Stock code: 2374

ABILITY ENTERPRISE CO., LTD.

2018 Annual Report

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Date of publication: May 2nd, 2019

PLEASE READ FOLLOWING NOTICE
BEFORE USING THIS REPORT

Readers are advised that the original version of the report is in Chinese. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

In addition, certain of our financial information have been published in accordance with requirements of the Republic of China Securities and Futures Commission and are presented in conformity with accounting principles generally accepted in the Republic of China. Readers should be cautioned that these accounting principles differ in many material respects from accounting principles generally accepted in other countries.

Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

The materials and information provided on this report have been issued by Ability and are posted solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any securities issued by us or otherwise.

SPOKESPERSON
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Title: Chairman & President
Tel: +886-2-85229788
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DEPUTY SPOKESPERSON
Name: CHENG, KO-JEN
Title: Investor Relations Manager
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C o n t e n t s

1.Letter to Shareholders

Dear ladies and gentlemen:

Ability's core business of digital imaging products, both 360-degree camera and surveillance camera series, have launched new products this year. With those new products, Ability has not only acquired new clients, but also has expanded the fields of cooperation with current clients. However, the demand for digital camera continuously declines and it results in the deferred delivery for major brand. Therefore our operation revenue and profitability are relatively reduced. The consolidated operating revenue of 2018 was NT$7,635,028,000, which was approximately 30% less in comparison with the revenue of 2017. The operating loss was NT$739,861,000, and the net loss after tax attributed to the parent company was NT$463,048,000 which was equillent to NT$1.63 per share.

Look into the future, the global economy is uncertain. The consuming electronic products will face severe challenge. Only with competitive and creative capability, one enterprise can run the business in sustainable development. Ability keep devoting ourselves in adjusting business development, optizing management and improving the capital structure and cash flow. Meanwhile, the grand cost structure of products is aggressively reviewed and re-organized. We shall do our best to raise the shareholder equity and share our management performance with shoreholders, clients and employers.

1.1 Research and Development:

To against the fast developed and innovative mobile devices, the position of high resolution image quality, high ratio optical zoom, upgrade of video image quality, image processing speed, electric vibration reduction technology, and 8K high resolution image are the main theme of product development and tech. research.To satisfy various demand from different social group, we expand the feature of 360 degree surrounding camera in connecting with applications of VR, AR, AIOT, and …etc.. Ability has invested lots of resources in developing the improvement of image algorithm and hardware structure scheme. And, by return, our achievement on image taking module, software, APP and ToF is solid.

Ability will keep on building up the advantage of vertical intergrantion in cooperating our optical lens development with the supply chain with the AI technology. The video-image-taking module will be developed to be more thinner and high rank. As to the application of video-image-taking module, it shall be driven to the usage in the total solution system with the demand of optical video-image-taking module for which Ability will invest more technology resources to develop.

1.2 2019 BUSINESS DEVELOPMENT PLAN

Recently, information security is emphasized by most of people. The application of Edging computing avoid the invasion privacy. 5G & AI drive AIOT booming up fast. We can expand the development of image technique application due to our research and manufacture in image industry for years. Based on our opto-mechatronics integration and image processing technique, new components and new business models will be continuously created. We shall strengthen our core value and build up the competitive key component supply chain and the development on the wide range of optical image products will be the main theme of our business.

1.3 GREEN PRODUCT, ENVIROMENT PROTECTION, INFORMATION PROTECTION

The system of production, environment protection, information protection and security which meet the regulation of EU RoHS/WEEE/ErP has been properly merged into Ability management. This assists us to win the auditing certificate of green product from our customers. Ability execute the green product design, carbon footprint inventory, information protection, communication with our suppliers on the same global green environment protection. Wish our effort will help us to have a evergreen and long lasting world.

Deeply appreciate the strong and sincere support from all the shareholders. Wish you healthy and every thing developed as you expect.

Chairman & CEO : Tseng, Ming-Jen

2. Company Profile

2.1 Date of Incorporation: May 21, 1965

2.2 Company History

In 1965,Mr. C. H. Tong, CEO of ABICO GROUP, got the agent right of Canon electronic calculator in the territory of Taiwan; since then, Ability's Channel. Business started. Ability not only successfully grow into a business group but also assisted many cooperated companies in their relative business fields.

Ability created a tremendous sales performance of copy machine in 1977 and was the leading company in comparison with the other brands copy machine agent. During the next decade, Ability introduced many office business equipment, such as electronic typewriter, microfilm, printer, digital telephone system, color copier,…etc.. Ability was an outstanding company in the field of office business machines.

In 1991, Ability restructured the management to be Business Unit to face the trend of business; Canon Inc. became the shareholder of Ability in 1993. And, Ability went to public on Jan. 16, 1995. From now on, Ability steps onto another milestone of company management.

Viewquest Technologies Inc. (Viewquest), who was the largest webcam manufacturer and has started to develop digital camera, was merged into Ability on Jan. 1, 2003. From this turning point, Ability marches into the era of manufacture. Accordingly, the company management has been diversified to be Channel Business Unit, Optic Business Unit and Investment Business Unit. The specialized management team ran the manufacture business and the original owner family ran the distributor channel business. All three business units well cooperated and devoted to create profit for the company.

Asustek Computer Inc. (Asus), one of the largest computer manufactures, swap shares with ABICO Group in Sep. of 2007. This strategic alliance would like to utilize the mutual resources to expand the market scheme of other optical products and makes more development chance for Ability in the field of digital image product and other upstream components.

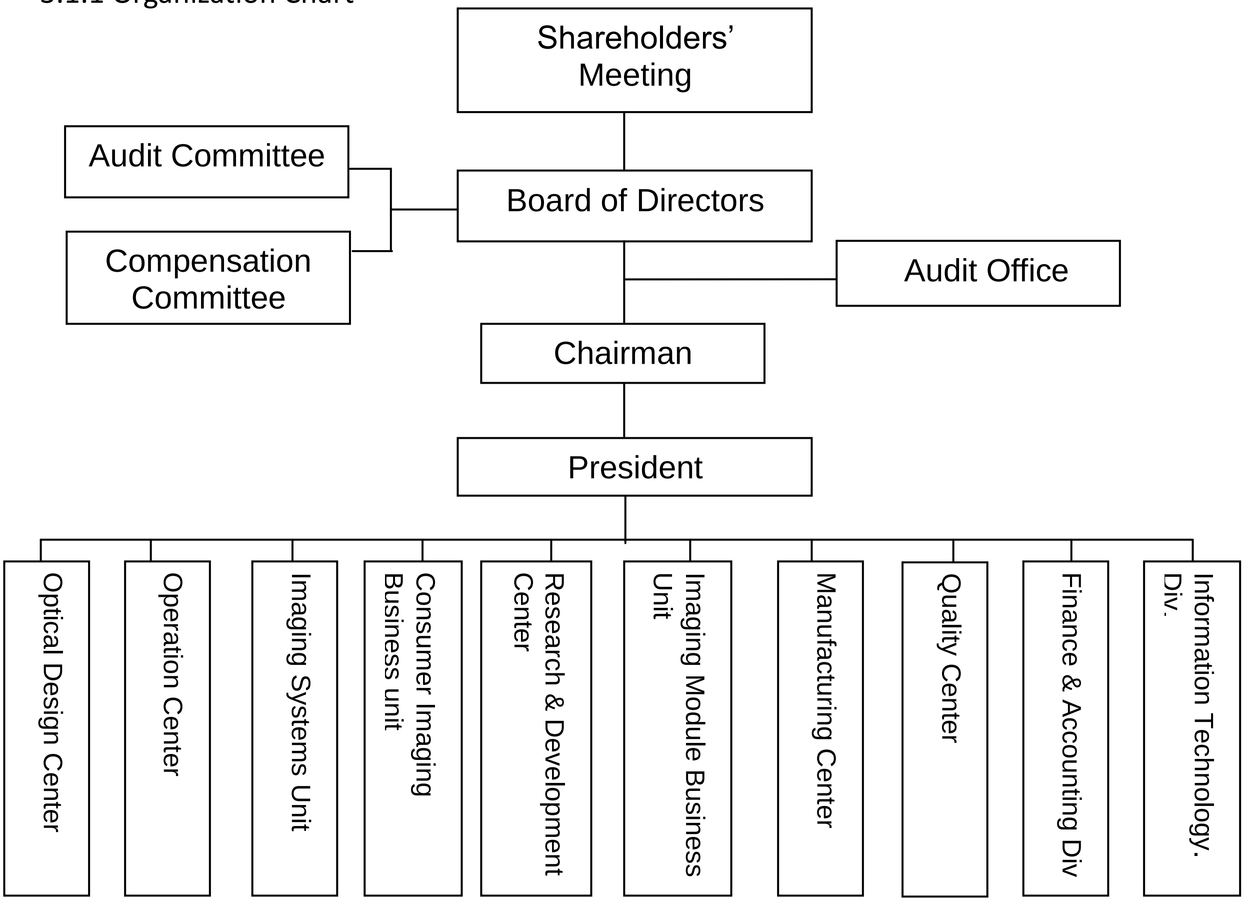
In Aug., 2007, the company ceded the rental and distribution business unit to its affiliated company-Ability International Co., Ltd. and in Nov., 2007, the company split Ability International Co., Ltd out and sold it to ABICO INVESTMENT GROUP.

To look back each important event- to merge Viewquest in 1993 and to sell the Copy machine channel business to the original family owner-ABICO GROUP, you will find Ability has transformed from family enterprise to be big ODM/OEM manufacturer run by the specialized management team in the ways of business model, product strategy, management policy, and shareholders structure. To execute the company philosophy of concentrating on core tech and business, Ability has been specializing in DMS manufacturer of digital image product and takes an role of DSC design in the world.

3. Corporate Governance Report

3.1 Organization Structure

3.1.1 Organization Chart



3.1.2 Major business of each Div.

Div. Name	Major Business
Optical Design Center	Strategy plan and execution of Optic Lens and technique
Operation Center	Consolidation of manufacture, sale and management. Material procurement, cost control, personnel, administration arrangement.
Imaging System Business Unit	Marketing & Sales of Digital Imaging Product
Consumer Imaging Business Unit	Marketing and Sales of DSC and other relative products
Research and Development Center	Research and development on the brand new technique & advanced product and to support all business units on product development.
Imaging Module Business Unit	RD, Product planning and marketing of optic module and component
Manufacturing Center	Manage the manufacturing process, planning and its relative matters
Quality Center	Quality assurance & maintenance on product development, manufacture and customers after sales.
Finance & Accounting Div	Planning and execution on company finance and accounting
Information Tech Div	Information development & strategy, computer system development & setup & the relative management; promotion & maintenance on data security.

3.2.Board of Directors and Management Team

3.2.1 Introduction of Board of Directors

As of 04/16/2019

Title Name	Nationality	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse or Minor Children		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman Tseng, Ming-Jen	R.O.C.	Male	06/29/2016	3	10/03/2007	1,029,129	0.36	1,209,093	0.43	249,524	0.09	0	0.00	CEO: VIEWQUEST TECH. INC. CHARIMAN & CEO ABILITY ENT. CO., LTD. .MBA -TamKang University .EE Dept.,National Taiwan University.	**.Chairman：** ABILITY INTERNATIONAL INVESTMENT CO., LTD.、ABILITY ENTERPRISE (BVI) CO.,LTD.、VIEWQUEST TECH. (BVI) INC.、Ability Tech. (Dongguan) Co., Ltd、JIUJIANG VIEWQUEST ELECTRONICS INC.、VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD、E-PIN OPTICAL INDUSRY CO.,LTD.、ANDROVIDEO INC. **.Director：** VIEWQUEST TECHNOLOGIES INTERNATIONAL INC、ABILITY I VENTURE CAPITAL CORPORATION **.Independent Director：** Howteh Technology Co., Ltd. **.Remuneration Committee：** Flytech Technology Co.,Ltd
Director VIEWQUEST Investment Co., Ltd.		–	06/29/2016	3	06/29/2016	225,000	0.08	1,650,000	0.58	0	0.00	0	0.00	None	None
Rep. : Tsay, Wen-Bin	R.O.C.	Male	06/29/2016	3	10/03/2007	0	0.00	150,523	0.05	0	0.00	0	0.00	.VICE PRESIDENT ABILITY ENTERPRISE CO., LTD.IMAGING SYSTEM BUSINESS UNIT,CONSUMER IMAGING BUSINESS UNIT .Master EE, State University of New York .Bachelor EE, National Taiwan University	**.Director：** VIEWQUEST TECHNOLOGIES INTERNATIONAL INC、JIUJIANG VIEWQUEST ELECTRONICS INC.、VIEWQUEST TECHNOLOGIES(DONGGUAN)CO., LTD **.Consultant：** ABILITY ENTERPRISE CO., LTD.

Title Name	Nationality	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse or Minor Children		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director VIEWQUEST Investment Co., Ltd.	R.O.C.	–	06/29/2016	3	06/29/2016	225,000	0.08	1,650,000	0.58	0	0.00	0	0.00	None	None
Rep. : Chou, Cheng-Wei		Male	06/29/2016	3	06/29/2016	0	0.00	291,159	0.10	0	0.00	0	0.00	.Vice President/R&D Center Ability Ent. Co., Ltd .Master /Information Engineering Dept., National Taiwan University	None
Director AVY Precision Tech. Inc	R.O.C.	–	06/29/2016	3	06/29/2016	288,544	0.10	4,138,544	1.47	0	0.00	0	0.00	None	None
Rep.:Tong, Chun-Jen		Male	06/29/2016	3	05/29/1998	0	0.00	548	0.00	88,548	0.03	0	0.00	.Chairman Avy Precision Tech. Inc. .Master New Jersey Institute of Technology. Information Dept.	**.Chairman：** Avy Precision Tech. Inc.、Avy Co., Ltd.、Abico Plus Entertainment Ltd.、1 Production Film.Co. ARES Office Co., Ltd. **. Vice Chairman：** Abico NetCom Co., Ltd. **.Director：** Ability International Tenancy Co., Ltd、Taishiba International Co., Ltd.、Taiwan Sanyo Electric Co., Ltd.、JaBon International Co., Ltd.、Seinoh Optical Co., Ltd. 、Ability Venture Capital Corp.、HONLYNN CO., LTD. **.Supervisor：**Sojean Intl.Co. **.Remuneration Committee：** Taisun Ent., Ltd.
Director AVY Precision Tech. Inc	R.O.C.	–	06/29/2016	3	06/29/2016	288,544	0.10	4,138,544	1.47	0	0.00	0	0.00	None	None
Rep.: Huang, Li-An		Male	06/29/2016	3	06/29/2016	0	0.00	9,996	0.00	529	0.00	0	0.00	.MBA, IESE Business School	**.Director：**iCatch Technology, Inc.、ABICO NetCom Co, Ltd.、Avy Precision Tech. Inc.

Title Name	Nationality	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse or Minor Children		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Director Lin Shih Investment Co., Ltd. Rep.: Chan,Wen-Hsiung	R.O.C.	–	06/29/2016	3	06/17/2010	3,163,799	1.12	5,433,757	1.92	0	0.00	0	0.00	None	**.Director：** iCatch Technology, Inc. .Supervisor：Sunplus mMobile Inc.
		Male	06/29/2016	3	06/17/2010	0	0.00	0	0.00	0	0.00	0	0.00	.MBA - National Taiwan University, .Department of Aeronautics and Astronautics , National Cheng Kung University	**.Chairman：** iCatch Technology, Inc.、(eChem Solutions Corp. **.Director :**SUNPLUS TECHNOLOGY CO.,LTD.、UNEXT TECHNOLOGY CO.,LTD.、ABILITY ENTERPRISE CO., LTD. **.Independent Director：**Ko Ja (Cayman) Co., Ltd.、BIOSTAR MICROTECH INTERNATIONAL CORP. **.Supervisor：**MILDEX OPTICAL INC.、E-Pin Optical Industry Co. Ltd.
Independent Director Lam,Tai-Seng	R.O.C.	Male	06/29/2016	3	06/29/2016	0	0.00	0	0.00	0	0.00	0	0.00	.EMBA Guanghua School of Management,Peking University .EMBA of National Chengchi University .Department of electronic engineering, National Taiwan University .Assistant manager of Hai Tong computer Co.,Ltd	Chairman of Flytech Technology Co.,Ltd
Independent Director Chen, Kuo-Hong	R.O.C.	Male	06/29/2016	3	06/29/2016	0	0.00	0	0.00	0	0.00	0	0.00	.Vice Chairman & CSO - Stark Technology Inc. .Chairman - Chaintel Technology Co., Ltd. .Chairman - Howteh Technology Co., Ltd. .Director -Tailyn Techonlogies, Inc. .Department of Electrical Engineering, National Taiwan University	**.Director** - Stark Technology Inc. **.Chairman** - Chaintel Technology Co., Ltd. **.Chairman** - Howteh Technology Co., Ltd. **.Director** -Tailyn Techonlogies, Inc. **.Independent Director** -Flytech Technology Co., Ltd

Title Name	Nationality	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Current Shareholding of Spouse or Minor Children		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Lu,Chien-Min	R.O.C.	Male	06/29/2016	3	06/29/2016	0	0.00	0	0.00	0	0.00	0	0.00	.CFO, Sintronic Technology Co., Ltd. 、CFO, Sintronic Technology Co., Ltd.、Financial Manager, 、United Microelectronics Co. Financial Manager, Chiao Tung Bank Co., Singapore Branch、.Supervisor: Hi-Light Tek Co., Ltd.、Giantplus Technology Co., Ltd. .MBA, California State University、.Department of Finance, National Chengchi University	**.Chairman:** Service & Quality Technology Co., Ltd.

a. Major shareholders of the institutional shareholders (top 10 shareholders and its shareholding percentages)

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	(%)
VIEWQUEST Investment Co. Ltd.	Tseng, Ming-Jen	20.00
	TSENG,FANG-HSUAN	60.00
	LIN,HUI-FEN	20.00
AVY Precision Technology Inc.	Ability Investment co., Ltd.	22.23
	ABILITY ENTERPRISE CO., LTD.	12.88
	TAISHIBA INTERNATIONAL CO., LTD.	1.13
	KUO,CHING-SUNG	1.04
	Citibank Taiwan in custody for DFA Investments Group's Emerging Market Core Securities Portfolio Funds	0.80
	Citibank (Taiwan) Commercial Bank entrusted custody of the emerging market assessment fund investment account	0.77
	AVY COMPANY LIMITED	0.73
	CHE AN integrated marketing Co., Ltd.	0.73
	YEH,YUNG-HSIUNG	0.70
	HSBC Trusted Morgan Stanley International Co., Ltd.	0.68
Lin Shih Investment Co., Ltd.	SUNPLUS TECHNOLOGY CO.,LTD.	100.00

b. Major shareholders of major corporate shareholders listed above

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	(%)
Ability Investment co., Ltd.	HENG NENG INVESTMENT CO., LTD.	19.92
	CHIA NAI INVESTMENT CO., LTD.	19.27
	CHIA MEI INVESTMENT CO., LTD.	7.18
	TUNG,I-NAI	7.14
	TUNG,TENG-CHI-TZU	5.52
	CHIEH SHIH EN INVESTMENT CO., LTD.	5.37
	KAI JUN INVESTMENT CO., LTD.	5.22
	TUNG,I-CHIA	4.80
	SKY CENTURY CORP.	4.15
	YaCheng International Investment Co., Ltd.	3.17
AVY COMPANY LIMITED	AVY Precision Technology Inc.	100.00

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	(%)
SUNPLUS TECHNOLOGY CO.,LTD.	Huang,Chou-Chye	15.67
	LIU,TE-CHUNG	2.20
	Citibank (Taiwan) Commercial Bank is entrusted to custody of the Norwegian central bank	1.93
	Global View Co., Ltd.	1.70
	KUNG,CHIH-HAO	1.39
	Citibank (Taiwan) Commercial Bank is entrusted to custody of the Emerging Markets Fund	1.31
	LI,WEN-CHIN	1.18
	Citibank (Taiwan) Commercial Bank entrusted custody of the emerging market assessment fund investment account	1.11
	Citibank Taiwan in custody for DFA Investments Group's Emerging Market Core Securities Portfolio Funds	1.03
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.89

c. Professional Qualifications and Independence Analysis of the Board Directors

As of 04/30/2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Tseng, Ming-Jen	N	N	Y			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1
Tsay, Wen-Bin	N	N	Y			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		0
Chou, Cheng-Wei	N	N	Y			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		0
Tong, Chun-Jen	N	N	Y	ˇ	ˇ	ˇ	ˇ		ˇ	ˇ	ˇ	ˇ		0
Huang, Li-An	N	N	Y	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		0
Chan,Wen-Hsiung	N	N	Y	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		2
Lam,Tai-Seng	N	N	Y	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0
Chen, Kuo-Hong	N	N	Y	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	1
Lu,Chien-Min	N	N	Y	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Act.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.2 Introduction of the Management Team

As of 04/13/2018

Title Name	Nationality	Gender	Date First Elected	Current Shareholding		Spouse or Minor Children		Shareholding by Nominee Arrangement		Experience (Education)	Selected Current Positions
				Shares	%	Shares	%	Shares	%		
Chairman and CEO Tseng, Ming-Jen	R.O.C.	Male	92.01	1,209,093	0.43	249,524	0.09	0	0.00	Refer to Introduction of Board of Directors	
Vice President Chou, Cheng-Wei	R.O.C.	Male	101.01	291,159	0.10	0	0.00	0	0.00	Refer to Introduction of Board of Directors	
Assistant Vice President Tommy Lee	R.O.C.	Male	92.08	0	0.00	0	0.00	0	0.00	. Assistant Vice President/R&D Center Ability Ent. Co., Ltd. .Dept. of EC, Taiwan Tech	None
Assistant Vice President Adams Chen	R.O.C.	Male	104.06	74,354	0.03	0	0.00	0	0.00	.Assistant Vice President/MFG Center Ability Ent. Co., Ltd .Dept. of EC, TPCU	Ability Tech. (Dongguan) Co., Ltd、VIEWQUEST TECHNOLOGIES (DONGGUAN) CO. 、JIUJIANG VIEWQUEST ELECTRONICS INC.
Assistant Vice President Vincent Lu	R.O.C.	Male	108.04	27,303	0.01	0	0.00	0	0.00	Assistant Vice President/IP Div. Ability Ent. Co., Ltd Dept. of PME, National Tsinghua University	None
Chief Financial Officer Lin, Hung-Tien	R.O.C.	Male	97.10	59,987	0.02	0	0.00	0	0.00	.CFO, Ability Ent. Co., Ltd、 .Assistant manager of Deloitte Audit Servcies Dept. of Accounting, CYUT	Supervisor：ABILITY INTERNATIONAL INVESTMENT CO., LTD.、Ability Tech. (Dongguan) Co., Ltd、ANDROVIDEO INC.

3.2.3 Remuneration and Compensation Paid to Directors, the President, and Vice President

3.2.3.1 Remuneration Paid to Directors

As of 12/31/2018; Unit: NT$ thousands

Title Name	Remuneration of Directors								Total remuneration (A+B+C+D) as a % of net income		Compensation Earned by a Director Who is an Employee of Pegatron or its Consolidated Entities								Total remuneration (A+B+C+D+E+F+G) as a % of net loss		Compensation paid to directors from non-consolidated affiliates
	Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C) (Note 1,3)		Allowances (D)				Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F) (Note 2)		Employee Compensation (G) (Note3)						
															From all consolidated entities		From all consolidated entities				
	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	Cash	Stock	Cash	Stock	The Company	From all consolidated entities	
Chairman Tseng, Ming-Jen Director VIEWQUEST Investment Co. Ltd. Rep. : Tsay, Wen-Bin Director VIEWQUEST Investment Co. Ltd. Rep. :Chou, Cheng-Wei Director AVY Precision Technology Inc. Rep. : Tong, Chun-Jen Director AVY Precision Technology Inc. Rep. : Huang, Li-An Director Lin Shih Investment Co., Ltd. Rep. : Chan,Wen-Hsiung Independent Director Lam,Tai-Seng Independent Director Chen, Kuo-Hong Independent Director Lu,Chien-Min	-	-	-	-	-	-	480	501	0.10%	0.11%	13,226	13,226	219	219	-	-	-	-	3.01%	3.01%	None

Range of Remuneration

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the financial report	The Company	Companies in the financial report
Below NT$ 2,000,000	Lin Shih Investment Co., Ltd. VIEWQUEST Investment Co. Ltd. AVY Precision Technology Inc. Tseng, Ming-Jen Tsay, Wen-Bin Chou, Cheng-Wei Tong, Chun-Jen Huang, Li-An Chan,Wen-Hsiung Lam,Tai-Seng Chen, Kuo-Hong Lu,Chien-Min	Lin Shih Investment Co., Ltd. VIEWQUEST Investment Co. Ltd. AVY Precision Technology Inc. Tseng, Ming-Jen Tsay, Wen-Bin Chou, Cheng-Wei Tong, Chun-Jen Huang, Li-An Chan,Wen-Hsiung Lam,Tai-Seng Chen, Kuo-Hong Lu,Chien-Min	Lin Shih Investment Co., Ltd. VIEWQUEST Investment Co. Ltd. AVY Precision Technology Inc. Tong, Chun-Jen Huang, Li-An Chan,Wen-Hsiung Lam,Tai-Seng Chen, Kuo-Hong Lu,Chien-Min Tsay, Wen-Bin	Lin Shih Investment Co., Ltd. VIEWQUEST Investment Co. Ltd. AVY Precision Technology Inc. Tong, Chun-Jen Huang, Li-An Chan,Wen-Hsiung Lam,Tai-Seng Chen, Kuo-Hong Lu,Chien-Min Tsay, Wen-Bin
NT$2,000,000(Included) ~ NT$5,000,000(Excluded)	—	—	—	—
NT$5,000,000 (Included)~ NT$10,000,000(Excluded)	—	—	Tseng, Ming-Jen Chou, Cheng-Wei	Tseng, Ming-Jen Chou, Cheng-Wei
NT$10,000,000(Included) ~ NT$15,000,000(Excluded)	—	—	—	—
NT$15,000,000 (Included)~ NT$30,000,000(Excluded)	—	—	—	—
NT$30,000,000 (Included)~ NT$50,000,000(Excluded)	—	—	—	—
NT$50,000,000(Included) ~ NT$100,000,000(Excluded)	—	—	—	—
Over NT$100,000,000	—	—	—	—
Total	12	12	12	12

Note 1. Remunerations paid on earnings distribution of directors are appropriated to unincorporated representatives of corporate juridical person.
Note 2. Actual payments of pensions for the most recent years: Nil; appropriated amounts of pensions expense for the most recent years: NT$219 thousand.
Note 3. The company's annual profit after-tax is loss, so no remunerations for directors and remunerations for employees .

3.2.3.2 Compensation Paid to President and Vice President

As of 12/31/2017; Unit: NT$ thousands

Title	Name	Salary(A)		Severance Pay and Pensions (B) (Note 1)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 2)				Total remuneration (A+B+C+D) as a % of net loss		Compensation paid to directors from nonconsolidated affiliates
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company		From all consolidated entities		The Company	From all consolidated entities	
								Cash	Stock	Cash	Stock			
President	Tseng, Ming-Jen	5,562	5,562	219	219	7,664	7,664	2,100	0	2,100	0	7.48%	7.48%	None
Vice President	Chou, Cheng-Wei													

Range of Remuneration

Bracket	Name of President and Vice President	
	The company	Companies in the financial report
Below NT$ 2,000,000	—	—
NT$2,000,000(Included) ~ NT$5,000,000(Excluded)	—	—
NT$5,000,000 (Included)~ NT$10,000,000(Excluded)	Tseng, Ming-Jen Chou, Cheng-Wei	Tseng, Ming-Jen Chou, Cheng-Wei
NT$10,000,000(Included) ~ NT$15,000,000(Excluded)	—	—
NT$15,000,000 (Included)~ NT$30,000,000(Excluded)	—	—
NT$30,000,000 (Included)~ NT$50,000,000(Excluded)	—	—
NT$50,000,000(Included) ~ NT$100,000,000(Excluded)	—	—
Over NT$100,000,000	—	—
Total	2	2

Note 1: Actual payments of pensions for the most recent years: Nil; appropriated amounts of pensions expense for the most recent years: NT$219 thousand.
Note 2. The company's annual profit after-tax is loss, so no remunerations for directors and remunerations for employees .

3.2.3.3 Employee Profit Sharing Granted to Management Team

Unit: NT$ thousands

Title	Name	Stock (Fair Market Value) (Note 1)	Cash (Note 1)	Total	Ratio of Total Amount to Net loss (%)
President	Tseng, Ming-Jen	0	3,100	3,100	1.42%
Vice President	Chou, Cheng-Wei				
Assistant Vice President	Tommy Lee				
Assistant Vice President	Adams Chen				
Chief Financial Officer	Lin, Hung-Tien				

Note 1: The company's annual profit after-tax is loss, so no profit sharing for employees .

3.2.4 Compare and state the ratio of total remuneration paid to the Company's Directors, President and Vice Presidents by the company and the companies in the consolidated financial statements to net income in the past two years. Please also describe the policy, criteria, packages and rules relating to the remuneration, as well as its relation to business performance and future risks.

a.The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the Company, to the net income：

Unit: NT$ thousands

Item / position	2018		2017	
	Amount	Ratio of Total Amount to Net loss (%)	Amount	Ratio of Total Amount to Net income (%)
directors	-	-	3,659	1.68
presidents and vice presidents	13,445	2.90	16,282	7.48

b. Descriptions of remuneration policies, criteria, packages, rules relating to the remuneration, as well as its relation to business performance and future risks.

Remuneration of directors and supervisors, as well as salaries and remuneration of presidents and vice presidents are considered by the remuneration committee and presented to the Board of Directors for approval in accordance with relevant laws and regulations. The determination of remuneration of directors and supervisors is stipulated in the Articles of Incorporation of the company; the salaries and remuneration of presidents and vice presidents is paid based on the normal level in the industry.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in 2018. The directors' attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Tseng, Ming-Jen	8	0	100%	06/29/2016 Newly elected
Director	VIEWQUEST Investment Co. Ltd. Rep.:Tsay, Wen-Bin	8	0	100%	06/29/2016 Newly elected
Director	VIEWQUEST Investment Co. Ltd. Rep.:Chou, Cheng-Wei	8	0	100%	06/29/2016 Newly elected
Director	AVY Precision Technology Inc. Rep.:Tong, Chun-Jen	8	0	100%	06/29/2016 Newly elected
Director	AVY Precision Technology Inc. Rep.:Huang, Li-An	4	2	50%	06/29/2016 Newly elected
Director	Lin Shih Investment Co., Ltd. Rep.: Chan,Wen-Hsiung	8	0	100%	06/29/2016 Re-elected
Independent Director	Lam,Tai-Seng	8	0	100%	06/29/2016 Newly elected
Independent Director	Chen, Kuo-Hong	7	1	87.5%	06/29/2016 Newly elected
Independent Director	Lu,Chien-Min	8	0	100%	06/29/2016 Newly elected

Other remarks:

1. In the event of either of the following situations, dates, sessions, contents of resolutions of the Board meetings, opinions from all independent directors, and how the company has responded to such opinion shall be noted:

(1) Conditions described in Article 14-3 of the Securities and Exchange Act.

Period and Date	Contents of resolutions	Opinions from all independent directors and how the company has responded to such opinions
2018.8.9 3rd in 2018	1. The Company's appointment of the CPA. 2. The Company's 2018 1H financial statements. 3. Endorsements/guarantees for VIEWQUEST (BVI), a subsidiary of the Company, regarding the procurement payment to the supplier Sunny Optical Technology Co. Ltd. 4. The Company's investment in ANDROVIDEO INC.	Passed unanimously by all independent directors in attendance.
2018.11.7 4th in 2018	1. The Company's appointment of the chief audit executive. 2. The Company's "2019 internal audit plan". 3. The Company's 2018 3Q financial statements. 4. Bonus distribution plan for managers and employees of the company in 2018. 5. The company and the bank credit renewal related matters. 6. The company plans to fund the loan and ANDROVIDEO INC., a subsidiary of the Company. 7. Employee restricted new share cancellation and reduction and determination of the record date of the reduction in the third quarter of 2018	Passed unanimously by all independent directors in attendance.
2019.2.21 1st in 2019	1. Endorsements/guarantees for VIEWQUEST (BVI), a subsidiary of the Company, regarding the procurement payment to the supplier Panasonic Hong Kong Co. Ltd. 2. Endorsements/guarantees for VIEWQUEST (BVI), a subsidiary of the Company, regarding the procurement payment to the supplier Giantplus Technology Co., Ltd. 3. VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. plans to fund the loan and Ability Tech. (Dongguan) Co., Ltd., both a subsidiary of the Company,	Passed unanimously by all independent directors in attendance.
2019.3.25 2nd in 2019	1. The Company's 2018 financial statements. 2. The Company's Business Reports and Financial Statements of 2018, submitted for Recognition. 3. The Company's Earning Distribution of 2018, submitted for Recognition. 4. Evaluation of the CPA's independence of the Company. 5. Re-election on all the Company's Directors (including independent directors) 6. Amendment of the Company's "Articles of Incorporation", submitted for Discussion. 7. Amendment of the Company's "Procedures for the Acquisition and Disposal of Assets", submitted for Discussion. 8. Amendment of the Company's "Procedures for Endorsement and Guarantee", submitted for Discussion 9. Amendment of the Company's "Procedures for Loaning Funds to Others", submitted for Discussion 10. The company and the bank credit renewal related matters. 11. "2018 Management's Reports on Internal Control System".	Except for the proposal 3, the remaining proposals were attended by independent directors without objection. proposal 3: Director Chan,Wen-Hsiung proposed: It is proposed to increase the distribution of dividends. Independent director Chen, Kuo-Hong 's proposed: It is recommended that the business operation be prudent for long-term. Resolution: The proposal was put on hold for the next time board of directors discussed it.

2019.4.16 3rd in 2019	1. Nomination and review of the list of candidates for directors and independent directors. 2. Release the prohibition on the Company's newly-elected Directors from participation in competitive business. 3. New manager salary structure and remuneration. 4.The company's manager promotion, remuneration and salary adjustment. 5. The company's "standard operating procedures for handling directors' requirements", submitted for Discussion. 6. Disposal of the Company's factory at NanGang.	Passed unanimously by all independent directors in attendance.
2019.5.2 4th in 2019	1. The Company's appointment of the CPA and its fee for the year. 2. The company plans to increase the amount of funds to borrow and ANDROVIDEO INC., a subsidiary of the Company. 3. The company and the bank credit renewal related matters. 4. The Company's Earning Distribution of 2018, submitted for Recognition. 5. Renew the list of candidates for directors and independent directors. 6. The Company's 2019 operation plans.	Passed unanimously by all independent directors in attendance.

(2) Other issues opposed by independent directors or about which said directors have qualified opinions shall be recorded in writing in the meeting minutes of the Board: None

2. Should a director recuse himself or herself from a resolution about which he or she has a conflict of interest, the name of the director, contents of the resolution, reasons for recusal, and the results of the vote shall be noted:

Date	Resolution	Recused person	Implementation
2018.11.7	Bonus distribution plan for managers and employees of the company in 2018.	Tseng, Ming-Jen Chou, Cheng-Wei Lin, Hung-Tien	Other than the chairman Tseng, Ming-Jen, the director Chou, Cheng-Wei and financial manager Lin, Hung-Tien who recused themselves from the resolution due to conflicting interest, remaining directors (including independent directors) in attendance passed the resolution unanimously.
2019.4.16	1. The new manager's salary structure and remuneration. 2. The company's manager promotion, remuneration and salary adjustment.	Tseng, Ming-Jen Chou, Cheng-Wei Lin, Hung-Tien	Other than the chairman Tseng, Ming-Jen, the director Chou, Cheng-Wei and financial manager Lin, Hung-Tien who recused themselves from the resolution due to conflicting interest, remaining directors (including independent directors) in attendance passed the resolution unanimously.

3. Enhancements to the functions of the Board of Directors in the current and the most recent year (e.g., establishment of an audit committee, improvement of information transparency etc.), and the progress of such enhancements:

(1)An audit committee was established on June 29, 2016 to perform its duty as a supervisor as required by relevant laws and regulations.

(2)The company assigned a dedicated person to be responsible for monthly revenue and material information disclosure, and input information into the Market Observation Post System in accordance with relevant rules.

(3)The company assigned a spokesperson and a deputy spokesperson to serve as communication channels for stakeholders.

(4)The company formulated “Rules and Procedures of the Board Meeting” to enhance the functions of the Board of Directors and facilitate healthy development of the Board’s participation in decision-making.

(5)To strengthen professional expertise, directors of the company continue to pursue advanced studies every year, the total hours of which meet relevant requirements imposed by competent authorities. Members of the Board are also encouraged to attend respective professional courses to keep acquiring up-to-date knowledge with an aim to maintain its professional advantages and capabilities.

3.3.2 Audit Committee

A total of 6 (A) meetings of the audit committee were held in 2018. The independent directors’ attendance status is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Independent Director	Lam,Tai-Seng	6	0	100%	06/29/2016 Newly elected
Independent Director	Chen, Kuo-Hong	6	0	100%	06/29/2016 Newly elected
Independent Director	Lu,Chien-Min	6	0	100%	06/29/2016 Newly elected

Other remarks:

1. In the event of either of the following situations, dates, sessions, contents of resolutions of the Board meetings, opinions from audit committee's resolutions, and how the company has responded to audit committee's opinions shall be noted:

(1) Conditions described in Article 14-5 of the Securities and Exchange Act:

Period and Date	Contents of resolutions	Opinions from audit committee's resolutions and how the company has responded to audit committee's opinions
2018.8.09 12th of the 1st.	1. The Company’s appointment of the CPA. 2. The Company’s 2018 1H financial statements. 3. The Company’s investment in ANDROVIDEO INC.	Passed unanimously by members in attendance.
2018.11.07 13th of the 1st.	1. The Company’s appointment of the chief audit executive. 2. The Company's “2019 internal audit plan”. 3. The Company’s 2018 3Q financial statements.	Passed unanimously by members in attendance.
2019.3.25 14th of the 1st.	1.The Company’s 2018 financial statements. 2. The Company’s Business Reports and Financial Statements of 2018, submitted for Recognition. 3. The Company’s Earning Distribution of 2018, submitted for Recognition 4. Evaluation of the CPA’s independence of the Company. 5. Amendment of the Company's "Procedures for the Acquisition and Disposal of Assets", submitted for Discussion 6. Amendment of the Company's "Procedures for Endorsement and Guarantee", submitted for Discussion 9. Amendment of the Company's "Procedures for Loaning Funds to Others", submitted for Discussion 8. “2018 Management's Reports on Internal Control System”.	Passed unanimously by members in attendance.
2019.5.02 15th of the 1st.	1. The Company’s 2019 1Q financial statements. 2. The Company’s appointment of the CPA and its fee for the year.	Passed unanimously by members in attendance.

(2) Other than those described above, any resolutions unapproved by the audit committee but passed by more than two-thirds of directors: None.

2. Avoidance of involvements in interest-conflicting resolutions by independent directors: None.
3. Communication between independent directors, the chief audit executive and accountants:
(1) Summary on communication between independent directors, supervisors and the chief audit executive:

Date	Forms	Issues	Results
2018.11.7	Meeting	Discussions on the 2019 audit plan.	No material issues that required rectification.
2019.3.25	Meeting	"2018 Management's Reports on Internal Control system" resolution.	No material issues that required rectification.

(2) Communication between independent directors and accountants:
Independent directors of the Company are responsible for overseeing financial reporting process in accordance with relevant laws and regulations, maintaining good mutual communication with the CPA of the company and communicating with the CPA matters in respect of the audit plan of 2018 financial statements as follows:

Date	Forms	Issues	Results
2018.12.20	Documents in writing	Annual audit plan -The role and responsibility of the chief accountant -Audit plan -Preliminary opinions on key audit matters -The independence of the CPA	1. Noted without other opinions and has replied to the accounting firm. 2. If there are any suggestions and material findings, the chief accountant and the manager shall be promptly notified to arrange further meeting.
2019.3.25	Documents in writing and meetings	Conclusion of the annual audit - Draft of the financial statements - Major findings of the auditing - Draft of the auditing reports (including key audit matters) - The independence of the CPA	1. Noted without other opinions and has replied to the accounting firm. 2. On March 16, 2018, the CPA and the manager had discussions and explanations on major issues prior to the audit committee's meeting and the Board's meeting.

3.3.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
1. If the Company established and disclosed Corporate Governance Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	V		The Company formulated the "Corporate Governance Principles" as disclosed on the Market Observation Post System and the company's website.	No major deviation
2. Shareholding Structure & Shareholders' Rights				No major deviation
(1) If the Company established internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly?	V		(1) The Company assigned spokesperson, investor relations contact, dedicated personnel for registrar and legal-related matters to address issues in relation to shareholders' suggestions and disputes.	
(2) If the Company maintained of a list of major shareholders and a list of ultimate owners of these major shareholders?	V		(2) The Company assigned dedicated personnel for registrar to keep abreast with the actual shareholdings of directors, managers and major shareholders holding 10% of the shares in the company.	
(3) If risk management mechanism and "firewall" between the Company and its affiliates are in place?	V		(3) The Company formulated "Administrative Measures on the Operation of a Subsidiary", "Procedures for Loans to Others", "Endorsement and Guarantee Procedures", "Procedures for the Acquisition and Disposal of Assets" and other internal management measures to establish proper risk control mechanism and firewall.	
(4) If the Company established internal policies that forbid insiders from trading based on non-disclosed information?	V		(4) The Company formulated control measures of "Insider Trading Prevention management operations" to regulate behavior and commence risk control.	

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
3. Structure of Board of Directors and its responsibility (1) If the Board consisted of members from diverse background?	V		(1) Appoint three independent directors in accordance with the company's "Corporate Governance Principles" to enhance the Board's functions. The composition of the Board of Directors shall be determined by taking diversity into consideration. The criteria for directors' elections of the company is based on the company's business operations, operating dynamics and development needs, including but not limited to the following two major aspects: 1. Basic conditions and value: gender, age, nationality and cultural background, etc. 2. Professional expertise and skills: professional background (including laws, accounting, industry, finance, marketing or technology), skills, and industry experience. Directors of this session of the company are elected in accordance with the two major aspects listed above. Elected directors are equipped with professional expertise and experience covering finance, technology, industry and marketing.	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law? (3) If the Company established methods and procedures to assess the performance of the Board and conduct assessment on annual basis?	V	V	(2) The Company established the remuneration committee and assembled the audit committee at its discretion, while other functional committees are not yet established. There are no other functional committees set up for business operations. (3) The auditing office commenced auditing in accordance with the Company's "Rules of Procedure for Board Meetings" of the company and prevailing regulations of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies". It is known that currently the Company does not formulate relevant measures on performance evaluation of the Board of Directors.	The Company shall carry out prudent evaluation based on its internal development needs in the future. The Company shall carry out prudent evaluation based on its internal development needs in the future.
(4) If the Company assess the independence of CPA periodically?	V		(4) According to the Article 29 of the Company's "Corporate Governance Principles", it is required to assess CPA's independence and capacity regularly (at least once per year). After internal self-assessment on the independence and capacity of the CPA, there was no matters that might have a possible impact on the independence of PwC Taiwan's CPA, JuanLu, Man-Yu and Audrey Tseng. It is also required that the CPA shall issue a declaration of independence; the resolution was considered and passed by the audit committee and the Board of Directors of the company on March 25, 2019. (Note)	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
4. If the Company established a unit or assigned a personnel to handle corporate governance related issues (including but not limited to providing assistance to board members and handling all tasks ass	V		The Company's dedicated person for registrar is responsible for relevant matters concerning corporate governance, discussion and formulation of the Board's meeting agenda and provision of sufficient information to enable directors to have a better understanding of relevant contents to be proposed at the meeting. The dedicated person shall convene shareholders' meetings every year during the specific period required by laws and regulations, upload the notice of the meeting, the meeting agenda and the shareholders' meeting's minutes to the Market Observation Post System prior to the period as specified in the announcement and conduct registration and changes upon amendments to the Articles of Incorporation and re-election of directors.	No major deviation
5. If the Company established communication channel with stakeholders (including but not limited to shareholders, employee, customers, suppliers, etc.) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of the corporate website?	V		The Company established the public relation, registrar and legal departments depending on different situations to address issues and communicate with stakeholder. The Company also created company information, corporate governance, corporate social responsibility and stakeholders' sections on the company's website and provided contact information of the spokesperson so that stakeholders may be informed of latest issues on a timely basis.	No major deviation
6. If the Company engaged professional transfer agent to host annual general shareholders' meeting?	V		The Company engaged the registrar agency department of CTBC Bank Co., Ltd. to handle shareholder meeting affairs	No major deviation
7 Information Disclosure				No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance?	V		(1) The Company promptly discloses relevant information on its corporate website (http://www.abilitycorp.com.tw).	
(2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc)?	V		(2) The collection and disclosure of investor relations, registrar and legal departments-related information. The Company builds website in both Chinese and English languages to regularly disclose information relating to the company's finance, shares, product information and social engagement. The Company assigns a spokesman in accordance with regulations. Live broadcast of the Company's investor seminars is available on its website (http://www.abilitycorp.com.tw).	

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
8. If the Company had other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) Employee rights: The Company convenes labor-management disputes meeting on an irregular basis and establishes mailbox for employee complaints. (2) Employee care: The company establishes employee welfare committee to handle matters including employee welfare and group insurance. (3) Investor relations: The Company provides investors with transparent information as disclosed on the Company's website with material issues published on the Market Observation Post System. (4) Supplier relations: The Company formulates measures governing supplier relations and the code of conduct for personnel who contact with outside firms to maintain fair trading with suppliers. (5) Rights of stakeholders: Both the Company and stakeholders perform respective rights and obligations in compliance with contracts or relevant operating procedures. (6) Directors' training records. (7) Risk management policies and risk evaluation measures: The company commences internal control assessment for each department on regular basis to carry out preventive control. The audit unit assists members from the audit committee in supervising the Company's business and the implementation of the internal control systems. Where possible malpractice is found, the Company shall promptly activate proper measures with an aim to lower operational risks.	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
9. Any improvement made in accordance with the result of the most recent corporate governance evaluation conducted by TWSE? Any measures to be taken on the outstanding items?	V		(8) Implementation of customer relations policies: (9) Purchasing insurance for directors: the Company has purchased liability insurance for directors. The Company conducts self-assessment in accordance with corporate governance evaluation items and considers viability for evaluated items that does not meet the criteria based on actual operation of the Company.	No major deviation

Note: The Company evaluates the independence of CPA based on items stated in Article 46 & 47 of Certified Public Accountant Act. The Evaluation Criteria are as below:

Items Evaluated	Evaluation Finding	Independence
1. Does the CPA have direct or material indirect financial interest in the Company?	No	Yes
2. Does the CPA have loans or guarantees with the Company or directors of the Company?	No	Yes
3. Does the CPA have a close business relationship or a potential employment relationship with the Company?	No	Yes
4.Have the CPA and a member of the audit team been a director, a manager of the Company or been employed by the Company within the last two years in a position to exert significant influence over the subject matter of the engagement?	No	Yes
5. Does the CPA provide any non-audit services which if performed for the Company would affect directly a material item of the audit engagement?	No	Yes
6. Does the CPA promote or broker shares for the Company or other securities issued by the company.	No	Yes
7. Does the CPA serve as an advocate or representative for the company with third parties in the event of conflict.	No	Yes
8. Does the CPA have family ties with anyone who is a director, manager, or officer of with the company or any personnel who is in a position to exert significant influence over the subject matter of the engagement.	No	Yes
9. Is the CPA capable of performing its duties with its educational background and relevant experience.	Yes	Yes

3.3.4 Status of Compensation Committee:

3.3.4.1 Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance,Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Lam,Tai-Seng	-	-	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Chen, Kuo-Hong	-	-	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Lu,Chien-Min	-	-	V	V	V	V	V	V	V	V	V	0	None

Note 1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary set up in accordance with the act or local laws.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who 27 holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Act.

3.3.4.2 Attendance of Members at Remuneration Committee Meetings

(1) There are 3 members in the Remuneration Committee.

(2) Tenure of the third session of Compensation committee is from 29st June, 2016 to 28th June, 2019. A total of 3 (A) meetings of the Compensation Committee were held in 2018. The status of attendance is as follows:

Title	Name	Attendance in person (B)	By Proxy	Attendance rate (%) B/A	Remarks
Chairman	Lam,Tai-Seng	3	0	100%	06/29/2016 Newly elected
Member	Chen, Kuo-Hong	3	0	100%	06/29/2016 Newly elected
Member	Lu,Chien-Min	3	0	100%	06/29/2016 Newly elected

Other Information to be disclosed:

1.If Board of Directors did not adopt or revise the proposal made by the Compensation Committee, please specify the date, session, agendas and resolutions of the Board of Directors meeting and how the Company handled the proposal made by the Compensation Committee (If amount of the compensation approved by the Board of Directors is higher than that proposed by the Compensation Committee, please specify the reasons and differences in proposals.): None.

2.If any members of the Compensation Committee were against or reserved their opinions towards the resolutions, please specify the date, session, agendas, opinions of all members and how the opinions were handled: None.

Period and Date	Contents of resolutions	Resolution result	Company's opinion on the Remuneration committee
2017.5.8 4th of the third	1.Bonus distribution plan for managers and employees of the company in 2017	Passed unanimously by members in attendance	Passed unanimously by directors (including independent directors) in attendance.
2017.11.7 5th of the third	1.Bonus distribution plan for managers and employees of the company in 2018.	Passed unanimously by members in attendance	Passed unanimously by directors (including independent directors) in attendance.
2018.4.16 6th of the third	1. New manager salary structure and remuneration 2.The company's manager promotion, remuneration and salary adjustment	Passed unanimously by members in attendance	Passed unanimously by directors (including independent directors) in attendance.

3.3.5 Social Responsibility Implementation Status as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
1. Implementation of Corporate Governance				
(1) Does the Company have a corporate social responsibility policy and evaluate its implementation?	V		(1) The Company established a corporate social responsibility policy and the code of conduct, information of which is disclosed on the company's website (http://www.abilitycorp.com.tw).	No major deviation
(2) Does the Company hold regular CSR training?	V		(2) The Company organized trainings for new employees, education training on CSR responsibilities and education on relevant matters.	No major deviation
(3) Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?		V	(3) The Company assembled the CSR organization, and disclosed the organization chart on the company's website (http://www.abilitycorp.com.tw); the management representative is responsible for the organization and effectiveness of the environmental protection, safety and health management system, green product management system, greenhouse gas management system, and supervise the implementation and planning of each department.	Handle issues on a timely manner according to the Company's actual needs.
(4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?	V		(4) Other than the disclosure of the CSR code of conducts on the Company's website (http://www.abilitycorp.com.tw), the Company also requires its employees to observe laws and regulation and the human resources management system. Mutual communication is carried out through performance appraisal. Fair and reasonable performance evaluation procedures becomes the basis for promotion, remuneration and training development for employees.	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
2. Environmentally Sustainable Development				
(1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(1) The Company is committed to promoting clean production and energy conservation, aiming to reduce expenses and lower operating costs, create profits as well as enhance overall competitiveness and operating results of the enterprise. Energy conservation is implemented based on aspects covering the management and technology, primarily including three major items of air-conditioners conservation, energy conservation and water conservation. The Company's products are designed according to the concepts concerning high recoverability, high added values, low pollution and energy conservation, aiming to control resources utilization rate from the source of production.	No major deviation
(2) Has the Company set an Environmental management system designed from its industry characteristics?	V		(2) The Company established ISO14001 environmental management system and IECQ QC080000 hazardous substance free product management system and obtained verification certificate from the third party.	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy	V		(3) Climate change has an increasingly substantial impact on the global environment. As a citizen of the global community, Ability strives to accomplish following matters in an attempt to fulfill its corporate social responsibility: a. The Company is committed to the greenhouse gas checking to ensure overall emissions of the greenhouse gas from all factories. b. The Company continues to promote energy conservation and carbon reduction measures together with sustainable development so as to fulfill its corporate social responsibility. c. The Company complies with laws and regulations relating to environmental protection and satisfy its customer requirements. d. The Company initiate relevant plans regarding voluntary reduction of greenhouse gas emissions based on current economic condition and technology according to the checking results. The Company classifies the climate change as a corporate-level risk and exert efforts to control relevant risks. The policies include: a.Pay close attention to the trend of greenhouse gas-related issues around the world. b.Take care of green manufacturing, green products and green supply chain management. c. Carry out greenhouse gas measurement and carbon footprint measurement. The Company's objectives and measures concerning energy conservation and environmental protection are disclosed on the Company's website (http://www.abilitycorp.com.tw).	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
3. Promotion of Social Welfare				
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(1) With an aim to comply with relevant labor laws and regulations and safeguard employees' legal rights, the Company formulated the "Administrative Measures Governing Leave Application", "Administrative Measures Governing Holiday Application", "Administrative Measures Governing Worker's Compensation and Indemnity", "Administrative Measures Governing Benefit Plan" and "Administrative Measures Governing Retirement".	No major deviation
(2)Has the Company established appropriately managed employee appeal procedures?	V		(2) The Company established various complaint channels. Employees may raise complaints at any time when their rights are infringed or improperly handled. The Company formulated "Measures Governing Employee Complaints", promoted sexual harassment prevention and provided employees with clear complaint channels to ensure employees' rights are safeguarded. The Company irregularly convenes employees meeting and relevant forums to create a channel for employees to communicate directly and express their opinions.	No major deviation
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(3) According to the labor safety law, it is required to inspect operating environment and ensure employee health checkups; special health checkups shall be arranged for employees working under special environment conditions. Please refer to 5. Labor Relations under the Operational Highlights as set out in the Annual Report for details regarding the labor safety.	No major deviation
(4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?	V		(4) The Company irregularly convened employees meeting and carry out survey concerning employees' satisfaction to enable all employees to have a better understanding of the company's operation and future plans.	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(5) Has the Company established effective career development training plans?	V		(5) The Company established an effective career development training plan for its employees with an aim to enhance their career development capabilities. A comprehensive training system targeting employee cultivation is in place. Through e-training and management, the system provided training step-by-step, including pre-employment training for new employees and professional training.	No major deviation
(6) Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	V		(6) The Company does not sell products directly to consumers; in terms of client-side, the company handles complaints in accordance with its existing internal procedures.	No major deviation
(7) Does the Company follow regulations and international standards in the marketing and labelling of its products and services?	V		(7) The Company complies with relevant laws and regulations as well as international guidelines.	No major deviation
(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?	V		(8) The Company promotes its green product policy, green procurement requirements and the CSR through supplier meetings, green electronic information platform website and other measures. Suppliers are also required to accept Ability’s green supplier verification with an aim to make concerted efforts to facilitate the fulfillment of the corporate social responsibility.	No major deviation
(9) Does the Company’s contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	V		(9) According to procurement contracts entered into between the company and its suppliers, there is no specific provision governing the public welfare. The company requires suppliers to complete a questionnaire regarding the CSR and new suppliers are required to return a questionnaire. The questionnaire does not have any binding effect.	No major deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
4. Enhanced Information Disclosure (1) Does the Company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?	V		(1) Relevant information in respect of the CSR is disclosed on the Company's website (http://www.abilitycorp.com.tw) and the Market Observation Post System (http://mops.twse.com.tw).	No major deviation
5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences. The Company formulated its "Corporate Social Responsibility Code of Practice" in accordance with the "Listed Companies Corporate Social Responsibility Code of Practice" and disclosed relevant information on the Company's website (http://www.abilitycorp.com.tw). The Company's internal operation and products are in compliance with requirements set out in the Corporate Social Responsibility Code of Practice.				

6. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility:

The Company attaches great importance to environmental protection, social welfare and safety and health with a view to fulfil its social responsibility. Please refer to the Company's website (http://www.abilitycorp.com.tw) for relevant information.

In recent years, the specific promotion plans and implementation effects of corporate social responsibility are as follows:

Year	Project and implementation effectiveness
2017	1. The Mustard Seed Mission - Adoption of Taiwan Children's Project 44 people / month. 2. 4 schools/63 sets of camera digital learning programs for local/weak groups. 3. The average income of the Yu-Cheng Social Welfare Foundation is 300 pieces per year. 4. Genesis Social Welfare Foundation Invoice Donation. 5. New Taipei City Government's "warm Christmas, hand in hand" music donation activities 64 people / time ◦
2018	1.The Mustard Seed Mission - Adoption of Taiwan Children's 41 people / month. 2. 1 school/610 sets digital learning programs for the local/weak group. 3. The average income of the Yu-Cheng Social Welfare Foundation is: a. The average product is 28 pieces / month b. Bread average 280 pieces / month 4.Genesis Social Welfare Foundation Invoice Donation. 5.Hualien earthquake donated 155 people/time. 6.New Taipei City Government's Weak School Children's Scholarship received a total of 97 families and 115 students received funding.

7. Other information regarding "Corporate Responsibility Report " which is verified by certifying bodies: The Company has obtained the following certification:

The Company formulated the "Corporate Social Responsibility Report", which had not been verified by third party external verification institution. The Company passed the "ISO14001 environmental management system" and the "OHSAS18001 occupational safety and health management system".

3.3.6 Implementation of Ethical Corporate Management Best Practice Principles:

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Y</th><th>N</th><th>Explanation</th></tr>
<tr><td>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures
(1) Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?

(2) Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?

(3) Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?</td><td>V

V

V</td><td></td><td>(1) The Company formulated the “Ethical Corporate Management Best Practice Principles” and disclosed relevant information on the Company’s website (http://www.abilitycorp.com.tw); the members of the Board of the company and the management exercise due care of prudent administrators when performing duties and exercise its functions and powers with prudent attitude.
(2) The Company’s “Employee Handbook”, “Working Rules”, “Management and Control Procedures Regarding Insider Trading Prevention” and respective internal management system stipulate guidelines and regulations concerning related behavior of an employee. All violations, rewards, penalties and complaints will be implemented in accordance with respective procedures.
(3) The Company formulated procedures for legal department review contract and control contract to prevent any violation of laws. For employees who may engage in business activities that exhibit high integrity risks within the scope of business, the rules stipulate that the employees shall not receive and require any illegal benefit from suppliers, connected party or designated person or sign a contract with them.</td><td>No specific deviation</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
2. Ethic Management Practice				No specific deviation
(1) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) The Company shall consider the legality and evaluate the ethical record of its business partner prior to any business relationship with them and avoid any trading with a partner with dishonest history.	
(2) Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?		V	(2) The Company has not set up a unit, whether part-time or full-time, to promote the company's ethical standards in business operation. The unit may be established in the future based on the governance.	
(3) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) The Company's "Rules and Procedures of the Board Meeting" stipulates the principle of conflicting interests. Directors may express opinions and answer queries but are not allowed to participate in the discussion and voting and shall recuse from any discussions and voting on any resolution that presents a conflict against their own interests or interests of the corporate entities they represent to the extent that is likely to compromise the Company's interests, and shall not exercise their voting rights on behalf of other directors.	No specific deviation
(4) To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V		(4) To ensure the implementation of ethical conducts, the company established effective accounting system and internal control system. The internal audit personnel also verify compliance of each procedure on both regular and irregular basis.	

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(5) The Company organized training for new employees, external education training regarding the compliance with relevant laws and regulations as well as courses covering control and ethical conducts.	
3. Implementation of Complaint Procedures (1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? (2)Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	 V V		 (1) The Company has established the "Reporting and Confidentiality Measures for Reporting Events", attaches significant importance to ethical mindset and encourages employees to report to the chief audit executive or other relevant personnel when suspected violations or violations of regulations or the rules of the company are found. (2) The Company has clearly stated in the “Reporting and Confidentiality Measures for Reporting Events” that it has a a complaints mailbox and carry out relevant procedures in relation to respective complaints. Information confidentiality is implemented in accordance with personal information confidentiality and information security policies.	No specific deviation

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(3)Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) The complaint window shall be in strict compliance with the confidentiality principle. Any disclosure of complaint issues without the consent of the person who lodges the complaint shall undergo disciplinary action in accordance with the company's rules.	
4. Information Disclosure (1) Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	V		(1) The "Ethical Corporate Management Best Practice Principles" formulated by the company are disclosed on the Company's website (http://www.abilitycorp.com.tw); relevant information of which is disclosed on complete, appropriate, timely and accurate basis.	No specific deviation
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: The Company established its "Ethical Corporate Management Best Practice Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", information of which is disclosed on the company's website (http://www.abilitycorp.com.tw). The Company's internal operation and products are in compliance with requirements set out in the ethical corporate management requirements of the CSR.				

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Y</th><th>N</th><th>Explanation</th></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices:
The Company has upheld the principle of ethical business operation and pay attention to stakeholders’ needs, which are widely recognized by suppliers and consumers, thus, ensuring sustainable business operation.</td></tr>
</table>

3.3.7 Corporate Governance Guideline and Regulations:

Please refer to the Company’s website http://www.abilitycorp.com.tw for further details.

3.3.8 Other Important Information Regarding Corporate Governance:

Please refer to the “Item 8 under 3.3 Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and its explanation” as set out in the annual report

3.3.9 Internal Control Systems

ABILITY ENTERPRISE CO., LTD.

Statement of Internal Control System

Date: March 25, 2019

Based on the findings of self-assessment, ABILITY ENTERPRISE CO., LTD. (ABILITY) states the following with regard to its internal control system in 2018:

1. ABILITY is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of financial reporting and compliance with of applicable laws, regulations and bylaws.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of ABILITY contains self-monitoring mechanism and ABILITY takes corrective actions whenever a deficiency is identified.

3. Ability evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.

4. ABILITY has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the self-assessment mentioned in the preceding paragraph, ABILITY believes that, as of December 31, 2018, its internal control system (including its supervision and management of subsidiaries), as well as understanding the degree of achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of financial reporting, and compliance with the applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will be integral part of ABILITY's Annual Report for the year 2018 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.

7. This Statement has been passed by the Board of Directors in their meeting held on March 25, 2019 with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

ABILITY ENTERPRISE CO., LTD.

Tseng, Ming-Jen
Chairman

Tseng, Ming-Jen
President and Chief Executive Officer

3.3.9.1 If the Company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed: None

3.3.10 The penalties delivered to the Company and the staffs of the Company, or the penalties delivered by the Company to the staffs for violations of internal control system, the major nonconformity, and the corrective action in the most recent years and up to the date of the annual report: None

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Date/ Decision Maker	Major resolutions (extracts)	Implementation
2018.6.11 Shareholders' meetings	1.Approved the Company's 2017 business report and financial statements. 2.Approved The Company's 2017 earnings distribution.	To determine that the ex-dividend day shall be on August 25, 2018 and the cash dividend release day shall be on September 14, 2018. (cash dividend of NT$0.8 per share.)
2018.8.9 Board meetings	1. The Company's appointment of the CPA. 2. The Company's 2018 1H financial statements. 3. Endorsements/guarantees for VIEWQUEST (BVI), a subsidiary of the Company, regarding the procurement payment to the supplier Sunny Optical Technology Co. Ltd. 4. The Company's investment in ANDROVIDEO INC.	
2018.11.7 Board meetings	1. The Company's appointment of the chief audit executive. 2. The Company's "2019 internal audit plan". 3. The Company's 2018 3Q financial statements. 4. Bonus distribution plan for managers and employees of the company in 2018. 5. The company and the bank credit renewal related matters. 6. The company plans to fund the loan and ANDROVIDEO INC., a subsidiary of the Company. 7. Employee restricted new share cancellation and reduction and determination of the record date of the reduction in the third quarter of 2018.	Resolution 4. Other than the chairman Tseng, Ming-Jen, the director and financial manager Lin, Hung-Tien who recused themselves from the resolution due to conflicting interest, remaining directors (including independent directors) in attendance passed the resolution unanimously.
2019.2.21 Board meetings	1. Endorsements/guarantees for VIEWQUEST (BVI), a subsidiary of the Company, regarding the procurement payment to the supplier Panasonic Hong Kong Co. Ltd. 2. Endorsements/guarantees for VIEWQUEST (BVI), a subsidiary of the Company, regarding the procurement payment to the supplier Giantplus Technology Co., Ltd. 3. VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. plans to fund the loan and Ability Tech. (Dongguan) Co., Ltd., both a subsidiary of the Company,	

Date/ Decision Maker	Major resolutions (extracts)	Implementation
2019.3.25 Board meetings	1.The Company’s 2018 financial statements. 2. The Company’s Business Reports and Financial Statements of 2018, submitted for Recognition. 3. The Company’s Earning Distribution of 2018, submitted for Recognition. 4. Evaluation of the CPA’s independence of the Company. 5. Re-election on all the Company's Directors (including independent directors) 6. Amendment of the Company's "Articles of Incorporation", submitted for Discussion. 7. Amendment of the Company's "Procedures for the Acquisition and Disposal of Assets", submitted for Discussion. 8. Amendment of the Company's "Procedures for Endorsement and Guarantee", submitted for Discussion 9. Amendment of the Company's "Procedures for Loaning Funds to Others", submitted for Discussion 10. Hold the date, time and place of the 2019 annual shareholders' meeting. 11. Formulate the 2019 Annual General Meeting to accept the nomination of directors (including independent directors) and the place of acceptance of the shareholders' proposal and the acceptance period. 12. The company and the bank credit renewal related matters. 13. “2018 Management's Reports on Internal Control System”.	Except for the proposal 3, the remaining proposals were attended by independent directors without objection. proposal 3: Director Chan,Wen-Hsiung proposed: It is proposed to increase the distribution of dividends. Independent director Chen, Kuo-Hong 's proposed: It is recommended that the business operation be prudent for long-term. Resolution: The proposal was put on hold for the next time board of directors discussed it.
2019.4.16 Board meetings	1. Nomination and review of the list of candidates for directors and independent directors. 2. Release the prohibition on the Company's newly-elected Directors from participation in competitive business. 3. New manager salary structure and remuneration. 4.The company's manager promotion, remuneration and salary adjustment. 5. The company's "standard operating procedures for handling directors' requirements”, submitted for Discussion. 6. Disposal of the Company’s factory at NanGang.	Resolution 3~4. Other than the chairman Tseng, Ming-Jen, the director and financial manager Lin, Hung-Tien who recused themselves from the resolution due to conflicting interest, remaining directors (including independent directors) in attendance passed the resolution unanimously.
2019.5.2 Board meetings	1. The Company’s appointment of the CPA and its fee for the year. 2. The company plans to increase the amount of funds to borrow and ANDROVIDEO INC., a subsidiary of the Company. 3. The company and the bank credit renewal related matters. 4. The Company’s Earning Distribution of 2018, submitted for Recognition. 5. Renew the list of candidates for directors and independent directors. 6. The Company’s 2019 operation plans.	The earnings distribution shall be implemented after passed at the annual shareholders’ meeting held on June 14, 2019.

3.3.12 Major Issues of Record or Written Statement Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2017 and to the date of the annual report: None.

3.3.13 Resignation or Dismissal of Personnel Involved in the Company :

Position	Name	Date of Appointment	Date of Termination	Reasons for Resignation
chief audit executive	Dora Hsueh	2017.08.10	2018.09.07	Personal career planning

3.4 CPA Fees

CPA Firm	CPA		Auditing Period	Note
PWC	JuanLu, Man-Yu	Audrey Tseng	Jan 1, 2018 ~ Dec 31, 2018	

Unit: NT$ thousand

CPA Firm	CPA	Auditing Fees	Non-Auditing Fees					Auditing Period
			System Design	Company Registration	Human Resources	Others (Note)	Subtotal	
PWC	JuanLu, Man-Yu Audrey Tseng	3,320	0	35	0	1,145	1,180	1/1/2018 ~ 12/31/2018

Note：Transfer pricing report.

3.4.1 Change of accounting firm and the audit fee paid is less than previous year before the change of accounting firm: None

3.4.2 Audit fee is 15% or more less than the previous year: None

3.5 Information on Change of CPA: In 2018, the company changed the CAP due to the internal rotation of the CPA firm in accordance with relevant laws and regulations.

3.6 If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

3.7 Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Department Heads and Shareholders of 10% Shareholding or More:

3.7.1 Information on Net Change in Shareholding

Unit: Share

Title	Name	2018		1/1/2019 ~ 4/16/2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and President	Tseng, Ming-Jen	-	-	-	-
Director	VIEWQUEST Investment Co. Ltd. Rep.:Tsay, Wen-Bin	-	-	-	-
Director	VIEWQUEST Investment Co. Ltd. Rep.: Chou, Cheng-Wei	-	-	-	-
Director	AVY Precision Technology Inc. Rep.:Tong, Chun-Jen	-	-	-	-
Director	AVY Precision Technology Inc. Rep.:Huang, Li-An	-	-	-	-
Director	Lin Shih Investment Co., Ltd. Rep.: Chan,Wen-Hsiung	-	-	-	-
Independent Director	Lam,Tai-Seng	-	-	-	-
Independent Director	Chen, Kuo-Hong	-	-	-	-
Independent Director	Lu,Chien-Min	-	-	-	-
Vice President	Chou, Cheng-Wei	-	-	-	-
Assistant Vice President	Tommy Lee	-	-	-	-
Assistant Vice President	Adams Chen	- (23,000)	-	-	-
Assistant Vice President	Vincent Lu (Promotion date：2019.04.16)	–	–	–	–
Chief Financial Officer	Lin, Hung-Tien	-	-	-	-
major stockholder	Pegatron Corporation	-	-	-	-

3.7.2 Information of Shares Transferred: None

3.7.3 Information of Equity Pledged: None

3.8 The Relations of the Top Ten Shareholders as Defined in the Finance Standard Article 6:

As of 04/16/2019

Name	Current Shareholding		Spouse or Minor Children		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top Ten Shareholders, or Spouses or Relatives within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Pegatron Corporation	33,135,300	11.73	—	—	—	—	—	—	
Rep.: T.H. Tung	—	—	—	—	—	—	—	—	
CHIA NAI INVESTMENT CO., LTD.	8,831,767	3.13	—	—	—	—	—	—	
Rep.: TUNG,I-CHIA	529	0.00	9,996	0.00	—	—	—	—	
Lin Shih Investment Co., Ltd.	5,433,757	1.92	—	—	—	—	—	—	
Rep.: Huang ,Chou-Chye	—	—	—	—	—	—	—	—	
Lian-Cheng Investment Development Co. Ltd.	4,924,000	1.74%	—	—	—	—	—	—	
Rep.：Lin Gao-Huang	—	—	—	—	—	—			
AVY Precision Technology Inc.	4,138,544	1.47	—	—	—	—	—	—	
Rep.: Tong, Chun-Jen	548	0.00	88,548	0.03					
JPMorgan Chase Bank N.A.， Taipei Branch in custody for Vanguard Total International Stock Index Fund， a series of Vanguard Star Funds	3,587,491	1.27%	—	—	—	—	—	—	
Citibank Taiwan in custody for DFA Investments Group's Emerging Market Core Securities Portfolio Funds	3,175,974	1.12%	—	—	—	—	—	—	
Citibank Taipei Branch in custody for Emerging Market Evaluation Fund	2,782,330	0.99%	—	—	—	—	—	—	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,715,249	0.96%	—	—	—	—	—	—	
Cyuan-Neng Investment Co. Ltd.	2,303,000	0.82%	1,209,093	0.43%	—	—	—	—	
Rep.：Lin Huei-Fen	249,524	0.09%	—	—	—	—			

Note 1: All top 10 shareholders have been listed. For corporate shareholders, the name of the corporate entity and the name of the representative are shown separately.

Note 2: The percentages of shares held under own name, spouse's name, underage children's names, or in the names of others are calculated separately.

Note 3: Relations among the abovementioned shareholders (including corporate and natural-person shareholders) have been disclosed in accordance with the relationships defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.

3.9 Long-Term Investment Ownership

Unit: shares; %; As of 12/31/2018

Long-Term Investment	Ownership by the Company (1)		Direct or Indirect Ownership by Directors, Supervisors, Managers (2)		Total Ownership (1)+(2)	
	Shares	%	Shares	%	Shares	%
ABILITY ENTERPRISE (BVI) CO., LTD.	-	100	-	-	-	100
ACTION PIONEER INTERNATIONAL LTD.	-	100	-	-	-	100
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	-	100	-	-	-	100
VIEWQUEST TECHNOLOGIES (BVI) INC.	-	100	-	-	-	100
ABILITY INTERNATIONAL INVESTMENT CO., LTD	1,300,000	100	-	-	1,300,000	100
ANDROVIDEO INC.	7,000,000	100%	-	-	7,000,000	100%
E-PIN OPTICAL INDUSTRY CO.,LTD.	12,888,334	54.61%	-	-	12,888,334	54.61%
CHIA PING INVESTMENT CO., LTD.	-	-	600,000	100%	600,000	100%
JIUJIANG VIEWQUEST ELECTRONICS INC.	-	-	-	100	-	100
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	-	-	-	100	-	100
VIEWQUEST TECHNOLOGIES (DONGGUAN)CO., LTD	-	-	-	100	-	100
ALL VISION HOLDING LTD.	-	-	15,236,910	100	15,236,910	100
E-PIN OPTICAL INDUSTRY CO., LTD.	-	-	150,000	100	150,000	100
E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	-	-	5,000,000	100	5,000,000	100
ALL VISION TECHNOLOGY SDN. BHD.	-	-	72,243,894	100	72,243,894	100
EVERLIGHT DEVELOPMENT CORPORATION	-	-	58,494	100	58,494	100
E-SKY HOLDING LTD.	-	-	10,472,879	73.04	10,472,879	73.04
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	-	-	-	55.45	-	55.45
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	-	-	-	100	-	100
NANJING E-PIN OPTICAL CO.,LTD.	-	-	-	72.22	-	72.22

4. Capital and Shares

4.1 Capital and Shares

4.1.1 Source of Capital

Unit: Share; NT$

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Other
12/2018	10	540,000,000	5,400,000,000	282,362,812	2,823,628,120	Cancellation of Issued RSA NT$21,600	None	

As of 04/16/2019

Type of Share	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	282,362,812	257,637,188	540,000,000	Listed stock

4.1.2 Status of Shareholders

As of 04/16/2019; Units: share

Item / Shares	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign nstitutions & Natural Persons	Domestic Natural Persons	Treasury stocks	Total
Number of Shareholders	-	5	174	121	50,581	-	50,881
Shareholding (shares)	-	236,930	71,805,415	24,995,810	185,324,657	-	282,362,812
Percentage	0.00%	0.08%	25.43%	8.85%	65.64%	0.00%	100.00%

4.1.3 Shareholding Distribution Status Common Share

(The par value for each share is NT$10) ; As of 04/16/2019

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	26,461	5,490,286	1.94%
1,000-5,000	17,610	38,433,423	13.61%
5,001-10,000	3,740	27,891,002	9.88%
10,001-15,000	1054	13,181,590	4.67%
15,001-20,000	621	11,404,657	4.04%
20,001-30,000	517	13,223,025	4.68%
30,001-40,000	255	9,100,957	3.22%
40,001-50,000	174	8,048,254	2.85%
50,001-100,000	238	16,889,378	5.98%
100,001-200,000	107	15,061,188	5.33%
200,001-400,000	54	15,383,755	5.45%
400,001-600,000	14	6,853,233	2.43%
600,001-800,000	7	4,655,212	1.65%
800,001-1,000,000	4	3,359,006	1.19%
Over 1,000,001	25	93,387,846	33.08%
Total	50,881	282,362,812	100.00%

4.1.4 List of Major Shareholder (The equity ratio is over 5%)

As of 04/16/2019

Shareholder's Name	Shareholding (Shares)	%
Pegatron Corporation	33,135,300	11.74%

4.1.5 Market Price, Net Worth, Earnings and Dividends Per Common Share

Unit: NT$, except for weighted average shares and return on investment ratios

As of 04/16/2019; Units: 1,000 share

Item / Year			2017 (Note 5)	2018 (Note 5)	01/01/2019~ 05/02/2019	
Market Price per Share	Highest		26.50	22.80	16.15	
	Lowest		16.35	11.70	13.60	
	Average		19.81	16.43	13.80	
Net Worth per Share	Before Distribution		30.16	25.72	26.08	Note 1
	After Distribution		-	-	-	
Earnings per Share	Weighted Average Shares (thousand shares)		281,061	282,347	282,359	Note 1
	EPS	Before adjustment (Note 6)	0.77	(1.64)	(0.34)	Note 1
		After adjustment (Note 6)	0.77	(1.64)	(0.34)	Note 1
Dividends per Share	Cash Dividends		0.80	0.5(Note6)	-	
	Stock Dividend	Dividends from Retained Earnings	-	-	-	
		Dividends from Capital Surplus	-	-	-	
	Accumulated Undistributed Dividends		-	-	-	
Return on Investment	Price / Earnings Ratio		25.73	(10.02)	(40.59)	Note 2
	Price / Dividend Ratio		24.76	32.86(Note6)	-	Note 3
	Cash Dividend Yield Rate		4.04%	3.04(Note6)	-	Note 4

Note 1: For net worth per share and earnings per share, data audited (approved) by CPA from the last quarter up to the printing date of the annual report should be listed. For other columns, data from the current year up to the printing date of the annual report should be listed.

Note 1: Listed the highest and the lowest market price per share in every year and the average market price were calculated based on the trading amount and volume.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 5: The year stated above is the year when dividends are yielded.

Note 6:Until the printing date of the annual report, the proposal of 2018 earnings distribution has not yet been resolved in Shareholders' Meeting.

4.1.6 Dividend Policy and Implementation

4.1.6.1 The dividend policy stipulated by the Company's Articles of Incorporation is as follows:

The amendment to the dividend policy in the Articles of Incorporation passed by the Company's Shareholders' Meeting as of June 29, 2016 is as follows:

Article 29

If the Company's general annual report has surpluses, in addition to paying taxes in accordance with the law, shall make up for past losses and allocate 10% of statutory surplus reserves based on the balance. However, if statutory surplus reserves have reached the total capital, this limit does not apply. If necessary, after the allocation or turnaround special surplus reserve according to the regulations, the rest incorporates initial undistributed earnings as shareholders' cumulative distributed earnings.The Board of Directors may propose earnings allocation motion and report it to shareholders' meeting for resolution.

Article 29-1

The implementation of the Company's dividend policy requires consideration of the Company's future capital budget planning, meeting the needs of shareholders for cash inflow, and ensuring market competitiveness, etc., in which the cash dividends should be no less than 10% of the total of shareholders' dividends. Its method of distribution is handled according to Article 29.

4.1.6.2 Based on the dividend distribution policy implemented in the past 10 years except for the year when cash was distributed through capital reduction, at least 50% has been allocated annually for shareholders' dividends. In the future, if the Company makes profit, the dividend distribution policy implemented in the past will be continued to allocate at least 50% for shareholders' dividends, in which cash dividends will be no less than 50% of the total dividends.

4.1.6.3 The dividend distribution proposed at the Shareholder's Meeting:

The 2018 Shareholders' Meeting proposed to distribute cash dividends of NT$0.50 per share.

4.1.7 Influence from free allocation of shares on the Company's business performance and earnings per share: Not applicable due to the fact that the Company does not issue bonus shares this year.

4.1.8 Employees' and Directors' Remuneration Distribution

4.1.8.1 Percentage or range of employees' and directors' remuneration stipulated by the Company's Articles of Incorporation

Articles regarding the percentage of employees' and directors' remuneration in the Company's Articles of Incorporation is as follows:

Article 28-1

If the Company's final accounting of revenue and expenditure is profitable, the remunerations of employees, directors shall be allocated as follows. However, if the Company still has accumulated losses, it shall reserve the profits in advance and make up for the losses, and then allocate:

(1)The employees' compensation is not less than 8% and not more than 15%. The objects offered employees' compensation in cash or shares have to meet certain requirements of subsidiaries. The relevant measures are authorized to the Board of Directors to regulate.

(2)The directors' remuneration is not more than 1.5%.

The aforementioned profits refer to the profits before that pre-tax profit deducts the remuneration distributed to employees and directors.

4.1.8.2 Calculation basis for estimated employees’ and directors’ remuneration and for numbers of shares distributed as employees’ remuneration as well as accounting measures against the discrepancy between actual distribution and estimates:

The estimated employees’ and directors’ remuneration is based on the pretax income up to the current period. Within the percentage regulated by the Company’s Articles of Incorporation, 8% and 1.5% are respectively listed as estimated operating expense. When discrepancy between actual distribution and estimates occurs later, it will be regarded as a change in accounting estimates and counted as profit and loss of the year of actual distribution.

4.1.8.3 The employees’ and directors’ remuneration distribution passed by the Board of Directors for the year of 2018: None.

4.1.8.4 The actual remuneration distribution for employees and directors for 2017 and the discrepancy between which and the recognized amount as well as exact amount of difference, causes and responses:

(1) The 2017 employees’ and directors’ remuneration distribution:

a. Employees’ remuneration: NT$19,517,626.
b. Directors’ remuneration: NT$3,659,555.

(2) Discrepancy between the abovementioned amount and the recognized amount as well as exact amount of difference, causes and responses:

a. The employees’ remuneration amount recognized in the financial statements of 2017 was NT$19,517,626, which was the same as the numbers resolved by the Board of Directors.
b. The directors’ remuneration amount recognized in the financial statements of 2017 was NT$3,659,555, which was the same as the numbers resolved by the Board of Directors.

4.2 Issuance of Corporate Bond: None.

4.3 Preferred Stock: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options: None.

4.6 Employee Restricted Stocks

4.6.1 Issuance of Employee Restricted Stocks

As of 05/02/2019

Type of Restricted Shares	Grant of 2013
Approval Date by the Authority	2013/07/01
Grant Date	2014/06/03
Number of Employee Restricted Stock Granted	22,000,000
Price of Issuance	NT$ 10
Percentage of Employee Restricted Stocks to Outstanding Common Shares	4.65%
Conditions for Exercise of Employee Restricted Stocks	If employees remain employed for particular years from the issuance date, the following percentage of stocks will be granted accordingly: 1. One year: 40%. 2. Two years: 30%. 3. Three years: 30%.
Custody of Employee Restricted Stocks	A total of 22,000,000 shares delivered to the Trust
Procedures for Non-Compliance of the Conditions	The Company can buy back and cancel all restricted stocks from any employee whom received restricted stocks but fail to comply with the conditions.
Number of Employee Restricted Stocks Bought Back	2,675,437
Number of Employee Restricted Stocks Free from Custody	14,704,214
Number of Employee Restricted Stocks under Custody	3,960
Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)	0.001%
Impact on Shareholders'Equity	1.Possible expensing amount for three years is estimated to be NT$300,000 thousand. 2.Average possible impact on EPS per year is NT$0.22 Yet, it is overall estimated that dilution to EPS for future years will be limited, thus causing no significant impact on the equity of current shareholders.

Note 1: Announced numbers of buyback shares from employees.

Note 2: The number of restricted new restricted employee shares is the number of shares after cash capital reduction.

4.6.2 Information on Name of Managers and Top 10 Employees obtaining Employee Restricted Stocks

As of 05/02/2019

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Number of New Restricted Shares</th><th rowspan="2">New Restricted Shares as a Percentage of Shares Issued</th><th colspan="4">Released</th><th colspan="4">Unreleased</th></tr>
<tr><th>Number of Shares</th><th>Issed Price (NT$)</th><th>Amount (NT$ Thousands)</th><th>Released Restricted Shares as a Percentage of Shares Issued</th><th>Number of Shares</th><th>Issed Price (NT$)</th><th>Amount (NT$ Thousands)</th><th>Released Restricted Shares as a Percentage of Shares Issued</th></tr>
<tr><td rowspan="9">Manager</td><td>CEO</td><td>Tseng, Ming-Jen</td><td rowspan="9">940,000 (Note 5)
845,820 (Note 6)</td><td rowspan="9">0.33%
0.30%</td><td rowspan="9">940,000 (Note 5)
845,820 (Note 6)</td><td rowspan="9">10
10</td><td rowspan="9">9,400,000
8,458,200</td><td rowspan="9">0.33%
0.30%</td><td rowspan="9">-</td><td rowspan="9">10</td><td rowspan="9">-</td><td rowspan="9">0.00%</td></tr>
<tr><td>Vice President</td><td>Tsay, Wen-Bin(Note 4)</td></tr>
<tr><td>Vice President</td><td>Chou, Cheng-Wei</td></tr>
<tr><td>Vice President</td><td>F.J. Chiang (Note 1)</td></tr>
<tr><td>Assistant Vice President</td><td>Tommy Lee</td></tr>
<tr><td>Assistant Vice President</td><td>Y.C. Chou(Note 2)</td></tr>
<tr><td>Assistant Vice President</td><td>Adams Chen</td></tr>
<tr><td>Chief Financial Officer</td><td>PC Chen (Note 3)</td></tr>
<tr><td>Chief Financial Officer</td><td>Lin, Hung-Tien</td></tr>
<tr><td rowspan="11">Employee</td><td>Senior Director</td><td>Jason Yeh</td><td rowspan="11">969,240 (Note 5)
872,128 (Note 6)</td><td rowspan="11">0.34%
0.31%</td><td rowspan="11">969,240 (Note 5)
872,128 (Note 6)</td><td rowspan="11">10
10</td><td rowspan="11">9,692,400
8,721,280</td><td rowspan="11">0.34%
0.31%</td><td rowspan="11">-</td><td rowspan="11">10</td><td rowspan="11">-</td><td rowspan="11">0.00%</td></tr>
<tr><td>Senior Director</td><td>Roger Chiang</td></tr>
<tr><td>Director</td><td>Terence Chang</td></tr>
<tr><td>Director</td><td>JE Chang</td></tr>
<tr><td>Director</td><td>Jonny Wu</td></tr>
<tr><td>Director</td><td>Mike Leu</td></tr>
<tr><td>Director</td><td>KK Lin</td></tr>
<tr><td>Vice Director</td><td>Sean Chao</td></tr>
<tr><td>Special Assistant</td><td>C. K. Wang</td></tr>
<tr><td>Special Assistant</td><td>Nicole Lee</td></tr>
</table>

Note 1: Vice President F.J. Chiang retired on May 30, 2016.
Note 2: Assistant Vice President Y.C. Chou retired on April 28, 2016.
Note 3: CFO PC Chen resigned on September 30, 2016.
Note 4: Vice President Tsay, Wen-Bin retired on June 30, 2017.
Note 5: The number of restricted new restricted employee shares obtained and the number of unrestricted shares are the number of shares after cash capital reduction.
Note 6: The number of restricted new restricted employee shares obtained and the number of unrestricted shares are the number of shares after cash capital reduction.

4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions

4.7.1 New share issuance in connection with mergers and acquisitions that has been complete during the current year up to the printing date of this annual report: None.

4.7.2 New share issuance in connection with mergers and acquisitions that has been adopted as a resolution during the current year up to the printing date of this annual report: None.

4.8 Plans and Implentation of Funds Utilization：None.

5. Business Overview

5.1. Business Activities

5.1.1 Business Scope

1. Main content of the business

(1) Design, production and sale of digital cameras and video cameras.

(2) Design, production and sale of other digital image capture devices.

(3) Undertake the professional design and OEM manufacturing business commissioned by international digital camera manufacturers.

5.1.1.2 Breakdown of Sales by Major Products

Unit: NT$ thousands

2018		
Major Products	amount	%
Optic products	7,635,028	100%

3. Current Company Products (Services)

The manufacturing and sale of DSC(Digital Still Camera), DV(Digital Video Camcorder), digital surveillance cameras and camera modules.

4. Planned Development of New Products (Services)

(1) High-resolution, small-scale, professional digital cameras equipped with larger photosensitive elements and large aperture lenses.

(2) Multi-lens 360-degree panoramic camera.

(3) Wearable camera combined with mobile application platform, 4k2k animation product with live broadcasting function.

(4) Professional surveillance security cameras and NAS (Network Attached Storage).

(5) Miniaturized lens image module.

(6) Home video cameras combined with smart home applications.

(7) Unmanned aerial camera equipped with an image module and a camera.

(8) Camera equipped with a 4G module.

(9) High-power zoom Bridge Cameras.

(10) >10m waterproof, shockproof and weatherproof camera.

(11) Auto-assisted driving system camera module.

(12) Image software with added value.

5.1.2 Industry Overview

5.1.2.1 Current Status and Development of the Industry

In 2018, the camera of the smart phone continued to improve in the function of the camera. The mobile phone companies introduced new cameras to promote the camera function. The mobile phone camera is almost synonymous with the camera. One of the most compelling products was Apple's iPhone X with 3D facial recognition technology, which aroused tremendous market attention. In addition, mobile phones of various brands eagerly tried to appeal to the high demand of camera and video functions on mobile phones, as well as providing simpler and more convenient sharing functions for consumers. These demands have a great impact on the traditional non-exchange lens digital camera.

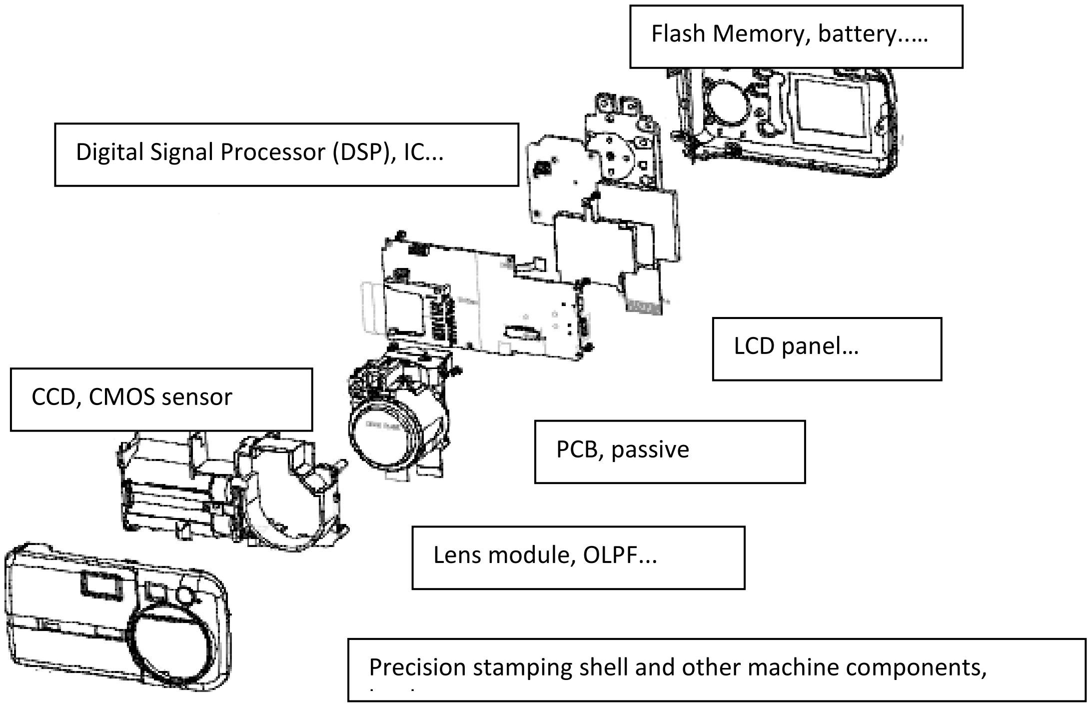
The sales of traditional digital cameras continued to decline in 2018 and are expected to keep declining in 2019. The camera functions of smart phones continue to improve. For example, lens quality and 3D imaging technology may further reduce the traditional camera market. As in the past few years, traditional digital cameras will continue to shrink in number if goods in progress cannot have breakthrough technologies. Main sales will continue to be dominated by the product segmentation with better optical functions that can be differentiated from smart phones, such as high magnification ratios, large photosensitive elements and submersible cameras. These types of functional product can still have a stable sales volume, so it is estimated that the market can still maintain a bottom line demand quantity in the next few years.

The digital camera industry has clearly entered recession since several years ago, and the overall market has clearly seen the huge decline in industry participation and some industry players have even dropped out. There are only a few suppliers and brands struggling to survive in the market. Even some brands or suppliers whose scale is not large enough will gradually exit the center of the market, and turn to a small number of highly differentiated innovative products, or shift the industry focus to other product areas that continue to grow.

Looking at the sluggish performance of the handheld digital imaging product market, new technologies and applications are still unclear, and the sports video cameras that were booming in the past few years have also begun to experience a significant decline in sales performance with market saturation. Diversified wearable cameras have not grown as expected due to unclear positioning, but their application market is gradually being penetrated by the consumer personal market into the professional application market of producers. The 360-degree panoramic camera with internet live broadcasting function has a great market potential, but based on its growth in the past year, this type of products are still relatively unknown to the clients and the application and understanding of such products needs to be further strengthened.

In short, the digital imaging product market is currently in a period that lacks mainstream technologies and applications. Only new technologies and applications will enable the market to rise again. The hope is that with the development of Internet of Things (IoT), big data or human-machine interface, the demand for artificial intelligence and machine vision will increase year by year. The industry will also develop in these directions. Cameras with AI function will slowly appear, and these smart cameras will be the future growth momentum of the industry.

5.1.2.2 The correlation among industry upstream, midstream and downstream sectors



5.1.2.3 Various product development trends

Under the current state of industrial development described as above, product development trends can be described in several directions.

In terms of traditional non-exchangeable lens digital cameras, almost all plants are not investing in new models, and most of them are updating their local functions, or continuing the sales of existing product lines. They expect to use the lowest manufacturing costs to maintain the visibility of their brands in the market. Therefore, it is foreseeable that more and more brands will withdraw from this market and the mutual merger effect will continue.

In terms of the technology development of goods in progress, instant sharing has become an indispensable requirement for current consumers. Therefore, wireless networks and even cameras equipped with 4G communication capabilities have been mentioned more and more. Last year, social media such as Facebook and Twitter even launched the 360-degree panoramic live broadcasting feature, and therefore the adoption of a camera that supports live broadcasting has gradually become a mainstream development technology.

Smartphones are constantly improving but inherent limitations such as lightness and small size are also required. Most smartphones carry ultra-thin cameras with fixed-focus lenses. However, such cameras have inherent limitations that make it impossible to clearly photograph distant objects or people. Therefore, thin and light high-power zoom digital cameras or commonly known as Bridge Cameras will likely become the second priority for consumers other than mobile phone cameras. The zoom for such cameras is more than 20 times, at the same time, they are lightweight and easy to carry. They have strong optical performance for long-distance shooting and optical image stabilization performance. Its appearance is closer to the light and small entry product DSLR single lens reflex camera. The waterproof and shockproof digital camera will use 4 to 5 times zoom, and waterproof >10 meters. These two types of camera products form special categories, and can be differentiated from smart phones in terms of functional segmentation. Their special types and functions cannot be replaced by smart phones, so their demand will continue to exist in the market.

The 360 product was a hot topic in the market, but the consumer market faced a slight stagnation due to consumer unfamiliarity in terms of its application. However, the professional 3D 360 product still has a steady growth in the market. These types of cameras has high unit price and high quality, and it is mainly used in professional live broadcasting or commercial applications. Although the number of such cameras is not as high as the consumer type, they have stable customer demands. Furthermore, it also requires special image mosaic software, so there is more potential to make profit for both the brands and the manufacturers.

The drone camera market has experienced great ups and downs in the past two years. Many drone companies have ended their operations successively last year. Currently, it is almost certain that the Chinese brand DJI dominates the market. Although there are still a few companies with their own special technologies or specific commercial applications trying to find a place in the market, general consumer drones will be further squeezed out. In current drone camera market, most drone manufacturers develop their own shockproof camera modules carried by the aircraft, so it is difficult for traditional digital camera manufacturers to enter this market, and they only play the role of the lens module suppliers.

In addition, with the rise of dual-lens mobile phone cameras, 3D cameras are also a possible development direction for the market. Using components equipped with ranging functions will make images no longer just 2D. Such products are also expected to be in demand in the mobile phone market.

Finally, it is worth mentioning that many large manufacturers are now trying to import AI into cameras, mainly for security monitoring or smart home imaging applications. Creating artificial intelligence imaging products through the analysis of big data, such as the impressive PIXEL from Google. In addition, the smart home system created by the combination of AI and big data analysis in home monitoring or entertainment imaging demands has also been a highly competitive market sector in the past two years. Such products will no longer be dominated by hardware, but will require a series of algorithms including cloud computing and big data analysis. This will be an opportunity for future development.

5.1.2.4 Competition

Under the above mentioned industry situation and product trends, the competition faced by each factory can be divided into the following aspects.

As for brand factory, it is difficult to support many existing brands in the current market due to the rapid decline in market size, so it is foreseeable that brand factories cannot rely on the existing digital camera market alone to maintain business operations. Therefore, the consolidation within the company and the search for new products and technology opportunities become a top priority. The former brand factory with a high market share was able to obtain more market share due to the withdrawal of other brands to maintain basic operations and actively seek the development opportunities for new technologies. Brands with smaller market share tends to turn to special product positioning to avoid direct price competition, or shift their business focus to non-digital camera fields. Japanese brand factories will also face further pressure from new overseas products, challenging its ability to introduce new products.

The ODM plant, together with the supply chain of various plants, is currently facing the problem of insufficient economic scale and rising costs. Therefore, it also face the situation that plants with higher-ranking scale are more likely to maintain its business. In order to survive, all manufacturers must continue to invest and innovate in addition to the original product market. Therefore, they need to deal with the decision to invest, and test the firm's confidence in the industry. In addition, the appreciation of New Taiwan dollar, raw material costs, continuous rising labor costs in mainland China, and other unfavorable conditions for ODM is not easy to lift at the moment. ODM is paying a relatively high price, facing the competition of the brand factory, ODM factories will face greater pressure.

In terms of traditional small and thin digital cameras, high-power zoom digital cameras and waterproof and shock resistant digital cameras, the niche is less obvious, and its success relies highly on the scale of production. Most Japanese brand-based client will give up on their own design and development, which will increase ODM opportunities and will still be competed and pursued by ODM factories. ODM factories with larger scale of camera-related operations is more likely to succeed.

With respect to high specification compact digital cameras, ODM factories face competition from internal resources of Japanese brand clients. Unless ODM offered price are attractive and ODM factories have solid technical capabilities, otherwise fighting for ODM opportunities will be very difficult.

360 cameras are still emerging markets, and competition is still uncertain. In the future, such products should be combined with 4G or WiFi to provide live broadcasting functions to meet the needs of the young consumer group's real-time sharing habits. Live broadcasting platform combined with Internet companies should

have a certain market potential.

SMART CAMERA, which has front-end AI (Edge AI) computing in the past year, has been widely discussed and attracted attention in the market. Although it still needs mainstream application introduction to be used in large quantities, many companies have started in the market. Importing front-end intelligence and matching with cloud computing, We believe that cameras with AI intelligence will become an important mainstream in the market in the near future.

5.1.3 Research and Development

5.1.3.1 Research and Development Expense in Recent Year

Unit: NT$ thousands

Year / Item	2018	1/1/2019 ~ 3/31/2019 (Note 1)
R&D Expense (A)	727,055	153,759
Net Revenue (B)	7,635,028	1,944,773
(A)/(B)	9.52%	7.91%

Note 1 : Consolidated financial reports reviewed by CPA.

5.1.3.2 Successfully developed technologies or products in the most recent fiscal year up to the publication date of this annual report

The company R&D area extends from the early CCD VGA type of computer camera to CMOS and CCD digital camera products, continuing the knowledge and accumulated experience acquired from the cooperation with renowned international manufacturers, along with excellent production management and cost advantages, sparing no effort in the strengthening of technology.

The research and development direction is based on the integration of optical, mechanical and electrical technologies in the optical lens and electronic ASICs. Effectively integrate vertically and control specifications, and develop in cooperation with upstream major component manufacturers, and reduce design costs and increase elastic competitiveness through design-in. Canon has the ability to synchronize with the global digital camera development technology, providing solution for 3A image quality and the optical zoom function and control ability that is difficult to breakthrough, and received accreditation from international manufacturers. Offering miniature models, ultra-thin models, MPEG4 and H. 264 models with video recording functions. The connection between wireless communications and smart phones has become increasingly important. Bluetooth and NFC have significantly improved the speed and convenience of operation and connection. In view of the market demand for sporty and wearable cameras and the use of self-made lenses for integrated opto-mechanics in the use of related imaging products.

The company is committed to the application of research and development product patent, and promote the effective application of intellectual property to products, increase financial intelligence to strengthen the professional capabilities of research and development, and R&D of the imaging industry.

With regard to the product development of vehicle camera modules, the follow-up has been actively investing more resources in the development of a wider range of automotive camera modules. Its applicable areas include ADAS, surveillance camera, driver fatigue monitoring, electronic rear view mirror and so on. Focusing on the future, we hope to create higher added value and gross profit, and expand the product line with longer lifespan.

5.1.3.3 Future Research and Development Plans and Estimated Expenses

In addition to the input and development of existing products, future investment in R&D projects and resources will be gradually adjusted according to the industrial development trend.

The Specific Research and Development Future Plans and Progress are as follows:

Unit: NT$ thousands

Research and Development Project	Current %	The R&D funding that should be further invested	Time expected to complete mass-production	Main factors affecting the success of R&D in the future
New Lens Module	70%	5,000~10,000	First half of 2019	Comply with the diversified product development demands of clients
Virtual Reality (VR) -360 degree automobile driving recorder -360 degree panoramic camera -Android/iPhone dedicated 360 degree panoramic camera	90%	30,000~40,000	First half of 2019	Customer product specification alteration, authentication time and cost structure
Artificial Intelligence (AI) -visual image -camera self-learning -smart learning	85%	30,000~35,000	First half of 2019	Satisfy the needs of customers in terms of camera diversity
Artificial Intelligence (AI) -visual image -camera self-learning -smart learning	10%	5,000~15,000	Second half of 2019	Product revision and adjustment for market conditions
Automobile camera module -Advanced Driver Assistance System (ADAS) - Surveillance Camera - Driver Fatigue Monitoring	50%	85,000~95,000	Second half of 2022	Customer needs, changes in customer specifications, long authentication time
Internet of Things (IoT) at home -HOME CAM -IP CAM -IoT CAM	53%	50,000~65,000	First half of 2019	Customer product specification alteration, authentication time and cost structure
Pocket Printer	87%	9,000~12,000	First half of 2019	Customer Demand
Pocket Printer	23%	3,000	Second half of 2019	Product revision and adjustment for market conditions
Quicksnap camera	95%	8,000~10,000	First half of 2019	Customer Demand

Research and Development Project	Current %	The R&D funding that should be further invested	Time expected to complete mass-production	Main factors affecting the success of R&D in the future
4K Quicksnap camera	5%	1,000	Second half of 2019	Market Demand
4K60P with SIS action CAM 8K30P 360 CAM 8K30P SIS with 1 axis Gimbal action CAM	30%	5,000~8,000	First half of 2019	In response to Action Cam diversity
4K60P with SIS action CAM 8K30P 360 CAM 8K30P SIS with 1 axis Gimbal action CAM	70%	5,000~8,000	Second half of 2019	In response to Action Cam diversity

5.1.4 Long-term and Short-term Business Development Plans

5.1.4.1 Short-term business development plans:

In view of the aforementioned industry overview, the decline in industrial scale and industrial centralization is an irreversible trend. The short-term business development will focus on the maintenance of the original consumer camera scale, adhere to customer relationships, implement the customer project one by one, in order to achieve effective merger and solidify the supplier partners, and pursue higher market share to stabilize the foundation.

Based on this foundation, we aim to further diversify the image application products in different industries, providing customized services, and establishing a small variety of high gross margin and high adhesion customer base, in order to create new sources of stable profitability and disperse the risk of adhering to the original market. Specifically, breakthroughs will be sought in the following product areas:

(1)High specification, small scale, professional digital cameras equipped with larger photosensitive elements and large aperture lenses.

(2)Multi-lens 360-degree panoramic camera.

(3)Wearable camera combined with mobile application platform, 4k2k animation product with live broadcasting function.

(4)Professional surveillance security cameras and NAS(Network Attached Storage).

(5)Miniaturized lens image module.

(6)Home video cameras combined with smart home applications.

(7)Unmanned aerial camera equipped with an image module and a camera.

(8) SMART CAMERA with AI operation.

At the same time, enhancing the technical strength in the following sectors to maintain competitive advantage:

(1)Integrate low energy consumption machine photoelectric technology and new material mechanism design to achieve a compact and lightweight design.

(2)Invest in the optical design industry and provide customized optical technology services.

(3)Combine 4G LTE with wireless communication hardware and software design.

(4)Video streaming technology provides customers with instant sharing function.

(5)Continue to invest in open platforms such as embedded Linux to facilitate streaming with the outside world.

(6)Instant cloud image system design and services.

(7)Automotive image system design and services.

(8)Design cost control and automated production.

In terms of marketing, in addition to the cooperation with traditional camera brand factories, actively develop the opportunity of cooperation with leading enterprises of different industrial imaging products, in order to develop non-consumer electronic customer base. In addition, it will also actively cooperate with the mobile phone and internet companies in mainland China in order to improve the current customer structure based on Japanese customers, and create a long-term stable operation of the company through a diversified and stable customer base.

5.1.4.2 Long-term business development plans

Continuously deepen the investment and mastery of key technologies, focusing mainly on optics, image processing, software development, wireless communication, live broadcasting, and production automation, to provide customers with professional and customized services with technical value. In conjunction with external partners, we actively join the ecological chain of the industry, jointly expand the market and participate in the early technical discussions and formulation, in order to stand at the commanding heights of technology and industry.

5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Sale of major commodities (services) in provided areas.

The company's customers are mainly famous digital camera and surveillance security product selling brands in Japan, Europe, the United States, and Asia, with professional ODMs and OEMs as our core business.

1.2.1.2 Market Overview

According to data provided by market analysis company, the shipment of global digital cameras (including interchangeable lenses and non interchangeable lenses) have fallen below 20 million units in 2018, and the shipment number in 2019 is expected to fall continuously.

The non-handheld sports camera gradually replacing the digital video recorder has seen the slow down of its shipment growth. This market is still dominated by GoPro but recently there are other Japanese and Chinese brands joining the market fray. Price competition intensifies. It is still expected to grow but at a slower pace and gross margin will be affected due to falling prices. Since the beginning of 2015, the 360 panoramic camera that has emerged with VR have sprung up like mushrooms. Customer demand for live broadcasting function is brewing. The professional 3D 360 cameras used in various industries are also invested by many companies, but whether they can drive a large market demand is yet to be observed.

5.2.1.3 Future supply and demand of the market and its growth

As mentioned in the previous paragraph, the demand for traditional forms of non interchangeable lens digital cameras has been reduced, but the market still has a basic needs that is estimated to maintain a bottom line demand for the next three years. In terms of market supply, there are only a few remaining OEMs still working on digital cameras, and Canon is one of the largest professional foundries. It is expected that there will still be manufacturers in several remaining foundries who will stopped their investment due to lack of profit, or shifting their business focus to products other than digital cameras. The reduction of the supply side result in the balance between supply and demand, under this circumstances, the company operation will no longer be quantity oriented. Instead, the focus will be shifted to mid-to-high end compact digital cameras, and image solutions commercial applications. Through providing customer with customized services to achieve market differentiation and qualitative growth.

The market growth of sports camera that tie-in with Japanese customers clearly slowed down and price competition intensifies. Creating technology and market differentiation is the only way to survive in the market. The emerging 360 degree panoramic camera is an imaging product worthy of attention in the future. Focusing on this aspect, the company has also invested resources in this production project. We have also started cooperation with mobile phone plants other than non traditional Japanese camera companies and European and American consumer products brands, including consumer and professional panoramic cameras. It is expected that the company will have the opportunity to occupy a place in this market.

5.2.1.4 Competitive Niche

Our current competitive niche mainly lies in:

(1) The established mutual interdependence structure with our current clients as well as the relative procurement scale. Most of the competitors in the industry is no longer focused on the digital camera industry. Therefore, Canon has the most competitive advantage in this industry.

(2) Our long term focus on the accumulation of experience in integrated photoelectric software and firmware technologies allows us to cope with the market demand in diversified imaging products technology and mass production. Our long term cooperation with a number of brands enables us to be familiar with the needs of major manufacturers, and therefore is more competitive in terms of technology.

(3) Long-term and stable supplier partnerships.

(4) Long-term investment in imaging and optics related technologies The establishment of specialized image tuning techniques for optical modules has been incompatible with other competitors and can be widely applied to the needs of various imaging and optical products.

Favorable and Unfavorable Factors of Development Prospect and Strategies

(1)Favorable Factors

a.Digital imaging plays an important role in the networking and smart home environment. With the development of an open internet environment, the demand for digital imaging will continue to grow.

b.After several digital cameras such as decentralized and customized products produced by a small number of diversified applications have entered the plateau period, most brand manufacturers or start-up companies cannot afford to invest in developing resources. ODM manufacturers with mature technologies have become important partners for customers.

c.Limitations of mobile camera fail to meet consumer market demand for image quality, performance, and applications. The increasing demand for differentiated products is an opportunity for ODMs.

d. Social media sharing, webcasting, and online economics will drive the demand for new types of cameras.

(2)Unfavorable Factors

a.The traditional non interchangeable lens digital camera industry has entered recession.

b.Continued currency depreciation in various countries.

c.Rapidly rising labor costs and slower economic growth in mainland China.

d.The new type digital camera products alternate rapidly.

(3)Response measures

a.On the basis of the current digital cameras business scale, we will actively explore new markets for personal cameras, industrial cameras, security, automotive, and panoramic products, strengthen innovative product capabilities, and actively create new imaging product needs.

b.Actively join in various types of imaging product ecological chain such as smart homes, automatic application of machine vision industry, and other related imaging products, as well as early participation in product and specification development.

c.To develop diversified customer groups and deepen cooperation with Japanese brand factories, and actively expand the development of the Chinese market and emerging market customers around the world.

d.Adjust and simplify the manufacturing system and supply chain, and accelerate the automation of production lines.

e.Simplify the development process of new products based on the existing technology, and shorten the product development cycle to respond to rapidly changing industrial needs.

5.2.2 Major Uses and Production Process of Major Products

5.2.2.1 Important use: The digital camera sold by our company is a consumer electronics product for shooting and storing images.

5.2.2.2 Production process: The company product manufacture is carried out by subsidiaries.

5.2.3 Supply of Major Raw Materials

With the continuous decline in the scale of digital camera shipments, the supply chain management department actively developed different types of raw material supply chains in line with the company's product transformation and diversification to enhance competitiveness.

In 2018, under the market risk crisis of rising raw material supply prices, shortage of passive components, and active IC production capacity, all the colleagues in the supply chain management department cooperated with the relevant units of the company to fully support the various materials supply difficulties. Risk damage is minimized, and the delivery status of the overall supply chain is in line with the demand for factory production and shipment. However, due to the relatively large fluctuations in the raw material market price, there is relatively large fluctuation pressure on cost control. Looking forward to the price of raw materials in 2019. Under the condition of slowing down and benefiting from the preferential conditions of tax reduction in Mainland China, it is expected that the cost pressure can be simultaneously controlled, and at the same time, with the company's strategic direction to increase the proportion of shipments of high-end products and actively develop new applications in the field of optics in response to the development trend of AIOT. Products, and continue to develop quality and competitive suppliers.

5.2.4 Major Customers with over 10% Net Sales and Suppliers with over 10% Net Purchases of the Last Two Fiscal Years

5.2.4.1 Major Suppliers of the Last Two Fiscal Years

NT$ thousands

Item	2017				2018				As of 2019 Q1			
	Company Name (note 3)	Amount	%	Relation with Issuer	Company Name (note 3)	Amount	%	Relation with Issuer	Company Name (note 3)	Amount	%	Relation with Issuer
1	Supplier A	894,992	9.15%	None	Supplier B	340,477	4.87%	None	Supplier B	45,881	2.65%	None
2	Others	8,890,436	90.85%	-	Others	6,648,260	95.13%,	-	Others	1,688,505	97.35%	-
	Net Total Purchases	9,785,428	100.00%	-	Net Total Purchases	6,988,737	100.00%	-	Net Total Purchases	1,734,386	100.00%	-

Note 1: Consolidated base with IFRS

Note 2: List of suppliers who account for more than ten percent of the total purchases of goods and the amount and proportion of its purchased goods in the recent two fiscal years. However, the contract stipulates that the client's name shall not be disclosed. If the transaction object is an individual and non-affiliate, code-name can be applied.

5.2.4.2 Major Customers of the Last Two Fiscal Years

NT$ thousands

Item	2017				2018				As of 2019 Q1			
	Company Name (note 3)	Amount	%	Relation with Issuer	Company Name (note 3)	Amount	%	Relation with Issuer	Company Name (note 3)	Amount	%	Relation with Issuer
1	R	3,112,257	27.78%	None	R	1,646,386	21.56%	None	R	646,989	33.42%	None
2	EE	2,305,586	20.58%	None	AA	1,133,150	14.84%	None	HH	588,635	30.27%	None
3	A	1,678,065	14.98%	None	AA	1,123,446	14.71%	None	II	199,477	10.26%	None
4	AA	1,374,102	12.27%	None	Others	3,732,046	48.89%	None	Others	509,672	26.05%	None
	Others	2,731,590	24.39%	—	—	—	—	—	—	—	—	—
	Net Total Sales	11,201,600	100.00%	—	Net Total Sales	7,635,028	100.00%	—	Net Total Sales	1,944,773	100.00%	—

Note 1: Consolidated base with IFRS

Note 2: Reasons for the increase and decrease: Individual customers' adjustment of inventory and sales strategy resulted in the increase of decrease of sales.

Note 3: The confidentiality agreement between the company and the customer.

5.2.5 Production/Sales Quantities and Value over the Past Two Years

Unit: thousands; NT$ thousands

Year / output / Major Products	2018		2017	
	Quantity	Amount	Quantity	Amount
Optic products	5,572	6,281,527	8,604	9,174,950
Optic parts	86,817	707,210	102,583	610,478

Note: Consolidated base with IFRS.

5.2.6 Sales Quantities and Value of the Last Two Years

Unit: thousands; NT$ thousands

Year / Shipments & sales / Major Products	2018				2017			
	Domestic		Export		Domestic		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Optic products	250	11,335	5,452	6,638,580	1	2,740	8,546	10,386,544
Optic parts	4,644	7,329	102,453	977,784	216	18,676	98,498	793,640

Note: Consolidated base with IFRS.

5.3 Status of Employees

Status of employees over the past two years and up to the date of the report

Year		2017	2018	As of 2019.5.2
Number of Employees	Others	252	240	233
	R&D	349	318	302
	Operator	42	45	42
	Total	643	603	577
Average Age		39.86	41.55	40.6
Average Years of Service		8.68	15.26	9.6
Education	Ph.D.	0.31%	0.33%	0.35%
	Masters	33.59%	31.18%	31.20%
	Bachelor's Degree	62.21%	63.85%	63.60%
	Senior High School	3.42%	4.15%	4.33%
	Below Senior High School	0.47%	0.50%	0.52%

Note: Based on ABILITY ENTERPRISE CO., LTD. only.

5.4 Expenditure on Environmental Protection

In the most recent year and as of the date of publication of the annual report, the company did not suffer any loss (including indemnity) or punishment due to environmental pollution.

5.5 Employee Relations

5.5.1 Employee's Welfare and Benefit

5.5.1 Various employee benefits measures, further education, training, retire system and the status of implementation, as well as agreements between the employer and employees and measures for protecting employee entity and interests:

5.5.1.1 Employee Benefits Programs:

(1)Insurance: In addition to statutory labor and health insurance, the company also insured group insurance (life insurance, accident insurance, inpatient medical insurance).

(2)Health and Safety: The company provides the following benefits

a. Annual Professional Charge Health Checkup and health tracking management
b. Psychological Counseling
c. Blind Massage
d. Health Seminars
e. Health Promotion Activities
f. AED and oxygen cylinder installed
g. Fire Prevention/Disaster Prevention Team
h. Nursery Room
i. Once every two months doctor visit service
j. Set up sports and leisure facilities
k. Smoke prevention and prevention
l. Workplace maternal health protection
m. All colleagues participate in emergency escape drills
n. Regular occupational safety meeting
o. During the health check-up, cooperate with the HPA for free health screening, such as smear and mouth sieve
p. Unscheduledly send relevant press releases from the UNDCP to remind colleagues to know and protect themselves

(3)In terms of tourism: the staff welfare committee of the company provides each employee with travel allowance every year.

(4)In terms of company association: the company encourages colleagues to organize various types of social and physical health associations, and provides grant-in-aid for each employee's participation in up to two different associations. Each year, the company allocates budgets for associations to organize various types of sports activities to enhance interaction among colleagues and achieve physical and mental relaxation, as well as to foster teamwork spirit and build consensus.

(5)In terms of leave: the company provides annual leave in accordance with the requirements of the Labor Standards Act to assist colleagues in achieving a balance between work and life.

(6)Employee assistance: In addition to the cooperation with professional psychological consultancy companies, the company also provides scholarships to low-income households with children who are still in school; and according to individual conditions, the company provides emergency relief funds and emergency concessional loans.

(7)Birthdays, weddings, funerals and festive celebrations: the company holds company-wide birthday celebrations every season and gives out birthday coupons. In case of weddings and funerals, or if major injuries should occur, the company provides grants in various amount.

(8)Advanced Language Learning: The company provides every colleague with English or Japanese advance learning subsidization in order to allow colleagues to improve their language skills.

(9)Others: In addition to the employee benefits mentioned above, the company also provides occasional film appreciation meetings and replenishment day activities, so that colleagues can participate in a variety of activities in addition to work, and promote employee relations. In order to allow colleagues to develop a habit of continuous learning, the company has a special library, with a collection of professional books and various types of books that are purchased on irregular bases, so that colleagues can use their free time to achieve self-learning and self-growth.

(10)The total company related benefits in fiscal year 2018 amounted to NT$22,964 thousand. Other benefits includes company travel, community activities, subsidization, birthdays and other employee benefits of the company, with a total amount of NT$18,658 thousand.

Unit: NT$ thousands

Item	Amount
Health Checkup Fee	2,002
Group Insurance	2,144
Lifeline Consulting Fee	123
Networking Fee	37
Other Benefits	18,658
Total Amount	22,964

5.5.1.2. Employee Advanced Study and Training:

The company promise to value employee growth and satisfaction as the core concept of sustainable management. Employees are the core assets of the company. The company's growth is closely related to the development of its employees.

Canon Enterprises upholds the concept that talents are the foundation of our enterprise, providing employees with diverse and flexible learning channels and information, and assists employee development and enhance employee competitiveness through on-job, off-job, e-Learning education and training systems, library reading rooms, and e-book/magazine resources. Under the concept of “continuous learning” and “pursuit of excellence”, integrate internal and external resources to provide employees with the best quality and most effective learning and growth opportunities, with a view to enabling mutual growth of the employees and the companies.

Canon Enterprises systematically provides employees with comprehensive learning and development methods according to different positions, including on-the-job training, classroom training, online learning, work guidance and senior employee mentoring system. The company not only invites external experts as training tutors, but also actively cultivates internal lecturers in order to deepen Canon's Values and abilities, as well as the long-term accumulation of professional and technical skills.

(1)Education and Training System:

a.Orientation Training: The company organizes progressive curriculum to assist new employees in understanding the company history, management systems, products, technology and human resources development issues, supplemented by the "New Employee Stability Program," where senior employees in various departments provide assistance to new employees in order for them to adapt to the company culture and work content as soon as possible.

b.Managerial Training: Planning of practical management courses based on the managerial functions required by supervisors at all levels. Divided into junior/first-time supervisor training, middle-level manager training and senior manager training.

c.Professional Training: The lineup of lecturers made up of senior executives, external experts, and professional suppliers, in conjunction with the department initiated seminars or through the training courses of industrial management companies, so that the professional learning of various departments will continue to move forward to prevent stagnation. Including new technologies, new materials, case studies, new processes, information, regulations, quality, etc. In addition to internal training, colleagues may apply for professionally related courses organized by external training institutions according to their job requirements. The company will also provide appropriate subsidization.

d.Labor Health and Safety Training: It is important to provide employees with a safe and secure workplace. We regularly conduct fire drills, first-aid skill courses, etc.

The environmental protection measures for employees' personal safety and office work and their implementation are as follows:

Access security 1.The company has a "Physical Environmental Safety Management Measures", which clearly stipulates that personnel entering the site need to register and change certificates to maintain workplace and personnel safety. 2.The company has a 24-hour control and access control for all external access control and internal important entry barriers. 3.The company has security personnel to assist in maintaining the safety of the site and patrolling regularly.
Maintenance of various equipment 1.According to the public safety inspection and reporting procedures of the building, professional companies are commissioned to conduct public safety inspections every two years. 2.According to the provisions of the Fire Protection Law, fire inspections are carried out outside the year, and various fire-fighting appliances are also regularly maintained and inspected. 3.According to the provisions of the building lifting equipment installation and inspection management regulations, the elevators and machinery parking spaces are regularly maintained monthly, and the inspection agencies are entrusted to apply for safety inspections every year.

Disaster prevention measures and strains 1.The company has "Occupational Safety and Health Work Code", "Emergency Response Procedures", "Accident and Abnormal Situation Investigation and Handling Measures", etc., and clearly stipulates that each person should be responsible for major events such as fires, floods, etc. And tasks, and handle related security protection drills. 2.Regularly conduct self-defense firefighting team drills every six months to maintain workplace safety. 3.Prevent fire, earthquake, and electricity safety from time to time to avoid disasters.
Physiological health 1.Health check: New recruits are required to undergo a physical examination before they arrive. For the incumbent, the health check is regularly scheduled every year to exceed the regulatory frequency. Relevant health management operations are carried out for all the test results. 2.Working environment: The company regularly carries out environmental disinfection in the factory area, and the company's environmental cleaning is also carried out by special personnel. 3.Non-scheduled health, health education lectures and corporate club activities to provide peer involvement and enhance relevant knowledge and health. 4.Implement the smoke prevention and control regulations and completely ban smoking in the workplace. 5.Implement human-related hazard prevention, labor overload prevention and maternal health protection management operations.
Mental health 1.Education and training: Provide employee stress training course lectures, employee communication technology lectures, etc., to assist employees in psychological adjustment. 2.Employee assistance: Cooperate with the corporate legal person Hsinchu Lifeline Association to provide consulting services such as employee psychology, law, financial management, mental health care, and management. **3.**Violence and sexual harassment prevention: Establish a complaint channel to protect personal privacy.
Contractor operation management 1.The "Contractor Management Operation Procedures" is established to prevent occupational disasters, to ensure the safety and health of contractor staff and employees of the Company, and to determine the rights and obligations of the contractor regarding safety and health as the basis for contractor management.
Insurance and medical condolences 2.The group insurance includes term life insurance, accidental injury insurance, accident medical insurance and hospitalization, cancer medical insurance and concessions, and self-pay insurance; and childbirth, injury and hospitalization condolences.

e.Language Training: In order to enhance and strengthen the international language ability of all employees, the company provides partial subsidization and bonus, allowing employees to further enhance their language skills through self-studying.

f.Self-growth: All kinds of lectures are held to provide colleagues with off-the-job learning to achieve physical and spiritual elevation. Including health lectures, interpersonal communication lectures, sports lectures and travel lectures.

(2)The total training hour in 2018 reached 4,275 hours. The total training attendance reached 909 persons. The total training cost was NT$283 thousand.

Unit: NT$ thousands

Projects in 2017	Person-Time	Training hours	Training cost
Professional Skills Training	118	506.5	283
Managerial Training	1	6.0	
General Skills Training	432	584.5	

Projects in 2017	Person-Time	Training hours	Training cost
Labor Health and Safety Training	60	392.0	
Quality Management Training	53	96.5	
Language Training	63	2158.6	
Orientation Training	182	530.9	
Total Amount	909	4275.0	

5.5.1.3. Employee Retirement Plan

The employee retirement system of the company sets the labor retirement management measures according to relevant laws and regulations.

In order to enable our employees to work with peace of mind, contribute to the enterprise, and maintain their post-retirement life, we have established a labor retirement management method:

(1) Scope of application:

All employees who have implemented the "Labor Pensions Regulations" before July 1, 1994 and employees who choose to continue to apply the "Labor Standards Act" after the implementation of the "Labor Pensions Regulations " are subject to the Labour Retirement Management Scheme.

a. Self-retirement

Employees who have one of the following circumstances may apply for voluntary retirement:

(a) The company has worked for more than 15 years and has reached the age of 55.

(b) The company has worked for more than 25 years.

(c) The company has worked for more than ten years and has reached the age of 60.

b. Forced retirement

An employee may order his or her retirement in one of the following circumstances:

(a) A lost or physically disabled person is not competent.

(b) Workers with mental disorders or physical disabilities referred to in the preceding paragraph shall be based on the disability of the first to sixth levels of labor insurance.

c. Statutory retirement

Based on the purpose of the Labor Law to protect labor, employees who have reached the age of 65 and have reached the statutory retirement age as stated in the Law on Labour should retire in accordance with this Law.

d. To encourage senior employees to plan their retirement career in advance, revised and approved on January 25, 2017, serving

If the seniority and age are more than 70 years (inclusive), one of the following circumstances may be applied for by the employee and submitted to the chairman for approval.

(a) A good performer who has performed well during the company's service.

(b) There is no violation of law or negligence during the term of office or the occurrence of a major loss to the company.

(c) Other cases reported to the Board of Directors for approval.

(2) The nationality applying the "Labor Standards Act" under the " Labor Pension Regulations" from July 1, 2005. For Employees who choose to apply the section on the labour pension system as defined in the Labour Pensions Regulations, they will be required to pay a monthly pension of 6% to the personal account of the Labour Insurance Bureau and retired under the Labour Pensions Regulations. These procedures are not applicable to the relevant regulations.

(3) Employees who apply the “Labor Standards Act” before July 1, 2005 The Company will provide labor retired reserves to the full amount at the rate of 2% of the approved provision rate, which will be deposited with the Bank of Taiwan account. The balance of the retirement reserve account and the net defined benefit liabilities as of December 31, 2018 were NT$33,844 and NT$54,726, respectively.

5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past two years and as of the date of this annual report: None

5.6 Important Contracts

The major contracts of the company that remain valid as of the date of printing of the annual report and the expiration date of the most recent year are as follows:

Agreement	Counterparty	Period	Major Contents	Restrictions
Loan Agreement	Bank Sinopac	2018.08.01~ 2019.07.31	Short-term credit	None
Loan Agreement	Taishin bank	2018.07.01~ 2019.06.30	Short-term credit	None
Loan Agreement	CTBC bank	2018.05.01~ 2019.04.30	Short-term credit	None
Loan Agreement	Mega bank	2018.12.06~ 2019.12.05	Short-term credit	None
Loan Agreement	E.SUN bank	2018.12.13~ 2019.12.13	Short-term credit	None
Loan Agreement	DBS bank	2018.07.20~ 2019.07.20	Short-term credit	None

The other company key accounts, the letter of intent signed among the company and our vendors, and the bailment manufacturing contract or purchase contract are subject to confidentiality terms. Due to considerations such as business confidentiality and industrial characteristics, the company will make no disclosure.

6. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet – Based on IFRS

Unit: NT$ thousands

Item \ Year		2014	2015	2016	2017	2018	2019.3.31 (Note 2)
Current assets		10,987,220	8,795,084	7,529,693	6,859,863	5,790,775	5,787,788
Property, plant and equipment		3,785,922	3,512,182	3,934,683	3,989,763	3,539,946	3,521,508
Intangible assets		12,589	13,678	2,927	5,606	159,027	153,400
Other assets		2,080,014	1,696,459	1,555,376	1,951,179	1,558,340	1,665,240
Total assets		16,865,745	14,017,403	13,022,679	12,806,411	11,048,088	11,127,936
Current liabilities	Before Distribution	6,752,002	5,180,123	4,435,902	4,017,477	3,442,444	3,411,174
	After Distribution	6,752,002	5,604,019	4,690,073	4,243,369	(Note 3)	(Note 3)
Non-current liabilities		253,420	102,557	91,976	82,991	82,865	87,776
Total liabilities	Before Distribution	7,005,422	5,282,680	4,527,878	4,100,468	3,525,309	3,498,950
	After Distribution	7,005,422	5,706,576	4,782,049	4,326,360	(Note 3)	(Note 3)
Equity Attributable to owners of the Parent		9,859,389	8,566,141	8,292,078	8,517,342	7,261,906	7,364,539
Share capital		4,731,168	2,828,310	2,825,279	2,823,650	2,823,628	2,823,628
Capital surplus		1,559,995	1,558,449	1,560,123	1,563,069	1,563,455	1,563,455
Retained earnings	Before Distribution	3,335,072	4,041,792	4,011,904	3,978,672	3,301,001	3,204,225
	After Distribution	3,335,072	3,617,896	3,757,733	3,752,780	(Note 3)	(Note 3)
Other equity interest		236,037	139,123	(104,533)	151,951	(426,178)	(226,769)
Treasury stock		(2,883)	(1,533)	(695)	0	0	0
Non-controlling interests		934	168,582	202,723	188,601	260,873	264,447
Total Equity	Before Distribution	9,860,323	8,734,723	8,494,801	8,705,943	7,522,779	7,628,986
	After Distribution	9,860,323	8,310,827	8,240,630	8,480,051	(Note 3)	(Note 3)

Note 1: Financial report of each year has been audited by CPA firm.

Note 2: Financial report of Q1 has been reviewed by CPA firm

Note 3:Until the printing date of this annual report, the earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

6.1.2 Condensed Consolidated Statement of Comprehensive Income – Based on IFRS

Unit: NT$ thousands

Item \ Year	2014	2015	2016	2017	2018	2019.3.31 （Note 2）
Sales revenues	24,180,166	19,254,208	11,005,824	11,201,600	7,635,028	1,944,773
Net operating margin	2,128,709	2,303,653	1,569,151	1,416,172	646,291	210,387
Net Operating Income (Loss)	105,510	609,392	85,146	64,853	(739,861)	(99,116)
Non-operating Income and Expense	109,113	419,132	409,980	163,428	225,289	6,911
Income (Loss) before Tax	214,623	1,028,524	495,126	228,281	(514,572)	(92,205)
Income (Loss) for Continued Operations	170,989	867,444	435,921	206,398	(425,525)	(97,024)
Income (Loss) from Discontinued Operations	—	—	—	—	—	—
Net Income (Loss)	170,989	867,444	435,921	206,398	(425,525)	(97,024)
Other Comprehensive Income (Loss)	625,124	(150,734)	(270,422)	254,173	(562,105)	203,231
Total Comprehensive Income (Loss)	796,113	716,710	165,499	460,571	(987,630)	106,207
Net Income Attributable to Owners of the Parent	154,814	697,314	386,250	217,663	(463,048)	(96,776)
Net Income (Loss) Attributable to Non-controlling Interests	16,175	170,130	49,671	(11,265)	37,523	(248)
Comprehensive Income (Loss) Attributable to Owners of the Parent	773,381	549,062	131,358	474,693	(1,021,497)	102,633
Comprehensive Income (Loss) Attributable to Non-controlling Interests	22,732	167,648	34,141	(14,122)	33,867	3,574
Earnings (Loss) per Share （Note 3）	0.33	1.71	1.39	0.77	(1.64)	(0.34)

Note 1: Financial report of each year has been audited by CPA firm.

Note 2: Financial report of Q1 has been reviewed by CPA firm

Note 3: Unit: NT$.

6.1.3 Condensed Individual Balance Sheet – Based on GAAP

Unit: NT$ thousands

Item \ Year		2014	2015	2016	2017	2018
Current assets		6,402,814	4,858,409	3,439,474	2,369,138	1,665,818
Property, plant and equipment		1,562,081	1,774,303	2,495,798	2,756,242	2,524,903
Intangible assets		11,751	12,935	2,416	4,682	9,346
Other assets		6,741,706	6,671,332	6,535,432	6,929,791	6,348,823
Total assets		14,718,352	13,316,979	12,473,120	12,059,853	10,548,890
Current liabilities	Before Distribution	4,775,795	4,676,395	4,114,293	3,481,082	3,226,880
	After Distribution	4,775,795	5,100,291	4,368,464	3,706,974	(Note 2)
Non-current liabilities		83,168	74,443	66,749	61,429	60,104
Total liabilities	Before Distribution	4,858,963	4,750,838	4,181,042	3,542,511	3,286,984
	After Distribution	4,858,963	5,174,734	4,435,213	3,768,403	(Note 2)
Share Capital		4,731,168	2,828,310	2,825,279	2,823,650	2,823,628
Capital surplus		1,559,995	1,558,449	1,560,123	1,563,069	1,563,455
Retained earnings	Before Distribution	3,335,072	4,041,792	4,011,904	3,978,672	3,301,001
	After Distribution	3,335,072	3,617,896	3,757,733	3,752,780	(Note 2)
Other equity interest		236,037	139,123	(104,533)	151,951	(426,178)
Treasury stock		(2,883)	(1,533)	(695)	—	—
Total Equity	Before Distribution	9,859,389	8,566,141	8,292,078	8,517,342	7,261,906
	After Distribution	9,859,389	8,142,245	8,037,907	8,291,450	(Note 2)

Note 1: Financial report of each year has been audited by CPA firm.

Note 2:Until the printing date of this annual report, the earnings distribution proposal has not yet approved by the shareholders in the Shareholders' Meeting.

6.1.4 Condensed IndividualStatement of Comprehensive Income – Based on GAAP

Unit: NT$ thousands

Year / Item	2014	2015	2016	2017	2018
Sales revenues	23,112,752	18,407,042	9,998,630	9,959,455	5,622,942
Net operating margin	1,627,120	1,837,703	1,053,867	1,059,880	248,066
Net Operating Income (Loss)	72,181	528,261	(77,533)	13,907	(792,267)
Non-operating Income and Expense	113,682	304,867	509,955	206,886	210,725
Income (Loss) before Tax	185,863	833,128	432,422	220,793	(581,542)
Income (Loss) for Continued Operations	154,814	697,314	386,250	217,663	(463,048)
Income (Loss) from Discontinued Operations	—	—	—	—	—
Net Income (Loss)	154,814	697,314	386,250	217,663	(463,048)
Other Comprehensive Income (Loss)	618,567	(148,252)	(254,892)	257,030	(558,449)
Total Comprehensive Income (Loss)	773,381	549,062	131,358	474,693	(1,021,497)
Earnings per Share （Note 2）	0.33	1.71	1.39	0.77	(1.64)

Note 1: Financial report of each year has been audited by CPA firm.

Note 2: Unit: NT$.

6.1.5 Five-Year Auditing Opinion by CPA

Year	CPA Firm	CPA's Name	Auditing Opinion
2014	PWC	Hsu, Sheng-Chung Wu, Han-chi	Modified Unqualified
2015	PWC	Hsu, Sheng-Chung Wu, Han-chi	Modified Unqualified
2016	PWC	Hsu, Sheng-Chung Audrey Tseng	Unqualified
2017	PWC	Hsu, Sheng-Chung Audrey Tseng	Unqualified
2018	PWC	JuanLu, Man-Yu Audrey Tseng	Unqualified

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Item（Note 4） \ Year		2014	2015	2016	2017	2018	2019.3.31（Note 2）	Remake
Capital structure (%)	Debt ratio	41.54	37.69	34.77	32.02	31.91	31.44	
	Ratio of long-term capital to property, plant and equipment	264.67	248.70	215.90	218.21	212.51	216.64	
Solvency	Current ratio (%)	162.73	169.79	169.74	170.75	168.22	169.67	
	Quick ratio (%)	128.77	139.22	133.67	131.39	124.85	135.96	
	Times interest earned (Times)	13.77	122.30	87.64	42.07	(76.27)	(52.48)	(1)
Operating ability	Accounts receivable turnover (Times)	7.53	6.79	4.88	5.78	4.82	5.33	
	Average collection period	48.47	53.75	74.79	63.14	75.72	68.48	
	Inventory turnover (Times)	9.90	8.15	5.66	5.84	4.03	4.32	(1)
	Accounts payable turnover (Times)	5.21	4.44	3.28	3.93	3.34	3.81	
	Average days in sales	36.86	44.78	64.49	62.50	90.57	84.57	(1)
	Property, plant, and equipment turnover (Times)	6.20	5.28	2.96	2.83	2.03	2.20	(1)
	Total assets turnover (Times)	1.45	1.25	0.81	0.87	0.64	0.70	(1)
Profitability	Return on total assets (%)	1.11	5.66	3.26	1.63	(3.52)	(0.86)	(1)
	Return on stockholders' equity (%)	1.74	9.33	5.06	2.40	(5.24)	(1.28)	(1)
	Pretax profit to paid-in capital (%)	4.54	36.37	17.52	8.08	(18.22)	(3.27)	(1)
	Net profit margin (%)	0.71	4.51	3.96	1.84	(5.57)	(4.99)	(1)
	Basic earnings per share ($) (Note 3)	0.33	1.71	1.39	0.77	(1.64)	(0.34)	(1)
Cash flow	Cash flow ratio (%)	31.00	24.89	10.38	7.59	(8.21)	(0.10)	(1)
	Cash flow adequacy ratio (%)	91.92	130.58	119.32	126.45	81.17	61.30	(1)
	Cash reinvestment ratio (%)	6.98	9.01	0.26	0.35	(4.20)	(0.03)	(1)
Leverage	Operating leverage	24.78	4.23	21.06	26.04	(1.06)	(2.27)	(1)
	Financial leverage	1.19	1.01	1.07	1.09	0.99	0.98	

Analysis of financial ratio change in the last two years：

(1)The main reason is that the demand for digital cameras continues to decline. The attitude of major brand customers to launch new machines is conservative, and the impact of high-end product shipments is deferred, which reduces the scale of operations and slows the destocking of inventory, resulting in operating losses in the current period.

6.2.2 Individual Financial Analysis – Based on IFRS

Item (Note 4) \ Year		2014	2015	2016	2017	2018	Remake
Capital structure (%)	Debt ratio	33.01	35.68	33.52	29.37	31.16	
	Ratio of long-term capital to property, plant and equipment	631.17	482.79	332.24	309.02	287.61	
Solvency	Current ratio (%)	134.07	103.89	83.60	68.06	51.62	(1)
	Quick ratio (%)	133.81	103.65	83.44	67.96	51.59	(1)
	Times interest earned (Times)	569.39	11,109.37	4,325.22	3,562.18	(979.68)	(1)
Operating ability	Accounts receivable turnover (Times)	7.48	7.09	5.02	6.36	5.47	
	Average collection period	48.80	51.48	72.71	57.39	66.73	
	Inventory turnover (Times)	9,919.50	4,157.41	2,055.32	2,584.08	3,134.95	(1)
	Accounts payable turnover (Times)	6.23	4.36	2.60	3.07	2.18	(1)
	Average days in sales	0.04	0.09	0.18	0.14	0.12	
	Property, plant, and equipment turnover (Times)	15.29	11.03	4.68	3.79	2.13	(1)
	Total assets turnover (Times)	1.61	1.31	0.78	0.81	0.50	(1)
Profitability	Return on total assets (%)	1.08	4.97	3.00	1.77	(4.09)	(1)
	Return on stockholders' equity (%)	1.57	7.57	4.58	2.59	(5.87)	(1)
	Pretax profit to paid-in capital (%)	3.93	29.46	15.31	7.82	(20.60)	(1)
	Net profit margin (%)	0.67	3.79	3.86	2.19	(8.23)	(1)
	Basic earnings per share ($) (Note 3)	0.33	1.71	1.39	0.77	(1.64)	(1)
Cash flow	Cash flow ratio (%)	47.43	25.73	2.54	0.00	0.00	
	Cash flow adequacy ratio (%)	108.37	155.06	135.74	128.88	86.98	(1)
	Cash reinvestment ratio (%)	7.22	7.37	0.00	0.00	0.00	
Leverage	Operating leverage	24.94	3.48	(13.69)	75.72	(0.31)	(1)
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Analysis of financial ratio change in the last two years：

(1)The main reason is that the demand for digital cameras continues to decline. The attitude of major brand customers to launch new machines is conservative, and the impact of high-end product shipments is deferred, which reduces the scale of operations and slows the destocking of inventory, resulting in operating losses in the current period.

Note 1: Financial report of each year has been audited by CPA firm.

Note 2: Financial report of Q1 has been reviewed by CPA firm.

Note 3: Based on weighted average shares outstanding in each year.

Note 4: Equations:

1. Capital Structure
   (1) Debt ratio = Total liability / Total assets
   (2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment
2. Solvency
   (1) Current ratio: Current assets / current liability
   (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability
   (3) Times interest earned = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
   (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)
   (2) Days sales in accounts receivable = 365 / Account receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory amount
   (4)Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)
   (5) Average days in sales = 365 / Inventory turnover
   (6) Fixed assets turnover = Net sales / Net fixed assets
   (7) Total assets turnover = Net sales / Total assets
4. Profitability
   (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
   (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
   (3) Return to issued capital stock = Net income before tax / Issued capital stock
   (4) Profit ratio = Net income (loss) / Net sales
   (5) Basic earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued
5. Cash flow
   (1) Cash flow ratio = Bet cash flow from operating activity / Current liability
   (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
   (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital)
6. Leverage
   (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income
   (2) Degree of financial leverage = Operating income / (Operating income – interest expense)

6.3 Audit Committee’s Report in the Most Recent Year

ABILITY ENTERPRISE CO., LTD.
Audit Committee’s Review Report

The Board of Directors has prepared ABILITY ENTERPRISE CO., LTD.’s “(the Company)” 2018 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PWC was retained to audit the Company’s Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of ABILITY ENTERPRISE CO., LTD. According to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

ABILITY ENTERPRISE CO., LTD.

Chairman of the Audit Committee: Lam, Tai-Seng
March 25, 2019

6.4 Consolidated Financial Statements of the Parent Company and Subsidiary in the Most Recent Year:

Please refer Attachment I.

6.5 Non-Consolidated Financial Statements of the Most Recent Year:

Please refer Attachment II.

6.6 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report: None.

7. Review of Financial Position, Management Performance and Risk Management

7.1 Analysis of Financial Status – Consolidated

Unit: NT$ thousands;

Item \ Year	2018	2017	Difference	
			Amount	%
Current Asset	5,790,775	6,859,863	(1,069,088)	(15.58)
Property, plant and equipment	3,539,946	3,989,763	(449,817)	(11.27)
Intangible Assets	159,027	5,606	153,421	2,736.73
Other Assets	1,558,340	1,951,179	(392,839)	(20.13)
Total Assets	11,048,088	12,806,411	(1,758,323)	(13.73)
Current Liabilities	3,442,444	4,017,477	(575,033)	(14.31)
Non-current liabilities	82,865	82,991	(126)	(0.15)
Total Liabilities	3,525,309	4,100,468	(575,159)	(14.03)
Equity Attributable to owners of the Parent	7,261,906	8,517,342	(1,255,436)	(14.74)
Share capital	2,823,628	2,823,650	(22)	(0.00)
Capital surplus	1,563,455	1,563,069	386	0.02
Retained earnings	3,301,001	3,978,672	(677,671)	(17.03)
Other equity interest	(426,178)	151,951	(578,129)	(380.47)
Non-controlling interests	260,873	188,601	72,272	38.32
Total Equity	7,522,779	8,705,943	(1,183,164)	(13.59)

Analysis of changes in financial ratios:

(1) The increase in intangible assets is due to the goodwill arising from the acquisition of subsidiaries.

(2) The decrease in other equity was due to the increase in unrealized losses of financial assets.

7.2 Analysis of Operating Results - Consolidated

7.2.1 Analysis of Operating Results

Unit: NT$ thousands

Year / Item	2018	2017	Difference amount	Difference %
Net Sales	7,635,028	11,201,600	(3,566,572)	(31.84)
Cost of Sales	6,988,737	9,785,428	(2,796,691)	(28.58)
Gross Profit	646,291	1,416,172	(769,881)	(54.36)
Operating Expense	1,386,152	1,351,319	34,833	2.58
Net Operating Income (Loss)	(739,861)	64,853	(804,714)	(1,240.83)
Non-operating Income and Expenses	225,289	163,428	61,861	37.85
Profit Before Tax	(514,572)	228,281	(742,853)	(325.41)
Income Tax Expense	(89,047)	21,883	(110,930)	(506.92)
Profit After Tax	(425,525)	206,398	(631,923)	(306.17)
Analysis of changes in financial ratios over 20%: (1) Operating profit and loss is due to the continuous decline in demand for digital camera market, the conservative attitude of major brand customers to launch new machines, and the deferred impact of high-end products, which has reduced the scale of operations and reduced operating income, cost and gross profit. (2) The increase in non-operating income and expenses was due to the sale of idle factory buildings.				

7.2.2 Analysis of changes in the operating profit margin: the demand for digital cameras continues to decline. The attitude of major brand customers to launch new machines is conservative, and the impact of high-end product shipments is deferred, which reduces the scale of operations and slows the destocking of inventory, resulting in operating losses in the current period.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year – Consolidated

Unit: NT$ thousand

Cash Balance 12/31/2017	Net Cash Provided by Operating Activities in 2018	Net Cash Used in Investing and Financing Activities in 2018	Cash Balance 12/31/2018	Supplement measures for insufficient cash	
				Investment planning	Financial planning
2,245,124	(282,718)	(174,351)	1,788,055	None	None

- ●Cash flows used in operating activities 282,718: mainly from net loss.
- ●Cash flows used in investing activities 123,788：primarily for acquisition of equipment and investment in ANDROVIDEO INC.
- ●Cash flows used in financing activities 50,563 仟元：primarily for cash dividend payment.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis:

In light of positive cash flows, remedial actions are not required.

7.3.3 Cash Flow Analysis for the Coming Year: Not applicable.

7.4 Major Capital Expenditure Items: None.

7.5 Investment Policy in Last year, Main Causes for Profits or Losses, Improvement Plans and the investment Plans for the Coming Year

The bussinesses that the company has invested strategically are long-term investment. Profits from investment shown in the equity-method based consoidated financial report in 2018 are NT$8,273 thousand, NT$954 thousand compared to the previous year, partly because the busineses that the company has invested in has enjoyed revenue growth, controlled the expesenses adequately and therefore made profits. However, as the company's general principle, the company will still make long-term strategic investment in the future, take financial risks and ROI into consideration, and evaluate the investment cautiously to bring the maximum values to the company.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation of Corporate Finance, and Future Response Measures

1. Interest Rate：

   The Group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. In order to reduce the risks of interest rates, especially relating to bank loans, the Company contacts banks on the regular basis, studies the trend of interest rate and negotiates for the best interest rate for the Company.

2. Foreign Exchange Rate:

   The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB and MYR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity’s functional currency.

3. Inflation:

   According to the statistics released by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the consumer price index and wholesale price index increased by 1.35% and 3.64% respectively in 2018, which represented a minor inflation and did not have material impact on the Company’s financial conditions in 2018.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-Risk, High-Leverage Investment, Loaning or Endorsement Guarantees and Derivatives Transactions

1. Loans provided by the Company to other entities:
   The Company's fund loans and others are handled in accordance with the policies and response measures set by the Company's “Procedures for Endorsement and Guarantee”. Relevant operations have been carefully implemented in consideration of the risk status and related regulations.

2. Endorsement and guarantees provided by the Company to other entities:
   The Company's endorsement and guarantees for others is based on the policies and response measures set out in the “Procedures for Loaning Funds to Others” of the Company, and all related operations have been carefully implemented in consideration of the risk status and relevant regulations.

3. In recent years, the Company has not been involved in any activities that are highly risky or of high leverage. The Company's policy of and profit and loss from tradings of derivatives are as follow:

   The derivatives that the Company has been involved in are hedge products. Profits and loss caused by volatility in the exhcange rates would be written off by the profits and loss of the hedged items. In addition, the USD currency assets generated from the company's business operations could cope with the cash flow of this type of tradings. As a result, the risk of market prices is not significant.

7.6.3 Future Research & Development Projects and Corresponding Budget

1. Future Research & Development Plan

We will focus our R&D resources on maintaining film speed, sensitivity, Signal to Noise Ratio (SNR), color staturation, etc., and will strive for enhancing the quality of product images. In terms of product development, our focus will be optical zoom, automiatic zoom, development of lens sets with optical zoom features, and to enhance three-axis stabilization. Moreover, we are devoted to improve and develop areas such as electronic screen stabilizers, adding EIS functionalities, face recogniztion, 4K animation cameras, wearable cameras, applications of high-speed image sensors, technologies of large-scale image sensors, HDR video recorders, low-light technologies, wireless communication, and Full HD 4K high-res image decoding, etc.

We take proactive appraches when it comes to development. We endeavor to make distintive progress in product specifications in order to take part in contests of product specificatoins. In addition, with the key components, we make the development of images integrated with technologies of optics, mechanics, and electronics compreshensive. We also invest resources in the development of applications in order to have unique products and move toward the arenas of webcams and medical devices.

In contrast with Ability Enterprise's focus on digital cameras in the past, its vision is to move towards new products in new business areas in order to make up the shortage in the business of digital cameras due to market competitiveness.

In view of the market demand for sports and wearable cameras, in-house lenses and integrated opto-mechanical applications are used in related imaging products. In the smart home Home cam and IP cam products, the technology development related to AIOT and edge computing is further invested. The Spherical 360 Camera continues to develop into high-quality (8K30P), and the SIS (Spherical Image Stabilization) function can be completed in the camera without the need for post-processing.

In terms of R&D in automotive camera modules, in response to the trend where major car manufacturers worldwide have gradually inceased the use of automotive camera modules and Advanced Driver Assistance Systems (ADAS) widely and have even developed semi automatic or fully automatic cars, we have invested resources and personnel in working with Tier 1 suppliers of automobile manufacturers, and will develop camera modules that meet these suppliers' specific product requirements in the next three to four years.

2. Estimated R&D Expenditure

The R&D expenditure in 2018 that the company has invested in is NT$727,055 thousand, accounting for 9.52% of the revenue. In 2019, an additional amount of NT$535,000 thousand is esimated to be invested in R&D in 2019.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None。

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales: None.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: None.

7.6.7 Expected Benefits and Risks Relating to and Response to Merger and Acquisition Plans: None.

7.6.8 Expected Benefits and Risks Relating to and Response to Factory Expansion Plans

The Company has set up two production plants in China, achieving the goals of expanding the production capacity, and reducing the risk of labour shortage in the South China region and the production costs.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

1. Risks faced due to centralized control of inventory replenishment:

Risk in shortage of raw material: Caused by cases such as insufficient production capacity, accidents at the manufacturing plant, force majeure, etc.

Risk Management: The company has maintained amicable business relationships with suppliers of major raw materials. In addition to suppliers with amicable relationships in the long term, the company has also been developing new suppliers, to avoid and lower risks in the shortage of raw material supply.

2. Risks faced in central salese management:

We have built long-long stable partnerships with multiple world-class clients. The joint competitive advantages of both these clients and us will ensure our stable growth in the long run; we have taken the apporach of diverting the sources of clients and incorporating diverse product roadmaps, in order to diverse and reduce the risks of significant impacts from single or few clients on us.

7.6.10 Effects of Risks Relating to and Response to Large Share Transfer or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholding of over 10%: None.

7.6.11 Effects of Risks Relating to and Response to Changes in Control over the Company:None.

7.6.12 Litigation or Non-litigation Matters：

In 2018 and as of the date of this annual report, the Company did not engage in litigation or non-litigation matters that had significant impacts on shareholders’ right or security prices.

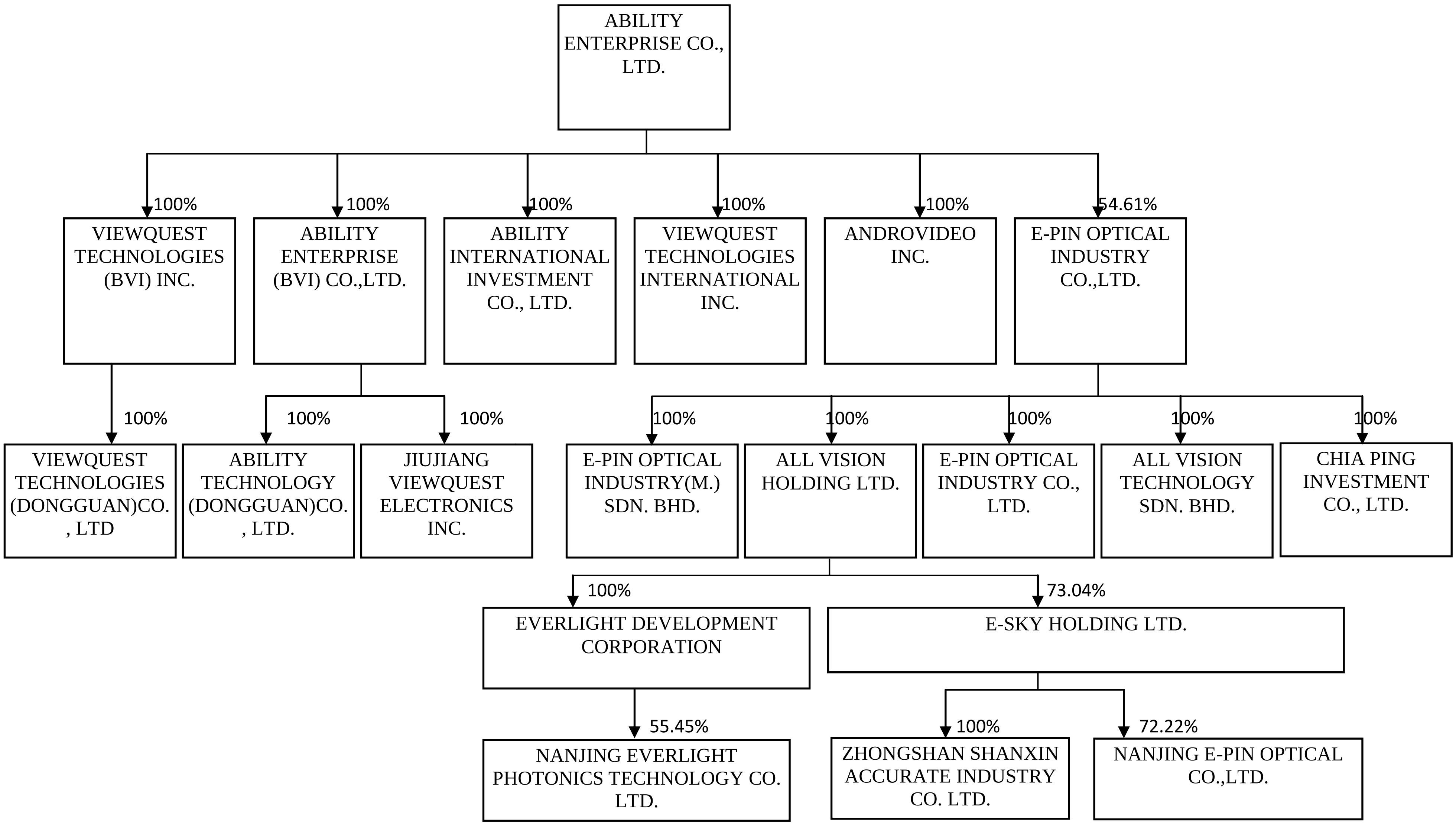
7.6.13.Other significant risk and mitigation measures being or to be taken: No other significant risks.

7.7 Other Major Risks: None.

8. Other Special Notes

8.1 Summary of Affiliated Companies

8.1.1 Affiliated Companies Chart



8.1.2 Affiliated Companies

As of 12/31/2018; Unit: NT$ thousands, except foreign currency

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	1997.08.15	New Taipei City, Taiwan (R.O.C.)	NTD13,000	Investments
ABILITY ENTERPRISE(BVI) CO., LTD.	2000.02.23	British Virgin Islands	USD25,635,000	Holding company
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	1999.01.23	U.S.A.	USD1,500,000	Sales of computer accessories, photography equipment and electronic components
VIEWQUEST TECHNOLOGIES (BVI) INC.	1999.10.22	British Virgin Islands	USD38,759,290	Manufacturing and trading of computer accessories, photography equipment and electronic
ANDROVIDEO INC.	2015.10.26	New Taipei City, Taiwan (R.O.C.)	NTD70,000	Smart IP cam system development and sales
E-PIN OPTICAL INDUSTRY CO.,LTD.	1979.04.18	Taipei City, Taiwan (R.O.C.)	NTD236,000	Sales of optical products and electronic components
CHIA PING INVESTMENT CO., LTD.	2017.03.22	Taipei City, Taiwan (R.O.C.)	NTD6,000	Investments
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	2003.12.29	Dongguan , China	RMB274,857,854	Sales of digital still cameras
JIUJIANG VIEWQUEST ELECTRONICS INC.	2010.05.12	Jiujiang , China	RMB64,867,330	Sales of digital still cameras
VIEWQUEST TECHNOLOGIES (DONGGUAN)CO., LTD	2011.02.28	Dongguan , China	RMB141,055,552	Sales of digital still cameras
ALL VISION HOLDING LTD.	1991.01.19	Independent State of Samoa	USD15,236,910	Holding company
E-PIN OPTICAL INDUSTRY CO., LTD.	1991.04.22	Republic of Mauritius	USD150,000	Trading service
E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	1987.09.25	Malaysia	MYR5,000,000	Manufacturing of precision lens
ALL VISION TECHNOLOGY SDN. BHD.	1992.06.28	Malaysia	MYR72,243,893	Manufacturing of precision lens
EVERLIGHT DEVELOPMENT CORPORATION	1987.01.19	Panama	USD5,849,393	Holding company
E-SKY HOLDING LTD.	1990.04.05	Republic of Mauritius	USD14,338,918	Holding company
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	1981.12.14	Nanjing, China	RMB76,784,121	Development and manufacturing of various types of precision lens
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	1984.08.11	Zhongshan, China	RMB75,542,969	Development and manufacturing of various types of precision lens
NANJING E-PIN OPTICAL CO.,LTD.	1994.05.24	Nanjing, China	RMB53,163,552	Development and manufacturing of various types of precision lens

8.1.3 The Same Shareholders of Companies Controlled by or Subordinate to the Company: None.

8.1.4 Industrial Classification in Inventec Corporation Subsidiaries：

Company	Industrial Classification	Relationships to Related Party
ABILITY ENTERPRISE CO., LTD.	Information products、digital still cameras	None
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	Investments	None
ABILITY ENTERPRISE(BVI) CO., LTD.	Holding company	Investment activities in China
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	Sales of computer accessories, photography equipment and electronic components	None
VIEWQUEST TECHNOLOGIES (BVI) INC.	Manufacturing and trading of computer accessories, photography equipment and electronic	After manufacture,sell the product to Ability. For OEM business
ANDROVIDEO INC.	Smart IP cam system development and Sales	None
E-PIN OPTICAL INDUSTRY CO.,LTD.	Sales of optical products and electronic components	None
CHIA PING INVESTMENT CO., LTD.	Investments	None
JIUJIANG VIEWQUEST ELECTRONICS INC.	Sales of digital still cameras	None
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	Sales of digital still cameras	None
VIEWQUEST TECHNOLOGIES (DONGGUAN)CO., LTD	Sales of digital still cameras	None
ALL VISION HOLDING LTD.	Holding company	None
E-PIN OPTICAL INDUSTRY CO., LTD.	Trading service	None
E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	Manufacturing of precision lens	None
ALL VISION TECHNOLOGY SDN. BHD.	Manufacturing of precision lens	None
EVERLIGHT DEVELOPMENT CORPORATION	Holding company	Investment activities in China
E-SKY HOLDING LTD.	Holding company	Investment activities in China
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	Development and manufacturing of various types of precision lens	None
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	Development and manufacturing of various types of precision lens	None
NANJING E-PIN OPTICAL CO.,LTD.	Development and manufacturing of various types of precision lens	None

8.1.5 Directors, Supervisors and Presidents of Affiliated Companies

Unit: NT$, except shareholding

Company	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	Chairman Director Director Supervisor	ABILITY ENTERPRISE-Tseng, Ming-Jen ABILITY ENTERPRISE-Roger Chiang ABILITY ENTERPRISE-Jonny Wu ABILITY ENTERPRISE-Lin, Hung-Tien	1,300,000 1,300,000 1,300,000 1,300,000	100.00 100.00 100.00 100.00
ABILITY ENTERPRISE (BVI) CO., LTD.	Chairman	ABILITY ENTERPRISE-Tseng, Ming-Jen	–	100.00
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	Director Director Director	ABILITY ENTERPRISE-Wen, Sheng-Tai ABILITY ENTERPRISE-Tseng, Ming-Jen ABILITY ENTERPRISE-Tsay, Wen-Bin	– – –	100.00 100.00 100.00
VIEWQUEST TECHNOLOGIES (BVI) INC.	Chairman	ABILITY ENTERPRISE-Tseng, Ming-Jen	–	100.00
ANDROVIDEO INC.	Chairman Director Director Supervisor	ABILITY ENTERPRISE-Tseng, Ming-Jen ABILITY ENTERPRISE- Jonny Wu ABILITY ENTERPRISE-Jeming Wu ABILITY ENTERPRISE-Lin, Hung-Tien	7,000,000	100.00
E-PIN OPTICAL INDUSTRY CO.,LTD.	Chairman Director Director Director Director Supervisor Supervisor	ABILITY ENTERPRISE-Tseng, Ming-Jen ABILITY ENTERPRISE-Ju, Ming-Jang ABILITY ENTERPRISE-Wen, Sheng-Tai ABILITY ENTERPRISE-Lu, Chien-Hsun ABILITY ENTERPRISE-Hsu, Cheng-Chiang JUI-HSIN INVESTMENT LIMITED- Chan, Wen-Hsiung Huang, Ching-Chuan	12,888,334 12,888,334 12,888,334 12,888,334 12,888,334 481,603 239,879	54.61 54.61 54.61 54.61 54.61 2.04 1.02
CHIA PING INVESTMENT CO., LTD.	Chairman Director Director Supervisor	E-PIN OPTICAL-Ju, Ming-Jang E-PIN OPTICAL-Lu, Chien-Hsun E-PIN OPTICAL-Pan, Ching-Hsiang E-PIN OPTICAL- Chen, Ting-Shen	600,000 600,000 600,000 600,000	100.00 100.00 100.00 100.00
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	Chairman Director Director Supervisor	ABILITY (BVI) - Tseng, Ming-Jen ABILITY (BVI) –Adams Chen ABILITY (BVI) - Alson Hsu ABILITY (BVI) - Lin, Hung-Tien	– – – –	100.00 100.00 100.00 100.00
JIUJIANG VIEWQUEST ELECTRONICS INC.	Chairman Director Director Director Director Supervisor	ABILITY (BVI) - Tseng, Ming-Jen ABILITY (BVI) - Tong, Ching-Hsi ABILITY (BVI) - Tsay, Wen-Bin ABILITY (BVI) - Adams Chen ABILITY (BVI) - Ted Lin ABILITY (BVI) - Susie Wang	– – – – – –	100.00 100.00 100.00 100.00 100.00 100.00
VIEWQUEST TECHNOLOGIES (DONGGUAN)CO., LTD	Chairman Director Director Supervisor	VIEWQUEST (BVI) -Tseng, Ming-Jen VIEWQUEST (BVI) - Adams Chen VIEWQUEST (BVI) -Alson Hsu VIEWQUEST (BVI) -Susie Wang	– – – –	100.00 100.00 100.00 100.00
ALL VISION HOLDING LTD.	Director	Ju, Ming-Jang	–	–
E-PIN OPTICAL INDUSTRY CO., LTD.	Director	E-PIN OPTICAL-Ju, Ming-Jang	150,000	100
E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	Director Director	Ju, Ming-Jang Pan, Ching-Hsiang	– –	– –

Company	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
ALL VISION TECHNOLOGY SDN. BHD.	Director Director	Ju, Ming-Jang Pan, Ching-Hsiang	– –	– –
EVERLIGHT DEVELOPMENT CORPORATION	Director Director Director	Ju, Ming-Jang ALL VISION HOLDING LTD- Pan, Ching-Hsiang Shin, Yu-Hsiang	58,494	100
E-SKY HOLDING LTD.	Director Director Director Director	ALL VISION HOLDING LTD- Pan, Ching-Hsiang Ju, Ming-Jang Shin, Yu-Hsiang Hsu, San-Wei	10,472,879 – – –	73.04 – – –
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	Chairman	EVERLIGHT DEVELOPMENT CORP. -Pan, Ching-Hsiang	–	55.45
	Director	EVERLIGHT DEVELOPMENT CORP. -Ju, Ming-Jang	–	55.45
	Director	EVERLIGHT DEVELOPMENT CORP. -Wang, Shang-Li	–	55.45
	Director	EVERLIGHT DEVELOPMENT CORP. - Lin, Yong-Shan	–	55.45
	Vice Chairman	NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD -Shin, Chien-Hua	–	38.74
	Director	NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD -Wang, Hsin-Yu	–	38.74
	Director	Nanjing Zijin Asset Management Co. Ltd. -Wang, Jui	–	5.81
	Supervisor	NANJING NEW INDUSTRY INVESTMENT GROUP CO.,LTD -Huang, Wei-Min	–	38.74
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	Chairman Director Director Director	E-SKY HOLDING LTD.-Pan,Ching-Hsiang E-SKY HOLDING LTD.-Ju, Ming-Jang E-SKY HOLDING LTD.-Tseng,Tsung-Yueh E-SKY HOLDING LTD.- Chen, Ting-Shen	– – – –	100 100 100 100
NANJING E-PIN OPTICAL CO.,LTD.	Director Supervisor	E-SKY HOLDING LTD.-Chou, Hsiang-Ho E-SKY HOLDING LTD.-Pan, Ching-Hsiang	– –	72.22 72.22

8.1.6 Operation of Affiliated Companies

As of 12/31/2018；Unit: NT$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth
ABILITY ENTERPRISE CO., LTD.	2,823,628	10,548,890	3,286,984	7,261,906
ABILITY ENTERPRISE (BVI) CO., LTD.	787,379	2,727,758	0	2,727,758
VIEWQUEST TECHNOLOGIES (BVI) INC.	1,190,492	2,961,250	1,108,763	1,852,487
VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	46,073	167	0	167
ABILITY INTERNATIONAL INVESTMENT CO., LTD.	13,000	48,046	1,641	46,405
ANDROVIDEO INC.	70,000	45,993	75,104	(29,111)
E-PIN OPTICAL INDUSTRY CO.,LTD.	236,000	710,499	450,851	259,648
CHIA PING INVESTMENT CO., LTD.	6,000	5,696	38	5,658
ABILITY TECHNOLOGY (DONGGUAN)CO., LTD.	1,121,098	2,139,593	847,573	1,292,020
JIUJIANG VIEWQUEST ELECTRONICS INC.	291,793	499,023	132,744	366,279
VIEWQUEST TECHNOLOGIES (DONGGUAN)CO., LTD	675,730	541,440	94,013	447,427
ALL VISION HOLDING LTD.	516,528	12,004	0	12,004
E-PIN OPTICAL INDUSTRY CO., LTD.	5,167	44,251	94,293	(50,042)
E-PIN OPTICAL INDUSTRY(M.) SDN. BHD.	45,700	11,069	9,543	1,526
ALL VISION TECHNOLOGY SDN. BHD.	659,334	21,566	16,618	4,948
EVERLIGHT DEVELOPMENT CORPORATION	174,078	203,418	0	203,418
E-SKY HOLDING LTD.	311,681	(191,422)	0	(191,422)
NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO. LTD.	349,713	446,795	80,384	366,411
ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. LTD.	350,729	140,625	280,128	(139,503)
NANJING E-PIN OPTICAL CO.,LTD.	242,142	2,685	54,610	(51,925)

8.1.7 Affiliation Report

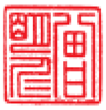
The Company is not the affiliated company of other companies as stipulated in “Chapter VI-I Affiliated Enterprises” of the Company Act, so no affiliation report is compiled.

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of ABILITY ENTERPRISE CO., LTD. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ABILITY ENTERPRISE CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements. Very truly yours,

ABILITY ENTERPRISE CO., LTD.

By

CEO : Tseng, Ming-Jen 

March 25, 2019

8.2 Private Placement of Securities in the Most Recent Years: None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Other Mentionable Items: None.

9. Any Events in the Most Recent year and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Attachment I

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000452

To the Board of Directors and Shareholders of Ability Enterprise Co., Ltd. and subsidiaries

Opinion

We have audited the accompanying consolidated balance sheets of Ability Enterprise Co., Ltd. and subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, 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, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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.

Assessment of allowance for inventory valuation loss

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventory. As of December 31, 2018, the balances of the Group's inventory and allowance for inventory valuation loss were NT$1,722,124 thousand and NT$386,022 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of digital camera, optical products and components. Due to rapid changes in technology innovations, short life cycles of electronic products and fluctuations in market prices, there is higher risk of incurring inventory valuation losses or obsolescence. The Company recognises inventories at the lower of cost and net realisable value; for inventories which are separately identified as obsolete and damaged, the Company recognises loss through net realisable value. An allowance for inventory valuation loss mainly arises from inventories aged over a certain period and separately identified obsolete inventory. As the amount of inventory is material, inventory items are numerous, and the net realisable value of obsolete and damaged inventories is subject to management judgement, we consider the assessment of the allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- Ascertained whether the policies on allowance for inventory valuation losses are reasonable and consistently applied in all the periods.
- Understood the determination method of the net realisable value, sampled and tested whether the net realisable values were calculated in accordance with the abovementioned method.
- Discussed with management the estimated net realisable value of separately identified obsolete and damaged inventories, obtained and corroborated against supporting documents and recalculated the allowance provision.

Impairment assessment of property, plant and investment property

<u>Description</u>

Refer to Notes 4(15) and (16) for accounting policies on property, plant and equipment and investment property, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on property, plant and equipment impairment, and Notes 6(9) and (10) for account details of property, plant and equipment and investment property. As of December 31, 2018, the balance of property, plant and equipment and investment property totaled to NT$4,128,331 thousand.

The property, plant and equipment and investment property primarily consist of land, buildings and structures amounting to NT$4,128,331 thousand, constituting 37% of total assets. The domestic property value has been significantly affected by the factors of market supply and demand situation, natural disasters, government policies, economic situation and the uncertainty of property valuation as well as the risk of asset impairment. Thus, we consider the impairment assessment of property, plant and equipment and investment property a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the impairment assessment of property, plant and equipment and investment property:

- Verified external information (or the most recent transaction price for similar property) to identify any potential impairment indicators for property, plant and equipment and investment property.
- Assessed the reasonableness of the recoverable amounts of property, plant and equipment and investment property, and evaluated the impairment assessment based on the most recent transaction price for similar property.

Other matter – Scope of the audit

We did not audit the financial statements of a wholly-owned consolidated subsidiary and investments accounted for using equity method that are included in the financial statements, which statements reflect total assets (including investments accounted for using equity method) of NT$130,807 thousand and NT$4,020 thousand , constituting 1.18% and 0.03% of consolidated total assets as of December 31, 2018 and 2017, respectively, operating revenues of NT$9,470 thousand and NT$0, constituting 0.12% and 0% of the consolidated total net operating revenue for the years then ended, respectively， and the related share of profit (loss) of associates and joint ventures accounted for under equity method of

(NT$13,213) thousand and NT$954 thousand, constituting 1.34% and 0.21% of consolidated total comprehensive income (loss) for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion with other matter section on the parent company only financial statements of Ability Enterprise Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s 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 auditor’s 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 ROC GAAS 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 ROC GAAS, 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 auditor’s 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 auditor’s 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 appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Juanlu, Man-Yu　　　　　　　　Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,788,055	16	$ 2,245,124	18
1120	Current financial assets at fair value through other comprehensive income	6(3)	637,214	6	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	766,516	6
1136	Current financial assets at amortised cost	6(4)	547,106	5	-	-
1170	Accounts receivable, net	6(5), 7 and 12(4)	1,127,134	10	1,704,379	13
130X	Inventory	6(6)	1,336,102	12	1,501,394	12
1470	Other current assets	6(7)	355,164	3	642,450	5
11XX	**Total current assets**		5,790,775	52	6,859,863	54
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	676,421	6	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	930,238	7
1543	Financial assets carried at cost - non-current	12(4)	-	-	214,145	2
1550	Investments accounted for under equity method	6(8)	12,293	-	4,020	-
1600	Property, plant and equipment	6(9) and 8	3,539,946	32	3,989,763	31
1760	Investment property - net	6(10)	588,385	5	598,602	5
1780	Intangible assets	6(11)	159,027	2	5,606	-
1840	Deferred income tax assets	6(27)	178,209	2	83,896	-
1900	Other non-current assets	6(13)	103,032	1	120,278	1
15XX	**Total non-current assets**		5,257,313	48	5,946,548	46
1XXX	**Total assets**		$ 11,048,088	100	$ 12,806,411	100

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(14)	$ 438,647	4	$ 339,757	3
2170	Accounts payable	7	1,850,064	17	2,330,406	18
2200	Other payables	6(15)	779,586	7	871,050	7
2230	Current income tax liabilities		13,432	-	53,894	-
2300	Other current liabilities	6(18)(23)	360,715	3	422,370	3
21XX	**Total current liabilities**		3,442,444	31	4,017,477	31
	Non-current liabilities					
2600	Other non-current liabilities	6(16)	82,865	1	82,991	1
25XX	**Total non-current liabilities**		82,865	1	82,991	1
2XXX	**Total liabilities**		3,525,309	32	4,100,468	32
	Equity					
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(19)	2,823,628	26	2,823,650	22
	Capital surplus	6(20)				
3200	Capital surplus		1,563,455	14	1,563,069	13
	Retained earnings	6(21)				
3310	Legal reserve		1,655,947	15	1,634,181	13
3320	Special reserve		-	-	101,662	1
3350	Unappropriated retained earnings		1,645,054	15	2,242,829	17
	Other equity interest	6(22)				
3400	Other equity interest		(426,178)	(4)	151,951	1
31XX	**Equity attributable to owners of the parent**		7,261,906	66	8,517,342	67
36XX	**Non-controlling interest**		260,873	2	188,601	1
3XXX	**Total equity**		7,522,779	68	8,705,943	68
3X2X	**Total liabilities and equity**		$ 11,048,088	100	$ 12,806,411	100

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

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for (loss) earnings per share amount)

			Year ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(23) and 7	$ 7,635,028	100	$ 11,201,600	100
5000	**Operating costs**	6(6)(26) and 7	(6,988,737)	(92)	(9,785,428)	(87)
5950	**Net operating margin**		646,291	8	1,416,172	13
	Operating expenses	6(26)				
6100	Selling expenses		(118,959)	(2)	(117,375)	(1)
6200	General and administrative expenses		(531,966)	(7)	(527,242)	(5)
6300	Research and development expenses		(727,055)	(9)	(706,702)	(6)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	(8,172)	-	-	-
6000	**Total operating expenses**		(1,386,152)	(18)	(1,351,319)	(12)
6900	**Operating (loss) profit**		(739,861)	(10)	64,853	1
	Non-operating income and expenses					
7010	Other income	6(24)	175,212	2	158,640	1
7020	Other gains and losses	6(25)	48,463	1	9,392	-
7050	Finance costs		(6,659)	-	(5,558)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(8)	8,273	-	954	-
7000	**Total non-operating income and expenses**		225,289	3	163,428	1
7900	**(Loss) profit before income tax**		(514,572)	(7)	228,281	2
7950	Income tax benefit (expense)	6(27)	89,047	1	(21,883)	-
8200	**(Loss) profit for the year**		($ 425,525)	(6)	$ 206,398	2

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for (loss) earnings per share amount)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial (losses) gains on defined benefit plans	6(16)	($ 1,345)	-	$ 4,291	-
8316	Unrealised gain on financial assets measured at fair value through other comprehensive income	6(3)	(616,491)	(8)	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	2,109	-	(730)	-
8310	**Other comprehensive (loss) income that will not be reclassified to profit or loss**		(615,727)	(8)	3,561	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		53,622	1	(285,779)	(3)
8362	Unrealised gain on valuation of available-for-sale financial assets	12(4)	-	-	536,391	5
8360	**Other comprehensive income that will be reclassified to profit or loss**		53,622	1	250,612	2
8300	**Other comprehensive (loss) income for the year**		($ 562,105)	(7)	$ 254,173	2
8500	**Total comprehensive (loss) income for the year**		($ 987,630)	(13)	$ 460,571	4
	(Loss) profit attributable to:					
8610	Owners of the parent		($ 463,048)	(6)	$ 217,663	2
8620	Non-controlling interest		37,523	-	(11,265)	-
			($ 425,525)	(6)	$ 206,398	2
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		($ 1,021,497)	(13)	$ 474,693	4
8720	Non-controlling interest		33,867	-	(14,122)	-
			($ 987,630)	(13)	$ 460,571	4
	Earnings per share	6(28)				
9750	**Basic earnings per share**		($ 1.64)		$ 0.77	
9850	**Diluted earnings per share**		($ 1.64)		$ 0.77	

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

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
				Retained Earnings							
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest	Treasury stocks	Total	Non-controlling interest	Total equity
2017											
Balance at January 1, 2017		$ 2,825,279	$ 1,560,123	$ 1,595,556	$ -	$ 2,416,348	($ 104,533)	($ 695)	$ 8,292,078	$ 202,723	$ 8,494,801
Profit for 2017		-	-	-	-	217,663	-	-	217,663	(11,265)	206,398
Other comprehensive income (loss) for 2017		-	-	-	-	3,417	253,613	-	257,030	(2,857)	254,173
Total comprehensive income (loss) for 2017		-	-	-	-	221,080	253,613	-	474,693	(14,122)	460,571
Appropriations of 2016 earnings	6(21)										
Legal reserve		-	-	38,625	-	(38,625)	-	-	-	-	-
Special reserve		-	-	-	101,662	(101,662)	-	-	-	-	-
Cash dividends		-	-	-	-	(254,171)	-	-	(254,171)	-	(254,171)
Compensation cost of share-based payment	6(17)	-	-	-	-	(141)	2,871	-	2,730	-	2,730
Adjustments to changes in vested number of restricted stock		-	2,012	-	-	-	-	-	2,012	-	2,012
Redemption of employee restricted stock	6(17)	(1,629)	934	-	-	-	-	695	-	-	-
Balance at December 31, 2017		$ 2,823,650	$ 1,563,069	$ 1,634,181	$ 101,662	$ 2,242,829	$ 151,951	$ -	$ 8,517,342	$ 188,601	$ 8,705,943
2018											
Balance at January 1, 2018		$ 2,823,650	$ 1,563,069	$ 1,634,181	$ 101,662	$ 2,242,829	$ 151,951	$ -	$ 8,517,342	$ 188,601	$ 8,705,943
Effects of retrospective application and retrospective restatement	12(4)	-	-	-	-	11,247	(18,861)	-	(7,614)	-	(7,614)
Balance at January 1, 2018 after adjustments		2,823,650	1,563,069	1,634,181	101,662	2,254,076	133,090	-	8,509,728	188,601	8,698,329
Loss for 2018		-	-	-	-	(463,048)	-	-	(463,048)	37,523	(425,525)
Other comprehensive income (loss) for 2018		-	-	-	-	819	(559,268)	-	(558,449)	(3,656)	(562,105)
Total comprehensive income (loss) for 2018		-	-	-	-	(462,229)	(559,268)	-	(1,021,497)	33,867	(987,630)
Appropriations of 2017 earnings	6(21)										
Special reserve		-	-	21,766	-	(21,766)	-	-	-	-	-
Reveral of special reserve		-	-	-	(101,662)	101,662	-	-	-	-	-
Cash dividends		-	-	-	-	(225,892)	-	-	(225,892)	-	(225,892)
Changes in ownership interests in subsidiaries		-	-	-	-	(797)	-	-	(797)	-	(797)
Increase in non-controlling interests		-	-	-	-	-	-	-	-	38,405	38,405
Adjustments to changes in vested number of restricted stock		-	364	-	-	-	-	-	364	-	364
Redemption of employee restricted stock	6(17)	(22)	22	-	-	-	-	-	-	-	-
Balance at December 31, 2018		$ 2,823,628	$ 1,563,455	$ 1,655,947	$ -	$ 1,645,054	($ 426,178)	$ -	$ 7,261,906	$ 260,873	$ 7,522,779

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

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		($ 514,572)	$ 228,281
Adjustments			
Income and expenses having no effect on cash flows			
Expected credit loss	12(2)	8,172	-
Gain on reversal of allowance for bad debts	12(4)	-	(155)
Impairment loss	6(25)	52,108	-
Depreciation	6(26)	354,163	339,978
Amortisation	6(26)	8,555	4,033
Compensation cost of share-based payment	6(17)	-	2,730
Gain on valuation of financial assets and liabilities	12(4)	-	(1,908)
Gain on disposal of property, plant, equipment	6(25)	(68,856)	(19,282)
Share of profit or loss of associates and joint ventures accounted for under equity method	6(8)	(8,273)	(954)
Interest expense		6,659	5,558
Interest income	6(24)	(34,759)	(26,344)
Compensation income	6(25)	-	(36,000)
Dividend income	6(24)	(107,897)	(100,707)
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Accounts receivable, net		560,269	191,542
Inventories		239,180	(133,844)
Other current assets		(133,284)	(11,793)
Net changes in liabilities relating to operating activities			
Accounts payable		(541,180)	(160,325)
Other payables		(110,265)	6,737
Other current liabilities		(83,643)	(32,392)
Other non-current liabilities		(1,490)	(1,102)
Cash (outflow) inflow generated from operations		(375,113)	254,053
Interest received		34,759	26,344
Dividends received		107,897	100,707
Income tax paid		(43,602)	(70,511)
Interest paid		(6,659)	(5,558)
Net cash flows (used in) from operating activities		(282,718)	305,035

(Continued)

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		($ 104,181)	$ -
Increase in other current assets		-	(83,790)
Proceeds from disposal of current financial assets at fair value through profit or loss		-	7,178
Acquisition of financial assets measured at cost	12(4)	-	(118,392)
Proceeds from disposal of property, plant and equipment		290,997	55,757
Acquisition of property, plant and equipment	6(30)	(181,446)	(417,382)
Acquisition of intangible assets	6(11)	(9,293)	(6,717)
Decrease in other non-current assets		16,933	410
Net cash in acquisition of subsidiaries		(136,798)	-
Net cash flows used in investing activities		(123,788)	(562,936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans		81,890	10,742
Decrease in other non-current liabilities		(245)	(3,592)
Payment of cash dividends	6(21)	(225,892)	(254,171)
Redemption of employee restricted stock	6(17)	(22)	(934)
Subsidiaries' capital increase for acquiring non-controlling interest		38,405	-
Net cash flows used in financing activities		(105,864)	(247,955)
Net effect of changes in foreign currency exchange rates		55,301	(270,159)
Net decrease in cash and cash equivalents		(457,069)	(776,015)
Cash and cash equivalents at beginning of year		2,245,124	3,021,139
Cash and cash equivalents at end of year		$ 1,788,055	$ 2,245,124

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

ABILITY ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Ability Enterprise Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) merged with Viewquest Technologies Inc. on January 1, 2003. On August 28, 2007, the Board of Directors agreed to set September 1, 2007 as the record date for the acquisition of the Office Automation Business Group by the Company’s subsidiary, Ability International Investment Co., Ltd., through the issuance of new shares. The Company disposed its ownership in Ability International Investment Co., Ltd. promptly after the acquisition. The Company is mainly engaged in the manufacturing, purchases and sales of digital cameras, optical product components and film/video accessories.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 25, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting

New standards, interpretations and amendments as endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment.

IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4) B and C.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement' settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group intends not to restate the financial statements of prior period (referred herein as the "modified retrospective approach"), and the effects will be adjusted. On January 1, 2019, it is expected that 'right-of-use asset' (including reclassification of long-term prepaid rents) and lease liability will be increased by $110,151 and $37,927, respectively, and long-term prepaid rents (shown as 'Other current liabilities' will be decreased by $72,224.

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative -Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets and liabilities at fair value though other comprehensive income Available-for-sale financial assets measured at fair value.

(c) Liabilities on cash-settled share-based payment arrangements measured at fair value.

(d) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. The fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
The Company	ABILITY ENTERPRISE (BVI) CO., LTD. (ABILITY (BVI))	Holding company	100.00	100.00	
The Company	ACTION PIONEER INTERNATIONAL LTD. (ACTION)	Trading service	100.00	100.00	
The Company	VIEWQUEST TECHNOLOGIES INTERNATIONAL INC. (VQ (US))	Sales of computer accessories, photography equipment and electronic components	100.00	100.00	
The Company	VIEWQUEST TECHNOLOGIES (BVI) INC. (VQ (BVI))	Manufacturing and trading of computer accessories, photography equipment and electronic components	100.00	100.00	
The Company	Ability International Investment Co., Ltd. (Ability International Investment)	Investments	100.00	100.00	
The Company	AndroVideo INC.	Development, manufacturing and trading of digital surveillance	100.00	-	Note 1
The Company	E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	Sales of optical products and electronic components	54.61	53.01	Note 2
ABILITY (BVI)	Ability Technology (Dongguan) Co., Ltd. (Ability (Dongguan))	Sales of digital still cameras	100.00	100.00	
ABILITY (BVI)	Jiujiang Viewquest Electronics Inc. (Jiujiang Viewquest)	Sales of digital still cameras	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
VQ (BVI)	VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD. (VIEWQUEST TECHNOLOGIES)	Sales of digital still cameras	100.00	100.00	
E-PIN	E-PIN OPTICAL INDUSTRY (M.) SDN. BHD. (E-PIN (M.))	Manufacturing of precision lens	100.00	100.00	
E-PIN	ALL VISION TECHNOLOGY SDN. BHD. (AVT)	Manufacturing of precision lens	100.00	100.00	
E-PIN	E-PIN OPTICAL INDUSTRY CO., LTD. (E-PIN)	Trading	100.00	100.00	
E-PIN	ALL VISION HOLDING LTD. (ALL VISION)	Holding company	100.00	100.00	
E-PIN	JIAPIN INVESTMENT CO., LTD. (JIAPIN INVESTMENT)	Investments	100.00	100.00	
ALL VISION	EVERLIGHT DEVELOPMENT CORPORATION (EVERLIGHT)	Holding company	100.00	100.00	
ALL VISION	E-SKY HOLDING LTD. (E-SKY)	Holding company	73.04	73.04	
EVERLIGHT	NANJING EVERLIGHT PHOTONICS TECHNOLOGY CO., LTD. (NANJING EVERLIGHT)	Development and manufacturing of various types of precision lens	55.45	55.45	
E-SKY	ZHONGSHAN SHANXIN ACCURATE INDUSTRY CO. (ZHONGSHAN SHANXIN)	Development and manufacturing of various types of precision lens	100.00	100.00	
E-SKY	NANJING E-PIN OPTICAL CO., LTD. (NANJING E-PIN)	Development and manufacturing of various types of precision lens	72.22	72.22	

Note 1: Please refer to Note 6(29) for details.

Note 2: The Board of Directors of E-PIN OPTICAL INDUSTRY CO., LTD. on May 12, 2017 has resolved to increase capital by issuing common stock of 6,960 thousand shares with par value of $10 and a premium issuance price of NT$13 (in dollars) per share. The capital increase was set effective on November 23, 2018 as resolved by the Board of Directors on September 28, 2018. As the Company did not acquire shares proportionately amounting to $52,871, the shareholding ratio was 54.61% after the acquisition.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) <u>Financial assets at fair value through other comprehensive income</u>

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) <u>Financial assets at amortised cost</u>

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) <u>Accounts and notes receivable</u>

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and, the Group has not retained control of the financial asset.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	30	~	50 years
Machinery and equipment	5	~	20 years
Mold equipment	1	~	2 years
Other equipment	1	~	20 years

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(17) Intangible assets

A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

B. Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible assets are mainly customer relationships and technology and amortised using the straight-line method over 0.5~7 years.

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill with an indefinite useful life. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Provisions

Warranty provision is recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees’ compensation and directors’ remuneration

Employees’ compensation and directors’ remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over thevesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in ’capital surplus - others’.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

(26) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. Sales of goods

The Group manufactures and sells digital cameras and optical products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Sales of services

The Group provides product research and development services. Revenue from delivering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed. If the outcome of a service contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are likely to be recoverable.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(28) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity’s net assets in the event of liquidation at either fair value or the present ownership instruments’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2018, the Group recognised property, plant and equipment, net of impairment loss. Please refer to Note 6(9).

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories is described in Note 6(6).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 3,253	$ 3,537
Checking accounts and demand deposits	1,753,475	2,173,725
Time deposits	31,327	67,862
	$ 1,788,055	$ 2,245,124

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	$ 130
Valuation adjustment	(130)
	$ -

A. The Group has no financial assets at fair value through profit or loss pledged to others.

B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

C. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(3) Financial assets at fair value through other comprehensive income – non-current

Items	December 31, 2018
Current items:	
Equity instruments	
Listed stocks	$ 844,299
Valuation adjustment	(207,085)
	$ 637,214
Non-current items:	
Equity instruments	
Listed stocks	$ 636,816
Unlisted stocks	225,982
	862,798
Valuation adjustment	(186,377)
	$ 676,421

A. The Group has elected to classify equity investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $1,313,635 as at December 31, 2018.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Equity instruments at fair value through other comprehensive income	December 31, 2018
Fair value change recognised in other comprehensive income	($ 616,491)

C. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $1,313,635.

D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Financial assets at amortised cost - current

Items	December 31, 2018
Current items:	
Time deposits with initial maturity over three months	$ 547,106

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2018
Interest income	$ 10,631

B. Information relating to credit risk is provided in Note 12(2).

C. The information on December 31, 2017 is provided in Note 6(7).

(5) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 1,288,576	$ 1,857,670
Less: Allowance for bad debts	(173,783)	(165,611)
Accounts receivable, related parties	12,341	12,320
Accounts receivable, net	$ 1,127,134	$ 1,704,379

	December 31, 2018	December 31, 2017
Not past due	$ 890,654	$ 1,413,651
1 to 90 days	236,416	286,577
91 to 180 days	43	3,701
Over 180 days	173,804	166,061
	$ 1,300,917	$ 1,869,990

The above ageing analysis was based on past due date.

A. The Group has no accounts receivable pledged to others.

B. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable held by the Group was $1,127,134.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 144,950	($ 9,923)	$ 135,027
Finished goods	409,873	(75,488)	334,385
Work in process	181,470	(8,048)	173,422
Raw materials	957,275	(292,563)	664,712
Inventory in transit	28,556	-	28,556
	$ 1,722,124	($ 386,022)	$ 1,336,102

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 200,736	($ 5,103)	$ 195,633
Finished goods	508,453	(85,053)	423,400
Work in process	131,430	(6,962)	124,468
Raw materials	845,050	(145,798)	699,252
Inventory in transit	58,641	-	58,641
	$ 1,744,310	($ 242,916)	$ 1,501,394

The cost of inventories recognised as expense for the year:

	2018	2017
Cost of goods sold	$ 6,725,083	$ 9,584,252
Loss on decline in market value	143,106	121,543
Other operating costs	120,548	79,633
	$ 6,988,737	$ 9,785,428

(7) Other current assets

	December 31, 2018	December 31, 2017
Time deposits with maturity over three months	$ -	$ 442,925
Other receivables	185,757	120,011
Others	169,407	79,514
	$ 355,164	$ 642,450

(8) Investments accounted for using equity method

Associates	December 31, 2018	December 31, 2017
Altasec Technology Corporation (Altasec Technology)	$ 12,293	$ 4,020
Ever Pine International Ltd. (BVI) (EVER PINE)	-	-
	$ 12,293	$ 4,020

A. The above investment was accounted for using equity method as of December 31, 2018 and 2017 based on the investee's financial statements audited by other independent accountants.

B. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	2018	2017
Total comprehensive income	$ 27,578	$ 3,180

The Group's share in profit (loss) recognised under the equity method for the years ended December 31, 2018 and 2017 was $8,273 and $954, respectively.

(9) Property, plant and equipment

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment and Construction in progress	Total
January 1, 2018						
Cost	$ 1,358,413	$ 2,656,704	$ 2,359,217	$ 1,693,258	$ 608,404	$ 8,675,996
Accumulated depreciation and impairment	-	(557,143)	(1,970,368)	(1,669,631)	(489,091)	(4,686,233)
	$ 1,358,413	$ 2,099,561	$ 388,849	$ 23,627	$ 119,313	$ 3,989,763
2018						
Opening net book amount	$ 1,358,413	$ 2,099,561	$ 388,849	$ 23,627	$ 119,313	$ 3,989,763
Additions	-	271	78,720	94,364	8,091	181,446
Acquired from business combination	-	-	719	2,088	2,580	5,387
Reclassifictaion	-	(2,108)	-	-	-	(2,108)
Disposals	(39,114)	(169,675)	(8,326)	-	(5,026)	(222,141)
Depreciation	-	(83,219)	(131,868)	(105,212)	(23,647)	(343,946)
Impaiment loss	-	-	(52,108)	-	-	(52,108)
Net exchange differences	-	(12,418)	(3,579)	-	(350)	(16,347)
Closing net book amount	$ 1,319,299	$ 1,832,412	$ 272,407	$ 14,867	$ 100,961	$ 3,539,946
At December 31, 2018						
Cost	$ 1,319,299	$ 2,449,244	$ 2,173,482	$ 954,373	$ 608,448	$ 7,504,846
Accumulated depreciation and impairment	-	(616,832)	(1,901,075)	(939,506)	(507,487)	(3,964,900)
	$ 1,319,299	$ 1,832,412	$ 272,407	$ 14,867	$ 100,961	$ 3,539,946

	Land	Buildings and structures	Machinery	Mold equipment	Other equipment and Construction in progress	Total
January 1, 2017						
Cost	$ 1,343,071	$ 1,845,374	$ 2,474,714	$ 1,788,413	$ 1,250,984	$ 8,702,556
Accumulated depreciation and impairment	-	(503,235)	(1,943,837)	(1,743,706)	(577,095)	(4,767,873)
	$ 1,343,071	$ 1,342,139	$ 530,877	$ 44,707	$ 673,889	$ 3,934,683
2017						
Opening net book amount	$ 1,343,071	$ 1,342,139	$ 530,877	$ 44,707	$ 673,889	$ 3,934,683
Additions	22,230	255,077	29,850	67,409	78,816	453,382
Reclassification	-	609,478	-	-	(609,478)	-
Disposals	(6,888)	(24,303)	(4,502)	-	(782)	(36,475)
Depreciation	-	(65,799)	(153,677)	(88,488)	(21,797)	(329,761)
Net exchange differences	-	(17,031)	(13,699)	(1)	(1,335)	(32,066)
Closing net book amount	$ 1,358,413	$ 2,099,561	$ 388,849	$ 23,627	$ 119,313	$ 3,989,763
At December 31, 2017						
Cost	$ 1,358,413	$ 2,656,704	$ 2,359,217	$ 1,693,258	$ 608,404	$ 8,675,996
Accumulated depreciation and impairment	-	(557,143)	(1,970,368)	(1,669,631)	(489,091)	(4,686,233)
	$ 1,358,413	$ 2,099,561	$ 388,849	$ 23,627	$ 119,313	$ 3,989,763

A. Impairment information about the property, plant and equipment is provided in Note 6(12).

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(10) Investment property

	Land	Buildings and structures	Total
At January 1, 2018			
Cost	$ 257,174	$ 521,053	$ 778,227
Accumulated depreciation and impairment	-	(179,625)	(179,625)
	$ 257,174	$ 341,428	$ 598,602
2018			
Opening net book amount	$ 257,174	$ 341,428	$ 598,602
Depreciation	-	(10,217)	(10,217)
Closing net book amount	$ 257,174	$ 331,211	$ 588,385
At December 31, 2018			
Cost	$ 257,174	$ 521,053	$ 778,227
Accumulated depreciation and impairment	-	(189,842)	(189,842)
	$ 257,174	$ 331,211	$ 588,385

	Land	Buildings and structures	Total
At January 1, 2017			
Cost	$ 257,174	$ 521,053	$ 778,227
Accumulated depreciation and impairment	-	(169,408)	(169,408)
	$ 257,174	$ 351,645	$ 608,819
2017			
Opening net book amount	$ 257,174	$ 351,645	$ 608,819
Depreciation	-	(10,217)	(10,217)
Closing net book amount	$ 257,174	$ 341,428	$ 598,602
At December 31, 2017			
Cost	$ 257,174	$ 521,053	$ 778,227
Accumulated depreciation and impairment	-	(179,625)	(179,625)
	$ 257,174	$ 341,428	$ 598,602

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	2018	2017
Rental income from the lease of the investment property	$ 32,260	$ 31,380
Direct operating expenses arising from the investment property that generated rental income in the period	$ 10,217	$ 10,217

B. The fair value of the investment property held by the Group as at December 31, 2018 and 2017 was $1,696,894 and $1,616,301, respectively, which was based on the valuations of the market prices of property sold in similar districts.

(11) Intangible assets

	Software	Goodwill	Others	Total
At January 1, 2018				
Cost	$ 61,116	$ -	$ -	$ 61,116
Accumulated amortisation and impairment	(55,510)	-	-	(55,510)
	$ 5,606	$ -	$ -	$ 5,606
2018				
Opening net book amount	$ 5,606	$ -	$ -	$ 5,606
Additions－acquired separately	9,293	-	-	9,293
Additions－acquired through business combinations	-	115,084	37,600	152,684
Amortisation charge	(3,763)	-	(4,792)	(8,555)
Net exchange differences	(1)	-	-	(1)
Closing net book amount	$ 11,135	$ 115,084	$ 32,808	$ 159,027
At December 31, 2018				
Cost	$ 70,396	$ 115,084	$ 37,600	$ 223,080
Accumulated amortisation and impairment	(59,261)	-	(4,792)	(64,053)
	$ 11,135	$ 115,084	$ 32,808	$ 159,027

	Software		Goodwill		Others		Total	
At January 1, 2017								
Cost	$	54,413	$	-	$	-	$	54,413
Accumulated amortisation and impairment	(	51,486)		-		-	(	51,486)
	$	2,927	$	-	$	-	$	2,927
2017								
Opening net book amount	$	2,927	$	-	$	-	$	2,927
Additions－acquired separately		6,717		-		-		6,717
Amortisation charge	(	4,033)		-		-	(	4,033)
Effect of changes on exchange rate	(	5)		-		-	(	5)
Closing net book amount	$	5,606	$	-	$	-	$	5,606
At December 31, 2017								
Cost	$	61,116	$	-	$	-	$	61,116
Accumulated amortisation and impairment	(	55,510)		-		-	(	55,510)
	$	5,606	$	-	$	-	$	5,606

(12) Impairment of non-financial assets

A. The Group recognised impairment loss for the years ended December 31, 2018 and 2017 of $52,108 and $0, respectively. Details of such loss are as follows:

	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss－machinery	$ 52,108	$ -	$ -	$ -

B. The impairment loss reported by operating segments is as follows:

	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss - optical manufacturing segment	$ 52,108	$ -	$ -	$ -

The product demand decreased due to the highly competitive market and the Group faded out mobile camera module field in 2018. The Group adjusted book values based on recoverable amounts after management assessment, and recognised impairment loss amounting to $52,108.

(13) Long-term prepaid rent (shown as ‘Other non-current assets’)

During the years ended December 31, 2003 and 2002, the Group signed a land use contract with the People’s Government of Liaobu of Dongguan City in Guangdong province, PRC and Nanjing Hi-Tech Economic Development Zone General Corporation for the use of land at Huanan Industrial Park and Nanjing New & High Technology Industry Development Zone with a term of 50 years. All rentals had been paid on the contract date.

	December 31, 2018	December 31, 2017
Land use rights	$ 72,224	$ 75,604

(14) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Secured bank borrowings	$ 27,881	5.22%~6.57%	Buildings and Structures
Unsecured bank borrowings	410,766	0.90%~5.95%	-
	$ 438,647		

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Secured bank borrowings	$ 41,699	5.003%~5.39%	Buildings and structures
Unsecured bank borrowings	298,058	1.19%~5.38%	-
	$ 339,757		

For details of unused short-term lines of credit, please refer to Note 12 (2).

(15) Other payables

	December 31, 2018	December 31, 2017
Employees’ salary and compensation payable	$ 543,807	$ 573,334
Tax payable	7,418	16,189
Construction payable	3,999	37,456
Service fees payable	2,234	49,265
Accrued employees’ compensation and directors’ and supervisors’ remuneration	-	23,177
Other payables	222,128	171,629
	$ 779,586	$ 871,050

(16) Pensions

A.(a)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

(b)The amounts recognised in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 103,386	$ 102,321
Fair value of plan assets	(53,079)	(51,149)
Net defined benefit liability	$ 50,307	$ 51,172

(c)Changes in present value of funded obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 102,321	($ 51,149)	$ 51,172
Interest expense (income)	1,589	(758)	831
	103,910	(51,907)	52,003
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
Change in demographic assumptions	2,266	-	2,266
Change in financial assumptions	4,894	-	4,894
Experience adjustments	(4,231)	(1,584)	(5,815)
	2,929	(1,584)	1,345
Pension fund contribution	-	(3,041)	(3,041)
Paid pension	(3,453)	3,453	-
Balance at December 31	$ 103,386	($ 53,079)	$ 50,307

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 119,306	($ 61,613)	$ 57,693
Interest expense (income)	2,082	(1,033)	1,049
	121,388	(62,646)	58,742
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
Change in demographic assumptions	(4,396)	-	(4,396)
Change in financial assumptions	3,397	-	3,397
Experience adjustments	(3,662)	370	(3,292)
	(4,661)	370	(4,291)
Pension fund contribution	-	(3,279)	(3,279)
Paid pension	(14,406)	14,406	-
Balance at December 31	$ 102,321	($ 51,149)	$ 51,172

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e)The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	1.125%~1.28%	1.25%~1.6%
Future salary increases	1.75%~3%	1.75%~3%

Assumptions regarding future mortality experience are set based on the published statistics and experience in the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 7,769)	$ 8,539	$ 8,343	($ 7,674)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 7,984)	$ 8,802	$ 8,628	($ 7,910)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f)Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 are $2,858.

(g)As of December 31, 2018, the weighted average duration of that retirement plan is 17 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 7,984
1-2 year(s)	9,903
2-5 years	23,552
Over 5 years	59,382
	$ 100,821

B.(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Group’s mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentages of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $38,523 and $37,470, respectively.

(17) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees (Note)	2014.05.21	22,000	3 years	3 years’ service

The above share-based payment arrangements are equity settled.

Note: The restricted stocks issued by the Group cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

B. For the Company’s restricted stocks to employees plan, the fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Type of arrangement	Expiration	Stock price (in dollars)	Exercise price (in dollars)	Price volatility	Dividends	Interest rate	Fair value per unit (in dollars)
Restricted stocks to employees plan	After 1 year	$20.90	$10	22.22%	8.22%	1.4628%	$8.4358
Restricted stocks to employees plan	After 2 years	$20.90	$10	21.15%	-	1.6421%	$6.3536
Restricted stocks to employees plan	After 3 years	$20.90	$10	25.67%	-	1.9488%	$4.9827

C. Expenses incurred on share-based payment transactions are shown below:

	2018	2017
Equity-settled	$ -	$ 2,730

D. The Group has purchased 2 thousand shares and 93 thousand shares at $10 per share, which amounted to $22 and $934, during 2018 and 2017, respectively, for employees who have resigned during the vesting period. As of December 31, 2018 and 2017, the retirement of employee restricted stocks purchased had been completed.

(18) Provisions (shown as 'Other current liabilities')

Warranty	2018	2017
At January 1	$ 136,439	$ 222,181
Reversal of provisions	(30,279)	(85,742)
At December 31	$ 106,160	$ 136,439

(19) Share capital

As of December 31, 2018, the Company's authorised capital was $5,400,000, consisting of 540 million shares of ordinary stock, and the paid-in capital was $2,823,628 with a par value of $10 (in dollars) per share.

(20) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Share premium	Treasury share transactions	Capital reserve from gain on disposal of assets	Employee stock options	Employee restricted shares
At January 1, 2018	$ 1,245,854	$ 219,206	$ 56	$ 97,738	$ 215
Employee restricted shares	581	-	-	-	(195)
At December 31, 2018	$ 1,246,435	$ 219,206	$ 56	$ 97,738	$ 20

	Share premium	Treasury share transactions	Capital reserve from gain on disposal of assets	Employee stock options	Employee restricted shares
At January 1, 2017	$ 1,214,046	$ 219,206	$ 56	$ 97,738	$ 29,077
Employee restricted shares	31,808	-	-	-	(28,862)
At December 31, 2017	$ 1,245,854	$ 219,206	$ 56	$ 97,738	$ 215

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses. Then, 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance and the Company shall appropriate or reverse special reserve when necessary. The appropriation of the remainder along with beginning unappropriated earnings is the accumulated distributable earnings for shareholders, which shall be proposed by the Board of Directors and resolved by the shareholders.

B. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

C. The Company's dividend policy is adopted taking into consideration the Company's financial structure, future capital expenditures, future cash flows and assurance of the Company's competitiveness in the market. In accordance with the dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.

D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

E. The Company recognised dividends amounting to $254,171 during 2017. On June 11, 2018, the shareholders resolved for the distribution of dividends from 2017 earnings in the amount of $225,892 at $0.8 (in dollars) per share.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(26).

(22) Other equity items

	2018			
	Financial statements translation differences of foreign operations	Unrealised gains/losses on available-for-sale financial assets	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total
At January 1	($ 89,939)	$ 241,890	$ -	$ 151,951
Effect of retrospective application and retrospective restatement	-	(241,890)	223,029	(18,861)
Currency translation differences:				
-Group	57,223	-	-	57,223
Revaluation	-	-	(616,491)	(616,491)
At December 31	($ 32,716)	$ -	($ 393,462)	($ 426,178)

	2017			
	Financial statements translation differences of foreign operations	Unrealised gains/losses on available-for-sale financial assets	Unearned employee compensation	Total
At January 1	$ 192,839	($ 294,501)	($ 2,871)	($ 104,533)
Currency translation differences:				
-Group	-	-	-	-
Revaluation	(282,778)	536,391	-	253,613
Employee restricted shares				
-Compensation cost	-	-	2,871	2,871
At December 31	($ 89,939)	$ 241,890	$ -	$ 151,951

(23) Operating revenue

	2018	2017
Sales revenue	$ 7,306,732	$ 10,985,857
Service revenue	328,296	215,743
	$ 7,635,028	$ 11,201,600

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following main business segment:

2018	Optical manufacturing segment	Strategic investing segment	Total
Total segment revenue	$ 12,152,115	$ 1,507,054	$ 13,659,169
Inter-segment revenue	(5,502,200)	(521,941)	(6,024,141)
Revenue from external customer contracts	$ 6,649,915	$ 985,113	$ 7,635,028
Timing of revenue			
At a point in time	$ 6,321,619	$ 985,113	$ 7,306,732
Over time	328,296	-	328,296
	$ 6,649,915	$ 985,113	$ 7,635,028

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2018
Contract liabilities - advance sales receipts (shown as Other current liabilities)	$ 104,278

C. Revenue recognised that was included in the contract liability balance at the beginning of the year

	December 31, 2018
Advance sales receipts	$ 104,362

(24) Other income

	2018	2017
Rental revenue	$ 32,556	$ 31,589
Interest income	34,759	26,344
Dividend income	107,897	100,707
	$ 175,212	$ 158,640

(25) Other gains and losses

	2018	2017
Gains on disposal of property, plant and equipment	$ 68,856	$ 19,282
Net currency exchange gain (loss)	22,576	(67,828)
Depreciation on investment property	(10,217)	(10,217)
Impairment loss	(52,108)	-
Grants revenue	-	36,000
Other gains	19,356	32,155
	$ 48,463	$ 9,392

(26) Employee benefit, depreciation and amortisation expenses

	2018	2017
Employee benefit expenses		
Wages and salaries	$ 1,319,836	$ 1,357,484
Labor and health insurance fees	103,355	112,615
Pension costs	39,354	38,519
Other personnel expenses	95,034	70,401
Depreciation (Note)	343,946	329,761
Amortisation	8,555	4,033

Note: For the years ended December 31, 2018 and 2017, depreciation on investment property amounted to $10,217 for both years and was shown as other gains and losses.

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration. The ratio shall not be lower than 8% and shall not be higher than 15% for employees' compensation and shall not be higher than 1.5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $0 and $19,518, respectively; while directors' and supervisors' remuneration was accrued at $0 and $3,659, respectively. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration for 2017 amounting to $19,518 and $3,659, respectively, as resolved at the shareholders' meeting were in agreement with those amounts recognised in the 2017 financial statements. The employees' compensation and directors' and supervisors' remuneration will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the board of directors and shareholders during their meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense (benefit)

(a) Components of income tax expense:

	2018	2017
Current tax on profits for the year	$ 31,158	$ 24,593
Prior year income tax overestimation	(35,226)	(6,699)
Origination and reversal of temporary differences	(79,394)	3,989
Impact of change in tax rate	(12,810)	-
Land value increment tax	7,225	-
Income tax (benefit) expense	($ 89,047)	$ 21,883

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2018	2017
Remeasurement of defined benefit obligations	($ 269)	$ 730
Impact of change in tax rate	(1,840)	–
	($ 2,109)	$ 730

B. Reconciliation between income tax expense and accounting profit

	2018	2017
Tax calculated based on profit before tax and statutory tax rate	($ 79,930)	$ 64,719
Tax effect of permanent differences	33,656	(50,933)
Effect of estimated assessment of tax	(35,226)	(6,699)
Tax effect of change in income tax rate	(1,962)	14,796
Land value increment tax	7,225	–
Impact of change in tax rate	(12,810)	–
Income tax (benefit) expense	($ 89,047)	$ 21,883

C. Amounts of deferred tax assets as a result of temporary differences are as follows:

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Fees for after sales	$ 23,195	($ 1,963)	$ –	$ 21,232
Adjustment of bad debts for tax purposes	26,808	7,145	–	33,953
Employee benefits	10,610	–	2,109	12,719
Taxable loss	–	80,360	–	80,360
Others	23,283	6,662	–	29,945
	$ 83,896	$ 92,204	$ 2,109	$ 178,209

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Fees for after sales	$ 31,012	($ 7,817)	$ –	$ 23,195
Adjustment of bad debts for tax purposes	26,319	489	–	26,808
Employee benefits	11,340	–	(730)	10,610
Others	19,944	3,339	–	23,283
	$ 88,615	($ 3,989)	($ 730)	$ 83,896

D. Expiration dates of unused net taxable loss and amounts of unrecognised deferred tax assets are as follows:

(a) Companies located in Taiwan:

December 31, 2018

Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2011	$ 171,184	$ 103,594	$ 103,594	2021
2012	72,056	72,056	72,056	2022
2018	401,799	401,799	-	2028
	$ 645,039	$ 577,449	$ 175,650	

December 31, 2017

Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2011	$ 167,284	$ 167,284	$ 167,284	2021
2012	72,056	72,056	72,056	2022
2017	91,382	91,382	91,382	2027
	$ 330,722	$ 330,722	$ 330,722	

(b) In accordance with the tax regulations in Malaysia, the loss carryforward of the consolidated subsidiary, ALL VISION TECHNOLOGY SDN. BHD, audited by other independent accountants, had no expiration date. As of December 31, 2018 and 2017, the unused loss carryforward amounted to $523,972 and $519,075, respectively.

E. The amounts of deductible temporary differences that are not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 1,277,971	$ 1,299,279

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2018 and 2017, the amounts of temporary differences unrecognised as deferred tax liabilities were $418,813 and $423,542, respectively.

G. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(28) (Loss) earnings per share

	2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 463,048)	282,347	($ 1.64)

	2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 217,663	281,061	$ 0.77
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employee compensation		1,095	
Employee restricted shares		29	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 217,663	282,185	$ 0.77

(29) Business combinations

A. In order to enforce AIoT and smart surveillance photography market layout, the Group acquired 100% of the share capital of AndroVideo Inc. for $140,000 and obtained control over AndroVideo Inc. (referred herein as "AndroVideo") on August 31, 2018. The Group is focused on research and development, manufacturing, and trading of digital monitoring system. The Group is expected to enforce its market position after the acquisition.

B. The following table summarises the consideration paid for AndroVideo and the fair values of the assets acquired and liabilities assumed at the acquisition date:

		December 31, 2018
Purchase consideration		
Cash paid	$	140,000
Fair value of the identifiable assets acquired and liabilities assumed		
Cash		3,202
Accounts receivable		853
Inventories		32,868
Other current assets		3,451
Property, plant and equipment		5,387
Other non-current assets		1,337
Other short-term borrowings	(	17,000)
Accounts payable	(	12,038)
Other current liabilities	(	30,744)
Other intangible assets		37,600
Total identifiable net assets		24,916
Goodwill	$	115,084

(30) Supplemental cash flow information

Investing activities with partial cash payments

		2018		2017
Purchase of property, plant and equipment	$	181,446	$	453,382
Compensation revenue		-	(	36,000)
Cash paid during the year	$	181,446	$	417,382

(31) Changes in liabilities from financing activities

Changes in liabilities from financing activities arose from changes in cash flow from financing activities for the years ended December 31, 2018 and 2017. Please refer to statements of cash flows for the details.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Altasec Technology Corporation (Altasec Technology)	Associate
AVY Precision Technology Inc. (AVY Precision)	Other related party
AVY Co., Ltd. (AVY)	Other related party
Shine Trade International Ltd. (Shine Trade)	Other related party
Taichiba International Ltd. (Taichiba)	Other related party

(2) Significant related party transactions

The following disclosures are based on transactions with counterparties who are considered as related parties.

A. Operating revenue:

	2018	2017
Sales of goods:		
-Associates	$ 73,116	$ 41,125

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases:

	2018	2017
Purchases of goods:		
-Other related parties	$ 89,858	$ 196,654

Goods and services are purchased from other related parties on normal commercial terms and conditions.

C. Receivables from related parties:

	December 31, 2018	December 31, 2017
Accounts receivable:		
Associates	$ 12,341	$ 12,320

D. Payable to related parties

	December 31, 2018	December 31, 2017
Accounts payable		
-Other related parties	$ 38,144	$ 75,330

The payables to related parties arise mainly from purchase transactions and are due 1~6 months after the date of purchase.

E. Property transactions:

Purchase of property, plant and equipment:

	Years ended December 31,	
	2018	2017
Associaties	$ –	$ 382
Other related parties	7,572	18,908
	$ 7,572	$ 19,290

(3) Key management compensation

	2018	2017
Salaries and other short-term employee benefits	$ 13,545	$ 21,792
Post-employment benefits	611	674
Share-based payments	-	329
	$ 14,156	$ 22,795

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Land	$ 1,256,394	$ 1,256,394	Note
Buildings and structures	27,850	29,816	Bank borrowings
	$ 1,284,244	$ 1,286,210	

Note: In order to jointly develop the operational headquarters with general contractors, the land of Xinzhuang Fuduxin Section was pledged to banks as collateral.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

The Group classified financial assets at amortised cost (including cash and cash equivalents, current financial assets at amortised cost and accounts receivable) with carrying amount of \$3,462,295, and financial liabilities at amortised cost (including short-term borrowings, accounts payable and other payables) with carrying amount of \$3,068,297 under IFRS 9. The information on carrying amounts of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is provided in Note 6.

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

iii. The Group treasury’s risk management policy is to hedge (mainly export sales and purchase of inventory and processing charges) in each major foreign currency for the subsequent quarter.

iv. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group’s foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies, and China as the main regional.

v. The Group’s businesses involve some non-functional currency operations (the Company’s and certain subsidiaries’ functional currency: NTD; other certain subsidiaries’ functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018						
					Sensitivity analysis		
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	
(Foreign currency: functional currency							
Financial assets							
Monetary items							
USD:NTD	$	57,805	30.715	$ 1,775,481	1%	$	17,755
Financial liabilities							
Monetary items							
USD:NTD	$	51,970	30.715	$ 1,596,251	1%	$	15,963
USD:RMB		42,643	6.8632	292,665	1%		2,927

	December 31, 2017						
					Sensitivity analysis		
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	
(Foreign currency: functional currency							
Financial assets							
Monetary items							
USD:NTD	$	97,545	29.76	$ 2,902,939	1%	$	29,029
Financial liabilities							
Monetary items							
USD:NTD	$	66,757	29.76	$ 1,986,688	1%	$	19,867
USD:RMB		47,653	6.5342	311,374	1%		3,114

vi. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017 amounted to $22,576 and ($67,828), respectively.

Price risk

i. The Group’s equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group’s investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant. For the years ended December 31, 2018 and 2017, other components of equity would have increased/decreased by $131,364 and $169,675, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from bank borrowings with variable rates, which expose the Group to cash flow interest rate risk.

ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017, would have increased/decreased by $4,386 and $3,398, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the relevant management methods. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumption under IFRS 9, that is, if the contract payments were past due over 180 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss.

v. The Group used the forecastability to adjust the loss rates which is based on history and timely information within the specified period to estimate loss allowance for accounts receivable. Based on the consideration and information above, the Group does not expect any significant loss allowance for the accounts receivable due to loss rate.

vi. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

		2018
At January 1_IAS 39	$	165,611
Adjustments under new standards		-
At January 1_IFRS 9		165,611
Provision for impairment		8,172
At December 31	$	173,783

vii. Credit risk information for 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(15)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. As of December 31, 2018 and 2017, the Group has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Fixed rate:		
Expiring within one year	$ 3, 366, 702	$ 4, 168, 412

iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The table below analyses the Group's non-derivative financial liabilities, of which short-term borrowings, accounts payable and other payables is less than one year, and guarantee deposits received is more than one year.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. The carrying amounts of financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortised cost-current, accounts receivable, short-term borrowings, accounts payable and other payables are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$1,141,377	$ -	$172,258	$1,313,635

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$1,696,754	$ -	$ -	$1,696,754

E. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

F. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk, etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

G. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

H. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

I. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	2018	2017
At January 1	$ -	$ -
IFRS 9 translation adjustment	206,531	-
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(34,863)	-
Effect of exchange rate changes	590	-
At December 31	$ 172,258	$ -

J. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

K. Finance and accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

L. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments: Unlisted shares	$172,258	Net asset value	Not applicable	-	Not applicable

M. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Net asset value	±1%	$ -	$ -	$ -	$1,723

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017

(a) Financial assets at fair value through profit or loss

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available for sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(iii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(iv) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from ‘other comprehensive income’ to ‘profit or loss’. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Measured at fair value through other comprehensive income-equity	Available-for sale-equity	Measured at cost	Total	Effects: Retained earnings	Effects: Other equity
IAS 39	$ -	$1,696,754	$214,145	$1,910,899	$ -	$ -
Transferred into and measured at fair value through other comprehensive income-equity	1,910,899	(1,696,754)	(214,145)	-	-	-
Fair value adjustment	(7,614)	-	-	(7,614)	11,247	(18,861)
IFRS 9	$ 1,903,285	$ -	$ -	$1,903,285	$ 11,247	($ 18,861)

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets, financial assets at cost, amounting to $1,696,754 and $214,145, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $1,910,899, and accordingly, retained earnings was increased and other equity interest was decreased in the amounts of $11,247 and $18,861 on initial application of IFRS 9, respectively.

C. The significant accounts as of December 31, 2017 are as follows:

(a) Financial assets at fair value through profit or loss

Items	December 31, 2017
Financial assets held for trading	
Listed stocks	$ –
Valuation adjustment	–
	$ –

i. The Group recognised net profit amounting to $1,980 on financial assets held for trading for the year ended December 31, 2017.

ii. The Group has no financial assets at fair value through profit or loss pledged to others.

(b)Available-for-sale financial assets

Items		December 31, 2017
Current items:		
Listed stocks	$	818, 048
Valuation adjustment	(	51, 532)
	$	766, 516
Non-current items:		
Listed stocks	$	636, 816
Valuation adjustment		293, 422
	$	930, 238

i. The Group recognised $536,391 in other comprehensive income for fair value change to profit or loss for the year ended December 31, 2017.

ii. The Group has no financial assets pledged to others.

(c) Financial assets at cost

Items		December 31, 2017
Unlisted stocks	$	225,522
Accumulated impairment	(	11, 377)
	$	214,145

i. According to the Group's intention, its investment in unlisted stocks should be classified as 'available-for-sale financial assets'. However, as the company stocks are not traded in active market, and sufficient industry information of companies similar to company stocks or company stocks' financial information cannot be obtained, the fair value of the investment in company stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. On December 29, 2016, the Board of Directors of the Company resolved to invest in ABICO ASIA CAPITAL CORPORATION in the estimated amount of $100 million. As of December 31, 2017, the investment amounted to $100 million, and the shareholding ratio was 5.189%.

iii. On December 22, 2017, the Board of Directors of the Company resolved to invest in REVL Inc. in the amount of USD 618 thousand (approximately NTD 18,392 thousand. As of December 31, 2017, the Group's shareholding ratio was 2.059%.

iv. The Group has no financial assets pledged to others.

D. Credit risk information for the year ended December 31, 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(b) For the year ended December 31, 2017, the implement of credit management is based on the regulations and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017
Group A	$ 616,387
Group B	190,367
Group C	496,290
Group D	110,607
	$ 1,413,651

Note: Credit quality is classified according to six indicators that include the business situation, debt-paying ability, managing ability, profit-earning ability, financial structure and cash flows. The customers' total scores valued through each of the six indicators are ranked in a risk assessment range in a descending order as A, B, C and D level. If applied to external valuation to obtain D&B or Moody's ratings, ranges are also classified into the following four levels as below.

Group A：D&B rating 1 or Moody rating AAA/Aa/A1-A3.

Group B：D&B rating 2 or Moody rating Baal-3.

Group C：D&B rating 3 or Moody rating BA/B1-3.

Group D：D&B rating 4 or Moody rating below Caa.

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 257,210
31 to 90 days	29,367
91 to 180 days	3,701
Over 180 days	450
	$ 290,728

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $165,611.

ii. Movements on the Group's provision for impairment of accounts receivable are as follows:

	2017
	Group provision
At January 1	$ 165,766
Reversal of impairment loss	(155)
At December 31	$ 165,611

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sales of goods

i The Group is primarily engaged in manufacture and sales of digital camera, optical products and other related parts and components. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

ii.The Group offers customers volume discounts and right of return for defective products.The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

(b) Sales of services

The Group provides product research and development services. Revenue from delivering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are likely to be recoverable.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	2017
Sales revenue	$ 10,985,857
Service revenue	215,743
	$ 11,201,600

C. There is no effect on current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies.

14. SEGMENT INFORMATION

(1) General information

The Group has classified the reportable operating segments based on management strategy. The Company’s operations and segmentation are classified according to the management strategy, and the current management strategy is divided into the optical manufacturing segment and the strategic investing segment. The Company’s main activities are the manufacturing and sales of optical products; the strategic investing segment focuses on sales of design and manufacturing of optical elements.

The Group’s management has determined the reportable operating segments based on the reports reviewed by the Board of Directors for decision making.

There is no significant change to the Group’s components, basis for segmentation, and basis for balancing the segments’ information for the year.

(2) Measurement of segment information

The Group’s operating decision-maker evaluates the performance of the operating segments based on their net operating profit. The basis of the measurement excludes effects of non-recurring expenditures from the operating segments and effects of unrealised gains/losses on financial products.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	2018			
	Optical manufacturing segment	Strategic investing segment	Reconciliations and offsets	Total
Revenue				
Revenue from external customers	$ 6,649,915	$ 985,113	$ −	$ 7,635,028
Revenue from internal customers	−	521,941	(521,941)	−
Total segment revenue	$ 6,649,915	$ 1,507,054	($ 521,941)	$ 7,635,028
Inter-segment profit (loss)	($ 812,219)	$ 50,036	$ 22,322	($ 739,861)
Segment income (loss):				
Depreciation and amortisation	$ 289,483	$ 78,027	$ −	$ 367,510
Not included in the segments' profits or losses for measurement, but are still provided to the chief operating decision-maker periodically:				
Interest income				$ 34,759
Interest expense				$ 6,659
Income tax expense				$ 89,047
Segment assets				
Identifiable assets	$ 8,731,307	$ 812,644	$ −	$ 9,543,951
Financial assets at fair value through other comprehensive income				$ 1,313,635
Investment accounted for under the equity method				12,293
General assets				178,209
Total assets				$ 11,048,088
Capital expenditures	$ 114,343	$ 67,103	$ −	$ 181,446

	2017			
Revenue	Optical manufacturing segment	Strategic investing segment	Reconciliations and offsets	Total
Revenue from external customers	$ 10,389,284	$ 812,316	$ -	$ 11,201,600
Revenue from internal customers	9,339,317	489,766	(9,829,083)	-
Total segment revenue	$ 19,728,601	$ 1,302,082	($ 9,829,083)	$ 11,201,600
Inter-segment profit (loss)	$ 32,619	($ 8,815)	$ 41,049	$ 64,853
Segment income (loss):				
Depreciation and amortisation	$ 264,242	$ 79,769	$ -	$ 344,011
Not included in the segments' profits or losses for measurement, but are still provided to the chief operating decision-maker periodically:				
Interest income				$ 26,344
Interest expense				$ 5,558
Income tax expense				$ 21,883
Segment assets				
Identifiable assets	$ 9,944,914	$ 862,682	$ -	$ 10,807,596
Available-for-sale financial assets				1,696,754
Financial assets measured at cost				214,145
Investment accounted for under the equity method				4,020
General assets				83,896
Total assets				$ 12,806,411
Capital expenditures	$ 405,755	$ 47,627	$ -	$ 453,382

(4) Reconciliation for segment income (loss)

A reconciliation of adjusted consolidated net profit before tax and the reportable operating segments' net profit for 2018 and 2017 is provided as follows:

	2018	2017
Reportable segments profit and loss	($ 739,861)	$ 64,853
Gain on financial instruments	-	1,908
Share of profit of associates and joint ventures accounted for using the equity method	8,273	954
Finance costs - net	(6,659)	(5,558)
Others	223,675	166,124
Profit before tax and continued operations	($ 514,572)	$ 228,281

(5) Information on product and service

Refer to Note 6 (23) for the related information.

(6) Geographical information

Geographical information for 2018 and 2017 is as follows:

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Japan	$ 3,608,433	$ -	$ 7,296,402	$ -
Taiwan	27,333	3,317,162	23,063	3,464,228
Others	3,999,262	1,073,228	3,882,135	1,250,022
	$ 7,635,028	$ 4,390,390	$ 11,201,600	$ 4,714,250

(7) Major customer information

Major customer information of the Group for 2018 and 2017 is as follows:

	2018		2017	
	Revenue	Segment	Revenue	Segment
R Company	$ 1,646,386	Optical segment	$ 3,112,257	Optical segment
AA Company	1,133,150	Optical segment	1,374,102	Optical segment
EE Company	1,123,446	Optical segment	2,305,586	Optical segment
A Company	541,781	Optical segment	1,678,065	Optical segment

Attachment II

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Ability Enterprise Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Ability Enterprise Co., Ltd. (the "Company") as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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.

Assessment of allowance for inventory valuation loss

Description

Refer to Note 4(11) for accounting policies on inventory valuation, Note 6(6) for account details on investments accounted for using equity method and Tables 7 and 8 for further information on investees accounted for using equity method.

As of December 31, 2018, inventories and allowance for inventory valuation loss amounted to NT$497 thousand and NT$285 thousand, respectively, while the investments accounted for using equity method amounted to NT$4,896,014 thousand. The Company's direct and indirect wholly-owned subsidiaries, Viewquest Technologies (BVI) Inc., Ability Technology (Dongguan) Co., Ltd., Jiujiang Viewquest Electronics Inc. and Dongguan Viewquest Electronics Inc., are main operating entities. All of which are primarily engaged in manufacturing and sale of digital cameras, optical devices as well as related parts and components. Due to rapid changes in technology innovations, short life cycles of electronic products and fluctuations in market prices, there is higher risk of incurring inventory valuation losses and obsolescence. The entities recognise inventories at the lower of cost and net realisable value and assess excess inventories and those separately identified as obsolete.

As the abovementioned subsidiaries contribute a significant amount of inventories and loss allowance and the inventory valuation is subject to significant judgements and estimates and have great uncertainty, we consider the assessment of the allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures with respect to excess inventories and those separately identified as obsolete or damaged:

A. Ascertained whether the policies on allowance for inventory valuation losses are consistently applied in all the periods.
B. Understood the determination method of the net realisable value, sampled and tested whether the net realisable values were calculated in accordance with the abovementioned method.
C. Discussed with management the estimated net realisable value of separately identified obsolete and damaged inventories, obtained and corroborated against supporting documents and recalculated the

allowance provision.

Impairment assessment of property, plant and investment property

Description

Refer to Notes 4(13) and (14) for accounting policies on impairment of property, plant and equipment and investment property, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on impairment of property, plant and equipment, and Notes 6(7) and (8) for account details of property, plant and equipment and investment property. As of December 31, 2018, property, plant and equipment and investment property totalled to NT$3,113,288 thousand.

The Company's property, plant and equipment and investment property primarily consist of land, buildings and structures amounting to NT$3,113,288 thousand, constituting 30% of total assets. The domestic property value has been significantly affected by the factors of market supply and demand situation, natural disasters, government policies, economic situation and the uncertainty of property valuation as well as the risk of asset impairment. Thus, we consider impairment assessment of property, plant and equipment and investment property a key audit matter.

How our audit addressed the matter

We performed the following audit procedures with respect to impairment assessment of property, plant and equipment and investment property:

A. Reviewed external information (or the most recent transaction price for similar property) to identify any potential impairment indicators for property, plant and equipment and investment property.
B. Assessed the reasonableness of the recoverable amounts of property, plant and equipment and investment property, and evaluated the impairment assessment based on the most recent transaction price for similar property.

Other matter – Scope of the audit

We did not audit the financial statements of certain subsidiaries accounted for using equity method that are included in the financial statements. The balance of these investments accounted for using equity method amounted to NT$130,807 thousand and NT$4,020 thousand, constituting 1.24% and 0.03% of consolidated total assets as of December 31, 2018 and 2017, respectively, and the related share of profit of subsidiaries accounted for using equity method was NT$13,213 thousand and NT$954 thousand, constituting 1.29% and 0.21% of consolidated total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. 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.
B. 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.
C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
D. 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
E. 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.
F. Obtain sufficient appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Juanlu, Man-Yu　　　　Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan
March 25, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 885,133	9	$ 1,006,591	8
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	-	-
1170	Accounts receivable, net	6(4) and 7	546,184	5	1,266,328	11
130X	Inventory	6(5)	212	-	2,025	-
1470	Other current assets	7	234,289	2	94,194	1
11XX	**Total current assets**		1,665,818	16	2,369,138	20
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	676,421	6	-	-
1523	Non-current available-for-sale financial assets	12(4)	-	-	930,238	8
1543	Non-current financial assets at cost	12(4)	-	-	195,753	1
1550	Investments accounted for using equity method	6(6)	4,896,014	46	5,093,310	42
1600	Property, plant and equipment	6(7), 7 and 8	2,524,903	24	2,756,242	23
1760	Investment property, net	6(8)	588,385	6	598,602	5
1780	Intangible assets		9,346	-	4,682	-
1840	Deferred income tax assets	6(21)	167,067	2	75,973	1
1900	Other non-current assets		20,936	-	35,915	-
15XX	**Total non-current assets**		8,883,072	84	9,690,715	80
1XXX	**Total assets**		$ 10,548,890	100	$ 12,059,853	100

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)	$ 240,000	3	$ -	-
2170	Accounts payable	7	2,333,676	22	2,605,224	22
2200	Other payables	6(10)	429,075	4	537,608	5
2230	Current income tax liabilities		-	-	44,657	-
2250	Provisions for liabilities - current	6(13)	106,160	1	136,438	1
2300	Other current liabilities		117,969	1	157,155	1
21XX	**Total current liabilities**		3,226,880	31	3,481,082	29
	Non-current liabilities					
2600	Other non-current liabilities	6(11)	60,104	-	61,429	-
25XX	**Total non-current liabilities**		60,104	-	61,429	-
2XXX	**Total liabilities**		3,286,984	31	3,542,511	29
	Equity					
	Share capital					
3110	Share capital - common stock	6(14)	2,823,628	27	2,823,650	23
	Capital surplus	6(15)				
3200	Capital surplus		1,563,455	15	1,563,069	13
	Retained earnings	6(16)				
3310	Legal reserve		1,655,947	16	1,634,181	14
3320	Special reserve		-	-	101,662	1
3350	Unappropriated retained earnings		1,645,054	15	2,242,829	19
	Other equity interest					
3400	Other equity interest		(426,178)	(4)	151,951	1
3XXX	**Total equity**		7,261,906	69	8,517,342	71
3X2X	**Total liabilities and equity**		$ 10,548,890	100	$ 12,059,853	100

The accompanying notes are an integral part of these parent company only financial statements.

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for (loss) earnings per share amount)

	Items	Notes	Year ended December 31 2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating revenue**	6(17) and 7	$ 5,622,943	100	$ 9,959,455	100
5000	**Operating costs**	6(5)(20) and 7	(5,374,877)	(96)	(8,899,575)	(89)
5950	**Gross profit from operations**		248,066	4	1,059,880	11
	Operating expenses	6(20)				
6100	Selling expenses		(81,741)	(1)	(80,533)	(1)
6200	Administrative expenses		(362,417)	(6)	(352,892)	(4)
6300	Research and development expenses		(591,260)	(11)	(612,548)	(6)
6450	Net other income (expenses)	12(2)	(4,915)	-	-	-
6000	**Total operating expenses**		(1,040,333)	(18)	(1,045,973)	(11)
6900	**Net operating (loss) income**		(792,267)	(14)	13,907	-
	Non-operating income and expenses					
7010	Other income	6(18)	56,004	1	48,325	1
7020	Other gains and losses	6(19)	56,147	1	36,162	-
7050	Finance costs		(593)	-	(62)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(6)	99,167	2	122,461	1
7000	**Total non-operating income and expenses**		210,725	4	206,886	2
7900	**(Loss) profit before income tax**		(581,542)	(10)	220,793	2
7950	Income tax benefit (expense)	6(21)	118,494	2	(3,130)	-
8200	**(Loss) profit for the year**		($ 463,048)	(8)	$ 217,663	2
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Losses) gains on remeasurements of defined benefit plans	6(11)	($ 1,058)	-	$ 3,921	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(441,956)	(8)	-	-
8330	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		(174,601)	(3)	163	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	1,943	-	(667)	-
8310	**Other comprehensive (loss) income that will not be reclassified to profit or loss**		(615,672)	(11)	3,417	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		57,223	1	(282,778)	(3)
8362	Other comprehensive income, before tax, available-for-sale financial assets	12(4)	-	-	293,441	3
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method		-	-	242,950	3
8360	**Other comprehensive income that will be reclassified to profit or loss**		57,223	1	253,613	3
8300	**Total other comprehensive (loss) income**		($ 558,449)	(10)	$ 257,030	3
8500	**Total comprehensive (loss) income**		($ 1,021,497)	(18)	$ 474,693	5
	Earnings per share	6(22)				
9750	**Basic earnings per share**		($ 1.64)		$ 0.77	
9850	**Diluted earnings per share**		($ 1.64)		$ 0.77	

The accompanying notes are an integral part of these parent company only financial statements.

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other Equity Interest					
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Other equity - others	Treasury stocks	Total equity
2017												
Balance at January 1, 2017		$ 2,825,279	$ 1,560,123	$ 1,595,556	$ -	$ 2,416,348	$ 192,839	$ -	($ 294,501)	($ 2,871)	($ 695)	$ 8,292,078
Profit for 2017		-	-	-	-	217,663	-	-	-	-	-	217,663
Other comprehensive income (loss) for 2017		-	-	-	-	3,417	(282,778)	-	536,391	-	-	257,030
Total comprehensive income (loss) for 2017		-	-	-	-	221,080	(282,778)	-	536,391	-	-	474,693
Appropriation and distribution of 2016 retained earnings	6(16)											
Legal reserve		-	-	38,625	-	(38,625)	-	-	-	-	-	-
Special reserve		-	-	-	101,662	(101,662)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(254,171)	-	-	-	-	-	(254,171)
Compensation cost of share-based payment	6(12)	-	-	-	-	(141)	-	-	-	2,871	-	2,730
Adjustments to changes in vested number of restricted stock		-	2,012	-	-	-	-	-	-	-	-	2,012
Redemption of employee restricted stock	6(12)	(1,629)	934	-	-	-	-	-	-	-	695	-
Balance at December 31, 2017		$ 2,823,650	$ 1,563,069	$ 1,634,181	$ 101,662	$ 2,242,829	($ 89,939)	$ -	$ 241,890	$ -	$ -	$ 8,517,342
2018												
Balance at January 1, 2018		$ 2,823,650	$ 1,563,069	$ 1,634,181	$ 101,662	$ 2,242,829	($ 89,939)	$ -	$ 241,890	$ -	$ -	$ 8,517,342
Effects of retrospective application and retrospective restatement	12(4)	-	-	-	-	11,247	-	223,029	(241,890)	-	-	(7,614)
Balance at January 1, 2018 after restatement		2,823,650	1,563,069	1,634,181	101,662	2,254,076	(89,939)	223,029	-	-	-	8,509,728
Loss for 2018		-	-	-	-	(463,048)	-	-	-	-	-	(463,048)
Other comprehensive income (loss) for 2018		-	-	-	-	819	57,223	(616,491)	-	-	-	(558,449)
Total comprehensive income (loss) for 2018		-	-	-	-	(462,229)	57,223	(616,491)	-	-	-	(1,021,497)
Appropriation and distribution of 2017 retained earnings	6(16)											
Legal reserve		-	-	21,766	-	(21,766)	-	-	-	-	-	-
Special reserve		-	-	-	(101,662)	101,662	-	-	-	-	-	-
Cash dividends		-	-	-	-	(225,892)	-	-	-	-	-	(225,892)
Adjustments to changes in vested number of restricted stock		-	364	-	-	-	-	-	-	-	-	364
Redemption of employee restricted stock	6(12)	(22)	22	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries		-	-	-	-	(797)	-	-	-	-	-	(797)
Balance at December 31, 2018		$ 2,823,628	$ 1,563,455	$ 1,655,947	$ -	$ 1,645,054	($ 32,716)	($ 393,462)	$ -	$ -	$ -	$ 7,261,906

The accompanying notes are an integral part of these parent company only financial statements.

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		($ 581,542)	$ 220,793
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss	12(2)	4,915	-
Bad debts expense	12(4)	-	29
Depreciation	6(20)	144,098	120,023
Amortisation	6(20)	3,494	3,611
Compensation cost of share-based payment	6(12)	-	2,730
Gain on valuation of financial assets and liabilities	12(4)	-	(1,908)
Gain on disposal of property, plant and equipment and investment property		(64,026)	(21,697)
Loss on disposal of investments		119	-
Share of profit or loss of associates and joint ventures accounted for under equity method	6(6)	(99,167)	(122,461)
Interest expense		593	62
Interest income	6(18)	(9,186)	(10,904)
Dividend income	6(18)	(14,558)	(6,041)
Compensation revenue	6(19)	-	(36,000)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		715,229	284,915
Inventories		1,813	220
Other current assets		(76,237)	3,605
Changes in operating liabilities			
Accounts payable		(271,548)	(595,883)
Other payables		(108,147)	12,333
Provisions		(30,278)	(45,980)
Other current liabilities		(39,186)	46,280
Other non-current liabilities		(1,698)	(1,716)
Cash outflow generated from operations		(425,312)	(147,989)
Interest received		9,186	10,904
Dividends received		383,738	6,041
Income tax paid		(17,003)	(46,997)
Interest paid		(593)	(62)
Net cash flows used in operating activities		(49,984)	(178,103)

(Continued)

ABILITY ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of current financial assets at fair value through profit or loss		$ -	$ 7,178
Acquisition of financial assets measured at cost	12(4)	-	(100,000)
Acquisition of investments accounted for using equity method	6(6)	(192,871)	-
Proceeds from capital liquidation of investments accounted for using equity method	6(6)	1,860	-
Proceeds from capital reduction of investments accounted for using equity method	6(6)	-	57,684
Acquisition of property, plant and equipment	6(23)	(83,095)	(366,560)
Proceeds from disposal of property, plant and equipment		233,410	54,007
Acquisition of intangible assets		(8,158)	(5,877)
Increase in other current assets		(51,000)	-
Decrease in other non-current assets		14,979	3,789
Net cash flows used in investing activities		(84,875)	(349,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans		240,000	-
(Decrease) increase in other non-current liabilities		(685)	317
Redemption of employee restricted stock	6(12)	(22)	(934)
Payment of cash dividends	6(16)	(225,892)	(254,171)
Net cash flows from (used in) financing activities		13,401	(254,788)
Net decrease in cash and cash equivalents		(121,458)	(782,670)
Cash and cash equivalents at beginning of year		1,006,591	1,789,261
Cash and cash equivalents at end of year		$ 885,133	$ 1,006,591

The accompanying notes are an integral part of these parent company only financial statements.

ABILITY ENTERPRISE CO., LTD. 

Chairman: Tseng, Ming-Jen