may not be changed without the resolution of the shareholders' meeting.</p> <p>(Item 2~3 Omitted)</p> <p>When the chairman thinks that the amendment and the provisional motion proposed reached the level to vote, he may announce to stop the discussion and put it to the vote, <u>and arrange adequate voting time.</u></p>	
13	<p>(Item 1~4 Omitted)</p> <p>If the chairman consults all the attending shareholders and no objection to the proposal, the proposal shall be deemed as passed and approved. The effectiveness shall be the same as voting. If there is any objection, voting shall be conducted in accordance with the provisions of the preceding paragraph.</p> <p>(Omitted)</p>	<p>(Item 1~4 Omitted)</p> <p>If the chairman consults all the attending shareholders and no objection to the proposal, the proposal shall be deemed as passed and approved. The effectiveness shall be the same as voting. If there is any objection, voting shall be conducted in accordance with the provisions of the preceding paragraph.</p> <p>(Omitted)</p>	In accordance with the company's actual operations
14	<p>When a election for directors is held, should be according to the relevant election rules set by the company and announce the results of the election right away.</p> <p>(Omitted)</p>	<p>When a election for directors is held, should be according to the relevant election rules set by the company and announce the results of the election right away, <u>containing the list of elected directors and the number of voting rights and the list of unsuccessful directors and the number of voting rights obtained.</u></p> <p>(Omitted)</p>	In accordance with the company's actual operations
15	<p>(Item 1~3 Omitted)</p> <p>The method of the above resolution is subject to the chairman's advice to the shareholders. If the shareholders have</p>	<p>(Item 1~3 Omitted)</p> <p>The method of the above resolution is subject to the chairman's advice to the shareholders. If the shareholders have</p>	In accordance with the company's actual operations

Article	Content		Change Cause
	Before Amended	After Amended	
	no objection to the ratification, they should record that “the chairman has consulted all shareholders to attend without objection”; however, if the shareholders object to the ratification, the voting method and vote result by ratio and shares should be recorded.	no objection to the ratification, they should record that “the chairman has consulted all shareholders to attend without objection”; however, if the shareholders object to the ratification, the voting method and vote result by ratio and shares should be recorded.	

Appendix 1

Rules of Procedure for Shareholders' Meeting (before amended)

Approved by Shareholders' meeting on June 13, 2012

1. In order to establish a good shareholders' governance system, improve the supervision function, and strengthen management functions of the company, these rules are established in accordance with the relevant requirements of the "Listed Guiding Practices for Corporate Governance", to follow.
2. Unless provided in the Act or the articles of incorporation, otherwise the rules of procedure of the shareholders' meeting of the company shall be governed by the provisions of these rules.
3. The shareholders' meeting of the company shall be convened by the board of directors unless specified by the Act.
The company shall upload the shareholders meeting notice, power of attorney, the subject and the description of the approval, the discussion, the election or the dismissal of directors to MOPS 30 days before the shareholders' meeting or 15 days before the shareholders' interim meeting.
In addition, the shareholders' meeting manual and the supplementary information of the meeting and the production of electronic files shall be transmitted to MOPS 21 days before the shareholders' meeting or 15 days before the shareholders' interim meeting.
And 15 days before the meeting of shareholders, the shareholders' meeting manual and supplementary information for the meeting shall be prepared for the shareholders to read and display at the company and its stock agency, and shall be distributed on the spot of the shareholders meeting.
The matters of selecting or dismissing directors, changing the articles of association, dissolving, merging, splitting, or the first paragraph of Article 185 of Company Act, or Article 26-1 and Article 43-6 of the Securities Exchange Act shall be Listed in the cause of the convocation, no provision may be made on a provisional motion.
Shareholders who hold more than 1 percent of the total shares can submit a written meeting to the company, but with one limitation. And if proposed motion being like what's written in the fourth paragraph of Article 172-1 of Company Act, the board of directors may not list as a bill.
The Company shall announce the acceptance of shareholders' proposals, the acceptance of premises and the acceptance period prior to the termination of the share transfer prior to the convening of the regular shareholders meeting; the acceptance period shall not be less than ten days.
The motion proposed by the shareholders is limited to 300 words. If the number exceeds 300 words, it shall not be included in the proposal; the shareholder who

proposes shall personally or entrust another person to attend the regular meeting and participate in the discussion of the resolution.

The company shall notify the shareholders of the process of the proposals before the date of the notice convening the shareholders meeting, and shall list the proposals in this section to the meeting notice. For those proposals that are not included in the bill, the board of directors should explain the reasons for not including them in the shareholders' meeting.

4. At each shareholder meeting, shareholders must issue a power of attorney issued by the company, specifying the scope of the authorization, entrusting agents, and attending the shareholders' meeting.

A shareholder shall issue a power of attorney and limit it to one person. It shall be delivered to the company five days before the meeting of the shareholders' meeting. When the power of attorney is repeated, the first person to be delivered shall prevail. However, the delegator before revoking the statement shall not be limited to this.

After the power of attorney is delivered to the company, if the shareholder desires to attend the shareholders' meeting in person or wishes to exercise voting rights electronically or in writing, he shall notify the company in writing of cancellation of the appointment two days prior to the meeting of the shareholders; The voting rights of the person attending the exercise shall prevail.

5. (Principle of the place and time for holding shareholders meeting)

The place of the shareholders' meeting shall be in the place where the company is located or where the convenience shareholders are present and suitable for the meeting of the shareholders. The meeting shall not begin earlier than 9:00 am or later than 3:00 pm. The independent directors' opinions shall be fully considered to decide the place and time of the meeting.

6. (Preparation of documents such as signature books)

The company shall establish a scrapbook for the attendance of the shareholders themselves or the agents entrusted by the shareholders, or the attendance of the shareholders to attend the attendance cards to sign.

The company shall deliver the manuals, annual reports, attendance cards, speeches, voting papers, and other meeting materials to the shareholders attending the shareholders meeting; if there are elected directors, an election vote shall be attached.

Shareholders should attend the shareholders' meeting with their attendance cards, attendance cards or other attendance certificates; they should be the solicitors of the solicitation request letter and should bring their identity documents for verification.

When an institution is a shareholder, the representative who attends the shareholder meeting is not limited to one person. When an institution is entrusted to attend a shareholders' meeting, only one person may be appointed to attend the meeting.

7. (Chairman of the shareholders' meeting, attendees)

If the shareholders' meeting is convened by the board of directors and the president is the chairman, the chairman appoints one person to represent the board of directors; if the chairman does not assign, the board of directors will push one person to represent each other.

If the shareholder meeting is convened by a convener other than the board of directors, the chairman is assumed by the convener. If there are more than two conveners, one person should be elected.

The company may appoint appointed lawyers, accountants or related personnel to attend the shareholders' meeting and answer relevant questions during the agenda.

8. (Conservation of recording or video recording during the meeting of shareholders)

The company shall record or videotape the entire meeting of the shareholders meeting and keep it for at least one year. However, if a shareholder filed a lawsuit in accordance with Article 189 of Company Act, it shall be kept until the end of the lawsuit.

9. The attendance of shareholders' meetings should be calculated on the basis of shares. The number of shares attending is calculated based on the scrapbook or the paid-in card, plus the number of shares in which voting rights are exercised in writing or electronically.

At the time of the meeting, the chairman shall immediately announce the meeting. However, when no shareholder representing more than half of the total number of shares already issued is present, the chairman may announce a postponement of the meeting. The number of postponements shall be limited to the second time, and the total delay time shall not exceed one hour. After the second time of the postponement, the present shares are still insufficient to represent more than one-third of the total number of issued shares, the chairman shall announce the cancel of the meeting.

If the foregoing item is delayed for the second time and the shareholder represents more than one-third of the total number of shares already issued, it may be subject to a semi-resolution in accordance with the first item of article 175 of Company Act, and shall notify each of the semi-resolutions.

Shareholders will re-convene the shareholders meeting within a month.

Before the end of the current meeting, if the number of shares represented by

the shareholders attending the meeting exceeds half of the total number of issued shares, the chairman may make a semi-resolution to be resubmitted to the shareholder meeting according to Article 174 of Company Act.

10.(Motion Discussion)

If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting shall be conducted in accordance with the scheduled agenda, and may not be changed without the resolution of the shareholders' meeting.

If the shareholders' meeting is convened by a caller other than the board of directors, the same rules shall apply.

Before the end of the agenda (including the provisional motion) of the first two scheduled agendas, the chairman shall not announce the adjournment without resolution.

If the chairman violates the rules of procedure and announces the adjournment, the other members of the board of directors shall promptly assist the shareholders in attending the proceedings according to law, and appoint one person to chair the meeting with the consent of more than half of the voting rights of the shareholders, and continue the meeting.

When the chairman thinks that the amendment and the provisional motion proposed reached the level to vote, he may announce to stop the discussion and put it to the vote.

11.(Shareholders' speeches)

Before attending a shareholder's speech, a statement should be filled in with the statement of speech, the shareholder number and the name of the account, and the chairman should set the order of his speech.

Shareholders who only provide speech notes will be considered as not speaking. And if the speech is not consistent with the note of the speech, the speech shall prevail.

The shareholder's speech shall be made after all reports have been reported by the chairman. Each person shall not speak more than twice, and each time shall not exceed five minutes. However, with the permission of the chairman, it may be extended by five minutes and shall be limited to one extension.

Shareholders shall use the provisions of the preceding paragraph for the time and frequency of speeches for each of the items listed on the agenda for recognition and discussion, as well as various Ratifications in the temporary motion procedure.

Shareholders shall speak in response to various items in the agenda of the temporary motion that are not part of the motion. The time and frequency shall be subject to the provisions above.

If the shareholder makes a speech that violates the provisions of the preceding

paragraph or exceeds the scope of the topic, the chairman may stop his speech. When a shareholder is making a speech, other shareholders shall not interrupt except with the consent of the chairman.

When an institutional shareholder appoints more than two representatives to attend the shareholders' meeting, the same motion may only be delivered by one person.

After attending the shareholder's speech, the chairman may answer the question in person or by a designated person.

12.(Calculation of voting shares, avoidance of interest conflict)

The voting of the shareholders' meeting shall be based on the shares.

Resolutions of the shareholders' meeting shall not be counted as the total number of shares issued to non-voting shareholders. When a shareholder has a stake in the matter of the meeting that is detrimental to the interests of the company, he shall not be included in the voting and shall not exercise his voting rights on his behalf. The number of shares not entitled to vote in the preceding paragraph shall not be counted as the number of voting rights that have been present at the shareholders.

Except for the trust business or the share agency approved by the securities regulatory authority, when a person is entrusted by more than two shareholders at the same time, the voting rights of its agent shall not exceed 3% of the total voting shares of the issued shares, and those exceeding will not count in the voting.

13.Shareholders have one voting right per share; however, those who do not have the voting power listed in the second paragraph of Article 179 of Company Act are not subject to this rule.

When the company convenes a shareholders' meeting, it may vote exercise its voting rights in writing or electronically; when it exercises voting rights in writing or electronically, its method of exercise shall be clearly stated in the shareholders' meeting convening notice. Shareholders who exercise voting rights in writing or electronically are deemed to have attended the shareholders meeting in person. However, the temporary motion of the shareholders meeting and the amendment of the original motion are deemed as abstentions.

For those who have voted in writing or electronically in the preceding paragraph, their meaning means that they should be delivered to the company two days before the meeting of shareholders. If there is any duplication of the meaning, the person who delivered the first shall prevail. However, the statement of the meaning before revocation is not limited to this.

After a shareholder has exercised voting rights in writing or electronically, if he wishes to attend the shareholder meeting he shall withdraw the meaning of the previous exercise of voting rights in the same manner as the exercise of voting

rights two days prior to the meeting of the shareholders; overdue withdrawals will be made in writing or electronically. The exercise of voting rights shall prevail. If the voting rights are exercised in writing or electronically, and the proxy is entrusted to attend the shareholders' meeting, the principal's right to vote at the time of exercise shall prevail. Voting of the resolution is subject to the consent of more than half of the voting rights of the shareholders in addition to Company Act and the articles of association of the company.

If the chairman consults all the attending shareholders and no objection to the proposal, the proposal shall be deemed as passed and approved. The effectiveness shall be the same as voting. If there is any objection, voting shall be conducted in accordance with the provisions of the preceding paragraph.

When there are amendments or alternatives to the same motion, the chairman and the original case set the voting order. If one of the cases attending has been passed, other motions will be considered veto and no one will be required to vote again.

The scrutineer for the vote on the motion and the vote counting staff shall be appointed by the chairman but the scrutineers shall be the shareholder.

The vote count shall be publicly disclosed in the shareholders' meeting room.

The result of the vote shall be reported on site and recorded.

14.(Election Matters)

When a election for directors is held, should be according to the relevant election rules set by the company and announce the results of the election right away.

Election tickets shall be sealed and signed by the scrutineers for safekeeping and kept for at least one year. However, if a shareholder filed a lawsuit in accordance with Article 189 of Company Act, it shall be kept until the end of the lawsuit.

15.The resolutions of the shareholders' meeting shall be made into conference record, signed or sealed by the chairman, and the conference record shall be distributed to all shareholders within 20 days after the meeting. The production and distribution of the proceedings were made electronically.

The conference record can be announced by uploading to the MOPS.

The conference record should be written in accordance with the year, month, day, place, name of the chairman, resolution method, method, and the results of the meeting. It shall be kept forever during the existence of the company.

The method of the above resolution is subject to the chairman's advice to the shareholders. If the shareholders have no objection to the ratification, they should record that “the chairman has consulted all shareholders to attend without objection”; however, if the shareholders object to the ratification, the voting method and vote result by ratio and shares should be recorded.

16.(External announcement)

The number of shares sought by the solicitor and the number of shares entrusted by the agent shall be clearly disclosed in the shareholders' meeting at the meeting on the day when the shareholders meeting is held.

If the resolutions of the shareholders' meeting are stipulated by laws and regulations and the major information stipulated by the Taiwan Stock Exchange Co., Ltd., the company shall transmit the content to the MOPS.

17.(Maintenance of Venue Order)

The personnel attending the shareholders meeting should wear an identification card or an armband.

The chairman has to command pickers or security personnel to help maintain order at the venue. When pickets or security guards are present to help maintain order, they should wear the “picker’s” armband or ID card.

The chairman of the venue shall be equipped with sound reinforcement equipment. When the shareholders do not speak in accordance with the equipment allocated by the company, the chairman may stop it.

If a shareholder violates the rules of procedure and fails to obey the chairman's correction, the person precluding the meeting from proceeding to prevent him from doing so may be asked by the chairman to direct a picket or security officer to leave the venue.

18.(Taking a Break and Continue Meeting)

When the meeting is held, the chairman may announce a break at a discretionary time. When an irresistible situation occurs, the chairman may rule that the meeting should be suspended temporarily and announce the time for the meeting to continue.

Before the scheduled agenda is finalized, if the venue does not continue to be used, the shareholders’ meeting may decide to move to other location to continue.

The shareholders’ meeting may be postponed within 5 days or continue subject to the provisions of Article 182 of Company Act.

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

Appendix 2

Articles of Incorporation for FocalTech (before amended)

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
Research, development, design, manufacture, and sales of various integrated circuits:
(1) Providing hardware, software, application design, testing, maintenance, and technical consulting services for various integrated circuits.
(2) Research, development and sales of IP.
(3) Import and export activities related to the previous business.

Article 3 The Company shall have its head-office in Hsinchu Science-based Industrial Park 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 by signature of, at least three 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 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.

Article 15-1 The resolution for paragraph 1, 2 and 3 in Article 185 of Company Act, the company merger defined in Article 18 of Business Mergers And Acquisitions Act, the general transfer defined in Article 27 of Business Mergers And Acquisitions Act, share conversion defined in Article 29 of Business Mergers And Acquisitions Act, and the division of companies defined in Article 35 of Business Mergers And Acquisitions Act shall be made and be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares.

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, and the fifteenth Amendment on June 20, 2020.

Appendix 3

FocalTech Directors' Shareholding Status

Record Date: April 26, 2021

Position	Name	Shareholding Status	
		Number of shares	Shareholding Ratio
Chairman	Genda Hu	1,232,138	0.57%
Director	James Liao	673,528	0.31%
Director	GWAA LLC Representative Person : Han-Ping Shieh	4,158,691	1.92%
Director	GWAA LLC Representative Person : Chenming Hu		
Independent Director	Chintay Shih	0	0%
Independent Director	Chan-Jane Lin	0	0%
Independent Director	Chang Xu	0	0%
Independent Director	Xuhui Xu	0	0%
Total of All Directors		6,064,357	2.80%

Note:

1. Total shares issued: 216,344,342 common shares.
2. Minimum number of shares that all directors should hold in total is 12,000,000 shares on April 26, 2021
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.